



# WORLD WILDLIFE FUND- GEF PROJECT DOCUMENT

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<b>Parent Program:</b>	Taking Deforestation Out of Commodity Supply Chains
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# Contents

List of Figures and Tables .....	iv
<b>EXECUTIVE SUMMARY .....</b>	<b>1</b>
<b>ACRONYMS AND ABBREVIATIONS .....</b>	<b>3</b>
<b>SECTION 1: PROJECT BACKGROUND.....</b>	<b>5</b>
1.1 Program background.....	5
1.2 Background and Context.....	6
1.3 Environmental Problem, Root Causes, Barriers.....	8
1.4 Baseline Analysis .....	12
<b>SECTION 2: GEF INTERVENTION STRATEGY.....</b>	<b>20</b>
2.1 Project Scope and Vision (GEF Project Objective) .....	20
2.2 Conservation Targets .....	20
2.3 Project Strategies (GEF Project Components) and Expected Results .....	21
2.4 Global Environmental Benefits .....	43
2.5 Incremental Cost Reasoning .....	44
2.6 Risk Analysis and Risk Management Measures (Project Risks).....	48
2.7 Consistency with International and National Priorities or Plans .....	50
2.8 Consistency with GEF Focal Area/Fund Strategies .....	52
2.9 WWF Comparative Advantage and Consistency with WWF Programs .....	53
2.10 Innovativeness, Sustainability & Cost-Effectiveness.....	53
2.11 Knowledge Management and Communications Strategy .....	56
<b>SECTION 3: INSTITUTIONAL FRAMEWORK AND IMPLEMENTATION ARRANGEMENTS .....</b>	<b>57</b>
3.1 Project Execution Arrangements and Partners.....	57
3.2 Project Steering Committee.....	60
3.3 Project Management Unit .....	60
3.4 WWF-GEF Project Agency Management Unit.....	61
3.5 Integration with Other Child Projects .....	61
3.6 Program Steering Committee .....	61
<b>SECTION 4: STAKEHOLDER PARTICIPATION .....</b>	<b>61</b>
4.1. Country and regional engagement .....	62
4.2 Private sector engagement .....	63
4.3 Input on transparency of supply chain strategy .....	64

4.4 Other project partners .....	64
<b>SECTION 5: ENVIRONMENTAL AND SOCIAL SAFEGUARDS.....</b>	<b>65</b>
<b>SECTION 6: GENDER MAINSTREAMING .....</b>	<b>65</b>
<b>SECTION 7: MONITORING AND EVALUATION PLAN .....</b>	<b>68</b>
7.2 Project Staff Dedicated to M&E .....	68
7.3 Monitoring & Evaluation System Description (or, M&E Components & Activities) .....	69
7.4 Calendar of Monitoring Activities and Reporting Requirements.....	72
<b>SECTION 8: PROJECT FINANCING AND BUDGET .....</b>	<b>73</b>
8.1 GEF Project Budget Overview .....	73
8.2 Project Budget Notes .....	73
8.3 Monitoring and Evaluation Budget.....	78
8.4 Project Co-financing.....	82
<b>TECHNICAL ANNEX.....</b>	<b>83</b>
Appendix 1: Commodity production, trade and demand data.....	83
Appendix 2: Project Site Map .....	88
Appendix 3: Conceptual Model.....	89
Appendix 4: Results Chains .....	90
Appendix 5: Monitoring & Evaluation Plan (GEF Results Framework) .....	92
Appendix 5.b: Policy Steps Tracking Tool .....	99
Appendix 6: Summary Budget .....	100
Appendix 7: Co-Financing by Source (GEF Table C) .....	101
Appendix 8: Co-Financing Commitment Letters.....	102
Appendix 9: Stakeholder Consultation Report .....	109
Appendix 10: Links between IAP Child Projects and Demand Child Project.....	112
Appendix 11: References .....	114

## List of Figures and Tables

Figure 1 Global market structure and levers .....	8
Figure 2 Zero deforestation commitments.....	12
Figure 3 Phases of the TFA 2020 Palm Oil Initiative .....	17
Figure 4 Responsible Demand Project theory of change.....	23
Figure 5 Interrelation of components.....	25
Figure 6 Demand Child Project coordination.....	58
Table 1 IAP replenishment targets.....	6
Table 2 Barriers to sustainable demand .....	11
Table 3 Baseline situation and customized project interventions for targeted regions .....	24
Table 4 Project description summary .....	26
Table 5 Global Environmental Benefits.....	44
Table 6 Demand Child Project Incremental Benefits.....	45
Table 7 Risk analysis and risk management measures .....	48
Table 8 Calendar of monitoring activities and reporting requirements .....	72
Table 9 GEF budget overview (in USD) .....	73
Table 10 Sub recipient summary* .....	73
Table 11 Subgrantee recipients and related activities (in USD) .....	74
Table 12 UNDP co-implementation costs (in USD) .....	75
Table 13 Personnel budget Component 1 .....	77
Table 14 Personnel budget Component 2 .....	77
Table 15 Personnel budget Component 3 .....	77
Table 16 Personnel budget Component 4 .....	78
Table 17 M&E Budget .....	80
Table 18 Project Management Cost.....	81
Table 19 Other Project Costs: Travel, Meeting, Workshops.....	82
Table 20 Co-finance by source .....	82

## EXECUTIVE SUMMARY

Forests and grassland biomes are the source of numerous environmental and socio-economic benefits: they host a diverse range of plants and animals; they are carbon sinks; they provide a wide range of ecosystem services; and, they support millions of women and men who depend on forest resources for their livelihoods and sustenance. Some of the most highly dense forest cover in the world is present in Indonesia, and grassland biomes including the Cerrado in Brazil and Chaco in Paraguay represent areas of biodiversity and environmental, social and economic importance.

Despite their importance, forests and grassland biomes are increasingly threatened. Demand for agricultural commodities such as oil palm, soy, and beef has resulted in large scale conversion of tropical forests and grasslands. Commercial agriculture alone represents two thirds of tropical deforestation. Conversion of grassland biomes for agricultural production is becoming increasingly common, along with the accompanying negative impacts on the range of environmental and socio-economic benefits these ecosystems provide. Biodiversity loss, carbon emissions, reduction in ecosystem services, loss of livelihoods, and increased poverty for local communities and indigenous groups are all consequences of agricultural expansion and unsustainable practices.

Many countries and companies have come together to express concern for trends in global deforestation. The 2014 New York Declaration on Forests succeeded in uniting governments, companies, and other stakeholders in a declaration to decrease by half the rate of global deforestation by 2020, and eliminate it by 2030. The three Rio Conventions (1992) — the Convention on Biological Diversity (CBD) and the United Nations Framework Convention on Climate Change (UNFCCC) — demonstrated broad government support for action to combat negative environmental trends, including deforestation.

In addition to support for global conventions such as the New York Declaration on Forests, traders, brands, and retailers have increasingly committed to reduced deforestation purchases, demonstrating their demand for reduced deforestation commodities (detailed in Section 1.3). Such commitments have been scaled into industry platform level pledges, such as the pledge on the part of 57 companies of the Consumer Goods Forum (CGF) to take deforestation out of commodity supply chains for palm, soy, beef and pulp and paper. Actions to curb demand for commodities from deforestation have taken place globally, and present a strong foundation on which an integrated initiative on reduced deforestation demand can be successfully built.

While initiatives such as the New York Declaration of Forests, CBD and UNFCCC, as well as corporate commitments, have addressed, and continue to address, major threats and barriers for global forest and grassland conservation - especially in the scope of the critical biomes impacted by deforestation for oil palm, soy, and beef production - critical issues and gaps hinder further success: (1) insufficient awareness and/or capacity for companies and investors; (2) lack of commitment to screen investments to ensure reduced deforestation practices, and lack of disclosure on all investments; (3) limited collective action among companies and other stakeholders; (4) weak enabling environments or conflicting policies inhibit capacity to meet demand for reduced deforestation commodities; (5) lack of consumer awareness on the benefits of sustainably produced commodities; (6) limited transparency tools that help actors understand expected demand, and where/how commodities are being produced, traded and consumed; and, (7) limited market intelligence and projections to inform public and private decision making.

To address these gaps, the **UNDP-GEF6 Integrated Approach Pilot Program (GEF PMIS 9072), *Taking Deforestation out of Commodity Supply Chains***, will build on a history and baseline of work by WWF-Market Transformation Initiative (MTI, now WWF Markets), UNDP, IFC, UNEP, CI, and UNEP-FI. The Commodities IAP Program will: support the uptake of reduced deforestation production practices through the UNDP-GEF Production Child Project; strengthen the enabling environment for reduced deforestation commodities through the **WWF-GEF Responsible Demand Child Project**; enhance investment in reduced deforestation commodities through the WB/IFC-GEF Transactions Child Project; and strengthen global capacity to leverage demand, transactions, and production in an integrated and synergistic way to deliver reduced deforestation commodities (UNDP-GEF Adaptive Management and Learning Child Project).

The WWF-GEF Responsible Demand Child Project, more specifically, will strengthen reduced deforestation supply chains for oil palm, soy, and beef by focusing on demand actors. The Demand Child Project aims to strengthen demand for reduced deforestation commodities amongst consumers, policy makers, companies, and investors. These actions will build towards the project objective, which is to strengthen the enabling environment and public and private sector demand for reduced deforestation commodities in priority markets.

The Demand Child Project has five interrelated components designed to scale up existing baseline programs and address key threats and barriers to demand for reduced deforestation oil palm, soy, and beef. The components will include: (1) mainstreaming demand for reduced deforestation commodities with major buyers and traders; (2) strengthening the enabling environment for reduced deforestation commodities in demand markets; (3) promoting reduced deforestation commodities in major markets; (4) advancing supply chain transparency, traceability & decision support tools; and, (5) Monitoring and Evaluation.

The target commodities of the Demand Child Project —oil palm, soy, and beef— are those driving deforestation in high biodiversity tropical regions. This translates to Project action in key geographies affected by these commodities: oil palm in Indonesia and West Africa; and soy in Brazil's Cerrado and beef in Paraguay's Chaco. The Project is designed to allow other demand countries to participate as appropriate. The Project will leverage existing global market demand for reduced deforestation commodities to drive change among actors in these target regions, while building complementary consumer demand, government policies and needed tools. Coordinated activities with the other Commodities IAP Project's will help ensure that increased demand translates into reduced biodiversity loss and deforestation. The expected deliverables of the project are increased, enabled, and mobilized demand for reduced deforestation commodities in target regions, with subsequent global uptake. In conjunction with the IAP as a whole, expected benefits include reduced deforestation for agricultural commodities that will extend throughout the life of the program and beyond.

## ACRONYMS AND ABBREVIATIONS

ABS	Association of Banks in Singapore
ADM	Archer Daniels Midland
AF	Africa
AM&L	Adaptive Management and Learning CIAP child project
BEI	Banking Environment Initiative
BZ	Brazil
CAR	Rural Environmental Registration
CBD	Convention on Biological Diversity
CDP	Carbon Disclosure Program
CFA	Conservation and Forest Alliance
CGF	Consumer Goods Forum
CI	Conservation International
CLUA	Climate and Land Use Alliance
CSR	Corporate social responsibility
ERPIN	Emission Reduction Program Idea Note
ESG	Environmental, Social and Governance
EU	European Union
FCAA	Forest Conservation Agriculture Alliance
FCPF	Forest Carbon Partnership Facility
FEFAC	European Feed Manufacturers' Federation
FLEGT	Forest Law Enforcement, Governance and Trade.
FMCG	Fast Moving Consumer Goods
G	Global
GCP	Global Canopy Program
GEF	Global Environment Facility
GHG	Greenhouse Gas
GRSB	Global Roundtable on Sustainable Beef
IAP	Integrated Approach Pilot
ID	Indonesia
IFC	International Finance Corporation
INDC	Intended Nationally Determined Contributions
ISCC	International Sustainability & Carbon Certification
ISPO	Indonesian Sustainable Palm Oil
LATAM	Latin America
LR	Liberia
M&E	Monitoring and Evaluation
MoU	Memorandum of Understanding
MTI	Market Transformation Initiative
NFMS	National Forest Monitoring System
NGO	Non-governmental organization

NSCC	National Secretariat for Climate Change
OFPP	Operational Focal Point
OJK	Indonesian Financial Services Authority
PIR	Project Implementation Report
PMU	Project Management Unit
POI	Palm Oil Initiative
PPG	Project Preparation Grant
PPMS	WWF Program and Project Management Standards
PPR	Project Progress Report
PRI	Principles for Responsible Investment
PSC	Project Steering Committee
PY	Paraguay
REDD	Reducing Emissions from Deforestation and Degradation
RSPO	Roundtable on Sustainable Palm Oil
RTRS	Round Table on Responsible Soy
SAN	Sustainable Agriculture Network
SD4C	Social Development for Conservation
SDG	Sustainable Development Goals
SEA	South East Asia
SEI	Stockholm Environment Institute
SFM	Sustainable Forest Management
SIDA	Swedish International Development Cooperation Agency
TEEB	The Economics of Ecosystems and Biodiversity
TFA	Tropical Forest Alliance
TNC	The Nature Conservancy
TPR	Technical Progress Report
UNCCD	United Nations Convention to Combat Desertification
UNDP	United Nations Development Program
UNEP-FI	United Nations Environment Programme Finance Initiative
UNFCCC	United Nations Framework Convention on Climate Change
USAID	United States Agency for International Development
VPA	Voluntary Partnership Agreement
WB	World Bank
WWF	World Wildlife Fund



## SECTION 1: PROJECT BACKGROUND

### 1.1 Program background

This project “Generating Responsible Demand for Reduced Deforestation Commodities” is a child project under the UNDP-GEF 6 Integrated Approach Pilot (IAP) program, *Taking Deforestation out of Commodity Supply Chains*. The IAP program is advancing an integrated “supply chain” approach to tackling the underlying root causes of deforestation from agriculture commodities, specifically beef, oil palm, and soy, that together account for nearly 70% of deforestation globally (Appendix 1). To vastly reduce or take deforestation out of these commodity supply chains, production has to come from areas that do not contribute to further clearance of natural forests.

The Theory of Change for the overall program builds on the premise that the increased adoption of agricultural commodity production practices that are less destructive of forests is contingent on several factors. Firstly, enabling conditions including policies and land use/spatial plans must be in place to make the right lands available for production and to make high biodiversity value and high carbon stock forests less accessible. Secondly, producers need enhanced capacity to adopt good agricultural practices and improve yields. Thirdly, increased financial flows and economic incentives are necessary to support these good production practices in the right locations and fewer incentives must be provided in inappropriate locations. Fourthly, market awareness and demand for reduced deforestation supply are critical to promote more sustainable production. If these factors are addressed, agricultural production can be increased and growth achieved with sharp reductions in deforestation compared to business-as-usual scenarios.

The IAP program has been developed through a multi-agency consortium that builds on the strong baseline of work by UNDP, WWF, IFC, UNEP-FI, and CI. The overall IAP program is designed through the supply chain lens for each of the three commodities, and in close consultation with four countries associated with their production: Brazil for soy and Paraguay for beef; and, Indonesia and Liberia for oil palm (see Appendix 2 for map of target countries). By applying the supply chain lens to the overall design, the IAP program engages all major actors to harness best practices and sustainability principles for production, generating responsible demand and enabling financial transactions. The Program will be carried out in an integrated, coordinated and synergistic fashion in order to foster sustainability and achieve transformational impact. The ultimate goal of the program is to make the drive for sustainable products associated with significantly reduced deforestation become standard industry practice.

The entire Program is organized into four major components that will be delivered through separate child projects as follows:

- **Support to Production (led by UNDP):** The focus is on promoting good practices and sustainability principles at the production end of the commodity supply chain. This component will enable supply and production in the right areas and location while conserving the forest and reducing deforestation in the targeted landscapes. Key geographies have been targeted for demonstration of best practices for sustainable production of oil palm (largest driver of deforestation in Indonesia and South East Asia), and soy and beef (largest drivers of deforestation in Latin America).
- **Generating responsible demand (led by WWF):** This component seeks to strengthen the enabling environment for increased demand of reduced-deforestation commodities in priority markets. The focus is on targeted engagement with key buyers and key markets that have

represented the majority of recent demand, domestic demand for these commodities within the production countries, and emerging economies where demand is increasing.

- Enabling Transactions (led by World Bank/IFC): This component seeks to improve the resilience and competitiveness of financial institutions, enabling them to develop in a sustainable manner with improved risk management practices and innovative products to accelerate the production and supply of forest friendly commodities. The aim is to support the development of investment transactions either via banks, investors or companies that reduce deforestation in key commodity supply chains on a commercial or blended finance basis.
- Adaptive Management and Learning (led by UNDP): In addition to overall coordination of the Program to ensure coherence and consistency, as well as communications and partnership building, this component will foster substantial knowledge management at the global level to advance the supply chain approach for beef, soy, and oil palm. This will include a Global Community of Practice to share best practices and promote learning, and a Global Research Impacts platform to develop robust and policy-relevant evidence base on the effectiveness of different voluntary sustainability standards for deforestation-free commodities.

Following Council approval of the PFD, the government of Brazil requested an explicit focus on the soy supply chain, bringing together substantive aspects on Enabling Transactions, Responsible Demand and Support to Production into a single child project for Brazil, with UNDP as the implementing agency and Conservation International as executing partner. The government of Brazil proposed that the child project be formulated on a baseline targeted on the MATOPIBA region (abbreviation for the States of Maranhão, Tocantins, Piauí and Bahia), for which a proposal had been developed with the Brazilian government and approved by the Grupo Técnico de Avaliação de Projetos (GTAP).

The IAP Program is expected to generate multiple substantial global environmental benefits to the GEF replenishment targets, including reduced deforestation from agricultural commodity production, biodiversity conservation and sustainable forest management. This is shown in the table below.

**Table 1 IAP replenishment targets**

<b>GEF Replenishment Targets</b>	<b>IAP Indicative Targets</b>
Improved management of landscapes and seascapes covering 300 million hectares	23 million ha
120 million hectares under sustainable land management	1 million ha
750 million tons of CO <sub>2e</sub> mitigated (include both direct and indirect)	117.5 million tons CO <sub>2e</sub>

## **1.2 Background and Context**

Global demand for agricultural commodities is driving deforestation. Land is cleared to produce commodities including palm oil, soy and beef that are the foundation of millions of products traded globally (CDP, November 2014). It is estimated that commercial agriculture for these three commodities, plus timber and pulp, drives approximately 70% of tropical deforestation (Lawson, September 2014).

Deforestation has lasting negative environmental impacts (see Appendix 1 for details). The clearing of tropical forests is the biggest threat to priority terrestrial species, and an estimated 4,000 plants and animals are threatened by agricultural expansion (Nellemann, MacDevette, Manders, & Eickhout, 2009). In addition to biodiversity loss, ecosystem services such as fresh water and other forest resources are degraded. The loss of forest resources equates to the loss in livelihoods for local people who have traditionally gathered forest based products for consumption and income. Moreover deforestation

contributes significantly to increased GHG emissions. Between 2000-2005, three gigatons of carbon were emitted per year due to global tropical deforestation (Evans, 2012). In total, agriculture and land-use change are responsible for 24% of global GHG emissions (The New Climate Economy, 2014).

The target commodities of this project are oil palm, soy, and beef. Due to its high efficiency and low cost per hectare, **palm oil** now accounts for 39% of global vegetable oil production globally (Gupta, 2016). Oil palm is used in products across a number of industries, including food, animal feed, cosmetics, pharmaceuticals, chemicals, and biofuels. Oil palm production is concentrated in South East Asia (namely Indonesia and Malaysia), while West Africa is emerging as a new frontier of oil palm production. Demand for oil palm more than doubled between 2000-2010 and continues to grow, reaching 60 million tons in 2014 (Prokurat, 2013; USDA 2016). Major demand countries include India, the EU and China (USDA 2016). The impacts of from oil palm production are detailed in Appendix 1 and in the UNDP-GEF Production Child Project.

Accelerating demand for **soy** (for animal feed and other uses) has led to greater conversion and expansion of soy production areas. This trend is expected to continue, with one study suggesting that demand will drive an estimated 155% increase in production required by 2050 (see Appendix 1) (Prokurat, 2013). Major exporting countries of soy include the U.S., Brazil, Argentina, Canada, and Paraguay (Potts, et al., 2014). Primary demand markets for soy include the EU and China (USDA 2016).

**Beef** production in Latin America is highly extensive, resulting in significant environmental impacts (further detailed in Appendix 1). Top exporting countries include Brazil (2<sup>nd</sup> highest exporting country) and Paraguay (6<sup>th</sup>). Major importing countries include Russia, Japan, China, and the EU (USDA 2016).

Driven by rising populations and a growing middle class, it is estimated that demand for food products will increase 70% by 2050 (Kissinger, Herold, & De Sy, August 2012). This growing demand will continue to fuel expansion in biodiversity rich areas such as the Cerrado in Brazil and tropical forests in Indonesia.

Increasing global recognition of these environmental impacts has spurred companies, investors, governments and consumers to strengthen demand for commodities that do not lead to further deforestation. Companies and investors have been making public commitments to source “deforestation-free” commodities, with some frontrunners making progress in implementing these commitments. Consumers are increasingly demanding and purchasing sustainable products, which is especially evident in markets such as the EU. This consumer demand has sent a strong market signal to companies to source and make available sustainable products, showing the value of consumer demand in driving environmentally friendly practices. Governments have been advancing policies to incentivize reduced deforestation practices and to influence market demand (e.g. Brazil Forest Code, EU import requirements).

Governments that have signed onto a number of international conventions are beginning to move forward on their commitments. The Convention on Biological Diversity seeks to conserve biodiversity and ensure its sustainable use. The Framework Convention on Climate Change aims to stabilize concentrations of GHGs in the atmosphere. The Sustainable Development Goals (SDG), are aimed at ending all forms of poverty while addressing a range of social and environmental needs. These United Nations’ conventions represent an important step for future policies and practices.

The above mentioned factors – company commitments, consumer demand, and country policies – have resulted in sustainable products entering the marketplace at various rates: 20% of oil palm is now

certified sustainable (through Roundtable for Sustainable Palm Oil), over 2% of soy traded meets credible certification (through ProTerra and Roundtable for Responsible Soy), and while there is no globally certified sustainable beef standard in the mainstream market as yet, it is in development and related principles and criteria have been drafted (WWF-MTI, How WWF Market Transformation Works, 2015).

To strengthen demand for sustainable commodities, engaging four key market actors is required: corporations (e.g. buyers, processors, traders, retailers), investors (e.g. pension funds, insurance companies, investment funds), consumers (e.g. individual retail buyers), and governments (e.g. local, federal, multilateral agencies) (see Figure 1). Additionally, there is a need for transparency in the supply chain so that production can be attributed to end users.

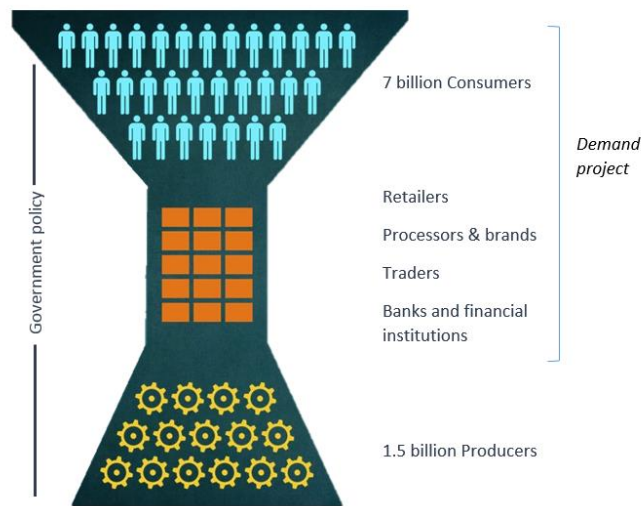


Figure 1 Global market structure and levers

### 1.3 Environmental Problem, Root Causes, Barriers

#### 1.3.1 Environmental Problem and Root Causes

Tropical forests and savannahs (tropical forest regions) represent less than 10% of the earth’s land surface and yet host the majority of all terrestrial biodiversity. Tropical forests alone harbor at least half of the world’s terrestrial biodiversity, and cover only 7% of earth’s land surface (Rautner, Leggett, & Davis, 2013). Savannahs also represent critical sources of biodiversity. Not only do savannahs and forests provide habitat for diverse animal species, they also provide watershed protection, prevent soil erosion and contribute to the maintenance of water cycles. Forests also play a key role as carbon sinks, mitigating the increase of global warming through the absorption of carbon dioxide. Consequently, deforestation results in a decline in wildlife, and since approximately 80% of the world’s documented species are in tropical rainforests, deforestation threatens biodiversity on a global scale. Deforestation is the largest source of GHG emissions (WWF, 2016).

Along with timber and pulp, the production of the three commodities targeted by this project – oil palm, soy and beef – has driven approximately 70% of tropical deforestation. A root cause of this deforestation by agricultural production of key commodities is demand, which will continue to rise as

populations grow to an estimated nine billion by 2050. In addition, the middle class is expected to triple by 2030, creating a larger per capita demand for palm oil, soy and beef products. This will likely double food consumption by 2030 (Lawson, September 2014). Some estimate a 70% increase in demand for food products by 2050, driven by a global population more urban and prosperous in nature (Kissinger, Herold, & De Sy, August 2012).

Millions of people rely on tropical forests and savannas for their livelihoods through cultivation, hunting and gathering, harvesting non-wood forest products, and artisanal activities such as woodcarving. Forests are also a source of subsistence for local communities providing medicine, sources of protein, and fuel wood for energy and cooking. Forests are of particular significance to women. Studies have shown that women's involvement in the collection and trade of non-timber forestry products not only increases income levels but also increases intra-household equity (UNEP, 2009). Therefore, forests contribute to poverty alleviation as well as having a notable impact on gender relations. Forests also function as crisis or emergency safety nets in cases where, for example, crops fail or heads of households are unable to work from illness or accidents, providing additional sources of income and employment through the sale of surplus goods and services (UNEP, 2009). Consequently, deforestation leads to the disruption of countless livelihoods and can displace men, women and children leading to increased levels of poverty.

### **1.3.2 Barriers**

Deforestation driven by a demand for commodities exists because key actors — companies, investors, consumers and policy makers — have not fully integrated the impacts of deforestation, and the benefits of reduced deforestation agriculture, into their decision making. Moreover, there is a lack of transparency in supply chains, rendering them essentially invisible to most. Many companies have not committed to reduced deforestation policies, or do not disclose their sourcing practices, and investors do not disclose whether their investments are linked to deforestation practices. Many governments have not advanced policies to support demand for reduced deforestation commodities. Consumer demand for reduced deforestation products is lacking in key markets, particularly in developing countries. Finally, lack of access to information and transparency on commodity production, trade and consumption is a barrier to all actors.

The barriers to sustainable demand in driving reduced deforestation commodity supply can be attributed to seven key categories. See the Conceptual Model in Appendix 3 for more detail.

#### **COMPANIES AND INVESTORS**

1. *Insufficient awareness and capacity.* In some cases, there is limited awareness within companies of the value of sourcing reduced deforestation commodities, and the risks of deforestation in their supply chain. In other cases, companies may not have sufficient capacity or tools to verify the source of a commodity or whether it was grown sustainably. They may not have the capacity to implement reduced deforestation commitments through development of, for example, responsible sourcing policies (CDP, November 2014; CDP, December 2015; Bregman *et al.*, 2015). The result is continued demand for commodities that may be linked to deforestation practices.
2. *Lack of investment disclosures and lack of environmental social and governance (ESG) investing policies.* While increasing, transparency and disclosure requirements for investors and for their investees remains limited, investors play an important role in corporate behavior in that they can require disclosures from the companies in which they invest, with this disclosure bolstering and

informing public action. Investors have limited requirements themselves in the extent to which they have to disclose their investments, as regulators have not demanded such. By definition, this means that there may be risks that companies or investors are taking that are not disclosed to the public. Moreover, investors may be responsible for, and in fact be driving, deforestation practices without public knowledge. This lack of transparency in the relationship between investors and companies in their portfolios is a barrier to reduced deforestation practices both by companies and investors.

3. *Limited collective action among companies and other stakeholders.* Because markets are the result of decisions made by numerous individuals and institutions, the impacts of individual corporate or investor action is limited. Without collective action and pre-competitive industry standards, individual action is seen as costly, complex, and misaligned with current market incentives (at least in the short term). As it currently stands, existing individual corporate actions are disparate and not extensive enough to change the bulk of the supply chain towards reduced deforestation practices.

#### POLICY MAKERS

4. *Weak enabling environment or conflicting policies means companies can't meet their demands for reduced deforestation commodities.* Policies that do not account for the long-term benefits of forests and biodiversity can lead to policies that allow for, or even incentivize, deforestation on the ground. Such policies can arise due to competing definitions of what reduced deforestation means and what geographic areas it applies to. This confusion can make it difficult for companies to verify reduced deforestation commodities, and deters companies from making commitments because they cannot give their customers confidence that their products are in fact sustainable. Standards and certification schemes offer one solution, but have seen limited uptake, partly due to the costs of meeting certifications and limited demand or awareness of such options.

#### CONSUMERS

5. *Weak awareness of the benefits of sustainably produced commodities.* Consumers are often unaware of the extent of deforestation and how it is linked to the products they purchase. Similarly, consumers may not know the environmental and social benefits of sustainable products. For example, consumers often do not know that oil palm and soy may be embedded in the products they consume such as beef, chocolate, or cosmetics. Additionally, in some markets these products are sold in bulk, negating opportunities for branding. This lack of awareness means consumers may continue to buy products associated with deforestation-linked practices. Demand for reduced deforestation products is currently greater in developed markets than in developing markets<sup>1</sup> (The Regeneration Roadmap, 2012, Chkanikova & Mont, 2015, The Consumer Study: From Marketing to Mattering). Greater consumer awareness and demand for reduced deforestation products would encourage companies to offer sustainable products where they currently do not exist (Kumar, 2016; Huston, 1986; Dattaro, 2015).

#### TOOLS

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<sup>1</sup> For example, a survey across six markets that asked whether respondents feel a sense of “responsibility to purchase products that are good for the environment and society,” respondents in developed markets responded more positively (82%) than respondents in developing markets (49%) (The Regeneration Roadmap, 2012).

6. *Limited transparency tools to help actors understand where commodities are produced, traded and consumed.* Supply chains for soy, beef and oil palm currently face limited transparency. This is partly due to the structure of the supply chain, with commodities being co-mingled, consolidated, or processed at multiple locations as they move through the supply chain. Lack of transparency means that it is difficult to trace a commodity (including whether the commodity is linked to deforestation) to a specific trader, processor, or port of entry. This lack of transparency hinders corporate efforts to source sustainably, obscures accountability for those actors sourcing commodities linked to deforestation practices, and limits informed decision making by corporations, governments, and consumers.
  
7. *Limited market intelligence to inform public and private decision making.* While there is available data on commodities and trade, it is often fragmented, not regularly updated, and not analyzed through a market intelligence lens. Limited market intelligence means a lack of information on how overall commodity demand trends are impacting forests, as well as areas of potential leakage; how sustainable demand is impacted by reduced deforestation initiatives; and, how actors can accelerate the growth of reduced deforestation commodities. For public and private actors, limited market intelligence means less informed decision making and inability to measure the impact of those decisions. This represents a barrier to reduced deforestation commodity demand.

These barriers (summarized in Table 2, by project component) manifest themselves differently in each commodity market. Understanding the gaps and how to address them requires an understanding of each market’s unique conditions, including how companies, investors, governments and consumers incorporate sustainability into their decision making. Moreover, an understanding of the role of transparency in driving responsible demand needs to be understood.

**Table 2 Barriers to sustainable demand**

Category / type	Element	Barrier
1. Buyers, traders, and investors	1.1 Key buyers and traders make commitments and have increased capacity to implement commitments to source reduced deforestation commodities.	1.1 Limited awareness of the risks of unsustainable sourcing and the benefits of sustainable sourcing means companies continue to source reduced deforestation commodities. Companies that have made reduced deforestation commitments may not have the capacity or connection up the supply chain to source sustainable commodities, or have only partially implemented these commitments, allowing deforestation production practices to continue
	1.2 Investors incentivize (through ESG and disclosure policies) FMCG reduced deforestation sourcing	1.2 Limited awareness of risks, or lack of capacity to engage portfolio companies means a lack of ESG investments and disclosure requirements, allowing portfolio companies to engage in sourcing associated with high-risk deforestation
2. Enabling policy environment	2.1 Policy dialogue around reduced deforestation in project demand markets	2.1 Policies related to demand for commodities do not account for sustainability considerations and are allowing high levels of deforestation. Standards for commodities such as beef have seen limited uptake, partly due to the costs of certification and limited demand or awareness of such options
3. Consumer demand	3.1 Consumer demand for reduced deforestation in key demand markets	3.1. Weak awareness of the benefits of sustainably produced commodities leads to lack of consumer demand, allowing companies to source and sell products attributed to deforestation
	4.1 Increased supply chain transparency to facilitate	4.1 Complex structure of the supply chain and disparate data means lack of transparency. This prevents companies,

4. Supply chain transparency and decision support tools	verification of sustainably produced commodities	consumers, and governments from informed decision making and from verifying sustainable supply chains.
	4.2. Global demand projections	4.2. Unanticipated trends on demand for commodities leads to uninformed decision making and lack of awareness around issues of leakage

## 1.4 Baseline Analysis

Numerous global and regional initiatives, NGOs, and partnerships are operating to increase the demand for reduced deforestation commodities and related products. This is evidenced by rising corporate commitments representing increased market shares of oil palm, soy and beef; investor capacity to reduce portfolio risk; and, the quality of government policies, sustainability standards and consumer purchasing decisions. Furthermore, there are ongoing efforts to increase supply chain transparency and hold companies accountable for their sourcing decisions, thus incentivizing lower risk practices. However, these efforts are globally dispersed and disparate. There are few players that work to increase demand across commodity type, region and market; and, any advances in tools and data tend to be company-specific and are not shared widely. Finally, there are no known initiatives that are comprehensively linking demand, transactions, and production.

### 1.4.1. Companies and investors

Recognizing the risks associated with sourcing unsustainable commodities, some companies have begun to change their policies. At present numerous commitments have been made to source sustainable commodities (see figure 2). Activities include stakeholder forums, making commitments and building capacity to source sustainable commodities.

#### COMPANIES

The existing commitments among companies to source sustainable commodities provide opportunities to further drive sustainable demand through key markets.

**Figure 2 Zero deforestation commitments**  
Source: Streck and Lee 2016



To date, the majority of commitments to source sustainable commodities have been made by large firms with the highest risk exposure. Commitments by ADM, Bunge and Cargill are related to their global



operational supply risk but also the reputational risk these firms face if they are scrutinized or exposed. These traders have high exposure to Western markets where consumers are comparatively more aware of the linkages between commodity production and deforestation. Smaller firms often do not face the same public attention, but need to be engaged for sustainable agriculture to grow.

The Consumer Goods Forum with 400 members and total combined sales of \$US 2.86 trillion has been a leader in this space (<http://www.theconsumergoodsforum.com/>). In 2010 the Forum's board approved a resolution to achieve zero net deforestation by 2020 and have mobilized resources to achieve this end. The Forum:

- Developed corporate sourcing standards and guidelines (e.g. Sustainable Soy Sourcing Guidelines, the Soy Ladder)
- Helped launch the Tropical Forest Alliance 2020 (TFA 2020)
- Supported creation of the Banking Environment Initiative (BEI) moving investors and banks towards sustainable lending

While an important step forward, a recent report found that the majority of CGF members have yet to commit to sustainable sourcing policies (WWF, 2016). For companies (CGF members and otherwise) that have committed, commitments in and of themselves do not ensure that sourcing policies will become more sustainable. One survey found that of the 171 companies that made commitments across a range of commodities, only 26% had certified palm oil and only 50% had certified soy in their supply chains (CDP, December 2015).

This report, coupled with a recent report the New York Declaration on Forests (e.g. Union of Concerned Scientists' [progress assessment](#) on the New York Declaration on Forests), suggest that action is so far too limited, slow, and dispersed to achieve the change needed at the scale and speed required to reduce commodity-driven deforestation.

In short, while commitments are an important first step, companies also need the capacity to implement their commitments.

These activities form what could be termed a "global market" for sustainable commodities. However, supporting activities (e.g. awareness and capacity building activities for local traders) are needed to ensure that this demand from these global markets translates into change on the ground. Therefore, understanding the conditions in each market is critical to designing supporting activities that build demand for sustainable commodities, and this is detailed below.

#### Oil palm

**South East Asia.** Global markets have been influencing South East Asia's companies. Many international companies such as McDonald's (165 outlets in Indonesia) and Yum Brands (the leading restaurant company in Indonesia with 1,000 KFC and Pizza Hut outlets) that have reduced deforestation commitments for commodities such as oil palm have not yet implemented their commitments in Indonesia. Indonesian companies, in addition, are not retailing branded sustainable palm oil domestically. The Indonesian domestic market for reduced deforestation commodities is currently facing limited demand, but a first mover advantage exists to link retailers to domestic-supplied sustainable product.

#### Beef and Soy

**Brazil and Paraguay.** Latin American target regions have seen efforts by companies to integrate reduced deforestation agriculture into their supply chains. In the Cerrado and Chaco, major firms that have international reputational risk exposure are actively seeking sustainable commodities. Global companies, including ADM, Cargill and Bunge, that control about 35% of Brazil's soy market, have committed to reduced deforestation purchasing. These firms have even started mapping their supply chains to help ensure they are not sourcing from high risk areas.

However, there are still a number of traders and companies that have not made commitments to source reduced deforestation commodities, and an even smaller percentage of companies have fully implemented these commitments. Effective implementation at the sector-level requires collective action towards a shared vision and a step-wise plan for implementing these activities.

During the project period, the following efforts are planned by project partners, and form the baseline for project activities for soy and beef:

- European Feed Manufacturer's Federation (FEFAC) will assist its members to meet their sustainable sourcing needs through engagement of Latin American traders, using existing sourcing and verification guidelines.
- The Soy Moratorium, a voluntary agreement between the Brazilian companies and major companies involved in the soy trade in Brazil, has recently been made permanent. Companies that have signed onto the Moratorium pledge to not trade or buy soy linked to deforestation in the Amazon. While currently the Soy Moratorium only applies to soy from the Amazon, traders active in the Amazon are also sourcing in the Cerrado and Chaco, allowing best practices to be easily transferred.
- Forest Conservation Agriculture Alliance (FCAA) is a USAID funded effort in Paraguay that will build relationships among local producers, traders and international buyers of beef. Specifically (and as baseline to the Demand Child Project), it will foster international trade and demand for more sustainably produced beef by facilitating market connections, connecting producers using better management practices (BMPs) to exporters, and producing a plan to recognize good actors that brings producers and traders together.
- Brazil's reduced deforestation commitments are being mapped with support from the TFA 2020 and the NGOs Proforest and WWF. Over 70 initiatives have been identified to date.
- Proforest is playing a key role, with Department for International Development (DFID) funding, to develop an analysis on how companies are achieving zero deforestation commitments. This has included developing a "twin track" approach enabling companies to pursue both forest code compliance and zero deforestation commodities.
- Proforest and Imaflores also have been developing a strategy paper for the TFA identifying opportunities for strategic focus. TFA has determined they will collaborate in an official capacity with the Brazil Coalition, an organization that launched in 2015 to influence the Brazilian agenda at the COP in Paris, 2015. (See: <http://www.coalizaobr.com.br/en/index.php/about-us>).
- The Conservation and Forest Alliance (CFA), with funding from the Gordon and Betty Moore Foundation, and in collaboration with The Nature Conservancy, National Wildlife Federation and WWF, is focused on increasing corporate commitments, awareness, capacity, transparency and monitoring among companies with soy and beef in their supply chains. It will also launch an effort to build domestic awareness of the linkages between deforestation and soy and beef production, in Brazil and Paraguay. This forms a key part of the project baseline.

- WWF, through CFA, funded by the Moore Foundation, will support awareness-raising efforts in the EU on the links between unsustainable soy production and deforestation in critical biomes, including the Cerrado and Chaco.

This baseline of activities will build corporate awareness as well as their capacity to address deforestation risks in their supply chains. However, collective movement, increased market commitment, and corporate engagement in emergent markets are still needed to accelerate demand for reduced deforestation commodities.

## **INVESTORS**

There is a growing trend in the global investment community toward screening portfolios for risks associated with harmful environmental practices such as unsustainable commodity production. An estimated \$21 trillion in 2014 was invested in sustainable products (Global Sustainable Investment Review, 2014) in the Fast Moving Consumer Goods (FMCG) sector.

This engagement stems from the urgency of sustainability issues in the sector at large. Nearly 1,400 asset-management firms, representing \$60 trillion in assets under management, have signed the U.N. Principles for Responsible Investment (Morningstar, 2016). Financial regulations, resolutions, and voluntary collaboration also drive change. For example, IFC's 2014 Indonesian Roadmap for Sustainable Finance is a call for commitments to ESG risk integration. This movement was advanced by WWF-Indonesia, WWF-Singapore, the Indonesian Financial Services Authority (OJK), and signed by 8 of Indonesia's national banks. The Association of Banks in Singapore issued responsible lending guidelines in 2015, with the implementation by Singaporean banks supported by WWF.

Sustainable investments are also growing in the agriculture sector. On the demand side, investors' use of reduced deforestation screening has successfully pressured a limited number of companies to commit to reduced deforestation practices (McCarthy, 2016). Investors' risks in the agricultural sector could be further reduced by accelerating this trend, and including traders, processors, consumer goods companies and retailers in their environmental screening processes and customer engagement activities.

### Oil palm

**South East Asia.** While investments have grown in the Environmental, Social and Governance (ESG) realm, the majority (64 percent) of the identified global sustainable investment assets are from Europe. Together, Europe, the United States and Canada account for 99 percent of global sustainable investing (Global Sustainable Investment Alliance, 2014). Only a small number of investors and regional banks are analyzing sustainable agriculture related risks in South East Asia. One study found that only 1 out of the 12 major regional investors analyzed environmental sustainability in their portfolios (WWF, 2015). The same study showed that some regional banks have up to 12% of their portfolio in forest-risk commodities, but only 22% of them analyze ESG risks with appropriate tools (WWF, 2015). In addition, these regional investors have not engaged downstream supply chain companies on ESG issues. Rather, they continue to focus their sustainability screening primarily on their limited investments in agriculture production, which is important but ignores an important leverage point of FMCG companies.

WWF-Singapore has been a leader in this space, with the following completed over the past few years:

- Palm Oil Investor Review published to assess the capability of large palm oil investors to properly assess their palm oil companies for environmental and social issues.

- Palm oil investors and palm oil companies convened with HSBC equity research team to discuss environmental and social issues within the palm oil supply chain.
- One to one engagement with investors, equity research analysts, and key regional investors.

Ongoing, WWF-Singapore plans to continue bi-lateral meetings with key investors to promote environmental sustainability and screening within their portfolios. Without GEF funding, WWF-Singapore work will be limited to these bilateral meetings, without the capacity to build on broader engagement methods or mobilize collaborative action.

**West Africa.** The majority of the oil palm consumption in West Africa is domestic. Therefore, there is not a significant level of international funding coming in to the region.

### Beef

**Paraguay.** The Transactions Child Project will be working with banks and financial institutions active in the beef sector in Paraguay, and the baseline for the sector in Paraguay is discussed in the Transactions Child Project documents.

### **1.4.2. Policy Makers**

Governments are improving their policy frameworks so that they increase demand for reduce-deforestation commodities and drive reduced deforestation practices.

Globally, the most sustainably oriented public policies are in countries where consumers are aware of the impacts their purchasing has on deforestation: EU, Canada, Australia, for example, have been advancing policies that help deter deforestation. As the main baseline to this project, high global and domestic demand has driven growth in commodity production in Africa, but policy frameworks remain limited. In Paraguay, the beef sector is growing rapidly, but currently no standard set of sustainability principles guide the sector.

### Oil palm

**Indonesia.** Indonesia has a fairly mature market for oil palm, and government has been active in developing policies to promote its export. There are emergent initiatives that ban the use of peatlands for oil palm, and that promote the Indonesian Sustainable Palm Oil (ISPO) program. Such policy initiatives are further discussed in the Sustainable Production Child Project documents.

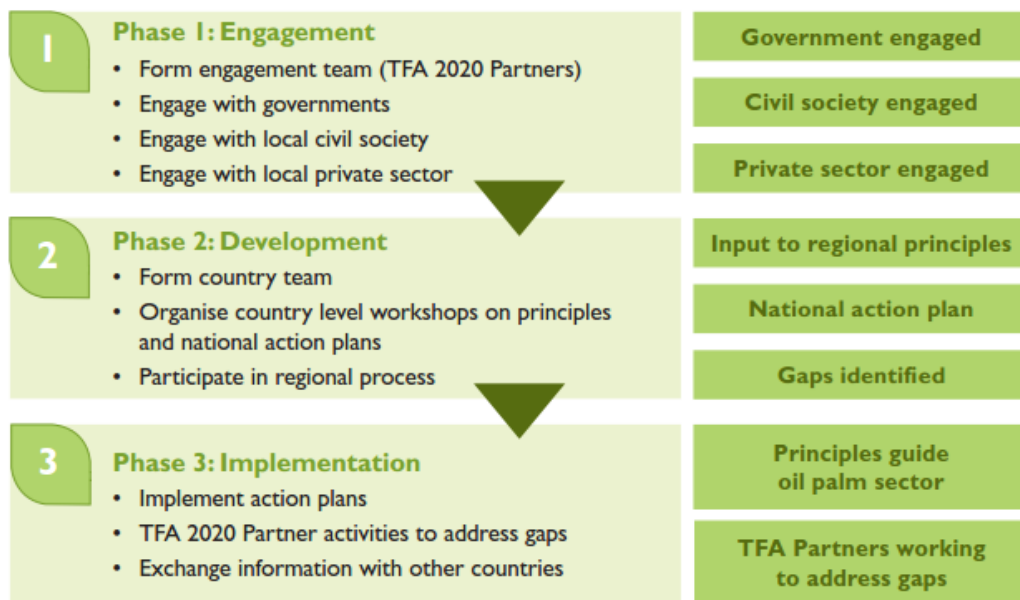
**Policy in West Africa.** In Africa, palm oil for export is a far more emergent industry. As such, an opportunity exists to develop palm oil principles with policy makers to guide the West Africa oil palm sector from an early stage. In West Africa, governments are engaging companies and NGOs to advance policies that can help ensure that oil palm expansion does not lead to large scale deforestation (see below). However, there has been limited work around developing demand for sustainable products as a way to drive reduced deforestation commodity production.

West Africa is unique in that oil palm production is dominated by small holders. Production, process and trading are domestic in nature and not at the scale of production found in South East Asia. Because of the limited number of large multi-national companies active in these African supply chains, governments are in the best position to influence demand for reduced deforestation commodities.

The Tropical Forest Alliance's (TFA 2020) African Palm Oil Initiative (POI), implemented by Proforest, works in West and Central African countries — including Cameroon, Côte d'Ivoire, Gabon, Ghana,

Democratic Republic of Congo, Republic of Congo, Liberia and Nigeria — to develop a set of regional principles and accord to guide oil palm development in the region. The initiative already has a number of actors moving into its development phase where national principles and actions will be agreed upon through a multi-stakeholder process (Figure 3). Ghana, Côte d’Ivoire, and Liberia, which is a program target country, have drafted national principles and actions to govern oil palm development. These countries are in the implementation phase (see Figure 3).

**Figure 3 Phases of the TFA 2020 Palm Oil Initiative**



However, while there is clear progress on advancing policy and strategies for sustainable demand, there is a need for additional West African countries to buy-in if there is to be a successful strategy preventing leakage from one country to another. Sierra Leone has begun the process, with Phase 1 expected to be completed by October 2016. Additional funding is needed to move forward in this country.

### Beef

**Paraguay.** Sustainability standards are typically voluntary, global, multi-stakeholder initiatives that define principles and criteria to guide and verify sustainable commodity markets. In Paraguay, currently no international standards have been adapted to the national context or to the context in the Chaco region. While implementation of any type of certification for reduced deforestation beef has not been achieved, there are several initiatives that are promoting this type of differentiation (between sustainable and unsustainable beef) including the "Paraguayan Natural Beef Program," the "Grassland Meat" certification, the "Natural Chaco Meat Certification", and "Natural Chaco Meats." However, none have made significant progress. As baseline to this project, the Global Roundtable on Sustainable Beef (GRSB) is relatively nascent, but has recently released its principles and criteria. GRSB is expected to drive market uptake of sustainable beef over the length of the project. GRSB contains globally recognized principles and criteria and have had broad buy in from corporations and producers, ensuring that its uptake will be well received in global markets that will be of interest to Paraguayan exporters. Therefore in Paraguay, the government is committed to developing a national interpretation of the

Global Roundtable for Sustainable Beef. Funding is needed to move forward on Paraguay's interest in this process.

### 1.4.3. Consumers

Globally, consumer awareness about the benefits of sustainable products has been growing. A study of 30,000 consumers in 60 countries, found that consumers are increasingly willing to pay a price premium for sustainable products (Nielsen, 2015). Another found that 66% of global consumers are willing to pay these premiums in areas where this awareness and demand for sustainable commodities is generally the highest, such as the EU (Lernord, et al., 2015). While there is a gap between what consumers state they will do and what they actually do, the trend is important to note.

#### Oil palm

**Indonesia.** Consumer awareness in South East Asia is markedly different from that in the EU. In Indonesia, only 10% of consumers in major urban centers recognize the RSPO logo and just 27% of consumers are "highly committed" to buying products with sustainable palm oil and paying a premium (Aurora & Suhirman, 2015). This despite being the highest consumers of palm oil in the world. In addition, consumption is expected to increase substantially due to population and income growth. Simulations suggest, for example, that Indonesia's total palm oil consumption will at least double between 2010 and 2035 (Gaskell, 2015). Due to this relatively low awareness level and perceived limited uptake, companies do not offer sustainable palm oil products in Indonesian markets. Increased demand is required to prompt supply of branded reduced deforestation products.

Efforts planned during the project period to improve Indonesian consumer awareness include:

- RSPO development of a communications resource for stakeholders to effectively engage consumers on sustainable palm oil.
- *WWF Indonesia's #beliyangbaik* (A Good Buy) campaign to educate Indonesian consumers about the benefits of sustainable products. The bulk of the campaign ran from June-December 2015. Over the next 4 years, #beliyangbaik will continue targeting consumers in seven Indonesian cities with WWF partners. The campaign has used social media (e.g. Facebook, Twitter, Instagram), Youtube.com, www.beliyangbaik.org, and other e-publications (e.g. memo, e-poster, infographics). Traditional media has also been used, including off-air events, engage prominent figures as spokesmen and women, host media trips, festivals and events, and mass media engagement. 6,500 have signed a petition supporting #beliyangbaik. The Demand Child Project will be more targeted in its communications messaging message and will build on this momentum to link the impacts of deforestation from commodities to the products consumers demand.<sup>2</sup>

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<sup>2</sup> It should be recognized that communications campaigns can take time, especially as awareness raising does not automatically lead to change in purchasing behavior. Nonetheless, there is potential and opportunity in campaign strategies, and success has been seen in other markets. For example, an awareness campaign in China linking shark fin soup to several endangered shark species, as well as a government campaign against extravagance that banned shark fin soup from official government banquets, saw shark fin consumption in China drop 50-70% in two years (Denyer, 2013).

These efforts provide a foundation to further develop consumer demand for reduced deforestation products in Indonesia where domestic production and domestic demand of palm oil greatly overlap.

**West Africa.** A number of factors in West Africa, including the country's income level and a relatively emergent oil palm industry, results in a low baseline of consumer engagement around demand for reduced-deforestation oil palm.

#### Beef and soy

**Latin America.** There have been efforts to raise awareness on the impacts of soy in Latin America. For instance, WWF has issued reports highlighting the connection between critical habitats in Latin America and soy use in animal feed in Europe. Efforts being funded through co-finance will continue this work. In addition, domestic awareness campaigns on soy and beef in Brazil, Argentina, and Paraguay will take place from 2017-2018 through Moore Foundation-funded Conservation and Alliance initiative (see above).

#### **1.4.4. Tools and transparency**

There are myriad efforts to improve supply chain transparency through mapping, reporting, and implementing traceability systems. These include: reporting tools that help identify the location of commodities driving deforestation (e.g. Global Forest Watch); data, analysis and standards for measuring and reporting on environmental, social and financial impacts for various supply chain actors (e.g. Carbon Disclosure Program, Global Reporting Initiative, Global Canopy Program); and, databases of investor commitments (e.g. Forest 500). While these efforts provide effective insights into components of the supply chains, data capture is inconsistent, and data quality uneven depending on funding for particular components of the tools.

Within companies such as ADM, Cargill, Bunge, Musim Mas, Sime Darby and Wilmar, traceability systems have been or are in the process of being developed. They are effective in identifying risks for these companies, but are also costly. Furthermore, the information derived is generally kept internal and is not available to actors outside of the individual company. This limits capacity to drive major change or broad awareness across the commodities sector.

Over the past two years, methods have been developed to efficiently use large available datasets to trace commodities from a specific sub-national production region (e.g. municipality, province) to end user (Godar, Suavet, Gardner, Dawkins, & Meyfroidt, 2016). The Transformative Transparency initiative, a partnership between the Stockholm Environment Institute (SEI) and the Global Canopy Programme (GCP), has produced a tool to synthesize and make accessible online an unprecedented amount of information on global supply chain flows and risk exposure in the commodity value chains. The core innovation of the tool is its integration of datasets that include production data, per shipment customs data, logistics information and bilateral trade matrices between exporter and importer countries. Because it accounts for entire supply chains and not only a handful of large actors, it exposes the impacts and leakage that policies in one landscape have on adjacent landscapes, as well as highlights roles that downstream supply chain actors have in sourcing and investment that fundamentally shape the sustainability of production. The model was first published in 2015, and current versions include improved accuracy of supply chain flows by triangulation using national tax data, ownership of silos and ownership of processing facilities (Godar *et al.*, 2016). To date the data has been shown only as a demonstration beta version that is not available to the public. There is a need to accelerate the potential and usability of the Transformative Transparency tool over the next 4 years.

Finally, new methods such as Horizon Scanning have emerged to allow for more effective information on overall market demand for oil palm, soy and beef. This includes identifying emerging trends, hotspots for action and strategic recommendations (Gordon & Glenn, 2009; Lavoix, 2010).

#### Oil Palm

**Indonesia.** Global Forest Watch performed some of the more detailed mapping of oil palm plantations in Indonesia. There still is a paucity of information tracking oil palm with traders and exporters, which will be a focus of the demand project. The “one map” effort in Indonesia has attempted to bring together land use, land tenure and other spatial data into a single database for Indonesia. Presently the different levels of government (National, Provincial and District) often have maps showing conflicting data.

#### Beef and soy

**Brazil and Paraguay.** Efforts underway in the Cerrado and Chaco will provide supporting data to be integrated into the platform. In Paraguay and Brazil, there are efforts to track land use change over time. Several NGOs, including WWF, has mapped land use change for soy and beef in Paraguay. Mapping efforts in Brazil have been more detailed for select biomes, showing habitat conversion over time. MapBiomas, launched in 2015 in collaboration with Google, aims to generate annual maps of land-use, land-use change and forestry in Brazil in the last 30 years and keep it up to date.

## **SECTION 2: GEF INTERVENTION STRATEGY**

### **2.1 Project Scope and Vision (GEF Project Objective)**

The Demand Child Project is one of four interconnected projects aiming to reduce deforestation from key commodity supply chains. The Integrated Approach Pilot is a GEF-6 program that aims to work on all levers of the supply chain in an integrated fashion to connect responsible lenders with responsible purchasers with responsible producers, ensuring sustainability along the supply chain. The objective of the Responsible Demand Child Project is to ***strengthen the enabling environment and public and private sector demand for reduced deforestation commodities in priority markets***. The goal is to drive demand of reduced deforestation commodities, in addition to promoting transparency of the supply chain, ultimately reducing deforestation and its associated negative environmental and social impacts.

The program overall, and the Demand Child Project specifically, will focus on the commodities that are the biggest drivers of tropical deforestation: soy, oil palm and beef. Recent studies suggest that half of all deforestation is driven by commercial agriculture to meet growing global demand for food, fiber and fuel. The impact is even greater for tropical deforestation, of which 70% is estimated to derive from commercial agriculture.

The geographic project scope includes a global element to capture the nature of global demand and trade, as well as a regional element to capture specific areas of high biodiversity that are threatened by deforestation due to commodities demand. These regions include South East Asia tropical forests, the Matopiba region in Brazil, which includes the Cerrado biome, the Chaco in Paraguay, and West Africa.

### **2.2 Conservation Targets**

The conservation targets of the Demand Child Project are tropical forests, savannahs and grasslands, and the biodiversity they harbor. Tropical forests are strongholds of biodiversity and natural capital values, and major providers of ecosystem services, from carbon storage to the free flow of freshwater.



The project will be working in some of the highest density forest cover globally in Indonesia, in addition to critically threatened grasslands of the Cerrado in Brazil and Chaco in Paraguay. Indonesia, West Africa (including Liberia), Brazil and Paraguay house grassland biomes and tropical forests with some of the highest concentrations of forest carbon. These regions are also home to globally significant biodiversity, from flora to mega fauna. To see how these conservation targets relate to the threats and barriers, see the Conceptual Model in Appendix 3. To see how they benefit from project strategies, see Results Chain in Appendix 4.

## **2.3 Project Strategies (GEF Project Components) and Expected Results**

### **2.3.1. Theory of Change**

If sufficient demand for sustainable, reduced deforestation commodities exists, commodity production will shift to reduced deforestation practices, resulting in environmental and social benefits.

Strengthening demand for sustainable, reduced deforestation commodities can be achieved by advancing awareness, capacity and collective actions of four key actors. The actors are: corporations (e.g. buyers, processors, traders, and retailers), investors (e.g. pension funds, insurance companies, investment funds, and regional banks), consumers (e.g. individual retail buyers) and policy makers (e.g. local, federal, multilateral agencies). See results chains in Appendix 4 to see how the project will achieve its objective.

The most efficient engagement of all the key actors in the supply chain is with the companies that can drive major change in oil palm, soy, and beef markets. Only a few hundred companies control a majority of the global market for palm oil, soy and beef (Figure 1). There are even fewer traders, which buy and sell the majority of produced palm, soy and beef to companies; engaging traders towards reduced deforestation sourcing policies means an opportunity to exert influence on thousands of producers. If companies and traders such as these are made aware of the risks in their supply chain, the environmental impacts their activities could be causing, and are incentivized by governments or the finance sector, they will reduce their risk and impact by sourcing from producers with better production practices. If 25% of the demand for commodities is for reduced deforestation commodities, this could leverage 40-50% of production based on other examples of market tipping points (WWF, Transforming Business, 2016). Shifting 25% of the demand market can be achieved by influencing just a few major companies for each commodity.

In some markets, corporate demand alone is insufficient to drive change in 40-50% of the production practices; or, the major companies in these markets might be hesitant to change, failing to reach the 25% threshold without further intervention. In these cases, engaging other levers such as financial investment, government regulation, and consumer awareness can be critical supporting strategies for directly and indirectly impacting demand thereby shifting producers to better practices.

Financial institutions play an important role in the demand for commodities as they invest in supply chain actors. The application of environmental risk screening tools to investments can shift investment to more sustainable opportunities. It also provides a means for investors to engage their clients to reduce the risks shared by all actors. Hence, investor awareness and capacity building, coupled with direct engagement of their corporate clients (supply chain actors) can drive corporations to more public commitments on sourcing sustainable commodities. If financial actors are aware of their risks in investing in practices that lead to deforestation, they will implement practices and policies to reduce the money flow associated with deforestation and increase the level of active engagement with supply chain players on these issues. If investors enact policies and engage with corporate investees on issues of

reduced deforestation, this will shift the way companies operate to remain eligible for investors' funding.

Government intervention can be effective in shifting production practices both directly and also indirectly by influencing demand and supply chain actors, thereby creating an enabling environment for reduced deforestation commodities. By aligning sustainability measures to the government's objectives of increasing production and meeting domestic demand, greater government support can be garnered to bring about regulatory and policy level changes. These policies can remove barriers or disincentives to source or produce more sustainably, and create an enabling environment for better practices to occur (e.g. by mandating certain better management practices, providing protection for high conservation value and/or forested areas, or setting financial incentives for better management practices). If governments understand the costs of negative externalities associated with domestic commodity production, and see how sustainability aligns with their goals, they will be incentivized to develop policies supporting better practices and facilitating trade of sustainable products.

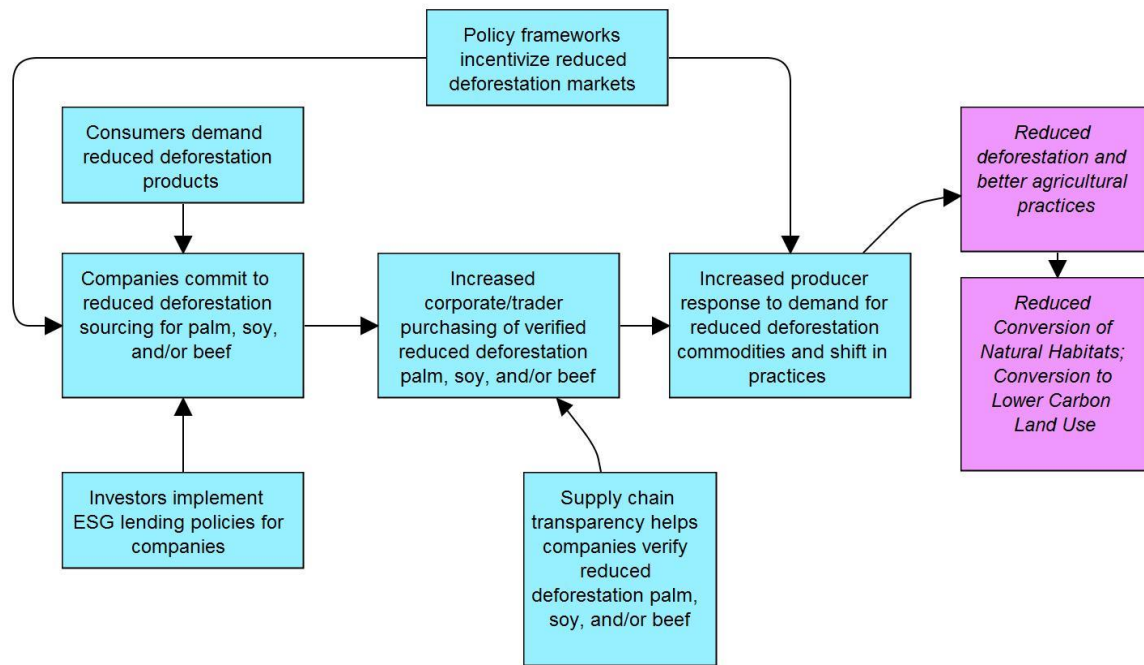
In cases where businesses remain unconvinced of the need to shift their sourcing practices, consumers can place pressure on brands to do so. If consumers are more aware of the correlation between their consumption of products and the potential impacts to deforestation, this increased awareness can drive responsible purchasing choices and encourage demand actors such as companies to change their policies on reduced deforestation sourcing.

Finally, transparency tools can reinforce the actions of the above actors (companies, investors, policy makers, and consumers). Transparency tools allow companies to source verified reduced deforestation commodities, investors to ensure companies meet reduced deforestation lending requirements, consumers to track whether companies are following reduced-deforestation practices, and policy makers to make informed decisions based on more transparent data.

Components 1-4 (discussed below) can be mutually reinforcing, as civil society's demands can also influence government decision-making, which can in turn place restrictions on companies, support/enable sustainable sourcing, and encourage/facilitate smarter investment by financial institutions. Consumer pressure can affect companies and financial institutions to commit to reduced deforestation sourcing and lending policies, and sustainable investment practices by financial institutions can dictate that any expansion or intensification of production is done responsibly, and with reduced deforestation impacts, which also helps governments meet their sustainable growth goals.

Every commodity market - global to local - has unique market conditions, and consumers, investors, governments and consumer are all at different stages in their movement to sustainable sourcing. These variances call for a custom application of the theory of change (Figure 4) to each situation, thus enabling the framework to address specific needs.

**Figure 4 Responsible Demand Project theory of change**



### 2.3.2 Rationale for activities in target regions

The Demand Child Project will focus on soy, palm oil, and beef, as key commodities related to deforestation in tropical eco-regions. The eco-regions of the Paraguayan Chaco, the Cerrado within Matopiba, and tropical forests and grasslands of South East Asia and West Africa were chosen as project targets based on three factors: (1) commodity production has potential overlap with important areas of biodiversity, (2) palm, soy and/or beef are driving conversion of forests in these regions, and (3) a high-impact intervention opportunity exists.

As discussed in the Theory of Change, high-impact intervention opportunities, in terms of developing demand for reduced deforestation products, relies on engagement with four key actors: companies, investors, policy makers, and consumers. Analysis of these potential agents for change, the target geographies, and the selected commodities led to the selection of key project strategies (Table 3).

Implementation of these strategies is elaborated in the section to follow, and is summarized in Table 3.

Table 3 Baseline situation and customized project interventions for targeted regions

	Southeast Asia	West Africa	Latin America
<b>Beef</b>			<p><i>Baseline:</i></p> <ul style="list-style-type: none"> <li>• Insufficient awareness and understanding among buyers and traders of sustainable purchasing options in Paraguay</li> <li>• No national principles guiding the sector</li> <li>• Lack of supply chain transparency from origin to destination</li> <li>• Increased conversion due to continued expansion of cattle</li> </ul> <p><i>Project Interventions:</i></p> <ul style="list-style-type: none"> <li>• Advance national principles for reduced deforestation policy frameworks</li> <li>• Increase transparency of the beef supply chain</li> <li>• Further uptake of reduced deforestation beef due to corporate engagement and awareness.</li> </ul>
<b>Palm oil</b>	<p><i>Baseline:</i></p> <ul style="list-style-type: none"> <li>• High domestic consumption</li> <li>• Low consumer awareness/demand for reduced deforestation palm oil</li> <li>• Large international and Indonesian companies supply branded reduced deforestation product to international market (not domestic)</li> <li>• Limited ESG screening and disclosure by investors</li> </ul> <p><i>Project Interventions:</i></p> <ul style="list-style-type: none"> <li>• Increase company commitments and government awareness via Learning &amp; Exchange program</li> <li>• Encourage Indonesian companies to supply reduced deforestation palm oil domestically</li> <li>• Domestic consumer campaign for reduced deforestation palm oil</li> <li>• Increase investor capacity to incentivize reduced deforestation sourcing among FMCG companies.</li> </ul>	<p><i>Baseline:</i></p> <ul style="list-style-type: none"> <li>• Largely domestic consumption</li> <li>• Low uptake and implementation of sustainability requirements</li> <li>• Limited large market players demanding reduced deforestation oil palm,</li> <li>• Low policy foundation and enabling environment, no guiding regional principles</li> </ul> <p><i>Project Interventions:</i></p> <ul style="list-style-type: none"> <li>• Develop enabling environment to demand reduced deforestation palm oil</li> <li>• Advance principles for reduced deforestation policy frameworks</li> </ul>	
<b>Soy</b>			<p><i>Baseline:</i></p> <ul style="list-style-type: none"> <li>• Global base of buyers</li> <li>• Lack of trader engagement</li> <li>• Limited sector collaboration and movement towards reduced deforestation soy in certain geographies</li> <li>• Lack of supply chain transparency from origin to destination</li> </ul> <p><i>Project Interventions:</i></p> <ul style="list-style-type: none"> <li>• Increase company commitments</li> <li>• Create roadmap through Soy Traders Platform</li> <li>• Increase transparency of the soy supply chain</li> </ul>

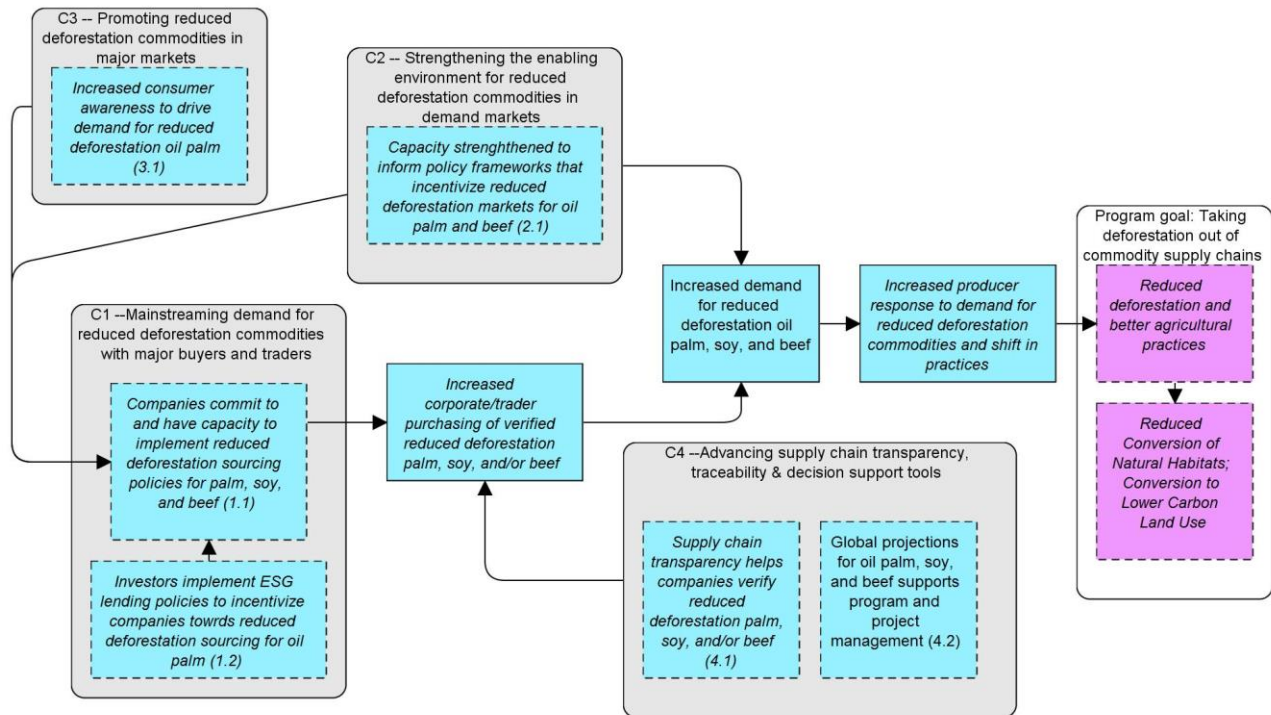
### 2.3.3. Project Components

The Demand Child Project will help move companies, investors, governments and consumers to reduced deforestation commodity sourcing. This work will be done globally, creating greater engagement among buyers and traders internationally, and within markets of target regions. Each region’s needs will be directly addressed with specific interventions that build on a baseline of activities. Direct and indirect links with the IAP Production Child Project and Transactions Child Project will ensure alignment between the producers from the IAP production landscapes and buyers (including consumers, traders, and companies); alignment between IAP production landscapes (including knowledge learned) and policy work through the Demand Child Project; alignment on investor work between the IAP Transactions Child Project (which is working at a national level) and the Demand Child Project which is working at a regional level; and finally alignment between the Transactions Child Project and the Demand Child Project on financing trends through market intelligence under Component 4. These direct and indirect links amongst IAP projects will help ensure that producers, investors, buyers, and policy makers are working together to transform markets.

Over the four-year period, the Demand Child Project will advance four project components either in or linked to IAP target countries — Indonesia, Paraguay, Brazil, and Liberia (see Table 4).

The logic behind the strategies of these components, and their interdependencies, are illustrated in Figure 5 and elaborated in the results chains in Appendix 4.

Figure 5 Interrelation of components



**Table 4 Project description summary**

<b>Objective:</b> To strengthen the enabling environment and public and private sector commitment to and demand for reduced deforestation commodities in priority markets		
<b>COMPONENT</b>	<b>OUTCOMES</b>	<b>OUTPUTS</b>
1. Mainstreaming demand for reduced deforestation commodities with major buyers and traders	1.1 Key buyers and traders make commitments and have increased capacity to implement commitments to source reduced deforestation commodities.	1.1.1. Learning exchanges and workshops with key palm oil traders and buyers to drive reduced deforestation commitments [SEA]
		1.1.2 Workshops, guidance notes, and learning trips to mobilize and engage buyers in the beef sector to generate demand for reduced deforestation beef produced in the Chaco [PY]
		1.1.3. Soy Traders Platform convened [LATAM]
		1.1.4. Meetings to engage Indonesian companies including brands, retailers and traders to facilitate reduced deforestation palm oil sourcing and sales within domestic markets [ID]
	1.2 Increased investor capacity to incentivize fast-moving consumer goods (FMCG) companies towards reduced deforestation sourcing	1.2.1. Workshops and trainings to educate investors on best practice for sustainable investing criteria for their portfolio companies and internal practices [SEA]
		1.2.2. 1:1 meetings with investors to mobilize collective engagement by investors towards Asian Fast Moving Consumer Goods company investees on issues of performance and transparency in Asian palm oil supply chains [SEA]
1.2.3. Annual scorecard of investors exposed to palm oil supply chains, to assess how well investors address deforestation risks through their ESG integration and policies [SEA]		
2. Strengthening the enabling environment for reduced deforestation commodities in demand markets	2.1 Capacity strengthened to inform policy dialogue around reduced deforestation in project demand markets	2.1.1. Learning exchanges, workshops, and technical support for project demand country governments to increase their capacity to meet SDG 12.7 on reduced deforestation demand [SEA]
		2.1.2. Recommendations and technical support to increase government capacity within the policy process to remove barriers to demand for sustainable, reduced deforestation palm oil [WA]
		2.1.3. National principles to incentivize demand [PY]
3. Promoting reduced deforestation commodities in major markets	3.1 Increased consumer awareness to drive demand for reduced deforestation products in key demand markets	3.1.1. Press events, media briefings, workshops and field visits to inform Indonesian media on impacts of oil palm [ID]
		3.1.2. Media campaigns in three major cities in Indonesia to expose consumers to links between unsustainable palm oil production and the products they purchase [ID]
4. Advancing supply chain transparency, traceability & decision support tools	4.1. Increased supply chain transparency to facilitate verification of sustainably produced commodities.	4.1.1. Supply chain actors identified for pilot regions to link commodity purchases from geographical origin to destination [GL, ID]
		4.1.2. Publicly available commodity portal developed to increase transparency along the supply chain and raise awareness of supply chain actors' risk exposure in different production geographies [LATAM, BZ, PY]
		4.1.3. Four case studies on Brazilian soy and Paraguayan beef completed to validate and test the usefulness of the data offered in the commodity portal [LATAM, BZ, PY]
		4.1.4. Transformative Transparency Year Book to present aggregate measures of risk and performance for both key territories and commodity traders [LATAM, BZ, PY]
	4.2. Global demand and finance projections for palm, soy, and beef support project and program knowledge management.	4.2.1. R&D products developed through market intelligence to provide strategic insights on market demand, trade flows, consumption trends, and finance trends [GL]
5. Monitoring and evaluation	5.1. Project M&E informs project management	5.1.1. Project M&E implemented [GL]

Key:

ID	Indonesia	SEA	South East Asia
WA	West Africa	LATAM	Latin America
PY	Paraguay	GL	Global
BZ	Brazil		

The project components are as follows:

***Project Component 1: Mainstream demand for reduced deforestation commodities with major buyers and traders*** through engagement and educational efforts that build awareness and capacity among buyers, traders and their investors related to sourcing reduced deforestation palm oil, soy and beef. This will be implemented regionally in Latin America (LATAM) and South East Asia (SEA), and at the country-level in Indonesia (ID).

***Project Component 2: Strengthen the enabling environment for reduced deforestation commodities in demand markets*** through engagement and learning activities that build awareness, capacity and opportunities for collective action to advance policies towards expanding demand for sustainably sourced palm oil. Component 2 will be implemented in West Africa (WA), including Liberia, and regionally in South East Asia (SEA). Component 2 on policy makers is linked to Component 1 on companies, as the enabling environment determines the investment environment by sending signals, such as zero deforestation regulations or enforcement, to incentivize corporations (buyers, traders, and investors).

***Project Component 3: Promote reduced deforestation commodities in major markets***, by implementing a campaign to increase consumer awareness and purchase of products with reduced deforestation commodities. This component will be implemented in Indonesia (ID). Component 3 further fosters the work in Component 1, as consumers can demonstrate to corporations and financiers preferences for reduced deforestation markets through behavior such as purchasing power and petitions; and corporations are then informed, and potentially responsive, to public perception, and may change their practices in a more positive way. Component 3 on consumers links to Component 2 on policy makers in a similar way: policy makers are informed by citizen perceptions and trends, and the public – as consumers and as citizens – can demand changes in policies toward reduced deforestation.

***Project Component 4: Advance supply chain transparency, traceability and decision support tools*** for reduced deforestation commodities. This component will be implemented at the global scale (LATAM, BZ, PY), helping link components 1-3. Products from this component will provide project and Commodities IAP program partners, countries in target regions and champions of sustainable commodities trade intelligence and analysis on market demand strategic opportunities to advance reduced deforestation commodities. This links to Component 1, as such tools can assist companies to verify reduced deforestation commodities. It links to Component 2, as policy makers can use knowledge and tools to assist decision making and transparency, and to Component 3, as consumers can use publically available tools and knowledge to be able to make informed purchases and decisions.

#### **2.3.3.1. Project Component 1: Mainstreaming demand for reduced deforestation commodities with major buyers and traders**

Project Component 1 builds awareness, capacity and opportunities for collective action among buyers, traders and investors for oil palm in South East Asia and soy and beef in Latin America. Component 1 focuses on promoting further commitments to reduced deforestation commodities from buyers and traders, and building the capacity of buyers and traders to implement existing or new commitments to source reduced deforestation commodities. Additionally, under Component 1, there is a focus on increasing the capacity of investors on best practice for investment in reduced deforestation financing. Having investors demand reduced deforestation policies from their portfolio companies will incentivize the fast-moving consumer goods companies to comply, and thereby shift to reduced deforestation

sourcing. This component will support workshops, learning exchanges, traders' meeting, 1:1 meetings with investors, and bilateral meetings among project partners and companies.

For oil palm, this component will be undertaken region-wide in South East Asia with a focus on key demand countries and on investors. In Indonesia there will be a focus on engaging key palm oil traders and buyers through workshops, learning exchanges, and meetings to provide reduced deforestation palm oil in the domestic market. For soy in Latin America, this component will be implemented through support to beef sustainability platforms in Paraguay (through UNDP), and to convene a Soy Traders Platform regionally, with the goal of influencing demand for reduced deforestation commodities from the Matopiba region. Across all regions and countries included in the IAP, activities under this component will work to connect key buyers to the UNDP-GEF Production Child Project sites<sup>3</sup> and enable verified sourcing of reduced deforestation palm oil, soy and beef.

Two outcomes are anticipated for Component 1 that will lead to increased corporate commitments and investor support of reduced deforestation commodity sourcing.

**Outcome 1.1: Key buyers and traders have increased capacity to make and implement commitments to source reduced deforestation commodities**

The project will strengthen buyer and trader capacity to ensure collaborative efforts and effective implementation across target commodities. This outcome will include engagement with key buyers and traders through workshops and platforms, building capacity to implement commitments that reduce impact on forests and other key ecosystems. Activities to achieve Outcome 1.1 will be undertaken for oil palm in South East Asia at the regional level and in Indonesia; for soy and beef, the outcome will be undertaken in Latin America, with a focus on soy in Matopiba (see Brazil Child Project for details and budget) and beef in Paraguay.

*Output 1.1.1 Learning exchanges and workshops with key palm oil traders and buyers to drive reduced deforestation commitments (South East Asia, Asia)*

Oil palm: GEF funds will be mobilized to develop a "Asia Learning and Exchange Program - Corporate" (Corporate Exchange Program) implemented by NGO's and universities, with the goal of increasing the commitment of South East Asian companies to source reduced deforestation oil palm. The training program will operate on a demand-based system for tailored awareness raising and capacity building based on companies' needs. Key needs and required topics will be assessed by the IAP Steering Committee.

The training program will be overseen by WWF-US, with small grants administered by the PMU to a variety of NGOs and universities in the region, who will implement proposed training activities. Proponents are eligible to apply for funds under the training program to host workshops, awareness-raising trips, seminars, or research partnerships for participants from key companies who are key buyers

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<sup>3</sup> In Indonesia, Production Child Project sites include Sintang District (West Kalimantan Province), South Tapanuli (North Sumatra Province), and Pelalawan District (Riau Province). In Paraguay Production Child Project sites include Central Boqueron (Department of Boqueron), Northern Boqueron (Department of Boqueron), Agua Dulce (Alto Paraguay). In Brazil the Brazil Child Project will focus on Matopiba.



of oil palm in their supply chain in GEF recipient countries. Participants could include supply chain managers, buyers, traders, or C-Suite executives wanting to understand potential risks. Applications will be assessed based on the following criteria: demonstrable ability to impact the awareness and capacity of companies or their collective action to increase demand for reduced deforestation oil palm; staff and resource capacity; viability of proposal. They will be vetted by the IAP steering committee. An application form will be developed to ensure programmatic consistency. Proponents will be eligible to apply for up to \$100,000, and will be required to deliver an end report with main results and lessons learned. Applications will be accepted on a rolling basis through the life of the Demand Child Project, and the local WWF offices will be a focal point for receiving applications. Support will not be granted to fund individual companies' attendance at workshops and other activities under this output. Rather, GEF funds will finance learning exchanges, workshops, trainings, or similar proposed activities; private sector attendees will be responsible for their own travel and accommodation costs.

Eligible activities and themes under the Program include:

- Learning tours for companies to production areas, coordinated with the IAP Production Child Project, to demonstrate the negative environmental impacts of deforestation, best practices, and challenges in verification
- Workshops highlighting risks and risk mitigation in the supply chain, including the latest on traceability.
- Workshops on best practices tools, sourcing guidelines, commodity risk assessments, and social benefits associated with reduced deforestation practices with an emphasis on gender relations.

This is a flexible program that will enable engagement of countries that are not formally project target countries at the time of ProDoc development.

Visits to Production Child Project target geographies (including West Kalimantan, North Sumatra and Riau provinces) will be solicited; the UNDP Production Child Project will be involved in the application selection process to ensure target geographies are included when synergies or potential overlap is present.

Should there be interest in engaging financial institutions, relevant learning exchanges and workshops will be coordinated with the IAP Transaction Child Project Management Unit (PMU). Finally, efforts will be made to coordinate these activities with the Asia Learning and Exchange Program - Governments, described in Component 2 below.

Depending on the size and extent of individual application, it is expected that five to ten learning tours or workshops will take place. Organizations like RSPO, the Paulson Institute, Solidaridad and others with capacity in countries like India and China will be encouraged to apply for grants. CGF will be invited to participate in all of the learning events, and will be invited to play a role as panelist or co-hosting tours or meetings. They will review the opportunities on a case-by-case basis.

*Output 1.1.2 Workshops, guidance notes, and learning trips to mobilize and engage buyers in the beef sector to generate demand for reduced deforestation beef produced in the Chaco (Paraguay)*

**Beef:** Through Output 1.1.2, the Project will engage current buyers of beef produced in the Chaco, and, as this beef begins to meet reduced deforestation standards, the Project will support activities to raise the awareness of global buyers on sustainable beef options in Paraguay. Such engagement will mobilize demand for reduced deforestation beef produced in the Chaco, and expand the industry towards

sustainable practices. This work will link to a national interpretation for beef to be developed under Component 2 (Output 2.1.3).

The Project will identify existing major corporate buyers of beef produced in the Chaco, including traders and cooperatives. GEF funds will be used to mobilize these buyers to increase their interest and ability to ensure that their purchases of beef from Paraguay are from reduced deforestation producers. As such, the project will support workshops that facilitate two types of dialogue:

- First, the Project will support dialogue between representatives of the Ministry of Agriculture, Ministry of Environment and Ministry of Trade and major buyers. Guidance will be produced and distributed to ministry representatives, and will lay out environmental and social issues related to beef purchases, advances the government is making to guarantee legal and sustainable beef in certain purchasing areas, and the role this can play in helping companies fulfill their reduced deforestation commitments. This will enable government representatives to meet with major buyers in order to focus their purchasing on areas and producers determined to be producing legally and sustainably.
- Second, the Project will inform policy makers and producers on the responsible purchasing requirements expected to be put in place by buyers, thereby encouraging these actors to shift away from beef associated with deforestation. Workshops will be organized to support this dialogue.

For major global buyers who are interested in sustainable beef but are not currently purchasing from Paraguay, the project will raise their awareness of sustainable beef options and production systems in Paraguay and enable them to make more informed purchasing choices. The project will identify major markets of sustainable beef through research, building on existing data sets. By organizing industry workshops in which buyers will be present, this will facilitate discussion on the advances being made in country, and on the various global standards buyers are interested in (e.g., GRSB, SAN, etc.).

The Demand Child Project will link to the Production Child Project by inviting global buyers engaged through the above activities to the Chaco Beef Platform, and through this platform communicate buyer sustainability needs to producers. In addition, the Demand Child Project will link to the National Commodities Platform (national soy and beef platform held by the UNDP/GEF Green Landscape Project), to further communicate buyer needs to producers.

UNDP will oversee implementation of all activities listed under this output.

#### *Output 1.1.3. Soy Traders Platform convened (Regional Latin America)*

Soy: In order to bolster commitment and action among Latin American traders for reduced deforestation soy, the Project will build on a nascent “Soy Traders Platform” proposed during the PPG phase of the Demand Child Project Development. The goal of the Platform is to create collective trader action toward sourcing reduced deforestation soy in Latin America (including the Matopiba region in Brazil), with additional commitments to sourcing reduced deforestation soy expected as a result.

GEF funds will support meetings of the Soy Traders Platform; (1) one annual platform meeting will engage staff from the trader’s international headquarters, while (2) the second platform meeting will engage staff working at regionally located offices in Latin America (with a focus on Brazil and Paraguay) year one of the project. It is important to engage staff at all levels in order to have increased capacity

and awareness throughout trader's operations. The meetings will be organized and hosted by Proforest to discuss ongoing and next steps to achieve reduced deforestation soy, with the precise objectives adjusted as needed based on the current dynamics of the market. The meeting will present key information relevant to traders, and seek to promote consensus and dialogue on the following:

- Key trends from regional and international policies, land conversion, trade trends, among others, and the risks or implications these trends create for traders. Come to consensus on policy improvements needed to promote reduced deforestation agricultural practices
- Review of recent trade developments (e.g. increased trade with Asia, growing demand in Europe for reduced deforestation soy)
- Potential areas for soy expansion (e.g. degraded lands) versus areas of high conservation value
- Evaluate reduced deforestation verification mechanisms currently used in Latin America

Participants to the biannual meeting include traders that have agreed to participate during the PPG phase of the project<sup>4</sup> - ADM, Bunge, Louis Dreyfus, Amaggi, Nidera, COFCO-Agri and Wilmar (with more participants able to join throughout the length of the project) - and a steering committee of key partners. The steering committee of key partners, all of which provide expertise in the space, are trusted by companies, and/or have mobilized resources for the work streams discussed below, and consists of Proforest, WWF, IFC, CI and TNC. The steering committee will ensure collaborative and informed steps are taken by traders, and will touch base over quarterly conference calls coordinated by the Project. These calls will be used to monitor progress, raise concerns, and continue overall collaboration. In addition to quarterly conference calls, the steering committee will be responsible for the organization and presentation of information at the biannual meeting, and will oversee the implementation of independent but parallel work streams:

- Proforest – Roadmap to reduced deforestation soy sourcing,
- TNC – Latin America-Asia trade policies,
- IFC and CI—Expansion/degraded lands and producer support.

While the latter two work streams will be developed through co-financing, GEF funds will be used to develop a trader's roadmap to reduced deforestation soy in Latin America. Proforest will implement the process to developing the roadmap, with activities including: meetings or calls, circulation to traders and steering committee for review, and final roadmap development and publication. The roadmap will be presented to participating traders to (a) present a common vision and goal to achieving reduced deforestation soy in Latin America; (b) develop a realistic plan and timeline to achieve reduced deforestation soy in Latin America, and; (c) establish principles for sustainable soy trading, including verification plans and strategies. The roadmap will be presented to soy traders at each biannual meeting, and adjusted based on trader and steering committee feedback. The deliverable will include a final roadmap to be approved by the Soy Traders Platform and made publicly available by 2020.

The platform will include a focus on key geographies in Brazil, and will connect with UNDP's Green Landscape Platform and the Production Child Project in Paraguay to inform them of the process, invite them to meetings, and participate in the development of the work streams, as they are interested.

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<sup>4</sup> See section 4 on stakeholder participation

*Output 1.1.4. Meetings to engage Indonesian companies including brands, retailers and traders to facilitate reduced deforestation palm oil sourcing and sales within domestic markets (Indonesia)*

Oil palm: Under Output 1.1.4, the Demand Child Project will engage Indonesian companies to (a) generate increased corporate demand for reduced deforestation palm oil domestically, and (b) put reduced deforestation palm oil into retail establishments in Indonesia. The work will link to a consumer awareness campaign supported under Component 3.

The Demand Child Project will engage the following three corporate groups through one on one meetings with Indonesia-based executives and managers responsible for internal strategy, retail operations and procurement:

- **International companies** that have committed to 100% sustainable palm oil, yet do not include or advertise sustainable palm oil in their Indonesian operations. This includes fast food chains such as McDonald's and Yum Brands that use palm oil for deep frying
- **Indonesian retailers** that sell bulk branded and unbranded palm oil to consumers. Forty companies have been identified within this group.
- **International traders** such as Wilmar and Musim Mas that have committed to supply reduced deforestation palm oil to international markets but do not sell it domestically. These traders can be engaged and linked to Indonesian retailers to offer domestic supply.

Meetings with Indonesian retailers will be facilitated by WWF-Indonesia; meetings with international companies and traders will be held by WWF-US when relevant. Meetings will raise awareness on the reputational and financial risks of deforestation and the business case for reduced deforestation palm oil into all operations. Meetings will also raise capacity in terms of procurement, verification, and branding options, drawing on proven best practice.

Working with the IAP Production Child Project, the Demand Child Project will help link the above buyers to target production sites (West Kalimantan, North Sumatra and Riau provinces). Additional coordination with the Production Child Project will be ensured when there is potential overlap with corporations engaged; the Production Child Project will be working with similar companies (e.g. Wilmar) on strengthening smallholder support. The Production Child Project's National Level Palm Oil Platform provides a mechanism for coordination, as the Platform will work with companies and civil society on the development of more sustainable palm oil supply chains (see also Appendix 11 for links with other child projects).

Output 1.1.4 will deliver increased awareness and capacity in the short term, with expected commitments to providing reduced deforestation palm oil and demonstrated sales within the domestic Indonesian market towards the end of the Project's life and/or over time. Any significant progress will be highlighted in press releases.

### **Outcome 1.2 Increased investor capacity to incentivize fast-moving consumer goods (FMCG) companies towards reduced deforestation sourcing**

To achieve Outcome 1.2, the project will build the awareness and capacity of South East Asian investors to identify and assess risk in their FMCG portfolios. Investors that demand Environmental, Social and Governance (ESG) screening or reduced deforestation sourcing can leverage portfolio companies towards reduced deforestation sourcing. This outcome will include an integrated series of investor workshops, 1:1 meetings to drive collective action, and an investor scorecard. Activities will be

implemented at the regional scale for oil palm in South East Asia to develop Outcome 1.2. Investor work implemented under the Demand Child Project remains distinct from work implemented under the Transactions Project. The Demand Child Project will target investors to influence demand companies, and will remain at a largely regional level. The Transactions Project will work with banks at national levels, largely to target producers.

*Output 1.2.1. Workshops and trainings to educate investors on best practice for sustainable investing criteria for their portfolio companies and internal practices (South East Asia)*

Oil palm: Under Output 1.2.1, the Demand Child Project will host a series of workshops and trainings to encouraging sustainable investing in South East Asia. These workshops and trainings will help investors adopt best practice and Environmental, Social and Governance (ESG) screening for investments in portfolio companies; in South East Asia, the project will invite FMCG companies to workshops and trainings to present the risks of deforestation in corporate supply chains, and provide recommendations for meeting investor screening requirements.

Workshops and trainings will be organized and implemented by WWF-Singapore several times a year, and will be coordinated closely with the Transactions Child Project. GEF funds will be mobilized to support workshop costs, training materials, and trainers. Invitees will include key members from companies (e.g. board members, senior executives, strategy officers, procurement officers, risk officers, sustainability managers) and regional investors (e.g. board members, chief investment officers, risk officers, portfolio managers, palm oil sector analysts, ESG analysts). Workshops and trainings are expected to have 20-100 participants based on interest and the level of technical complexity covered.

The workshops will provide participants the opportunity to learn from each other and from global experts on the growing risk of deforestation links to the palm oil sector. Topics will be organized under the following themes:

- Why switch to ESG: highlight the risks of deforestation in the palm oil sector and the benefits of sustainable investing/sourcing
- What should be included in ESG investment policies: present best ESG and disclosure policies; evaluate key needs (resources, do's and do not's, criteria) to craft an effective ESG policy
- How to implement ESG policies: methods to assess the performance of portfolio companies in meeting disclosure and other environmental requirements; model for continuous improvement

*Output 1.2.2. 1:1 meetings with investors to mobilize collective engagement by investors towards Asian Fast Moving Consumer Goods company investees on issues of performance and transparency in Asian palm oil supply chains (South East Asia)*

Oil palm: Under Output 1.2.1, workshops and trainings will help South East Asian investors understand the practicalities of integrating ESG into their investing and lending practices and build capacity to understand the environmental and social issues in Asian palm oil supply chains. Under Output 1.2.2, WWF-Singapore will leverage this raised awareness and capacity and mobilize investors to engage on a set of issues so that they become active owners of their portfolios. Ultimately, the goal is to prompt investors to engage with Fast Moving Consumer Goods (FMCG) companies on ESG issues including commodity sourcing (e.g. palm oil).

To achieve this output, GEF funds will be used to facilitate regular discussions (backed by analysis of the companies along the palm oil supply chain) with South East Asian and European investors of South East Asian palm oil supply chains. European investors will be convened in order to draw into action increased numbers of South East Asian investors who are new to ESG engagement, and create a greater collective action towards ESG integration across the palm oil supply chain.

WWF-Singapore will convene investors on a single engagement issue or call to action each year and will undertake and share the necessary research and analysis (an investor information package or set of briefing notes including an overview of the specific issue and analysis of the level of disclosure and performance by specific companies) to back the call to action. The engagement issue will be determined by WWF-Singapore quarter 1 of each year based on what is viable and impactful. The goal is to create a collective issue around which investors can demand change within their portfolio companies; this way, portfolio companies hear the same call to action from multiple investors. Sample engagement issues include: (1) FMCG companies disclose oil palm sourcing policies, (2) advocate to subset of the procurement market (by geography, etc.) for sustainable palm oil.

Engagement with investors will start with 1:1 discussions over phone, e-mail, and in-person visits in order to determine the investors with the most influence, depending on the engagement issue. At the end of the year, WWF-Singapore will take one of two courses of action depending on what engaged investors have agreed to: (1) WWF-Singapore will draft a joint letter to portfolio companies on behalf of engaged investors who wish to sign, or (2) investors will reach out to portfolio companies on a bilateral basis to discuss and push for the determined engagement issue (with briefing notes, technical assistance and coordination from WWF-Singapore).

WWF-Singapore will implement this output, and will ensure close coordination with the Transactions Child Project.

*Output 1.2.3. Annual scorecard of investors exposed to palm oil supply chains, to assess how well investors address deforestation risks through their ESG integration and policies (South East Asia)*

Oil palm: Developed by WWF-Singapore, in collaboration with the IAP Transaction Project, a scorecard will be produced annually to assess how well investors are dealing with deforestation risks through their ESG integration and policies.

Data collection for the scorecard will be pulled from regional investors' disclosures, security filings, ESG/CSR sustainability reports, websites, public statements, press releases, and other available data. The ESG indicators will draw from available data and indicators used by leading financial sustainability organizations (e.g. Sustainability Accounting Standards Board, Equator Principles, Global Reporting Initiative). As public documents, these scorecards are designed to provide investors a benchmark they can use to compare their performance with peers and drive internal and sector improvement.

The scorecard will reinforce Output 1.2.1 and 1.2.2 by assessing the progress of those investor's that attended workshops, trainings, and the Platform; in this way, the scorecard can help to assess whether the trainings are impactful and result in actual implementation of policies or ESG screening.

### **2.3.3.2. Project Component 2:** *Strengthen the enabling environment for reduced deforestation commodities in demand markets*

Project Component 2 builds awareness and capacity for policy makers in key countries. The component focuses on promoting policy frameworks that support the demand for reduced deforestation agriculture.

Through Component 2, the project will support learning exchanges, workshops, and technical support for key government participants.

For oil palm, Component 2 will be applied in West Africa to incentivize reduced deforestation demand for oil palm and remove related barriers. At the regional scale in South East Asia there will be a focus on learning exchanges and workshops to encourage demand country governments to commit to and adopt policies that incentivize reduced deforestation sourcing. For beef in Paraguay (executed by UNDP), efforts will build national capacity to develop national principles for sustainable beef. Component 2 will be supported by research and tools produced under Component 4. The expected outcome for Component 2 is:

#### **Outcome 2.1: Capacity of governments strengthened to inform policy dialogue around reduced deforestation in project demand markets**

*Output 2.1.1 Learning exchanges, workshops, and technical support for project demand country governments to increase their capacity to meet SDG 12.7 on reduced deforestation demand (South East Asia)*

Oil palm: GEF funds will be used to develop a “Learning and Exchange Program - Governments” (Government Exchange Program) to increase the awareness and capacity of South East Asian governments to improve policies that incentivize demand for reduced deforestation commodities. The Government Exchange Program will be implemented in the same way as the Corporate Exchange Program described under Component 1.

In addition, the Government Exchange Program will support research that builds government capacity for policy improvements. Key issues and opportunities for the program will be discussed amongst the IAP Steering Committee, and tours, exchanges, research and reports will be developed by NGO’s or universities based in the region. Proponents can apply for funds through the same application process described for the learning and exchange program under Component 1.

Depending on the size and extent of individual applications, it is expected that up to 5 learning tours and or workshops and 3 research activities will take place. Organizations such as RSPO, the Paulson Institute, Solidaridad and others with capacity in countries like India and China will be encouraged to apply for grants. CGF will be invited to participate in all of the learning events, and will perhaps play a role as panelist or co-hosting tours or meetings. They will review the opportunities on a case by case basis.

*Output 2.1.2 Recommendations and technical support to increase government capacity within the policy process to remove barriers to demand for sustainable, reduced deforestation palm oil (West Africa, including Sierra Leone and Liberia)*

Oil palm: Under Output 2.1.2, the Demand Child Project will engage policy makers to begin the development of principles and national action plans that support demand for reduced deforestation palm oil. In the same way that the Demand Child Project's work with corporations to develop policies and commitments to reduced deforestation practices will send a signal to producers, work with governments to develop their policies will send similar signals for reduced deforestation practices on the ground. Policies of government, like policies of companies, send signals regarding what is permissible, and what the market demands. The goal is to create an enabling environment that will attract buyers with reduced deforestation commitments, and thereby preempt moves toward deforestation.

Building on a TFA 2020 model that was proven to be successful in Liberia (see baseline), the Demand Child Project will remove remaining barriers that inhibit demand for reduced deforestation oil palm in Sierra Leone through a three-phase approach: (phase 1) engagement, (phase 2) action plan development, and (phase 3) implementation (see figure 3 in the baseline).

Sierra Leone, which is in the process of completing phase 1 Engagement, has expressed willingness to further engage in the process. Proforest Africa Initiative will be executing this work and will use GEF funds to progress in Sierra Leone by implementing the following activities:

- Phase 2, Action Plan Development: GEF funds will be used to implement 2 national workshops in Sierra Leone:
  - *National workshop 1* in Sierra Leone will produce: draft country position on responsible palm oil in the region; gap analysis of major barriers to meet proposed principles; and draft principles and action plan for implementation of responsible palm oil.
  - *National workshop 2* in Sierra Leone will encourage presentation of a final country position and action plan; Sierra Leone will validate the principles and actions drafted in the first national workshop.
- Phase 3: Implementation: Principles and action plans that were developed under Phase 2 for Sierra Leone will be implemented under Phase 3. Keeping with the TFA model, a national implementation steering committee will be formed in Sierra Leone. The steering committee will consist of representatives from government, civil society and the private sector. GEF funds will be used to host two workshops for the steering committee, wherein the steering committee will oversee and evaluate the implementation of the principles and action plans. In addition, and modeled off of a successful training in Liberia, a workshop on High Conservation Value (HCV) and High Carbon Stock (HCS) will take place in Sierra Leone to strengthen the awareness and capacity of TFA principles in the country.

In addition to the above activities in Sierra Leone, GEF funds will be used to host 2 workshops in Liberia to bring together government and partner countries currently engaged in the TFA 2020 process.<sup>5</sup> The goal of this workshop is for knowledge sharing and to reach consensus amongst attending countries on high level principles for responsible palm oil.

Proforest will implement the above work. Output 2.1.2 will align with the Production Child Project through their National Commodity Platform in Liberia, with progress and linkages established when possible. The Demand Child Project will also align with the Transactions Child Project when possible.

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<sup>5</sup> Liberia, Sierra Leone, Ghana, Nigeria, Cote d'Ivoire, Democratic Republic of Congo, Republic of Congo, Cameroon and Gabon



### *Output 2.1.3. National principles incentivize demand in project countries (Paraguay)*

Beef: UNDP Paraguay will implement Output 2.1.3 in Paraguay. Using GEF funds, the project will strengthen national capacity and understanding of sustainable beef standards by supporting the incorporation and participation of key sectoral representatives from Paraguay in the Global Roundtable for Sustainable Beef. These representatives will be mainly public sector, including the Deputy Ministry of Livestock, the Ministry of Industry and Commerce, the Environment Secretary (SEAM), and the National Forest Institute (INFONA), but will also include the private sector, namely the Rural Association of Paraguay (ARP) and the Paraguay Beef Chamber. This will increase stakeholder awareness of sustainability issues to take into consideration when developing voluntary national sustainable beef production standards for the country and will generally increase understanding of the discussions on sustainability that are taking place internationally.

The project will provide support for the adaptation of international standards of sustainable beef production to the national context in order to develop voluntary national interpretations, which are currently lacking. This exercise will be led by government (the Vice Ministry of Livestock of the Ministry of Agriculture and Livestock) and coordinated with all stakeholders of the beef supply chain. The project will support workshops that will take place through the National Commodities Platform (a national platform on soy and beef, which includes representatives of the Chaco beef platform). Specifically, the project will support the National Platform working group dealing with the issue of markets and sustainability through the hiring of an expert who will help prepare a draft national interpretation of sustainability criteria. The project will also support workshops to ensure that this draft is validated by the key stakeholders. The national interpretation or standard will form an important element of the Chaco Regional Action Plan on Sustainable Beef, by incorporating sustainability as a differentiating element and positioning Paraguayan beef to access international markets for sustainable beef.

### **2.3.3.3. Project Component 3: *Promoting reduced deforestation commodities in major markets***

Project Component 3 will focus on oil palm only. The work will build awareness for Indonesian consumers and media on the benefits of reduced deforestation palm oil and the impact of unsustainable palm oil and oil-palm based products. Component 3 will focus on engaging the Indonesian media through media events, and targeting Indonesian consumers through a consumer campaign. This component will be undertaken in Indonesia, with a target on three major cities.

While activities under Component 1 in Indonesia and South East Asia will build corporate and financial commitment to reduced deforestation sourcing, Component 3 will focus on the Indonesian consumer. The expected outcome for Component 1 is:

#### **Outcome 3.1: Increased consumer awareness to drive demand for reduced deforestation products in key demand markets**

To achieve Outcome 3.1, the project will raise media and consumer awareness of issues regarding the connection between oil palm production, deforestation, and consumer choice. This includes events

targeting the Indonesian media, and a gender-sensitive<sup>6</sup> campaign targeting Indonesian consumers, with the aim to drive demand for reduced deforestation products.

*Output 3.1.1 Press events, media briefings, workshops and field visits to inform Indonesian media on impacts of oil palm (Indonesia)*

Oil palm: Under this component, the Project will raise the media's awareness on the negative impacts of palm oil on the environment (e.g. Indonesian forests) to encourage increased coverage of this issue in domestic media. The GEF funds will support the following media events:

- Press event. The project will invite key national media (10-40 members of the press) to press events that present the consumer campaign (see 3.1.2), progress of the campaign, and recent findings related to the palm oil sector in Indonesia to create media coverage and awareness.
- Regular media briefing. The project will complete media outreach efforts to target media (7-8 members of the press) to foster positive media relationships and keep the media informed on ongoing activities related to the campaign.
- Media visit. The project will conduct a series of visits to media offices (2-3) to establish good relations and present information among influential media decision makers.
- Press release dissemination. The project will highlight progress on the consumer campaign and relevant updates to sustain media coverage.
- Media familiarization trip. The project will organize trips to palm oil plantations to generate in-depth articles on the development of sustainable palm oil. The IAP Production Child Project (led by UNDP) will be consulted as needed as a key source of production based information.

This output will be overseen by WWF-Indonesia and implemented by a hired communication firm based in Indonesia. Activities through this output will be coordinated with the IAP Production Child Project to facilitate media site visits to Production Child Project sites in West Kalimantan, North Sumatra and Riau provinces. This output will complement the consumer campaign presented in 3.1.2 below.

*Output 3.1.2 Media campaigns in three major cities in Indonesia to expose consumers to links between oil palm production, deforestation, and the products they purchase (Indonesia)*

Oil palm: The Demand Child Project will mobilize GEF funds to pilot a consumer campaign in Indonesia, with the goal of building awareness and demand for reduced deforestation palm oil among urban consumers. Output 3.1.2 will link to Output 1.1.4, as corporate engagement with Indonesian companies will be more impactful if tied to Indonesian consumer awareness and demand.

This output will be implemented by a professional communications firm based in Indonesia. Specific activities of the campaign include messaging on social media, television, newspapers, internet and radio; the campaign will also advertise at major events such as festivals, parades, and exhibitions. Key information that will be presented to consumers include:

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<sup>6</sup> The UN REDD+ program describes "gender sensitive" as the systematic integration of gender transformative interventions to reduce gender gaps and inequalities, and to advance gender equality & women's empowerment. The campaign aims to influence gender relations by highlighting the importance of women in forestry as well as their significance as consumers.

- Raising awareness on reduced deforestation oil palm. A simple message that describes the benefits of reduced deforestation or sustainable oil palm (in terms of community, environment, and cost), and the products that contain palm oil as an ingredient.
- Raising awareness on impact of unsustainable oil palm. Provide quick facts on the links between oil palm products and negative environmental impacts related to deforestation in Indonesia
- Mobilizing demand for reduced deforestation palm oil. Get consumers to ask for reduced deforestation oil palm, and inform consumer purchasing decisions.

In addition to the campaign, the project will deliver a gender-sensitive consumer guide for responsible demand to inform consumer's purchasing decision.

The campaign will be focused in Jakarta, Pekanbaru and Pontianak. These cities were chosen by the IAP and Demand Child Project during the PPG phase of the Project based on population size, linkage between producer and consumer area, and human development index. The target audience is middle-income consumers in these three cities; the campaign will focus on an ethical rather than a mass-market message. These three cities are large (Jakarta), medium sized (Pekanbaru) and small (Pontianak), and were strategically chosen to allow the project to generate information on different Indonesian demographics, and to use this information to scale messaging nationally, to create a transformational shift at the national level. While three cities will be targeted for the communications campaign, the Project will have a parallel focus on raising the media's awareness on the negative impacts of palm oil on the environment (e.g. Indonesian forests) to scale messaging and encourage increased national coverage of this issue in domestic media. Social media will be employed as well, and as media no longer has national borders, messaging is expected to be broader than Indonesia. There will be a robust monitoring and evaluation component built into the external communications work to continuously test effectiveness. Gender considerations will feature prominently throughout the campaign, with social messaging adjusted to ensure women are taken into account. As women tend to make the majority of family purchasing decisions, they are a natural audience for this component.

#### **2.3.3.4. Component 4: *Advancing transparency, traceability, and decision support tools***

Under Component 4, the project will strengthen transparency and decision support tools for companies, investors, policy makers, and consumers targeted in Components 1-3.

For oil palm, this component will be undertaken in Indonesia with a focus on mapping supply chain actors attributed to the Production Child Project sites.<sup>7</sup> For soy and beef, this component will be undertaken in Latin America (Brazil and Paraguay) with a focus on increasing transparency of the region through a public platform, mapping, and aggregate measures of risk and performance for the region. For palm, soy, and beef globally, market intelligence data and analysis will be produced that informs commodity sourcing trends and the impacts of sustainable demand interventions.

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<sup>7</sup> In Indonesia, Production Child Project sites include Sintang District (West Kalimantan Province), South Tapanuli (North Sumatra Province), and Pelalawan District (Riau Province). In Paraguay Production Child Project sites include Central Boqueron (Department of Boqueron), Northern Boqueron (Department of Boqueron), Agua Dulce (Alto Paraguay). In Brazil the Brazil Child Project will focus on Matopiba.

This component will support the development and distribution of transparency tools. Two outcomes are anticipated for Component 4 to lead to increased transparency and decision support tools in target regions and countries.

**Outcome 4.1: Increased supply chain transparency to facilitate verification of sustainably produced commodities.**

The Project will develop and strengthen transparency tools to enable informed decision making for corporations, consumers, and policy makers. This outcome will include mapping analysis, identifying supply chain actors, and a commodity transparency platform. Activities to achieve Outcome 4.1 will be undertaken at the regional level in Latin America, in target landscapes in Paraguay and Brazil, and at the national level in Indonesia.

*4.1.1 Supply chain actors identified for pilot regions to link commodity purchases from geographical origin to destination (Regional Latin America and Indonesia)*

Through Output 4.1.1, the project will identify supply chain actors and map their commodity purchases from geographic origin to destination, with the goal of increasing transparency of specific companies buying from focus geographies. This output will be carried out for oil palm in Indonesia, in West Kalimantan, North Sumatra and Riau provinces, and for beef in the Chaco in Paraguay and soy in Matopiba in Brazil to create a link to Production target landscapes.

The project will map the flows of soy, beef, and oil palm from the production origin to port with a particular emphasis on the corporations that handle the commodities throughout the supply chain. Production areas to be mapped were determined based on their inclusion in the overall IAP. Information will be updated as needed, and a report will be produced listing the corporate actors, what and how much they are sourcing, and from where.

Soy, beef: In Latin America, soy will be mapped in the Matopiba region coordinating closely with CI, and beef in Paraguay working closely with UNDP. SEI will implement the above activities in Latin America in close collaboration with CI, WWF-Brazil and UNDP.

Oil palm: In Indonesia, oil palm will be mapped from the provinces of North Sumatra, West Kalimantan, and Riau. In Indonesia, WWF will implement the work through a consultant in close collaboration with CI and UNDP.

*4.1.2 Publically available commodity portal developed to increase transparency along the supply chain and raise awareness of supply chain actors' risk exposure in different production geographies (Regional Latin America)*

Soy, beef: Under Output 4.1.2, the project will build out an open-access public platform (tentatively called “Transformative Transparency”) to increase supply chain transparency. Transformative Transparency will be implemented by a coordinated partnership between the Stockholm Environment Institute (SEI) and the Global Canopy Programme (GCP).

GEF funds will support the development of the Transformative Transparency platform, which includes data purchasing and consolidation of large datasets by SEI, as well as sub-contracts on platform and web development. The subcontracted party will be an external technical and web development agency with

expertise in complex interactive visualizations and large data management to incorporate these datasets into an open-access public platform.

Key activities for the development and enhancement of the Transformative Transparency platform include:<sup>8</sup>

- Trace material flows for key forest-risk commodities between regional jurisdictions of production and key supply chain actors, including traders, exporters and importers, and consumer countries for each year between since 2010, encompassing: (1) soy production across Latin America (including Brazil and Paraguay), and (2) beef production in Paraguay. To achieve this activity, the project will combine consistent country-wide data on commodity production at the sub-national (e.g. municipal) level; per shipment customs data; and bilateral trade matrices.
- Assess deforestation risk, and associated land-based carbon emissions from supply chain actors involved in the production and trade of Brazilian soy and Paraguayan beef. To achieve this activity, the project will use a range of approaches to profile and attribute risk to different supply chain actors (e.g. depending on varying availability of time-series, land-use and property-level data), and develop an approach to calculate aggregate risk exposure for downstream actors that are connected to multiple suppliers and production sites. In addition, the work will link regions of production for target commodities with relevant environmental and social indicators (e.g. biodiversity conservation priorities, water scarcity, human development, and governance) to demonstrate sustainability risks for downstream actors.

#### *4.1.3 Four case studies on Brazilian soy and Paraguayan beef completed to validate and test the usefulness of the data offered in the commodity portal (Regional Latin America)*

Soy, beef: In order to engage with active-users, including IAP partners, to enhance the Transformative Transparency platform's (Output 4.1.2) potential to support behavior change of both international trading companies and governments of regional jurisdictions in producer nations, the SEI will conduct four comprehensive case-studies on Brazilian soy and Paraguayan beef production.

Comprehensive analyses will be conducted to align with the geographies where the Production Child Project is working, as identified with in-country partners, including UNDP in Paraguay and CI in Brazil through the IAP production child project. This work will include the following activities:

- Pilot the process described in Output 4.1.2 in Brazil and Paraguay to validate the Transformative Transparency model, produce recommendations for improvement as needed.
- Identify opportunities to downscale to finer levels of detail (e.g. using the CAR instrument in Brazil).
- Identify the most decision-relevant indicators of risk and performance, and most effective ways of quantifying risk exposure for specific commodities and actors.

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<sup>8</sup> This work will not develop maps on environmental dimensions (e.g. deforestation) , but will render existing maps that will be crossed with the mapping of supply chain actors and commodity material flows to assess exposure to risk and opportunities to increase supply chain sustainability.– . This will assist companies and consumers with enhanced decision-support tools. See the Project Theory of Change.

- Identify the most effective and user-friendly ways of making the data and analyses accessible and decision-relevant for traders and regional governments.
- Identify the incentives, constraints and wider enabling conditions that shape the delivery (and relative success and failure) of zero-deforestation commitments, and the role that transparency information plays alongside other enabling factors and constraints.

These activities will be implemented by the Stockholm Environment Institute (SEI) and the Global Canopy Programme (GCP). This output will be aligned with the Production Child Project and the Enabling Transactions Child Project when possible, with support from WWF Brazil.

#### *4.1.4 Transformative Transparency Year Book to present aggregate measures of risk and performance for both key territories and commodity traders (Regional Latin America)*

Soy, beef: Through Output 4.1.4, the Project will develop a Transformative Transparency Year Book. The goal of the Yearbook is to present a summary of aggregate measures of risk and performance for both key territories of production and commodity traders during an entire year. The Stockholm Environment Institute (SEI) and the Global Canopy Programme (GCP) will implement this output, with support from WWF Brazil.

This work will build on the Transformative Transparency platform (Output 4.1.2) and the pilot work on Brazilian soy and Paraguayan beef (Output 4.1.3). GEF funds will be used to develop and communicate actor-specific measures of risk and performance based on the territories these actors are connected to, allowing a preliminary assessment of both the realized performance of these actors, and the net effect of voluntary zero deforestation commitments on environmental condition of production territories.

The deliverable of this output is the production of a Transformative Transparency Year Book presenting aggregate measures of risk and performance for both key territories of production and commodity traders, as well as other downstream actors, including retailers, consumer countries and investors for key Latin American territories. A pilot of the Year Book will be published and made available online year two of the Project. The pilot Year Book will serve as a template, and will inform the next iteration to be published year 3 of the Project. The two Year Books will be built upon in subsequent years, encompassing an increasing number of countries, commodities, and focal issues.

### **Outcome 4.2: Global demand and finance projections for palm, soy, and beef support project and program knowledge management.**

#### *4.2.1 R&D products developed through market intelligence to provide strategic insights on market demand, trade flows, consumption trends, and finance trends (Global)*

Oil palm, soy, beef: In order to provide state-of-the-art information on market demand, its impact on deforestation, and key consumption trends, the Demand Child Project will build out market intelligence products.

GEF funds will be used towards research and development products related to target commodity trends. Research will be conducted on the following topics, and will include the following types of information:

- Trade patterns: import/export levels of commodities associated with deforestation; trade flows linked to major buyers, producers, traders, processors; global market impact on deforestation.

- Areas of expansion: identification of “hotspot” countries where extensive deforestation or production is occurring or emergent; areas where production is expanding (e.g. leakage);
- Corporate tracking: progress on sustainable sourcing commitments (e.g. Tropical Forest Alliance, The New York Declaration, The Indonesian Palm Oil Pledge); market structure of target sectors (e.g. market shares per company, consolidation trends)
- Consumption trends: trends for target commodities used in retail products (e.g. food, cosmetics); consumption patterns by geography.
- Finance trends: tracking financial institutions, including ESG policy adoption and trends on investments. This will be done in alignment with the Transactions Child Project.

Key research methods utilized by the Project include Horizon Scanning.<sup>9</sup> The key deliverable of this output will be biannual memos and an annual report consolidating and analyzing the above topics. Initially, the report will be distributed for internal IAP use, and will include a section on adaptive management to provide key recommendations to ensure the effectiveness and relevance of the strategies above throughout the life of the project and program. At midterm and close of the project, the reports and information above will be repackaged for external use. The Adaptive Management and Learning Child Project plans to disseminate information gathered in this output through the IAP Program website, the Guardian Sustainable Business content partnership, and other relevant means.

WWF-US will implement this work, and will feed into the UNDP-led Adaptive Management and Learning Child project.

### **2.3.3.5. Component 5: *Monitoring and Evaluation***

#### **Outcome 5.1: Project M&E informs project management.**

##### *5.1.1 Project M&E implemented (Global)*

Through this outcome and output, M&E will be implemented throughout the length of the Project. See Section 7 (Monitoring and Evaluation Plan) and Appendix 5 (Project Results Framework) for details.

### **2.4 Global Environmental Benefits**

The Demand Child Project will link with the Enabling Transactions Child Project and the Support to Production Child Project, with the Program as a whole contributing to the following Global Environment Benefits: sustainable forest management, climate change mitigation, biodiversity, and global knowledge (Table 5). The forests of Latin America, West Africa, and South East Asia are recognized internationally as key biodiversity hotspots. They are important centers for endemism for plants, birds, mammals, and reptiles, among other taxa. Specifically, the Demand Project will contribute to one existing incentive mechanism (GRSB) and develop one additional incentive mechanism (Transformative Transparency Platform) for sustainable forest management (see Tracking Tool).

The objective and rationale for pursuing demand for reduced deforestation commodities is to maintain forests, the biological diversity these forests host and mitigate carbon emissions. The Demand Child

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<sup>9</sup> Horizon scanning is a method that systematically examines threats, opportunities, and changes. The result can include an analysis that anticipates or assesses trends.

Project strategies will help reduce forest lost by shifting demand from one that is met through deforestation, to one where demand actors actively promote and incentivize producers to use reduced deforestation practices in the production of oil palm, soy, and beef. Beneficiaries from intact forests and ecosystems include local benefits and global benefits as global forest ecosystems are maintained and threats reduced.

No direct accounting towards the GEB targets is noted in the below table below for the project level. Targets will be reported at the program level through the Adaptive Management and Learning Child Project.

**Table 5 Global Environmental Benefits**

<b>Corporate Results</b>	<b>Replenishment Targets</b>	<b>Indicative Program Targets</b>
1. Maintain globally significant biodiversity and the ecosystem goods and services that it provides to society	Improved management of landscapes and seascapes covering 300 million hectares	<i>The Demand project contributes to the program target of 23 million hectares</i>
2. Sustainable land management in production systems (agriculture, rangelands, and forest landscapes)	120 million hectares under sustainable land management	<i>The Demand project contributes to the program target of 1 million hectares</i>
3. Support to transformational shifts towards a low-emission and resilient development path	750 million tons of CO <sub>2e</sub> mitigated (include both direct and indirect)	<i>The Demand project contributes to the program target of 117.5 million tons CO<sub>2e</sub></i>

## 2.5 Incremental Cost Reasoning

As an integral component of the Supply Chain Approach under the Commodities IAP program, the Demand Child Project adds significant incremental value to the ongoing global efforts that seek to improve demand for reduced deforestation oil palm, soy and beef. The incremental costs are based on the Project’s contribution to the global environmental benefits (produced through the Commodities IAP as a whole). The Project’s interventions represent a greater likelihood that demand for reduced deforestation commodities (oil palm, beef, and soy) will be generated at scale, and increased likelihood of an enabling environment that incorporates reduced deforestation demand principles.

While the baseline brings a degree of corporate commitments, policy efforts, consumer demand, and nascent transparency tools, baseline efforts have generally been targeted to individual players in the supply chain, focus on a single commodity, or are limited in geographic scope. The baseline scenario is insufficient to tackle the threat of deforestation from agricultural commodities. As the demand that drives deforestation is multinational, an integrated approach is needed that builds on: efforts across various supply chain actors for beef, soy and oil palm including companies, policy makers, and consumers as well as a global and regional approach that recognizes the importance of wider strategies tailored to national distinctions.



Under a business-as-usual scenario, without GEF support, the move towards reduced-deforestation supply chains would be slower and less integrated. Under this baseline scenario, it can be expected that commitments to address deforestation in commodity supply chains will be limited to a select set of market leaders, and that many of the commitments made will not be implemented. As described in the baseline section, recent efforts to track corporate progress against commitments reveal limited progress, compared to the size and scale of the problem. A key segment of the market has not been integrated into the reduced-deforestation conversations – namely the Traders. Moreover, while there has been momentum from consumer goods companies particularly in the EU and US to command deforestation free commodities, there is a disconnect between the willingness and interest of consumer good companies to meet these commitments and the ability and interest of the producers to meet this demand. Finally, consumer demand for reduced-deforestation products is predicted to remain low in emerging markets such as Indonesia, and until either consumer demand for reduced-deforestation commodities can be realized, or traders who sell the product locally are pressured to comply with commitments they may have made, reduced-deforestation products will not be supplied in key Asian domestic markets. If corporate commitments, government policy, and consumer demand continue with this slow pace, irrecoverable deforestation, biodiversity loss, and carbon emissions will continue.

With the proposed project GEF Alternative, the GEF will bring key missing resources to accelerate market transformation and address the primary gaps for reduced-deforestation demand. The project will build off the baseline and address some critical barriers, to generate transformative impacts (Table 6).

**Table 6 Demand Child Project Incremental Benefits**

<b>Project Component</b>	<b>Baseline</b>	<b>GEF Alternative</b>	<b>Regional and Global Incremental Benefits</b>
Component 1: Mainstreaming demand for reduced deforestation commodities with major buyers and traders	High domestic consumption of palm oil in Indonesia  Large international and Indonesian companies supply branded reduced deforestation product to international market (not to the domestic market), but progress lags behind commitments	Increase company commitments and government awareness via Asian Learning & Exchange program  Work with Indonesian companies to supply reduced deforestation palm oil domestically	Increased awareness of impacts of unsustainable oil palm in Asian demand countries  Increased demand for reduced deforestation palm oil in Indonesian market
	Limited ESG screening and disclosure by investors of FMCG companies (meaning investments may indirectly fund deforestation)	Increase investor capacity to incentivize reduced deforestation sourcing among FMCG companies.	Companies have more stringent policies regarding sourcing products associated with deforestation.
	Lack of soy trader engagement in reduced deforestation dialogue.  Limited sector collaboration and movement towards reduced deforestation soy and beef in Latin America	Increase company commitments for reduced deforestation beef and soy  Create reduced deforestation roadmap through Traders Platform	Further uptake of reduced deforestation beef and soy due to corporate engagement and awareness.

<p>Component 2: Strengthening the enabling environment for reduced deforestation commodities in demand markets</p>	<p>Largely domestic consumption of oil palm in West Africa</p> <p>Low uptake and implementation of sustainability requirements in West Africa</p> <p>Limited large market players demanding reduced deforestation oil palm regionally</p> <p>Low policy foundation and enabling environment, no guiding regional principles</p>	<p>Develop enabling environment to demand reduced deforestation palm oil from West Africa</p> <p>Advance principles for reduced deforestation policy frameworks in West Africa</p>	<p>Policies in place establishing reduced deforestation practices in Liberia and Sierra Leone</p>
<p>Component 3: Promoting reduced deforestation commodities in major markets</p>	<p>Low consumer awareness/demand for reduced deforestation palm oil in key producer countries, such as Indonesia</p>	<p>Domestic consumer campaign and media outreach and education for reduced deforestation palm oil in Indonesia</p>	<p>Increased consumer awareness of deforestation associated with unsustainable oil palm leading to increased demand for reduced-deforestation palm oil in Indonesia</p>
<p>Component 4: Advancing supply chain transparency, traceability &amp; decision support tools</p>	<p>Trade and Mapping Data are not readily available in the marketplace: Data on trade flows and on mapping to the landscape level exist but are difficult and expensive to find and obtain. There are many great mapping tools, but they are fragmented and uncoordinated, providing very different levels and types of information.</p>	<p>Build out the Transformative Transparency portal to provide the data needed for the supply chain flow, and enable powerful linkages with mapping on the ground, enabling the ability to see real-time deforestation trends and inform corporate decision-making.</p>	<p>Informed Corporate Decision Making</p> <p>Increased transparency of the soy and beef supply chain and connection to practices on the ground e.g. deforestation</p>

The Incremental Cost Reasoning for the Demand Child Project follows the same reasoning as for the overall *Taking Deforestation out of Commodity Supply Chains* program—that under the baseline, efforts to address sustainability concerns and to reduce deforestation from agricultural commodity supply chains will continue to focus largely on individual links of the supply chain, whereas with GEF funding to support an integrated approach, the coordinated use of multiple levers to promote sustainability will maximize impacts.

### Alternatives Design Scenarios

Two alternatives to the proposed Demand Child Project were considered:

**(A1)** A focus on leading global companies spurring them to drive the entire market forward. This scenario could create greater aggregate global market demand and take advantages of market efficiencies as these large companies touch a major percentage of total trade. However, this scenario fails to recognize other supply chain leverage points. An approach that engages actors throughout the

demand side of the supply chain, and includes consumers, policy makers, and utilizes transparency tools, will be far more impactful and have greater success and longevity.

**(A2)** A national approach that focuses on the activities of markets within countries (e.g. Brazil, Indonesia). This scenario would allow nationally based companies to take greater ownership of reduced deforestation demand agenda. However, this scenario would not take advantage of the existing global demand for reduced deforestation commodities produced in priority regions (e.g. Cerrado, Chaco, Indonesia). Nor would this approach allow for flexibility in the Demand Child Project should there be rapid changes in demand or unexpected challenges such as a political crisis in a target country.

### **Proposed Project Approach**

**(A3)** An approach that leverages demand supply chain actors and works at a global, regional and national level provides the best opportunity to generate demand for reduced deforestation palm oil, soy and beef, and thereby contribute to global environmental benefits. This scenario takes advantage of existing consumer and company demand and their related public policies.

Consumers, companies and public policies have been driving demand for reduced deforestation oil palm, soy and beef in target regions (which ultimately influences production practices in this project's focal production countries). However, many global buyers have been unable to meet demand from their consumers. The proposed Demand Child Project will work with traders and companies — an important leverage point in the supply chain — to build their commitments and practical strategies to advance reduced deforestation sourcing. In addition, it will use other supply chain actors such as investors, policy makers, and consumers, to create greater momentum towards reduced deforestation demand, and effectively send a joint demand signal to the market for sustainable commodities.

Only through an approach that connects these actors at a global-regional-national scale can the Demand Child Project effectively mainstream the trend towards reduced deforestation demand.

Finally, the Demand Child Project links to other child projects, including the Adaptive Management and Learning Project. The Adaptive Management and Learning Child Project will coordinate the efforts of all the child projects to ensure program impact, and it ensures that learning from the Demand Child Project (e.g. content developed in the market intelligence reports) is combined with information from the other projects to adjust interventions as needed.

The proposed approach (A3) for the Demand Child Project will increase the efficacy of the baseline activities and remove key barriers to responsible demand, driving an alternative market demand structure that provides greater support to sustainable landscape management.

## 2.6 Risk Analysis and Risk Management Measures (Project Risks)

A number of project risks, and associated mitigation measures have been identified (Table 7).

**Table 7 Risk analysis and risk management measures**

Risks	Risk Management
<b>External Risks</b>	
Buyers/traders that make commitments are not able to implement these commitments.	<ul style="list-style-type: none"> <li>• Project invests in partnering with committed buyers on development and roll out of responsible purchasing policies</li> <li>• Strategy development for reduced deforestation sourcing and connections to producers committed to reduced deforestation production.</li> </ul>
High level commitments that have been brokered (e.g. TFA, large scale corporate commitments) fail to make progress or follow through on commitments due to a lack of visibility into and control over their supply chain.	Risk will be mitigated through the following: <ul style="list-style-type: none"> <li>• Monitor progress of commitments and highlight any failings</li> <li>• Produce roadmaps and provide technical assistance to ensure commitments are realized,</li> <li>• Use multiple levers (including investors and consumers) to promote public disclosure and transparent reporting.</li> </ul>
Lack of transparency in supply chains remains a major issue.	Develop innovative transparency tools that can be scaled up and are sustainable over time
Demand for reduced deforestation commodities grows in advanced economies but remains low in emerging economies, due to concerns on the impact of sustainability on price in price-sensitive markets. This will have the effect that more sustainable production is reserved for export to advanced markets while emerging economies continue to have a higher risk supply base.	Risk will be mitigated through the following: <ul style="list-style-type: none"> <li>• Raise awareness and establish an enabling environment in emerging economies</li> <li>• Engage buyers in emerging economy markets</li> <li>• Engage traders that serve these markets</li> <li>• Engage FMCG companies that already have made global commitments to deforestation free palm oil</li> </ul>
Consumer awareness campaigns do not lead to increased consumer purchases of reduced deforestation products.	Risk will be mitigated through the following: <ul style="list-style-type: none"> <li>• Consumer awareness campaigns are gender sensitive and therefore reach the main users of palm oil (women)</li> <li>• Monitor impact of consumer awareness and consumer pressure on supply chain</li> <li>• Mitigate risk by directly driving commitments at corporate and finance level, in addition to consumer campaigns</li> </ul>
Governments do not make long-term commitments to reduced deforestation policies, undermining project goals.	Risk will be mitigated through the following: <ul style="list-style-type: none"> <li>• Bring willing governments on board throughout the project</li> <li>• Develop success stories and lessons learned from learning exchanges and engagement with policy makers for continued improvement throughout project implementation</li> </ul>
Increased corporate commitments do not lead to an overall decrease in deforestation due to leakage or other actors/markets continuing deforestation practices.	Work at a global and regional scale to ensure the supply chain as a whole moves towards reduced deforestation sourcing
Climate change means demand for certain agricultural commodities and products may shift depending on what is available (by price	Risks will be mitigated through the following: <ul style="list-style-type: none"> <li>• Encourage companies and investors to commit to reduced deforestation commitments that apply to all commodities</li> </ul>

<p>and by quantity). This means the companies and commodities targeted by the Demand Child Project may shift as well, leading to deforestation from other actors and commodities.</p>	<ul style="list-style-type: none"> <li>• Work at a regional level to mitigate the risk of leakage (leakage is more likely to occur when working in a single country, as deforestation can move to neighbouring countries that have not been engaged)</li> <li>• Adjust the theory of change as needed to account for climate change, as identified through market intelligence data</li> <li>• Activities will be flexible enough to account for a changing environment</li> <li>• Monitor effectiveness of program-wide activities and their impact on deforestation, adjusting strategies as needed</li> </ul>
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**Resilience.** Identifying risks and risk management strategies is one way to ensure that potential disruptions — arising from constraints to delivery, market shocks, regulations, and other threats — are accounted for and mitigated. Taking these considerations into account has enhanced the resilience of the project.

During the project design, the Demand Child Project interviewed multiple stakeholders inside and outside of the WWF Network, identifying project strategies that could adapt over the life of the project, fit within the theory of change, and be executed by organizations willing to continually evaluate their performance.

The project design itself accounts for and has the flexibility to withstand major shocks, ensuring resilience during the length of the project and beyond implementation. This is evident in several key project design elements:

- Theory of Change. The Theory of Change ensures the project’s components are linked, tested, and, as the Theory of Change relies on a series of feedback loops, allows for adaptive measures to be added throughout the length of the project. The Demand Child Project’s theory of change encourages transformational, rather than incremental, change in the market.
- Stakeholder engagement. Early and continuous stakeholder engagement is important for ensuring a resilient project. The Demand Child Project has identified relevant stakeholders, ensured those stakeholders had an understanding of the project, and defined the roles of these stakeholders throughout project design. A constant feedback process means the Project has learned from a variety of perspectives and has the approval and buy-in of important stakeholders. During implementation, the project will continue to engage stakeholders in project design and adaptive management to ensure the strategy is up to date and relevant.
- Asia Learning and Exchange. WWF has designed a flexible instrument enabling key demand countries in Asia to engage in the Demand Child Project at their will. The Responsible Demand project will engage key governments and companies which are large consumers of oil palm and soy to encourage participation which could mean learning tours, workshops, etc. The flexibility of the instrument allows for shifting focal countries as supply chains shift.
- Market Intelligence: 4.2.1 on market intelligence will produce key Research and Development products that can be used to make adaptive management recommendations for the Demand Child Project and IAP Program. This service will conduct research on key trends in the marketplace, anticipating potential disruptions or shifts in supply chains.
- M&E. M&E results (analyzed by the M&E Officer, with input from the Project Steering Committee) will inform adaptive management and testing of the Theory of Change throughout the life of the

project. Incorporating adaptive management measures throughout the logic of the project allows an informed, resilient system to be developed.

To ensure not just project but also program resilience, the Demand Child Project will link to the Adaptation Management and Learning (AM&L) Child Project. Supported through the AM&L Child Project, the IAP design supports an integrated and sustainable system to ensure resilience throughout the program and after program implementation. As such, shocks throughout the supply chain (from production to demand) will be anticipated, and relevant pathways developed to ensure the supply chain systems supported by the IAP are resilient.

## **2.7 Consistency with International and National Priorities or Plans**

**International conventions.** Multiple international conventions align with the objectives of the Demand Child Project and the program: broadly, to prevent GHG emissions, deforestation, and threats to biodiversity. The three Rio Conventions (1992) — the Convention on Biological Diversity (CBD) and the United Nations Framework Convention on Climate Change (UNFCCC) — are important international conventions that line up with the Project’s focal areas.

- CBD contains 130 specific actions to ensure the conservation and sustainable use of forest biodiversity at the national level (Diversity, 2012). The Aichi Biodiversity Targets are encompassed in CBD and will be addressed and from 2011-2020; a target ensuring sustainably managed agriculture to conserve biodiversity (Goal B, target 7) is included.
- UNFCCC is the parent of the Kyoto Protocol (1997), which has been adopted by 192 parties and binds developed countries to report and stabilize their emissions.
- The New York Declaration on Forests is upheld as one of the most important voluntary agreements designed to protect forests, and has been signed by many governments, NGO’s, and private sector actors.

Conserving forests and mitigating GHG emissions is not only an international priority, and consistent with the priorities of the Demand Child Project, but is also incorporated into the priorities and plans of the Project’s pilot countries:

**Indonesia.** The Government of Indonesia enacted President Decree No. 2/2015 on the National Medium Term Development Plan (RPJMN 2015-2019). The RPJMN 2015-2019 emphasizes the importance of greening Indonesia’s economy by protecting the environment from human-induced degradation, and enhancing human resources through capacity building and the dissemination of science and technology. The Government of Indonesia has also committed to reducing emissions 29 percent by 2030, and this aligns with Indonesia’s Sustainable Consumption and Production strategies (the 10 Year Framework on National Program on Sustainable Consumption and Production). In addition, the Government of Indonesia ratified the U.N. Framework Convention on Climate Change (UNFCCC). The Indonesian Government has established and delivered the National Action Plan on GHG Emissions Reduction (President Regulation No. 61/2011) and National Inventory of GHG Emissions (President Regulation No. 71/2011). Finally, the Government Indonesia has submitted a document on Intended Nationally Determined Contribution (INDC), wherein Indonesia commits to reducing emissions 29% by 2030. The Government of Indonesia developed and revised their National Biodiversity Strategies and Action Plans in 2003.

**Paraguay.** The Government of Paraguay, which ratified both the U.N. Framework Convention on Climate Change in 1993 and the Kyoto Protocol in 1999, reaffirmed last year its commitment toward achieving Zero Net Deforestation by 2020. It is in the process of developing a national REDD+ strategy to reduce

emissions from deforestation and forest degradation, including from the soy and livestock sectors, and is both a National Program of UNREDD and a REDD+ Country Participant at the Forest Carbon Partnership Facility (FCPF). As a step in advancing its' REDD readiness, the Government of Paraguay is in the process of conducting a forest inventory and developing a National Forest Monitoring System (NFMS). WWF Paraguay currently has an MOU with the Government of Paraguay under which WWF has committed to help build its capacity on forest governance with an emphasis on REDD+. The Demand Child Project will continue to advance this collaborative relationship with the government by taking steps to measure and monitor the impacts of the project activities on forest loss while supporting and maintaining consistency with the developing NFMS (National Forest Monitoring System). In addition, the Demand Child Project will explore opportunities to build forest monitoring capacity and data collection in the project areas that contribute to the national system, as well as to use this data in M&E and adaptive management to forward the Project's interventions. The Government of Paraguay completed and adopted their National Biodiversity Strategies and Action Plans in 2003.

**Sierra Leone.** The Government of Sierra Leone signed the Convention on Biodiversity in 1994 and ratified it in 1996. Additionally, Sierra Leone ratified the UN Framework Convention on Climate Change on 22 April 1995 and the Kyoto Protocol in June 2005. Subsequently, established the National Secretariat for Climate Change (NSCC) with the mandate to improve forest governance to maintain the proportion of land area covered by forests to at least 3.4 million ha. Sierra Leone has also set up growth and development objective of establishing a low-carbon and pro-poor development, whilst enhancing the degree of environmental protection and maximizing the benefits offered by environmental services. In order to deliver on this, the government established the REDD+ secretariat. Additionally, the government has developed and is implementing a number of policies and programs aimed at mitigating the effect of climate change and reducing deforestation. The main thrust of sustainable development in Sierra Leone is the government's "Agenda for Change now Agenda for Prosperity" with the main goal to make agriculture the engine for socio-economic growth and development towards the achievement of food security for all, employment opportunities, income generation and poverty reduction in Sierra Leone with the smallholder farmers being the focus. The government intends to achieve this within the frame of its commitment to conserve and maintain a forest cover of at least 3.4 million ha and has thus been mobilizing national resources and seeking support for low carbon agriculture development in Sierra Leone. The Demand Child Project thus presents opportunity for Sierra Leone stakeholders to agree and implement a set of national principles and actions that will guide sustainable oil palm development that provides wealth and jobs to local communities but which is environmentally sustainable and protects the rich tropical forests and the associated biological resources of Sierra Leone. The Government of Sierra Leone completed and adopted their National Biodiversity Strategies and Action Plans in 2003.

**Liberia.** The Government of Liberia (GoL) is committed to meeting its obligations under the international conventions and protocols the country has signed up to. Liberia is a party to the Kyoto Protocol and the three Rio Conventions; the UNCBD, UNFCCC and the UNCCD. The forests of Liberia are an important part of West Africa's remaining rainforest, currently accounting for about 43% of the Upper Guinean forest. As part of the commitment to addressing deforestation, the Government of Liberia has pledged to place 30% or more of the country's remaining forest estate under protected area status by 2020. In spite of constraints in institutional capacity and human resources, the establishment of the Environmental Protection Agency in 2002, the launching of the National Climate Change Secretariat in 2010 and the establishment of the Land and Governance Commissions, in 2010 shows government's commitment to establish and build appropriate institutions and capacity to ensure delivery of its commitment. The REDD+ Technical Working Group (RTWG), an off-shoot of the Carbon Consultative Group established in

2007, is one of such recent multi-stakeholder structures set up to provide technical support to the FDA on REDD+ readiness and a further demonstration of the government's commitment to addressing deforestation and to improve forest governance. A more recent commitment to addressing deforestation in Liberia is Liberia's Letter of Intent with Norway under which Norway will provide \$150 million in developmental aid tied to assurances that deforestation will be stopped in Liberia by 2020. The Responsible Demand Project presents an opportunity for Liberian stakeholders to move towards their above commitments and reduce deforestation.

## **2.8 Consistency with GEF Focal Area/Fund Strategies**

The Demand Child Project is funded under the \$45 million Integrated Approach Program *Taking Deforestation out of Commodity Supply Chains*. The IAP draws \$35 million from the Biodiversity focal area and, \$10 million from the sustainable forestry management (SFM) focal area (GEF-6 Programming Directions, 2014). The IAP aims to reduce the global impacts of palm oil, soy and beef on GHG emission and biodiversity by making reduced deforestation supply chains of these commodities the norm (GEF, 2013).

The Demand Child Project's objective contributes to the IAP by strengthening the enabling environment and public and private sector demand for reduced deforestation commodities in priority commodity markets. By driving reduced deforestation demand, the Project contributes to GEF strategies for biodiversity, climate change and sustainable forestry management, which are also aligned to the Global Environment Benefits produced through the Project.

**Biodiversity.** The Demand Child Project responds to GEF-6 Biodiversity Objective 4 (BD-4), mainstreaming biodiversity conservation and sustainable use into production landscapes and seascape sectors. The Project's components relate to both components of BD-4 *Program 9 Managing the Human-Biodiversity Interface*. The Project will build demand for commodities from production landscapes that integrate conservation and sustainable use of biodiversity (Outcome 9.1). The Project also aims to strengthen the capacity of public policy makers to inform policy dialogues related to reduced deforestation commodities. This includes developing national interpretations of relevant third-party credible sustainability standards (Outcome 9.2) (GEF, 2014).

**Climate change.** The Project supports the efforts of GEF-6 Climate Change Mitigation Focal Area Strategic Framework' section 2 (CCM-2) that aims to demonstrate the systematic impacts of climate change mitigation options. Specifically, Program 4 exists to promote conservation and enhancement of carbon stocks in forests, and other land use, and support climate smart agriculture. Within this Program, Outcome A calls for accelerating the adoption of management practices that reduce GHG emission from land use change and deforestation. Outcome B aims to aid planning and regulatory frameworks that foster low GHG development from agriculture commodities (GEF, 2016).

**Sustainable forestry management.** The Project supports GEF's Sustainable Forestry Management Strategy 1 (SFM-1), which seeks to reduce pressure on high conservation value forest by addressing the drivers of deforestation. SFM-1's Outcomes 1.1 and 1.2 aim to drive cross-sector policy and planning approaches to avoid the loss of high conservation value forests, respectively. In addition to the Project generating reduced deforestation demand and creating an enabling policy environment, the public-private-NGO collaborative nature of the Project supports SFM-1's cross-sector policy and planning outcome. Moreover, the Project's work to advancing mapping efforts in several priority regions (e.g. Brazil and Paraguay) address Programs 1.1, 1.2 and 1.3 on integrated land use planning, identification



and maintenance of high conservation value forests, and identification and monitoring of forest loss (GEF, 2015).

In addition to GEF strategies, the Project directly addresses all Aichi Biodiversity Targets except Target 3 related to the elimination of subsidies that are harmful to biodiversity and 17-20 related to funding of the Targets and policies of Parties to the CBD (GEF 2014). The Project aims to shift demand towards reduced deforestation palm oil, soy and beef in biodiversity hotspots, directly supporting the following goals of the Targets:

- Addressing the underlying causes of biodiversity loss by mainstreaming biodiversity.
- Reduce the direct pressure of biodiversity and promote sustainable use
- Improve the status of biodiversity by safeguarding ecosystems, species and genetic diversity
- Enhance the benefits to all biodiversity and ecosystems services.

## **2.9 WWF Comparative Advantage and Consistency with WWF Programs**

The comparative advantage of WWF rests on its 50 years of experience working in 100 countries, with support from over 5 million members globally. WWF's mission to conserve nature and reduce threats to priority places is consistent with the goals of the Demand Child Project and the Commodities program as a whole.

WWF-US centers its work on five core pillars, with relevant ones including Climate, Food, Forests, and Markets. Throughout these goals WWF-US has successfully built public-private partnerships, convened stakeholders, bridged policy gaps, and transformed markets at a local to global scale. WWF-US has recently focused on building up capacity and experience in offices that include Brazil, India, Indonesia, and China to support its market transformation initiative. At the same time, the WWF network has built credibility and trust by working with global market actors along the supply chain, with much of this work centering on increased demand for sustainable commodities.

The WWF Markets team specifically has experience shifting markets towards sustainable production through activities that include corporate engagement, supporting the continuous improvement of standards and certification, leveraging sustainable finance, working on public policy, and increasing transparency in supply chains. Building on lessons learned and the expertise developed in this space, alongside strong support from WWF offices in Indonesia, Paraguay, Brazil, and Africa, WWF US is well situated to undertake a crosscutting project that transforms markets at a local to global scale.

WWF is widely recognized as a civil society thought leader for advisory and engagement with the financial sector on environmental risks and opportunities in soft commodities. Over the past 12 years, WWF has worked with regulators, platforms, and leading banks, and produced numerous publications and tools, increasing awareness, commitments, and actions by investors on deforestation and commodities.

## **2.10 Innovativeness, Sustainability & Cost-Effectiveness**

**Innovativeness.** There are numerous efforts to increase demand for reduced deforestation commodities. However, these efforts often focus on a single commodity, geography, or limit themselves to one part of the supply chain.

Through the Commodities IAP, the Demand Child Project is directly linked to interventions around production and investment transactions in specific, strategic geographic regions. The IAP's integrated

approach allows priority regions to receive coordinated support that (1) engages producers, (2) finances reduced deforestation production and (3) strengthens the enabling conditions to drive global demand for reduced deforestation commodities produced in those regions. For example, through the Demand Child Project's link with the Commodities IAP, the innovation is that buyers around the globe will have improved transparency into their supply chains and will be able to target their purchases from geographies where responsible production occurs (ensured by the Production Child Project).

For the Demand Child Project specifically, the focus on corporate engagement innovations has been tailored to the most strategic and impactful strategies to drive change in the focal commodities. Domestically in Indonesia, a strategically important country as one of the top two producers *and* consumers of palm oil, the Project will focus on corporate engagement to provide branded reduced deforestation palm oil to the domestic market. While all stakeholders have agreed that domestic palm is a gap, it has not yet been addressed. The second strategy to drive reduced deforestation palm is a focus on the investors in the market. This has not been recognized as a priority amongst NGOs, but provides an innovative approach, with the potential for investors to drive significantly more corporate demand for responsible commodities.

Finally, in Latin America, and Brazil and Paraguay specifically, the focus will be on working with traders regarding soy. The Soy Trader's Platform will engage interested traders, a leverage point in the supply chain that has thus far been untapped. Focus will be on partnerships, consensus, and collective action in implementing a realistic roadmap for reduced deforestation soy in Latin America.

The South East Asian learning exchange (under Component 1 and 2) is another example of innovation. The Demand Child Project will engage palm oil traders, buyers and governments. Through links with the Production Child Project and the Transactions Child Project, these actors will have expanded opportunities for engagement with investors, the finance industry and producers. These regional instruments will be developed in Asia and Latin America and are designed to be flexible and open. This enables a set of stakeholders to quickly respond to changing situations. A company or government may face unexpected pressure and they can turn to the Project for support. This kind of instrument has not been developed at scale with the private sector.

Finally, the Demand Child Project will continue to develop and implement a powerful commodity tracking method - the Transformative Transparency platform (Outcome 4). This platform's methods have been demonstrated effective at small scales, but have not been applied to entire regions or globally. The methods combine (a) consistent country-wide data on commodity production at the sub-national level (e.g. municipal); (b) per shipment customs data and (c) bilateral trade matrices describing trade flows by commodity, company and production at the sub-national level. The combination and use of these datasets is at the core of the innovation of the Transformative Transparency platform. The public nature of the Demand Child Project helps ensure that commodity markets will soon have improved transparency by scaling up the Transformative Transparency platform.

**Sustainability.** The sustainability of the Demand Child Project rests on the ability of companies and policy makers to (1) understand their organization's risks related to deforestation, (2) collectively address those risks and (3) render their supply chains transparent to drive the knowledge of risks and help organizations address them. The Project directly builds this understanding, transparency and the ability of organizations to directly address risks. Effectively, the Project will help "reduced deforestation sourcing" become standard practice in commodity markets.

Standard practice, once established, will include: investor standards around ESG screening policies that will be applied to portfolio companies; a shared roadmap and sourcing policy for traders (as developed through the Soy Trader's Platform). These policies are unlikely to reverse and will likely strengthen over time, or even be adopted by other interested investors or traders/companies.

As a result, many of the Demand Child Project's efforts are inherently sustainable. For other sub-components, the Project is addressing sustainability as follows:

- Learning, exchanges and platforms. Deforestation is just one risk companies and governments share across commodity supply chains. Once engaged, these actors are likely to maintain the dialogues and relationships made through the project to address related evolving needs.
- Government engagement in West Africa and Paraguay. The skills and practices associated with principles for sustainable palm oil will be maintained, and, once established through project activities, these policy frameworks will guide the sector. The strengthened national capacity and voluntary national sustainability standard in Paraguay will continue to support integration of sustainability issues in the beef supply chain after the project ends.
- Consumer campaigns. The media materials and techniques from the Indonesia consumer campaign will be shared broadly for repurposing for other commodities and countries. Consumer awareness, once raised, will lead to strengthened demand for reduced deforestation palm oil past the length of the Project. Companies will increasingly recognize this demand and shift buying and labeling towards reduced deforestation products as a result.
- Transparency tools. The global demand for information on commodity tracing is growing in all sectors. The methods that will be advanced by this project are likely to be used by various sectors and therefore become strengthened, more informative, and a shared reliable source on commodity transparency. The Transformative Transparency platform itself is being designed to become increasingly efficient at incorporating updated data and related market information. Once established, the platform can more easily include new jurisdictions and therefore become of more global relevance past the length of the project.

Moreover, the Project's design is consistent with trends of the supply chain management industry. Sectors are seeing ever closer collaboration among actors, and are collectively identifying efforts to address social and environmental issues. Because the Project uses this momentum to advance reduced deforestation components, the collective understanding of and the capacity to address deforestation related risks will be sustained.

**Cost-effectiveness.** By forming strategic partnerships, the project will be able to influence a large base of supply chain actors with limited resources. For instance, alignment with CGF presents a great opportunity to use an integrated platform to shift corporate demand towards sustainable sourcing, and to ensure this sourcing follows through on consistent requirements. Furthermore, by relying on pilots and regional approaches, the Demand Child Project is able to use a combination of approaches depending on how advanced the commodity supply chain is in that area. Pilots and regional approaches can be scaled up and linked as needed, allowing activities to be tested and made global through an adaptive management system.

The Demand Child Project will implement a standard set of measures to minimize costs. They include:

Implementing Activities, Project Monitoring and Evaluation: The Project monitoring and evaluation framework was developed to utilize available public resources (such as Supply Change and Forest 500) to ensure reliable but affordable data.

Hiring Third Party Consultants: Project outputs such as developing a communication campaign for sustainable palm oil in Indonesia, requires a third party consultant. The project management team will follow a public procurement process to have at least three competitors for a consultant position. Selection of a consultant will be based on human resources, technicalities, experience and financial proposal. This measure will help to hire the best consultant (individual or organization) for optimal price.

Travel: Travels by management team are necessary for effective project monitoring and implementation. Economic fares will be applied for air and road travel and appropriate lodging facilities will be provided to the project staff that ensures staff safety. Expenses will be accounted for according to WWF rules and in line with the GEF policy. The regional WWF offices will apply their official process to select the travel agent, which gives cost competitive rates where appropriate.

Equipment Purchase/ Printing and Publishing: All of the member organizations will follow a tendering process for equipment purchase and printing/publishing that accounts for more than USD \$20,000 and compare at least three vendors. In case there is a single vendor only for any activity, appropriate official norms will be followed to get an approval from the highest authority of the organizations with clear justifications.

Providing opportunities: The Demand Child Project will provide opportunities that ensure a broad stakeholder engagement process where appropriate. This will follow a bottom up process if necessary, and will ensure engagement of local communities, indigenous people, women, youth, students, marginalized communities, and will be gender and socially inclusive.

Involving WWF Staff: The Demand Child Project will utilize WWF network expertise as needed. This will help to reduce the overall management cost of hiring new staff for the project.

## **2.11 Knowledge Management and Communications Strategy**

The Demand Child Project will build on important lessons from a number of relevant projects and initiatives, including:

- Lessons from the Phase 1 Completion Report and Phases 1 and 2 Annual Technical Reports of the WWF grant from SIDA include the need to not only focus on one-on-one corporate engagement, but also with consolidated supply chains, multi-company platforms (e.g. Consumer Goods Forum), governments, and other key actors in order to make sustained difference across the supply chain. Platform-based commitments need to be combined with verification of compliance and assurance that platform commitments are rigorous. In addition, these reports found that campaigns and demand mechanisms must be adopted from Western countries where it has been historically used, to fit local demand in Asian countries.
- Lessons from Market Transformation Initiative, gleaned from the Terminal Program Review, included lessons on adaptive management. The TPR recommended that a robust M&E that measures companies on a scorecard system should be bolstered with additional data and impact analysis to assist adaptive management measures.

- Lessons learned from the Forest Law Enforcement, Governance and Trade (FLEGT) Action Plan, produced through Thinkforest, include a need to better analyze shifts in trade and the impacts of these trade diversions and market substitutions.
- Lessons learned from REDD+, found under “UN-REDD Lessons Learned: Asia-Pacific,” include the point that awareness and capacity building take time to strengthen. The Demand Child Project design therefore incorporated a range of solutions to ensure short and long term sustainability of the project.

The Project will coordinate and link to the IAP Adaptive Management and Learning Project (AM&L Project) which has the objective to strengthen the global capacity and integrated nature of the Commodities IAP to effectively leverage demand, transactions and support to production to implement the program in a synergistic manner for greater impacts and replication. Linking with the AM&L Child Project, as well as the IAP as a whole, will ensure program and project-level learnings are synthesized and shared. The AM&L Child Project is responsible for sharing relevant learnings from other parties so IAP programs can be captured and leveraged effectively; development of a Global Community of Practice to share best practices and lessons learned to promote replication and scaling up of effective projects; and a communications strategy implemented at the Program-level to raise awareness of the impacts of project and program results and facilitate dissemination of knowledge. The Demand Child Project will be responsible for capturing lessons learned from each component, and will communicate regularly with the AM&L Child Project to ensure these lessons are shared to the correct stakeholders. Along with capturing lessons and best practice, the Demand Child Project will be responsible for producing a report at midterm and close of the project on research developed through market intelligence. This report, developed through the Demand Child Project, will be published and shared by the AM&L Project through the mechanisms listed above to ensure consistency in the IAP communication strategy.

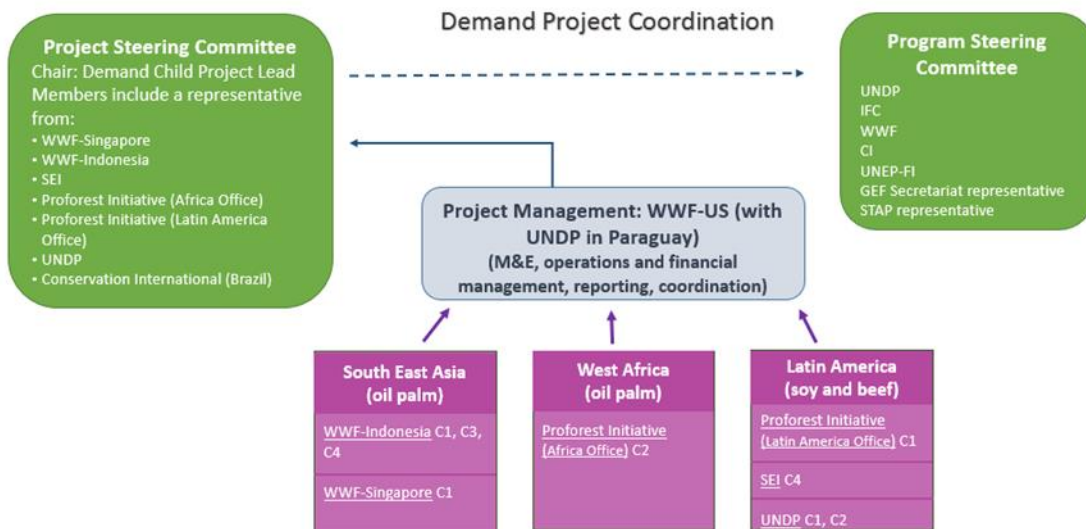
In addition to information shared through the AM&L Child Project, the Demand Child Project will communicate the progress of project activities and key outcomes through publically disclosed monitoring and evaluation reporting. Lessons on best practice will be compiled based on M&E reports, shared through the AM&L Child Project, and re-inform the project cycle — an important feedback loop to using and sharing knowledge management. This feedback loop will include, prior to each technical progress report, a PMU and Steering Committee review of the theory of change, which will be revised as needed. The Demand Project Manager will lead the knowledge management coordination, and connection to the AM&L Child Project.

## **SECTION 3: INSTITUTIONAL FRAMEWORK AND IMPLEMENTATION ARRANGEMENTS**

### **3.1 Project Execution Arrangements and Partners**

The Responsible Demand Child Project will be executed by WWF US in partnership with a number of organizations, namely, Stockholm Environment Institute (SEI), Proforest Initiative (Africa Office and Latin America Office), WWF Singapore, WWF Indonesia. The work in Paraguay will be led by UNDP. The Responsible Demand Child Project organization structure is shown below in Figure 6, with the various entities’ relationships and responsibilities discussed in detail below:

**Figure 6 Demand Child Project coordination**



In terms of project execution and day-to-day management and oversight, the Project Management Unit (PMU) will coordinate project execution with project executing partners (listed above).

The PMU will play a central coordinating role among project partners, support implementation of project activities through coordinated actions with the country offices and representatives from each region, and will coordinate with and report to the Project Steering Committee and the Program Steering Committee via the Demand Child Project Lead. To ensure clear lines between the WWF GEF Agency and the Executing role/PMU, and for checks and balance, the PMU Finance and Operations Manager is under a different reporting line than the WWF GEF Agency Finance Office. The PMU Finance and Operations Manager is responsible for sub-granting and financial reporting; whereas the WWF GEF Agency financial office provides the primary grant, compliance, and oversight role, ensuring that proper checks and balances remain in place.

**Proforest Initiative** will be responsible for the Component 1 Outcome 1.1 (Output 1.1.3) concerning convening and facilitation of the Soy Traders Platform, and C2 Outcome 2.1 (Output 2.1.2) concerning policy processes. Proforest brings to the project the legitimacy of being a respected agency with good relations in the Latin America and Africa regions. Proforest’s in-region staff have strong government and stakeholder relations. They also bring a successful engagement model (C2) to the project. Proforest will receive a sub-grant from the Executing Agency and be responsible for financial reporting of their grant to the PMU, and for technical reporting to the PMU on the outputs listed above. Representatives from Proforest’s Latin America Office, leading the international and regional soy work, and Proforest’s Africa Office, leading the work in countries including Sierra Leone and Liberia, will sit on the Responsible Demand Project Steering Committee.

**WWF Singapore** is leading the work in South East Asia for Outcome 1.2: Increased investor capacity to incentivize fast-moving consumer goods (FMCG) companies towards reduced deforestation sourcing. This work will be closely coordinated with UNEP FI and the IFC, as they have been involved with developing the strategy to complement their work in the Responsible Transactions Child Project. WWF Singapore will be responsible for providing regular inputs to the PMU for the technical reporting related to this outcome. WWF Singapore will sit on the Responsible Demand project Steering Committee.

**UNDP** as co-implementing agency will be responsible for the execution of the Responsible Demand Project's work in Paraguay, including Output 1.1.2: workshops, guidance notes, and learning trips to mobilize and engage buyers in the beef sector to generate demand for reduced deforestation beef produced in the Chaco, and Output 2.1.3: national principles of sustainability standards to incentivize demand in project countries. As UNDP will also lead the execution of the Production project in Paraguay, thus ensures a coordinated approach between efforts to work with suppliers and buyers of sustainable beef from the Chaco. UNDP has longstanding ties with the Government of Paraguay and is therefore well-suited to jointly implement the production and demand projects. The IAP Chaco Coordinator will be responsible for both projects, will serve on the Responsible Demand Project Steering Committee, and will provide inputs to the Responsible Demand Project PMU for regular monitoring, evaluation, and technical reporting on the above outputs.

**WWF Indonesia** is responsible for Output 1.1.4. Meetings to engage Indonesian companies including brands, retailers and traders to facilitate reduced deforestation palm oil sourcing and sales within domestic markets; and, for Outcome 3.1: Increased consumer awareness to drive demand for reduced deforestation products in key demand markets. The Indonesia work will be closely coordinated through an IAP Program committee in Indonesia which already has been operational during the PPG phase of the IAP Program. WWF Indonesia will serve on the Responsible Demand Project Steering Committee,

## RESPONSIBLE DEMAND INTEGRATION WITH BRAZIL CHILD PROJECT

WWF and its executing partners are responsible for several Demand Project initiatives that involve collaboration with the Brazil Child Project, including the work to convene a soy traders platform (Output 1.1.3), update the Transformative Transparency Portal including links to Production Project sites and supply chain actors (Outputs 4.1.1 and 4.1.2), develop case studies for Brazilian soy using data in the platform (4.1.3) and produce a Transformative Transparency yearbook (4.1.4). These outputs and their higher level outcomes are funded through the Demand Project, but support the Brazil Child Project's Outcome 4.1: Increased market demand for responsibly sourced soy, and Outputs 4.1.1 and 4.1.2, which reflect the strategy and activities described in this Responsible Demand Project Document. These outputs are included in both project documents to reflect implementation funded by the Responsible Demand Project in Brazil in close coordination among organizations.

There will be a child-project kickoff workshop in Brazil with all relevant stakeholders from the Matopiba region to develop the methodology for incorporating Matopiba-relevant supply chain information, maps, and risk analysis into the tool SEI is developing under the Responsible Demand Project. Moreover, the Soy Trader's Platform, led by Proforest under the Responsible Demand Project, will integrate traders from the Matopiba region; CI is already involved with the platform's formation and will continue this role.

Finally, WWF will sit on the Brazil Child Project's board with UNDP, IFC and CI, all of whom are also members of the global program's Steering Committee.

with WWF Singapore, ensuring alignment across the region.

**SEI** will be responsible for implementation of the C4 Outcome 4.1 (Outputs 4.1.1-4.1.4) as well as representation on the Project SC. They will oversee the Transformative Transparency work and help market the results. SEI, in partnership with GCP, bring a proven model for transparency (C4) that has been validated with other actors working on supply chain transparency initiatives (see stakeholder participation in section 4.3). SEI will receive a sub-grant from the PMU and be responsible for financial reporting to the PMU on their sub-grant. SEI will be responsible for providing the PMU with supply chain transparency-related inputs to the project-level technical reporting.

**Other partners** will be engaged throughout the project. This includes potential collaboration with CGF under Component 1, and partners with winning applications to the competitive corporate learning exchange program and government learning exchange program. The Responsible Demand Project will coordinate with the TFA in Indonesia, Africa, and Brazil.

### **3.2 Project Steering Committee**

The overall coordination of the project is tasked to the Project Steering Committee (PSC) formed by representatives from the project partners with consideration of representation across the three project regions (SE Asia, Africa, and Latin America). The PSC will be chaired by the Demand Child Project Lead, and will include a senior research fellow from SEI; Africa Regional Director and Brazil Country Director from Proforest; Asia Finance & Commodities Specialist from WWF Singapore; Deputy Director Agriculture & Fisheries, Market Transformation from WWF Indonesia; IAP Chaco Coordinator from UNDP Paraguay; and Senior Manager Sustainable Agriculture from CI Brazil. The PSC will facilitate a successful project execution and be responsible for providing input to project work planning, approving annual work plans and budgets, review and approval of key project outputs with OFPs when relevant, and make informed decisions regarding planning and development of actions during the project. The PSC will have virtual meetings quarterly, in addition to monthly virtual meetings held between the Project Manager and the partners involved in each outcome. Prior to Project Progress Report (PPR) reporting and the creation of a new annual work plan, the PSC will annually reflect on the theory of change and results chains (see Appendix 4) and will assess whether or not changes are needed to the Demand Child Project's strategies or activities. The PSC will also ensure that the project complies with operational minimum standards and safeguard requirements as determined by and in coordination with the WWF-GEF Project Agency.

### **3.3 Project Management Unit**

The PMU will play a coordinating role to ensure alignment and coherent implementation of the outputs and outcomes with all executing partners. The PMU will include a Monitoring, Evaluation, and Reporting Officer, a Project Manager, and a Finance and Operations Manager. The PMU will be responsible for coordination of implementation, as described above; technical and operational monitoring and evaluation throughout the project, including consolidation of information from executing partners for the results framework and the bi-annual PPR in addition to other M&E deliverables; as well as direct correspondence with the WWF-GEF Project Agency on behalf of the wider project members. The PMU will have biweekly management meetings and will be led by the Project Manager. The PMU is a distinct entity within WWF, with separate reporting lines and responsibilities from the WWF GEF Project Agency.

The Project Manager will ensure that all project partners maintain a high level of transparency, responsibility and accountability throughout the length of the project. The Project Manager will inform



the Project Steering Committee of any delays or risks as they arise during implementation so that appropriate support or mitigation measures can be adopted. The progress of project partners will be tracked via an annually developed work plan. The work plan will also ensure alignment between the deliverables of each executing partner. In addition, the PMU will track partner progress against targets determined in the M&E plan. The M&E Officer will ensure that the standard WWF and GEF M&E requirements are fulfilled to the highest quality on a regular basis.

### **3.4 WWF-GEF Project Agency Management Unit**

The WWF-GEF Project Agency Management Unit will support project implementation by maintaining oversight of all technical and financial management aspects, and providing other assistance upon request of the Executing Agency. The WWF-GEF Project Agency will also monitor the project's implementation and achievement against the Results Framework, ensure the proper use of GEF funds, and review and approve any changes in budgets or work-plans. The WWF-GEF Project Agency will arbitrate and ensure resolution of any conflicts during implementation that cannot be resolved in first instance by the EA.

### **3.5 Integration with Other Child Projects**

The Responsible Demand Project has several linkages to the Production, Transactions, Brazil, and Adaptive Management & Learning Child Projects. A summary of the links to the Brazil Child Project is provided in the text box on page 58. See Appendix 10 for a table of other linkages and points of collaboration.

### **3.6 Program Steering Committee**

The Program Steering Committee will be managed by UNDP through the Adaptive Management child project to provide coordination, a governance structure, and act as a decision making mechanism throughout Program implementation. It will be formed by representatives from each Implementing Agency — UNDP, IFC, WWF, CI, UNEP-FI — along with a GEF Secretariat representative and a STAP representative. UNDP has the role as Steering Committee Chair. The Project Steering Committee will coordinate with the Program Steering Committee for the length of the project. WWF's Responsible Demand Project Lead will represent WWF on the Program Steering Committee.

An Advisory Committee will be established to advise the Program Steering Committee on a periodic basis. This will consist of selective experts from the private sector, NGOs, platforms, donors, who are recognized in their respective fields. The Advisory Committee will provide technical and strategic advice to strengthen Program implementation and impact; support the building of partnerships to increase Program impact and visibility, and provide feedback on changes in the Program context to support adaptive management and resilience.<sup>10</sup>

## **SECTION 4: STAKEHOLDER PARTICIPATION**

The Demand Child Project team consulted broadly across the globe to solicit feedback in the design of the ProDoc in order to determine the most impactful interventions, and most appropriate organizations to execute the work (see Appendix 9).

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<sup>10</sup> See "Adaptive Management and Learning" ProDoc for further details.

The identification of stakeholders was based on a stakeholder analysis conducted during the early stages of the PPG phase and resulted in a stakeholder matrix with activities, gaps, and potential role or involvement in the project. This was used to guide the consultation process and the identification of executing partners. Throughout the project preparation phase, drafts of the Project Document were circulated to project executing partners, including the Consumer Goods Forum, for review, input, and approval.

#### **4.1. Country and regional engagement**

**Indonesia.** An IAP program inception meeting was held in Jakarta, Indonesia in November 2015, with the GEF Secretariat and Government representatives in attendance, as well as representatives of key potential partners. In advance of the meeting with government, the Demand Child Project worked with members of the Production Child Project and Transactions Child Project on preliminary design of the overall IAP in addition to demand project interventions.

A multi stakeholder (including government) project design workshop was held in Jakarta, Indonesia on January 25-27th, followed by field visit to West Kalimantan for consultations with provincial authorities, and companies. During this workshop, more than 40 participants from government agencies, civil society, development partners, and the private sector validated demand strategies of focusing on domestic oil palm consumption and consumer awareness.

**Paraguay.** A total of four project design workshops were carried out in Filadelfia, Chaco with local stakeholders between January and June 2016, with the participation of UNDP technicians, technicians from the main cooperatives (Fernheim, Neuland and Chortitzer), representatives of the Government of Boquerón and Alto Paraguay, representatives of the Municipality of Filadelfia, and representatives of the production cooperatives federation (FECOPROD). The workshop objectives were to conduct the necessary consultations with key stakeholders in the design of the Demand Child Project for Paraguay as well as the sustainable production work in Paraguay, and to discuss and revise the project outcomes and outputs. In addition, maps of the pilot sites for landscape-level work in the Chaco were presented.

Two workshops were held to introduce the objectives of both projects and review the expected outcomes: one with the Minister of Environment and the Deputy Minister of Livestock, and the other with the participation of the Technical and Legal team of the Secretary of the Environment (SEAM) and the National Forest Institute (INFONA).

Finally, additional interviews were organized to discuss the main proposed elements for the Demand Child Project and alignment with national priorities. These were carried out with various stakeholders, including the Deputy Minister of Livestock of the Ministry of Agriculture and Livestock, staff of the existing UNDP/GEF Green Landscape Project and of the UNDP Country Office and representatives of the private sector, including the Rural Producer Association (ARP) and the Paraguayan Beef Chamber.

**Brazil.** In mid-December, the Brazilian Government confirmed their Expression of Interest to join the IAP. On 22 January, the IAP convened a half-day meeting with Government officials, led by the Secretary of Environment and Forests in the Ministry of Environment. The meeting was focused on the Matopiba region, which the government has highlighted as a priority targeted for the IAP program to engage in the soy supply chain. It was agreed that the target landscape will emphasize engagement with stakeholders on the production end, while at the same time harnessing priorities for demand and financial transactions components.

There was an additional workshop in March convened by CI and hosted by WWF whereby the project design was reviewed.

### **Regional:**

**Oil Palm-Asia.** An RSPO meeting in November 2015 was maximized to undertake consultation and validation of the Demand Child Project with key stakeholders. A global session at the RSPO meeting was dedicated to introducing the project and to identify globally the key issues and strategies that need to be addressed to further promote sustainable oil palm. There were over 100 participants globally, including private sector, civil society and government. The following were recommendations/findings that have informed development of the Demand Child Project:

- 4-6 players play a significant role in oil palm (COFCO, Master Kong, Wilmar, Julong, Sinograin, Chinatex)
- Intergovernmental dialogue in the region is needed
- Consumer awareness regarding impacts of oil palm is low
- Financial Institutions and Banks should be leveraged.

**Oil Palm-Africa.** Proforest, as a project executing partners for the Demand Child Project in Africa, held workshops nationally and with multiple West African countries to move forward the work of the Tropical Forest Alliance. Representatives from government, private sector and civil society from nine countries came together on 2 and 3 March 2016 for the TFA Initiative's first regional workshop in Accra, Ghana. Of the nine countries, six countries – Cameroon, Côte d'Ivoire, Gabon, Ghana, Liberia, and Nigeria – have been involved from the beginning, and one country –Sierra Leone – noted that they would like to pursue joining the Initiative. At the workshop, participants from all nine countries launched the development of a regional set of high-level principles to guide responsible oil palm development in West Africa. The workshop provided an opportunity to present the proposed Demand Child Project strategies.

**Soy-Latin America.** WWF, CI and IFC held a meeting with key traders involved with the majority of soy production in Latin America in January 2016. Over the course of the workshop, several areas of opportunity were identified to pursue as part of reduced deforestation work going forward, which have been incorporated into the project design.

Participants included eight global traders, the Consumer Goods Forum, as well as key mapping organizations and NGOs. Proforest was identified as being the best organization to carry the work forward given their current convening role with the TFA and experience with the content.

## **4.2 Private sector engagement**

**Private Sector Companies.** Outreach and presentations to, or meetings with, companies included Cargill, Musim Mas, Sine Darby and Mondelez. In addition, the Demand Child Project hosted a workshop in Miami on January 14th with soy trading companies from Latin America, including ADM, Bunge, Louis Dreyfus, Noble/COFCO, Wilmar, Amaggi and Marubeni. The Consumer Goods Forum also participated in this meeting (described above). During these meetings, the theory of change and high level strategies of the Demand Child Project were presented, and feedback and general support to the project was received. A follow-up meeting to the aforementioned soy traders meeting was held in early June yielding additional input. The Project also benefited from the feedback of an external advisors group.

The Consumer Goods Forum presented the Demand Child Project overview at two steering committee meetings in 2015 and 2016 for their sustainability committees. Attendees at the meeting included 40 consumer goods companies including Marks and Spenser, Unilever, Mondelez, Johnson and Johnson, Kellogg's, Beijing Hualian Group, Barilla, and PepsiCo. Again, this resulted in awareness of the project goals by these companies, feedback on design, and general support to the project.

**Feedback from External Advisors on Demand Strategy.** An external advisors group was established by the Program Steering Committee. The advisors reviewed project strategies and agreed that increasing domestic demand for sustainable products in developing country markets is part of the solution to increasing global demand for reduced deforestation commodities. It was recognized that developing domestic demand in developing countries is an exciting concept and relatively new.

### **4.3 Input on transparency of supply chain strategy**

The Stockholm Environment Institute, which will execute the transparency and mapping work for the Supply Chain Transparency under Component 4, held a workshop in Stockholm with attendance from 42 people from 30 organizations. Discussions were held on methods and strategies to monitor forest-risk supply chains and link disparate producers and consumers. Key questions generated in the workshop include:

- What are the key data gaps and how can they be best overcome?
- How to best communicate supply chain transparency to users, and how to allow users to contribute?
- How to connect supply chain actors to territorial information on environmental and social risks and opportunities associated with the production process?
- How to reduce uncertainty in linking supply chain actors with specific production localities, helping move from risk exposure to attribution of responsibilities
- How to best integrate territorial and actor-based performance information?
- How to deal effectively with both quantitative (e.g. deforestation) and qualitative (e.g. certification) data?
- What are the unmet transparency needs of particular user groups? And how do they differ?

The above questions have informed development of Component 4. Participants to the workshop acknowledged that SEI is a leader in the space and well suited to convene multiple actors to build out the transparency platform.

### **4.4 Other project partners**

The Demand Child Project also met with many organizations for technical input and insight including CLUA, the Gordon and Betty Moore Foundation, RSPO, Solidaridad, Oxfam, Rainforest Alliance, UNEP TEEB, Meridian Institute, Supply Change/Forest Trends, TNC, the Paulson Institute, and Governors' Climate and Forests Fund.

The project will continue to engage stakeholders during implementation. Project partners listed above, as well as investors engaged through Component 1 work, companies in Indonesia and traders engaged through the Soy Traders Platform, will be included in an annual feedback call to ensure continuous private sector engagement and participation. This call will be used to discuss project progress and opportunities for the project moving forward (including adaptive management recommendations). In addition, demand project partners and identified stakeholders will be invited to attend the Community

of Practice (CoP) meetings organized and held through the Adaptive Management and Learning Child Project. The CoP will bring together practitioners from the oil palm (Indonesia and Liberia), and soy and beef (Brazil and Paraguay) supply chains, which could include governments, local NGOs and producer groups. Program partners, such as bilateral agencies, will also be invited to bring in their practitioners. A total of two Communities of Practice events will be organized the 4-year IAP program. This provides an avenue for the Demand Child Project to encourage partner and stakeholder participation throughout implementation.

## **SECTION 5: ENVIRONMENTAL AND SOCIAL SAFEGUARDS**

The Demand Child Project has been classified as "Category C." No negative environmental and social impacts are anticipated and long-term positive impacts are expected since the work is designed to reduce human pressure on forests and other important ecosystems such as savannahs.

## **SECTION 6: GENDER MAINSTREAMING**

The project team designed the Responsible Demand Child Project in such a way as to assess, to the extent possible, potential impacts of the project on gender equality and gender equity. It is the aim of the Project to ensure that potential negative impacts on women and men are addressed, as well as to identify and use opportunities to reduce gender inequities. Social sustainability, including gender equity, is essential to achieving sustainable commodity supply chains

UNDP, as program lead for *Taking Deforestation out of Commodity Supply Chains*, is responsible for the overarching Gender Equality Strategy to shape the program-level framework for mainstreaming gender. UNDP, under the Adaptive Management and Learning Child Project, will develop a Program-level Gender Mainstreaming Strategy and Action Plan based on the gender mainstreaming actions to be carried out by each of the child projects, ensuring a consistent approach. The Strategy will be implemented by the child projects.<sup>11</sup>

Along with ensuring consistency with the Gender Equality Strategy set out by UNDP, the Responsible Demand Child Project will also align with WWF policy and practice on gender and conservation. WWF Global Network Policy on Gender was instituted in 2011 to ensure that its conservation policies, programs, and activities benefit women and men equally, and contributes to gender equity as part of a broader commitment to strengthening the social dimensions of its projects and programs. As the WWF Network Policy on Gender underscores, lasting success in conservation and natural resource management is only possible when it is sustained by, and benefits, the women and men concerned and involved.

Building on WWF Global Network Policy on Gender, MTI has been exploring the role of sustainability standards and certifications in driving improvements in women's rights and empowerment in commodity production, as well as the effectiveness of these tools as mechanisms for improving livelihoods of producers and indigenous peoples. MTI has developed a set of social indicators to track

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<sup>11</sup> See IAP Adaptive Management and Learning Child Project for full details on Gender Mainstreaming Strategy and Action Plan.

such issues at a high level and has drafted an analysis of how standards address gender issues. MTI plans to continue its involvement in this space by engaging with ISEAL on a research agenda for gender issues relevant to standards, and by hosting a workshop to discuss findings with standards and other stakeholders.

To inform project design and ensure gender integration throughout the project cycle, kick-off workshops were conducted that included a balanced participation of women and men, with special consideration of the role and potential impact to women under Components 2 and 3 of the Demand Child Project (see below). Project team discussions, outcomes from these kick-off workshops as well as consultancy with a gender expert informed the following gender entry points. To maximize the impact from identified gender entry points, the following activities will be done during implementation, with an underlying understanding that adaptation and improvement should guide the process:

1. **Project Component 1.** Project Component 1 builds awareness, capacity and opportunities for collective action among buyers, traders and investors in South East Asia and Latin America with a focus on building corporate and financial commitment to reduced deforestation sourcing. This component will integrate gender dimensions into buyer and investor trainings through specific gender tutorials, and will encourage adoption of environmental, social and governance (ESG) and/or corporate social responsibility (CSR) policies that promote gender equity on the ground. Gender-specific tutorials will be developed and informed by a gender analysis that will take place during project implementation. The gender analysis will identify potential positive impacts to women, sustainable supply chains, and broader benefits to investors, companies, policy makers and consumers. In addition to promoting gender equity through ESG and CSR policies, there is room to promote gender mainstreaming practices within the buyer and investor operations themselves by revealing the benefits associated with the presence of women in management and decision-making roles. The potential impact of Component 1 is gender mainstreaming in major buyer supply chains. Throughout the project cycle, the corporation/investors strategies will be adapted based on annually updated findings through the M&E plan (see below).
2. **Project Component 2.** Project Component 2 builds awareness and capacity for policy makers in the West Africa, South East Asia, and Paraguay to incentivize reduced deforestation demand for palm oil and to encourage demand country governments to commit to and adopt policies that incentivize reduced-deforestation sourcing. Engagement with policy makers, including any recommendations towards mainstreaming gender, will be screened through the WWF Gender Policy, with impacts to women and men considered. In addition, the project will conduct a study on the present situation of gender policies in and across the target countries, and will produce recommendation to address gaps or obstacles to achieving gender equity. Findings and recommendations from the gender study will then be presented to relevant policy makers and stakeholders during project implementation as relevant.

More specifically, the Demand Child Project will include gender considerations when assisting in the development of national standards. National interpretations of standards can provide greater transparency and social assurance for agricultural activities within varying environmental and social contexts; therefore, addressing gender within the national context specifically offers potential for increased local and regional positive impacts at certified sites. Some examples of gender related requirements within national standards are: an anti-discrimination criterion (with indicators that include equal access to all jobs, equal wages, and a process to report gender specific discriminatory practices); avoidance of the preparation and application of pesticides for pregnant and nursing

women; and maternity/paternity leave. This will largely be applied to UNDP's development of a national interpretation of the Global Roundtable of Sustainable Beef (GRSB) in Paraguay.

In addition, the Demand Child Project will include gender considerations when helping establish TFA principles in Sierra Leone and in West Africa (including Liberia). While TFA principles do not currently include gender considerations, recommendations from the gender study described above will inform this work.

3. **Project Component 3.** Project Component 3 focuses on the Indonesian consumer and aims to build awareness for Indonesian consumers through media outlets on the benefits of reduced deforestation palm oil and the negative impacts of unsustainable palm oil and oil palm based products. A gender-sensitive consumer campaign will be rolled out across three major cities in Indonesia. A professional communications firm will be contracted to undertake the work.

The Demand Child Project will begin with an analysis of the present consumer base in Indonesia by conducting public, gender balanced focus groups and surveys. Focus groups will ensure representation of both women and men. The results of the analysis will inform the consumer campaign. By possessing a clear understanding of what is most important to the women and men interviewed and surveyed, the campaign will be successful in helping to shift consumer attitude toward sustainably produced palm oil. As women are the primary users of palm oil for cooking, components of the messaging and communication outlets produced will be geared to women specifically. The consumer campaign will also, directly and indirectly, shine a spot light on the importance of the female voice both in the production and consumption of sustainable palm oil.

4. **Project Component 4.** Under Component 4, the Demand Child Project will strengthen transparency and decision support tools for companies, investors, policy makers, and consumers targeted in Components 1-3. Component 4 has limited relevance and opportunity to advance gender mainstreaming. However, traceable supply chains have the potential to indirectly benefit women and men, as transparency at every level means increased opportunities to address the labor environment, human rights issues, and gender integration.

**M&E.** M&E efforts under Component 5 will ensure gender is incorporated throughout project implementation, within Components 1-4 listed above. To ensure gender is considered throughout the complete scope of the project, the M&E plan will include gender indicators incorporate gender-disaggregated information.

Indicators related to the Indonesia consumer campaign include the following (see also Appendix 5):

- Objective level: Percentage of consumers who state they are willing to change their purchasing habits to sustainable palm oil;
- Outcome level: Percentage of consumers who associate palm oil with negative environmental impacts related to deforestation.

Both indicators will be disaggregated by gender. M&E data will pay particular attention to awareness and purchasing changes amongst women, with this data interpreted through a gender perspective by the professional communication firm undertaking this work. With assistance from gender experts as necessary, the communication firm will adjust the strategy accordingly.

In addition, the Demand Child Project will track gender at the output level through the following indicator:

- Number of gender-specific tutorials conducted with buyers or investors.

## **SECTION 7: MONITORING AND EVALUATION PLAN**

Developed in conjunction with major international environmental NGOs and endorsed by the WWF Network, World Wildlife Fund's Program and Project Management Standards (PPMS) lend consistency to planning, implementing, monitoring and reporting effective conservation projects and programs worldwide. One aspect of PPMS is to have strong monitoring and evaluation to adaptively manage the project. The M&E plan is designed to help project teams plan, execute, monitor and report progress towards achieving objectives and outcomes in a consistent and routine manner.

Performance indicators have been selected and clearly defined to enable uniform data collection and analysis. The frequency and schedule of data collection and reporting for the project is defined below, along with the roles and responsibilities of project team members. WWF's standards for project management call for adaptive management with decision-making based on the routine and quality submission biannual Project Progress Reports (PPRs), which include reviews of the monitoring and evaluation plan. Project monitoring and evaluation (M&E) is a cornerstone of WWF's organizational standards and deeply embedded within WWF's projects, programs and portfolios.

### **7.2 Project Staff Dedicated to M&E**

The Demand Project Management Unit (PMU) is responsible for ensuring the monitoring and evaluation activities are carried out in a timely and comprehensive manner, and for initiating and facilitating key monitoring and evaluation activities, such as the independent external evaluations at the midterm and end of the project. WWF staff within the PMU all serve various roles in project M&E.

#### **7.2.1. Project Management Unit**

Project Manager, PMU, World Wildlife Fund

The Project Manager is responsible for completing project progress reports and ensuring that the project M&E plan is implemented to WWF and GEF standards, on time to meet reporting deadlines and of highest possible quality. The PMU lead oversees the collaborative development of annual project work plans (with implementing partners) and their implementation, based on the reflections of the progress reports and M&E plans.

Monitoring, Evaluation, and Reporting Officer, PMU, World Wildlife Fund

Under the guidance and supervision of the Program Manager, the Monitoring, Evaluation & Reporting Program Officer (M&E Officer) will be responsible for M&E activities including tracking project implementation against the project work plans, which will be implemented by WWF and a diverse group of partner organizations. The M&E Officer will be responsible for consolidating, collecting and analyzing different data in relation to the project activities, outputs, and outcomes; maintaining the M&E plan and results framework of the project; and assisting the Project Manager in preparing semi-annual/annual reports on project progress. Through the collection and analysis of high quality and timely data inputs, the M&E Officer is responsible for ensuring that the project maintains its strategic vision and that its activities result in the achievement of its intended outputs and outcomes in a cost effective and timely manner. In addition, the M&E Officer is responsible for conducting an initial analysis that identifies potential opportunities for adaptive management, and will seek feedback from the PMU and partners throughout the analysis.

Finance and Operations Manager, PMU, World Wildlife Fund



The Finance and Operations Manager is responsible for tracking the budget; facilitating financial transactions between GEF, WWF, and executing partners; and preparing and delivering the quarterly project-level financial reports included in the M&E plan.

### **7.3 Monitoring & Evaluation System Description (or, M&E Components & Activities)**

The Demand Child Project Monitoring & Evaluation System has eleven key sub-components:

#### **Project Results Monitoring Plan (Results Framework)**

The Project Results Framework (Appendix 5) includes objectives, outcomes, and indicators for each; methodology for data collection and analysis; responsible parties; frequency of data collection; baseline information; targets; monitoring cost; and assumptions. The monitoring of these indicators throughout the life of the project will be necessary to assess if the project has successfully achieved its expected results.

For some indicators in the Results Framework, there is no baseline (or a baseline of zero) as the indicator will track companies engaged and capacity built through the project. In the case of the two indicators (3.1 and objective-level) related to the consumer campaign work, baseline data was not collected during the PPG phase in the cities where the work will be conducted (Jakarta, Pontianak and Pekanbaru), and this data will be collected and documented by a hired communications consultant within 12 months of project start. A related 2015 RSPO and Daemeter study conducted in several Indonesian cities with different questions and methods provide a proxy for the baseline in the meantime.

#### **Quarterly Field Reports**

The Project Management Unit will receive quarterly field reports from executing partners, using a Project Progress Report template. These reports will track progress on project activities, challenges encountered, expenditures, lessons learned, and adaptive management applied.

#### **Quarterly Financial Reports**

The PMU Finance and Operations Manager will submit a financial progress report every 3 months using the WWF Network Standard financial reporting template. These reports will be delivered to the WWF-GEF Agency and the WWF-US Program Operations team, and will include information on expenditures to date along with expected future expenditures and requests for disbursement to cover expected expenditures from the next quarter.

#### **Semi-annual Project Progress Reports (PPRs)**

The PMU will deliver a Project Progress Report to the WWF-GEF Agency every 6 months, using the WWF-GEF Project Progress Report (PPR) template. The report will include:

- Self-rating of project Development Objective (DO) and Implementation Progress (IP), Safeguards and Risk using GEF & WWF-GEF rating criteria
- Cumulative progress of project results based on project monitoring and evaluation plan (including results framework in Appendix 5 plus tracking of output-level indicators)
- Challenges and strengths of the project
- Yearly progress of project based approved annual work plan
- Exchange of lessons learned between the project regions and opportunities for adaptive management
- Action plans for suboptimal ratings

- Financial progress.

### **Annual WWF-GEF Project Implementation Report (PIR)**

In December<sup>12</sup> of each year, the WWF-GEF Agency will deliver to the GEF Secretariat an Annual Project Implementation Report (PIR), building off the semi-annual PPRs delivered by the PMU. The PIR includes general project information, implementation summary, results framework (tracking of high level M&E plan), ratings of GEF rating criteria, and financial status. UNDP will contribute the relevant information on Paraguay demand work to feed into the annual PIR for the Demand Child Project.

### **Annual WWF-GEF Monitoring Review (AMR)**

In December of each year, the WWF-GEF Agency will send to the GEF Secretariat a Monitoring Review: an Excel document with ratings for every project in the WWF-GEF Agency's portfolio, including this project. The ratings will be determined by the WWF-GEF Agency, based on self-ratings from the PMU and data from the latest PPR.

### **Supervision Agency Mission Reports**

Annually the WWF-GEF Agency will conduct a support mission to discuss project progress with the PMU, key stakeholders and executing partners. The PMU will assist with organizing logistics for the support mission in communication and coordination with the WWF-GEF Agency, and the mission will serve to assist the WWF-GEF Agency in supervising project implementation and monitoring WWF Safeguard Policies in the project regions. The WWF-GEF Agency will develop a report for each annual mission, to which the PMU will respond and adapt its action plan.

### **GEF Tracking Tool**

The GEF tracking tool measures progress in achieving the impacts and outcomes established at the program level and measures program contribution to the GEBs. The Demand Child Project PMU will measure project-level contributions toward the relevant indicators in the GEF Tracking Tool and submit them to UNDP to aggregate across all projects for a program-level report on progress against these indicators. The GEF Tracking Tool indicators are measured three times during the course of the program - at CEO Endorsement, at the midterm, and at the end of the program.

### **Annual Senior Management Adaptive Management Review**

Senior management of WWF have committed to an annual review of the Responsible Demand Project for years 1-3. This will provide opportunities for adaptive management that will be discussed with the Project Steering Committee and through Adaptive Management meetings organized by the Adaptive Management & Learning Child Project, involving the Program Steering Committee members and others. Content from the review will be incorporated into the annual PPR and PIR. Decisions about adaptive management for the Responsible Demand Project will be made by the Responsible Demand Project Steering Committee.

### **Midterm Project Evaluation Report**

An independent Midterm Project Evaluation will take place around the two-year mark of project implementation (i.e. mid term), providing an external evaluation of the project effectiveness and efficiency to date. It will provide recommendations to the project team on adaptive management that can be made to improve effectiveness and efficiency in the second half of the project term. The WWF-

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<sup>12</sup> May adjust depending on GEF Secretariat calendar.

GEF Agency in collaboration with the PMU and the Program Steering Committee will provide a formal management answer to the findings and recommendations of the midterm evaluation.

#### **Final Project Evaluation Report**

An independent Terminal Evaluation will take place within six months after project completion providing an external evaluation of the overall project effectiveness and efficiency. It will provide recommendations for GEF and its agencies on future commodities-related conservation projects and recommendations to the project team on achievement of the project impacts after completion of the project. The WWF-GEF Agency in collaboration with the PMU and the Program Steering Committee will provide a formal management answer to the findings and recommendations of the terminal evaluation.

The Terms of References for the midterm and terminal evaluations will be drafted by the WWF-GEF Agency in accordance with GEF requirements. The procurement and contracting for the independent evaluations will be handled by the Finance and Operations Manager in the PMU. The funding for the evaluations will come from the project budget.

## 7.4 Calendar of Monitoring Activities and Reporting Requirements

The timing of monitoring activities and reporting requirements is outlined in Table 8.

Table 8 Calendar of monitoring activities and reporting requirements

<i>Year/Mo nth</i>	<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>	<i>6</i>	<i>7</i>	<i>8</i>	<i>9</i>	<i>10</i>	<i>11</i>	<i>12</i>
<i>Project Y1</i>	<b>GTT</b>	<b>AAW P</b>	<b>QR</b>	<b>PSC</b>		<b>QR/P PR</b>	<b>PSC</b>		<b>QR</b>	<b>PSC</b>	<b>SMA MR</b>	<b>QR/PP R/ DAWP PIR</b>
<i>Project Y2</i>	<b>PSC /ATP R /AAW P</b>		<b>QR</b>	<b>PSC</b>		<b>QR/ PPR</b>	<b>PSC /MT R/G TT</b>	<b>MTE</b>	<b>QR/ MTE</b>	<b>PSC</b>	<b>SMA MR</b>	<b>QR/PP R/ DAWP /PIR</b>
<i>Project Y3</i>	<b>PSC /ATP R /AAW P</b>		<b>QR</b>	<b>PSC</b>		<b>QR/ PPR</b>	<b>PSC</b>		<b>QR</b>	<b>PSC</b>	<b>SMA MR</b>	<b>QR/PP R/ DAWP /PIR</b>
<i>Project Y4</i>	<b>TR</b>	<b>TR</b>	<b>TR/G TT</b>	<b>AT R</b>		<b>TE</b>	<b>TE</b>	<b>TE</b>	<b>TE</b>			

**AAWP** – Approval of the Annual Work Plan by PSC

**PSC** – Quarterly Project Steering Committee Meeting

**QR** – Quarterly Project Report

**PPR** – Six-month and Annual WWF Project Progress Report

**ATPR** – Approval of Annual WWF Project Progress Report by PSC

**PIR** – Annual WWF-GEF Project Implementation Report to GEF Secretariat

**MTR** – Mid-Term Evaluation Report

**GTT** – GEF Tracking Tool Report

**MTE** – Mid-Term Evaluation of the Project

**SMAMR** – Senior Management Adaptive Management Review

**TR** – Terminal Evaluation Report

**ATR** – Approval of Terminal Project Report by PSC

**TE** – Terminal Evaluation of the Project

## SECTION 8: PROJECT FINANCING AND BUDGET

### 8.1 GEF Project Budget Overview

The total GEF Project Budget is \$8,748,060, and \$42,334,902 in co-finance, which will be expended over the four-year project period (Table 9, see also Appendix 6 for a summary of the budget).

Two executing partners - Proforest in Africa and SEI - have front-loaded their budget, as key activities are scheduled for the first two years, thus the budget is higher for Year 1 and 2 than the second two years (Table 9). Budget is reduced in year four, to reflect a focus on activity completion and project close out.

**Table 9 GEF budget overview (in USD)**

<b>Expenses by Component and Year</b>						
<b>Category</b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Year 4</b>	<b>Project Total</b>	<b>Co-Financing</b>
COMPONENT 1	927,119	930,257	909,014	931,642	3,698,032	17,896,063
COMPONENT 2	307,092	289,138	122,133	128,156	846,519	4,096,600
COMPONENT 3	149,533	150,364	151,383	155,201	606,481	2,934,973
COMPONENT 4	1,013,324	882,046	314,444	230,518	2,440,332	11,809,615
COMPONENT 5	140,436	174,244	208,233	217,208	740,121	3,581,703
Project Management Cost (PMC)	84,437	118,878	89,335	123,925	416,575	2,015,948
Total Project Costs	2,621,941	2,544,927	1,794,542	1,786,650	8,748,060	42,334,902

### 8.2 Project Budget Notes

#### 8.2.1 Grants & Agreements

By forming strategic partnerships, the project will be able to influence a large base of supply chain actors with limited resources. As such, a number of grants will be administered by the PMU to sub-recipients, as listed in Table 10.

**Table 10 Sub recipient summary\***

Proforest Africa Office	351,000
Proforest LAC Office	1,000,000
SEI	1,350,000
Asia Learning Exchange**	500,000
WWF Singapore	1,049,110
WWF Brazil	326,000
WWF Indonesia	1,123,557
<b>Sub Total Sub Grants</b>	<b>5,699,667</b>

\* Note that this table does not include \$650,000 directly accessed by UNDP (see section 8.2.2), and does not include PMU budget (see section 8.2.3)

\*\* This will be a series of sub-grants to NGOs administered by WWF-US.

The above listed partners will execute activities under the project components, as described in Table 11 below. The costs in Table 10 are fully inclusive of all costs including staff, travel, and workshops.

**Table 11 Subgrantee recipients and related activities (in USD)**

Subgrantee	Purpose	Amount (USD)	Location
<b>Component 1</b>			
Proforest	Proforest's Latin America office: Proforest will be leading the Soy Traders engagement	1,000,000	Brazil
WWF-Singapore	WWF Singapore will be leading the work with investors to influence the oil palm supply chain in Asia.	1,049,110	Singapore
WWF-Brazil	75,000/year will go to WWF Brazil to coordinate the SEI and Proforest work in Brazil as well as participate in the Brazil Child Project	300,000	Brazil
WWF-Indonesia	WWF Indonesia will be working with corporations to drive the use of sustainable palm oil domestically.	226,840	Indonesia
Environmental NGOs	Asia Learning and Exchange: There will be multiple grants administered by the PMU to NGOs to drive awareness and uptake of commitments for deforestation free oil palm in Asia.	250,000	Asia
Subtotal Component 1		\$2,825,950	
<b>Component 2</b>			
Proforest	Proforest's Africa office: Proforest will be supporting the policy work in Sierra Leone, and will host workshops where multiple West African countries and partners will be invited	351,000	Africa
Environmental NGO	Asia Learning Network: Multiple NGOs will execute the Learning and Exchange program with governments in Asia, with grants administered by the PMU.	250,000	Asia
Subtotal Component 2		\$601,000	
<b>Component 3</b>			
WWF-Indonesia	Majority of this money will be granted to a professional communications firm.	533,129	Indonesia
Subtotal Component 3		\$533,129	
<b>Component 4</b>			
WWF-Brazil	This is for the WWF global soy lead to be involved with the design of the SEI mapping work	26,000	Brazil
WWF- Indonesia	This is for mapping of supply chains to the IAP production sites over the 4 years of the project	363,588	Indonesia
Stockholm Environmental Institute	SEI will lead this transparency work and portal development	1,350,000	Asia
Subtotal Component 4		\$1,739,588	
Total Sub Grants		\$5,699,667	

## 8.2.2 Co-Implementation by UNDP

UNDP will be co-implementing the Demand Child Project in Paraguay and will make a request directly from the Trustee for \$650,000 to execute this work (Table 12).

**Table 12 UNDP co-implementation costs (in USD)**

	Purpose	Amount (USD)	Location
Component 1: UNDP	UNDP will be leading the demand work with beef companies in Paraguay.	485,874	Paraguay
Component 2: UNDP	UNDP will be leading the national interpretation work in Paraguay.	164,126	Paraguay
Total:		<b>650,000</b>	

Component	Atlas Budgetary Account Code	ATLAS Budget Description	Year 1 (USD)	Year 2 (USD)	Year 3 (USD)	Year 4 (USD)	Total (USD)
<b>1: Mainstreaming demand for reduced-deforestation commodities with major buyers and traders</b>	71200	International Consultants	\$80,000	\$80,000	\$80,000	\$80,000	\$320,000
	71400	Contractual Services - Individ	\$15881	\$15881	\$15881	\$15881	\$63524
	71300	Local Consultants	\$4,500	\$4,500	\$4,500	\$4,500	\$18,000
	75700	Workshops	\$14,500	\$6,500	\$4,000	\$4,000	\$29,000
	71600	Travel	\$11,000	\$11,000	\$11,000	\$11,000	\$44,000
	74200	Printed and audiovisual material	\$625	\$625	\$625	\$625	\$2,500
	72800	Information Technology Equipment	\$1,300	\$250	\$250	\$250	\$2,050
	72500	Supplies	\$1,000	\$1,000	\$1,000	\$1,000	\$4,000
	72400	Communic & Audio Equip	\$500	\$500	\$500	\$500	\$2,000
	74500	Miscellaneous Expenses	\$200	\$200	\$200	\$200	\$800
	<b>Subtotal Component 1</b>						<b>\$485,874</b>
<b>2: Strengthening the enabling environment for reduced-deforestation commodities in</b>	71400	Contractual Services - Individ	\$13,091	\$13,091	\$13,091	\$13,091	\$52,364
	71300	Local Consultants		\$5,000	\$10,000	\$5,000	\$20,000
	71600	Travel	\$8,000	\$16,000	\$16,000	\$16,000	\$56,000
	75700	Workshops	\$3,150	\$4,600	\$5,900	\$1,350	\$15,000

<b>demand markets</b>	74200	Printed and audiovisual material	\$625	\$625	\$625	\$625	\$2,500
	74100	Professional Services				\$8,510	8510
	74599	Direct Project Cost	\$2,438	\$2,438	\$2,438	\$2,438	\$9,752
	<b>Subtotal Component 2</b>						<b>\$164,126</b>
		<b>TOTAL</b>	<b>\$156,810</b>	<b>\$162,210</b>	<b>\$166,010</b>	<b>\$164,970</b>	<b>\$650,000</b>

**8.2.3 WWF US Budget for PMU and Activities**

WWF US will be hosting the Demand Child Project Management Unit (PMU), which will be responsible for the execution and coordination of the project, and monitoring and evaluation. In addition to assigning staff to the PMU, the PMU will be recruiting a Market Intelligence Researcher, described below. The Program Management Unit will be comprised of a Project Manager, an M&E Officer, and a Finance and Operations Manager. The PMU will report to the Demand Project Lead. WWF is budgeting for staff benefits in accordance with standard labor practices and laws of the United States. The salary scales given in the budget are as per the existing salary scale of WWF-US. Based on the annual performance review carried out in July each year, the salaries are adjusted for merit increments and any costs of living.

The following staff under the PMU will provide partner and activity coordination and oversight across all components (see Tables 13-16):

**WWF Responsible Demand Project Manager.** A full time Project Manager will technically be responsible for program planning and support, as well as supervising field project staff to ensure effective implementation, progress documentation and timely donor reporting. The Project Manager will be the focal person on behalf of the project to ensure coordination among all partners. The Project Manager is responsible for ensuring that the project M&E plan is implemented to WWF and GEF standards, on time to meet reporting deadlines and of highest possible quality. The PM will oversee the collaborative development of annual project work plans (with implementing partners) and their implementation.

**WWF Responsible Demand Project Finance and Operations Manager.** A part time Finance and Operations Manager will be responsible for managing project funds and their deliverables, and monitoring financial progress to ensure compliance with WWF and GEF policies and procedures.

A **Monitoring, Evaluation, and Reporting Officer** will work in the PMU, and this role is described below in the M&E budget section.

The project will fund a portion of the WWF Responsible Demand Project Lead’s time (30%). The Lead will spend a portion of his/her time on the project, chair the Project Steering Committee, and represent the project during Program Steering Committee meetings. He/she will supervise the Project Manager and be the overall person responsible for successful delivery of the work and reporting.

In addition to the PMU staff, the Demand Child Project funds a portion of other WWFUS staff time for their technical involvement in Components 1 and 4.



Component 1 has 10% of a Senior VP, Food. The Senior VP, Food will be involved in the soy trader’s work at a most senior level and handle corporate engagement with Traders. He also will play a role in coordinating the outreach to US brands for the palm oil work in Indonesia, as he is the senior lead for many companies headquartered in the US. As a content expert in Agriculture with over 25 years of experience with an agricultural brand, he adds a level of expertise that is valued by companies, and his involvement is indispensable.

**Table 13 Personnel budget Component 1**

<b>Component 1</b>		<b>YEAR 1</b>		<b>YEAR 2</b>		<b>YEAR 3</b>		<b>YEAR 4</b>		<b>PROJECT TOTAL</b>	
CATEGORY	UNIT	# Units	Cost	# Units	Cost	# Units	Cost	# Units	Cost	Cost	
<b>PERSONNEL:</b>											
1	Senior VP Food	Year	10%	25,593	10%	26,361	10%	27,151	10%	27,966	107,071
2	Demand Project Manager	Year	15%	17,533	15%	18,059	15%	18,601	15%	19,159	73,352
3	Demand Project Lead	Year	20%	44,188	20%	45,514	20%	46,879	20%	48,286	184,868
<b>TOTAL – PERSONNEL</b>				<b>\$87,315</b>		<b>\$89,934</b>		<b>\$92,632</b>		<b>\$95,411</b>	<b>\$365,291</b>

Component 2 and Component 3 have a portion of the Project Manager budgeted to oversee project execution.

**Table 14 Personnel budget Component 2**

<b>Component 2</b>		<b>YEAR 1</b>		<b>YEAR 2</b>		<b>YEAR 3</b>		<b>YEAR 4</b>		<b>PROJECT TOTAL</b>	
CATEGORY	UNIT	# Units	Cost	# Units	Cost	# Units	Cost	# Units	Cost	Cost	
<b>PERSONNEL:</b>											
1	Demand Project Manager	Year	15%	17,533	15%	18,059	15%	18,601	15%	19,159	73,352
<b>TOTAL – PERSONNEL</b>				<b>\$17,533</b>		<b>\$18,059</b>		<b>\$18,601</b>		<b>\$19,159</b>	<b>\$73,352</b>

**Table 15 Personnel budget Component 3**

<b>Component 3</b>		<b>YEAR 1</b>		<b>YEAR 2</b>		<b>YEAR 3</b>		<b>YEAR 4</b>		<b>PROJECT TOTAL</b>	
CATEGORY	UNIT	# Units	Cost	# Units	Cost	# Units	Cost	# Units	Cost	Cost	
<b>PERSONNEL:</b>											
1	Demand Project Manager	Year	15%	17,533	15%	18,059	15%	18,601	15%	19,159	73,352

	<b>TOTAL – PERSONNEL</b>			\$17,533		\$18,059		\$18,601		\$19,159	\$73,352
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Component 4 includes a full time **Market Intelligence Researcher**. This function will serve as an important knowledge management input to the IAP program as a whole. In order to provide state-of-the-art information on market demand, its impact on deforestation, and key consumption trends, the Responsible Demand Child Project will build out market intelligence products. GEF funds will be used towards research and development products related to target commodity trends. Research will be conducted on trade patterns, corporate tracking, consumption trends and financial flows for beef, soy and oil palm (see section 2.3.3.4 for more detail).

WWF-US will implement this work, and will feed into the UNDP-led Adaptive Management and Learning Child project.

**Table 16 Personnel budget Component 4**

<b>Component 4</b>		<b>YEAR 1</b>		<b>YEAR 2</b>		<b>YEAR 3</b>		<b>YEAR 4</b>		<b>PROJECT TOTAL</b>	
CATEGORY	UNIT	# Units	Cost	# Units	Cost	# Units	Cost	# Units	Cost	Cost	
<b>PERSONNEL:</b>											
1	Market Intelligence Researcher	Year	100%	138,013	1005	142,153	100%	146,417	100%	150,810	577,393
2	Demand Project Manager	Year	15%	17,533	15%	18,059	15%	18,601	15%	19,159	73,351
	<b>TOTAL – PERSONNEL</b>			<b>\$155,545</b>		<b>\$160,212</b>		<b>\$165,018</b>		<b>\$169,969</b>	<b>\$650,744</b>

Component 5 focuses on M&E, and all costs are described in Section 8.3 to follow.

### 8.3 Monitoring and Evaluation Budget

There will be a **Monitoring, Evaluation, and Reporting Officer** (hereafter M&E Officer) - 75% FTE is budgeted for the M&E officer to fulfill position requirements under the Demand Child Project. This staff will be under the PMU and will be responsible for implementation of the monitoring plan and timely review, reporting, and evaluations of the project/program to GEF. Under the guidance and supervision of the GEF Project Manager, the Monitoring, Evaluation & Reporting Program Officer (M&E Officer) will be responsible for M&E activities including tracking and reporting project implementation against the project work plans, which will be implemented by WWF and a diverse group of partner organizations. The M&E Officer will be responsible for collecting and analyzing different data in relation to the project activities, outputs, and outcomes; maintaining the M&E results framework of the project; and assisting the GEF Project Manager in preparing semi-annual/annual reports on project progress. Through the collection and analysis of high quality and timely data inputs, the M&E Officer is responsible for ensuring that the project maintains its strategic vision and that its activities result in the achievement of its intended outputs and outcomes in a cost effective and timely manner, as well as for identifying and

informing the project team of potential opportunities for adaptive management. The full M&E budget is as follows in Table 16.

In addition to the M&E officer, and a portion of the project manager's time, a total of \$20,000 has been set aside for workshops over the four years to be held with project partners. \$10,000 has been allocated per year for travel for monitoring and evaluation purposes. The Demand Child Project has also budgeted for a mid-term and final evaluation conducted by external consultants, as well as an annual audit of finances. Finally, \$120,000 has been set aside for consultants who will assist with some of the more nuanced or challenging reporting of indicators on corporate behavior and progress. Specifically, the M&E consultant funds will be used to measure the following indicators for Outcomes 1.1 and 1.2 over four years (at the baseline, midterm, and project close):

- Number of companies that have increased capacity to make and implement commitments to source reduced deforestation commodities
- Number of investors that have increased capacity to engage companies on reduced deforestation sourcing and disclosure
- Number of investors who disclose in their annual/ sustainability reports/ corporate webpage the consideration of ESG factors in their client or credit approval processes

Under Component 5/M&E, \$10,000 has been set aside for a gender analysis in Year 1 that will enable adaptive management of the project according to its findings.

Every effort was made to develop indicators and methodologies that would allow meaningful measurement of project performance and impact at the lowest cost. However, capacity building is a challenging concept to measure in a meaningful way, and so \$120,000 of the Demand Child Project budget will be used to develop and implement surveys, methodologies, and analysis of findings (beyond a simple quantitative report of the number of companies or investors). Private companies and corporate investors are less inclined than other stakeholders to publicly disclose information, making it necessary to outsource some of the data collection and analysis to organizations that specialize in collecting this information.

15% FTE of the Finance and Operations Manager role will be for financial reporting under M&E, including tracking the budget and preparing and delivering the quarterly project-level financial reports included in the M&E plan. Please see Section 7, Monitoring & Evaluation Plan, for more details.

Table 17 M&E Budget

Monitoring and Evaluation										
		YEAR 1		YEAR 2		YEAR 3		YEAR 4		TOTAL:
CATEGORY	RATE	# Units	Cost	# Units	Cost	# Units	Cost	# Units	Cost	Cost
<b>PERSONNEL:</b>										
<b>Salaries &amp; Benefits</b>										
1	Project Manager	0.1	\$11,689	0.1	\$12,039	0.1	\$12,400	0.1	\$12,773	\$48,901
2	M&E Officer	0.75	\$72,493	0.75	\$74,668	0.75	\$76,908	0.75	\$79,216	\$303,285
3	Finance and Operations	0.15	\$18,413	0.15	\$18,966	0.15	\$19,535	0.15	\$20,121	\$77,035
	Subtotal - Salaries & Benefits		\$102,595		\$105,673		\$108,843		\$112,110	\$429,221
<b>TOTAL - PERSONNEL</b>										
<b>THIRD PARTY FEES &amp; EXPENSES:</b>										
1	Mid-term Evaluation		\$30,000	0	\$0	0	\$0	1	\$30,000	\$30,000
2	Final Evaluation		\$35,000	0	\$0	0	\$0	0	\$0	\$35,000
3	M&E Consultants		\$0	0	\$0	0	\$40,000	0	\$40,000	\$120,000
4	Gender		\$10,000	0	\$10,000		\$0		\$0	\$10,000
	TOTAL - THIRD PARTY FEES & EXPENSES		\$10,000		\$40,000		\$70,000		\$75,000	\$195,000
<b>GRANTS &amp; AGREEMENTS:</b>										
<b>TRAVEL, MEETINGS &amp; WORKSHOPS:</b>										
<b>International Travel</b>										
1	International Travel		\$4,000	2	\$8,000	2	\$8,240	2	\$8,487	\$33,469
	Subtotal - Staff Travel and Per Diem		\$8,000		\$8,240		\$8,487		\$8,742	\$33,469
<b>Meetings and Workshops</b>										
1	Annual workshops		\$4,000	1	\$4,000	1	\$4,120	1	\$4,244	\$16,735
	Subtotal - Workshops		\$4,000		\$4,120		\$4,244		\$4,371	\$16,735
	TOTAL - TRAVEL, MEETINGS & WORKSHOPS		\$12,000		\$12,360		\$12,731		\$13,113	\$50,204
<b>OTHER DIRECT COSTS:</b>										
	Communications (phone, fax, AV, WP)		\$2,000		\$2,000		\$2,000		\$2,000	\$8,000
	Supplies		\$1,500		\$1,500		\$1,500		\$1,500	\$6,000
	TOTAL-OTHER DIRECT COSTS		\$3,500		\$3,500		\$3,500		\$3,500	\$14,000
<b>EQUIPMENT:</b>										
<b>TOTAL - EQUIPMENT</b>										
	TOTAL DIRECT COSTS									\$688,425
<b>ADMINISTRATIVE COSTS:</b>										
	Audit Fees		\$12,341	1	\$12,341	1	\$12,711	1	\$13,159	\$51,696
	TOTAL-ADMINISTRATIVE COSTS		\$12,341		\$12,711		\$13,159		\$13,485	\$51,696
	TOTAL MONITORING AND EVALUATION COSTS		\$140,436		\$174,244		\$208,233		\$217,208	\$740,121

**Project Management Costs (PMC)**

To ensure smooth execution of the project, a project management cost of \$416,575 will be used for staff costs (Project Manager, Finance and Operations Manager, Project Lead), travel and workshops and other direct costs (Table 18).

**Table 18 Project Management Cost**

<b>Project Management Cost (PMC)</b>		UNIT	YEAR 1		YEAR 2		YEAR 3		YEAR 4		PROJECT TOTAL
			# Units	Cost	# Units	Cost	# Units	Cost	# Units	Cost	
CATEGORY			# Units	Cost	# Units	Cost	# Units	Cost	# Units	Cost	Cost
<b><u>PERSONNEL:</u></b>											
1	Demand Project Manager	Year	30%	35,067	30%	36,119	30%	37,202	30%	38,318	<b>146,706</b>
2	Finance and Operations Manager	Year	10%	12,276	10%	12,644	10%	13,023	10%	13,414	51,356
3	Demand Project Lead	Year	10%	22,094	10%	22,757	10%	23,440	10%	24,143	92,434
<b>SUBTOTAL – PERSONNEL</b>				<b>\$69,436</b>		<b>\$71,519</b>		<b>\$73,665</b>		<b>\$75,875</b>	<b>\$290,496</b>
<b><u>TRAVEL, MEETINGS &amp; WORKSHOP:</u></b>											
1	International Travel (Brazil, Paraguay, Indonesia)			11,000		11,330		11,670		12,020	<b>46,020</b>
2	Coordination Workshops			0		32,029		0		32,030	64,059
<b>SUBTOTAL – TRAVEL, MEETINGS &amp; WORKSHOP</b>				<b>\$11,000</b>		<b>\$43,359</b>		<b>\$11,670</b>		<b>\$44,050</b>	<b>\$110,079</b>
<b><u>OTHER DIRECT COSTS:</u></b>											
1	Communications (phone, fax, AV,WP)			3,700		3,700		3,700		3,700	<b>14,800</b>
2	Supplies			300		300		300		300	1,200
<b>SUBTOTAL – OTHER DIRECT COSTS</b>				<b>\$4,000</b>		<b>\$4,000</b>		<b>\$4,000</b>		<b>\$4,000</b>	<b>\$16,000</b>
<b>TOTAL PMC COSTS</b>				<b>\$84,436</b>		<b>\$118,878</b>		<b>\$89,335</b>		<b>\$123,925</b>	<b>\$416,575</b>

**Other Project Costs: Travel, Meetings, Workshops**

The Demand Child Project has budgeted \$78,957 over four years, for domestic and international travel associated for the staff associated with the project, and for staff and executing partners to attend Community of Practice workshops that the Adaptive Management and Learning Child Project (Table 19). This is across five components. Two trips to Latin America, one to Asia, and two to Europe or another location to attend IAP or outreach workshops are anticipated. One trip to Africa is estimated to occur every other year. Domestic travel needs for meetings with companies, and for the market research lead to travel to the West Coast and to New York, is also included.

**Table 19 Other Project Costs: Travel, Meeting, Workshops**

International/In-Country Travel	Purpose	Origin - Destination	# of trips/workshops	Total	Notes
In-Country Travel	Soy Traders Meetings	Domestic and LatAM	3	5,000	Year 1
	Soy Traders	Domestic and LatAM	4	5,150	Year 2
	Soy Traders	Domestic and Latam	4	5,304	Year 3
	Soy Traders	Domestic and LatAM	5	5,463	Year 4
<b>Subtotal</b>				<b>\$20,917</b>	
International Travel	Workshop attendance	West or Central Africa, Year 2	1	2,575	Year 2
	Final M&E visit	West or Central Africa	2	5,465	Year 4
<b>Subtotal</b>				<b>\$8,040</b>	
Kick-off Workshop	Design workshop for SEI tool	Brazil and Paraguay	2	50,000	Year 1
<b>Subtotal</b>				<b>\$50,000</b>	
<b>Total</b>				<b>\$78,957</b>	

## 8.4 Project Co-financing

Co-financing for the Responsible Demand Child Project comes from a variety of sources (Table 20, Appendix 7, Appendix 8). The Demand Child Project will continue to look for new partnerships and additional co-financing throughout the life of the project.

**Table 20 Co-finance by source**

Source	Co-finance (in USD)	Type
SIDA	1,491,109	Grant
USAID*	369,106	Grant
Private Sector	1,400,000	Grant
MacArthur	2,000,000	Grant
Crown Foundation	100,000	Grant
WWFUS Indirects	1,024,398	In-Kind
<b>Subtotal WWFUS</b>	<b>6,384,613</b>	
WWF Brazil (via Netherlands)	1,358,748	Grant
Gordon and Betty Moore Foundation	34,000,000	Grant and Parallel
Proforest	226,383	Grant
Stockholm Environmental Institute	225,000	Grant
Global Canopy Programme	140,158	Grant
<b>Subtotal non-WWFUS</b>	<b>35,950,289</b>	
<b>TOTAL Co Finance</b>	<b>42,334,902</b>	

## TECHNICAL ANNEX

### Appendix 1: Commodity production, trade and demand data

Oil palm production is concentrated in South East Asia, while West Africa is experiencing a rapid expansion in domestic production. Major demand markets for oil palm are India, Indonesia, the EU and China. Soy production is focused in the US, and Latin America, with important biomes of the Cerrado witnessing expansion. Beef production is growing rapidly in Paraguay, with the majority being exported further threatening the Chaco.

#### Oil palm

Due to its high efficiency and low cost per hectare, palm oil now accounts for 39% of global vegetable oil globally. Oil palm is used in products across a number of industries, including food, animal feed, cosmetics, pharmaceuticals, chemicals, and biofuels. Demand has continued to grow, reaching 60 million tons of palm oil in 2014, and produced on 16 million hectares largely in Indonesia and Malaysia. Major consumption countries currently include India (16% of imports), Indonesia (13%), EU (12%) and China (10%). As Asian market demand for palm oil continues to grow, global demand is expected to increase by 5% per year — reaching reach 72.9 million metric tonnes in 2020, and 120-156 million tonnes in 2050. This increased demand puts pressure on productions sites, many of which overlap with globally significant biodiversity, carbon sinks, and tropical forests (see section 2.2.).

The majority of expansion in the upcoming years is expected to come from Indonesia, although West \ Africa is also facing increased pressure to expand palm production to meet economic growth priorities, threatening important forests and other priority ecosystems.

#### Indonesia

Indonesia is the world's top palm oil producer, producing an estimated 33 million tons of crude palm oil in 2014.

For the past decade, Indonesia's palm sector has played an important role in Indonesia's economic development, employing large numbers of people, and accelerating economic development. According to Ministry of Agriculture (2014), the export earning of palm is US\$15.84 billion with total export volume of 20.57 million tons in 2013. Oil palm refiners in Indonesia have jumped from processing 30.7 million tons per year in 2013, to 45 million tons per year at the close of 2014. The sector continues to expand. In response to growing global and local demand,<sup>13</sup> Indonesia has estimated needing an additional five million hectares of land to reach 40 million metric tons of production per year by 2020.

Palm oil expansion in Indonesia has come at a significant cost to the environment. Recent research by Greenpeace (2013) indicates that conversion of forests to oil palm was the single largest driver of deforestation in Indonesia from 2009-2011, accounting for about a quarter of Indonesia's forest loss. Almost half of this deforestation occurred in degraded lands or wetlands, which contributes to even greater GHG emissions from carbon-rich peatland (Margono et al., 2014).

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<sup>13</sup> In 2013 Indonesia's domestic palm oil consumption in 2013 was nearly 10 percent of total global palm oil consumption (WWF 2014)

## **West Africa**

In the few years, there has been increasing interest in Africa as a possibility for palm oil expansion. Oil palm alone represents 21.8 percent of all concessions, making it the second-largest crop in terms of total area acquired for cultivation (Schonefeld, 2014). Over the past three years there has been growing engagement for sustainable palm oil, particularly at the government/policy level in West Africa. As with Indonesia, increasing consumption and demand for palm oil is expected to lead to increasing development and expansion of palm oil in West Africa region.

## **Soy**

Soy is a highly versatile commodity, used for food protein, vegetable oil, as an ingredient in processed foods, and as an ingredient in animal feed for livestock and poultry (3/4 of the world's soy is used as animal feed). It is increasingly being used for non-food purposes, such as paint, ink, wax, and soy-based foam and plastic products.

Accelerating demand for soy (for animal feed and other uses) has led to greater conversion and expansion of soy production areas; the land used for soy production has grown tenfold over the last 50 years to reach 1 million square kilometers. In Latin America, the land devoted to soy production more than doubled in twenty years (from 17 million ha in 1990 to 46 million ha in 2010) (WWF, 2014). This trend will likely continue. One study suggests that demand will drive an estimated 155% increase in production required by 2050 (Kruse, 2010). Expansion of soy production has come at a great cost — the accompanying deforestation and land conversion has destroyed some of the world's most valuable ecosystems, and releases substantial amounts of carbon into the earth's atmosphere.

Top exporter countries of soy include the U.S. (45% of exports), Brazil (34%), Argentina (6%), Canada (4%), and Paraguay (3%) (Potts, et al., 2014). Primary demand markets for soy are the EU and China. China's demand for soy has been growing rapidly, with imports for soy increasing from 41 million tonnes in 2009 to 65 million tonnes in 2013. China now accounts for approximately 60% of globally traded soy (Thukral/Reuters, 2016). In a selection of European countries, poultry and pork production represent the bulk of soy flows. Currently, EU demand for soy requires an estimated area of 10 million ha, mostly being produced in South America (Kroes & Kuepper, May 2015).

## **Beef**

Pastureland accounts for 69% of total land available for agriculture, with an additional 10% used as cropland to produce livestock feed. Currently, beef production in Latin America is based on a fairly low-efficient system. Driven by demand, world meat production is projected to double to 465 million metric tonnes by 2050 (Boucher, et al., 2012).

Beef production requires large amounts of land for production; increasing demand and low-efficiency in the sector means expansion and land conversion is expected to continue. Cattle production is already a leading driver of deforestation in Latin America, as well as a substantial contributor to GHG emissions, contributing around 12% of global GHG emissions (Westhoek, et al., 2011).

## **Paraguay**

In 2015, Paraguay was the world's 4th largest soy exporter and 6th largest beef exporter and plans to expand exports of both, with both industries still expanding. Beef production has been a growing industry in Paraguay. Export volume has increased 55% from June 2013 to June 2015, and value rose 70% to \$1.3 billion over the same period. Paraguayan beef production for 2016 is projected at a record 620,000 tons, with exports forecasted at a record 435,000 tons (GAIN, 2014). By 2020, Paraguay aims to



increase its beef exports to 600,000 tons, thus becoming the world's fifth-largest beef exporter (Beef2Live, 2014).

Currently, Paraguay's beef and soy sectors are characterized by a small number of companies. Just four meat-packing companies control 75% of the Paraguayan beef export market, including Minerva (also a major company operating in Brazil); three agro companies control 58% of the soy export market, with Cargill and ADM being the two biggest.

The growth in beef and soy has driven massive deforestation in Paraguay. Paraguay currently has one of the highest deforestation rates in the world. In the eastern region, a devastating 90% of Paraguay's Atlantic Forest has been converted to agriculture, mainly soy. In the western Chaco region, tropical dry forest, savannas and wetlands are being converted for cattle raising and beef production. As the industry continues to grow (see above), further priority landscapes are threatened.

Palm Oil ('000MT)	USDA data	
Palm oil trade data		
	2014/2015	2015/2016
<b>Production</b>		
Indonesia	33000	35000
Malaysia	19879	21000
Thailand	1800	2200
Colombia	1100	1130
Nigeria	970	970
<b>Imports</b>		
India	9129	9825
EU	6800	6950
China	5696	5750
Pakistan	2830	2950
Egypt	1550	1600
Bangladesh	1280	1450
US	1144	1180
<b>Exports</b>		
Indonesia	25300	25500
Malaysia	17378	18150
Benin	550	440
PNG	575	560
<b>Domestic Consumption</b>		
India	9009	10020
Indonesia	7620	9220
EU	6700	6850
China	5726	5750
Malaysia	2964	3378
Pakistan	2820	2945

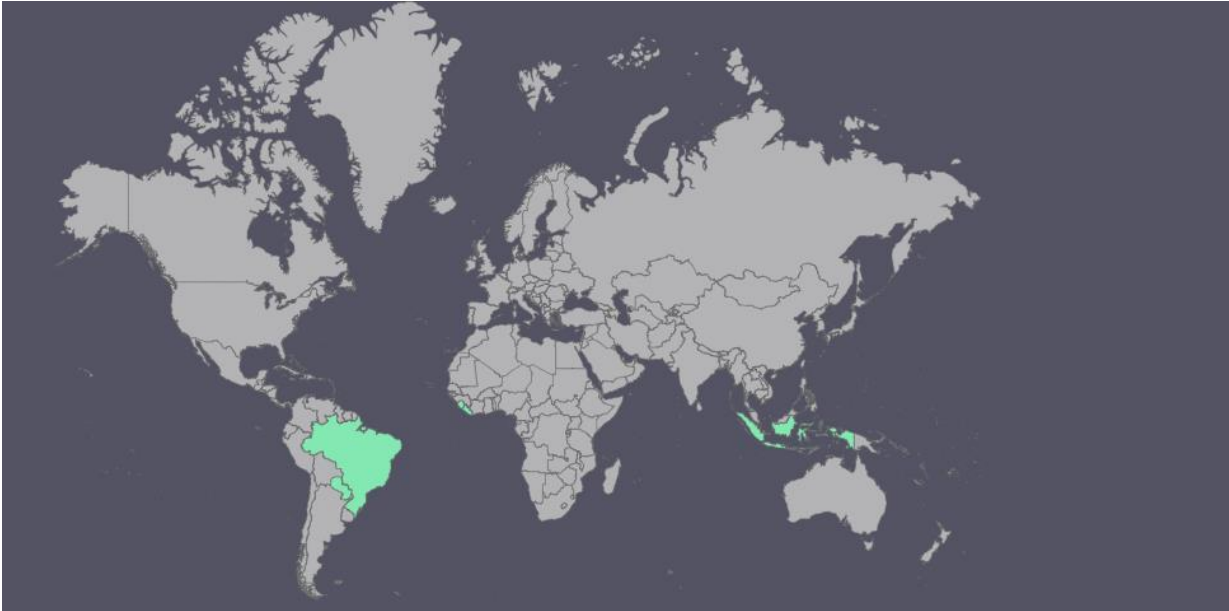
Soy ('000MT) USDA data		
Soybeans		
	2014/2015	Dec 2015/2016
<b>Production</b>		
United States	106,878	108,354
Brazil	96,200	100,000
Argentina	61,400	57,000
China	12,350	11,500
Paraguay	8,100	8,800
India	8,700	8,000
<b>Imports</b>		
China	78,350	80,500
EU	13,163	13,700
Mexico	3,819	4,050
Japan	3,004	2,900
Taiwan	2,520	2,550
Thailand	2,411	2,350
Indonesia	2,000	2,300
<b>Exports</b>		
Brazil	50,612	57,000
US	50,169	46,675
Argentina	10,573	11,250
Paraguay	4,375	4,600

Soy ('000MT) USDA data		
Soymeal		
	2014/2015	Dec 2015/2016
<b>Production</b>		
China	59,245	63,554
US	40,879	40,700
Argentina	30,927	32,575
Brazil	30,890	30,960
EU	11,139	11,690
India	5,600	5,160
<b>Imports</b>		
EU	19,271	20,300
Vietnam	4,200	4,600
Indonesia	3,850	4,500
Thailand	3,017	3,050
Philippines	2,200	2,400
<b>Exports</b>		
Argentina	28,545	30,800
Brazil	14,390	15,600
US	11,929	10,750
Paraguay	2,450	2,980
<b>Domestic Consumption</b>		
China	57,708	61,724
EU	30,042	31,642
US	29,243	30,209
Brazil	15,250	15,400

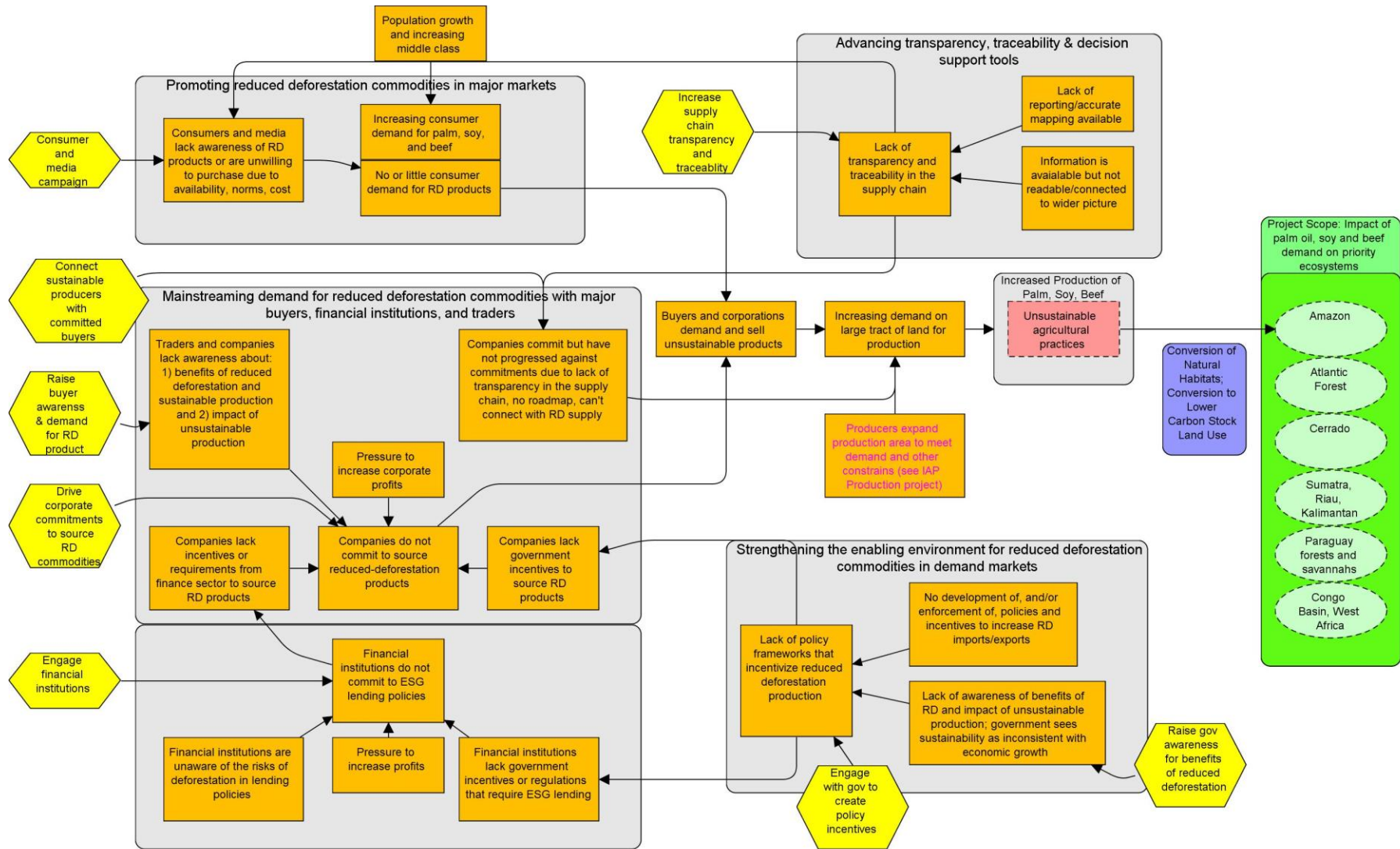
Soy ('000MT) USDA data		
Soybean Oil		
	2014/2015	Dec 2015/2016
<b>Production</b>		
China	13,387	14,364
US	9,706	9,911
Argentina	7,687	7,960
Brazil	7,660	7,680
EU	2,679	2,810
India	1,245	1,150
<b>Imports</b>		
India	2,799	3,350
China	773	850
Algeria	620	640
Bangladesh	498	520
<b>Exports</b>		
Argentina	5,093	5,500
Brazil	1,510	1,390
US	914	1,043
EU	1,010	970
<b>Domestic consumption</b>		
China	14,166	15,228
US	8,616	8,822
Brazil	6,275	6,365
India	4,050	4,500

Beef ('000MT) CWE		USDA data	
Beef and Veal trade data			
		2015	Oct. 2016
<b>Production</b>			
(2) Brazil		9,425	9,600
(5) Argentina		2,740	2,680
<b>Imports</b>			
	Russia	929	700
	Japan	739	740
	China	417	600
	Hong Kong	646	450
	South Korea	392	400
	EU	372	370
	Canada	284	290
<b>Exports</b>			
(2) Brazil		1,705	1,775
(6) Paraguay		381	410
<b>Domestic Consumption</b>			
(2) Brazil		7,781	7,890

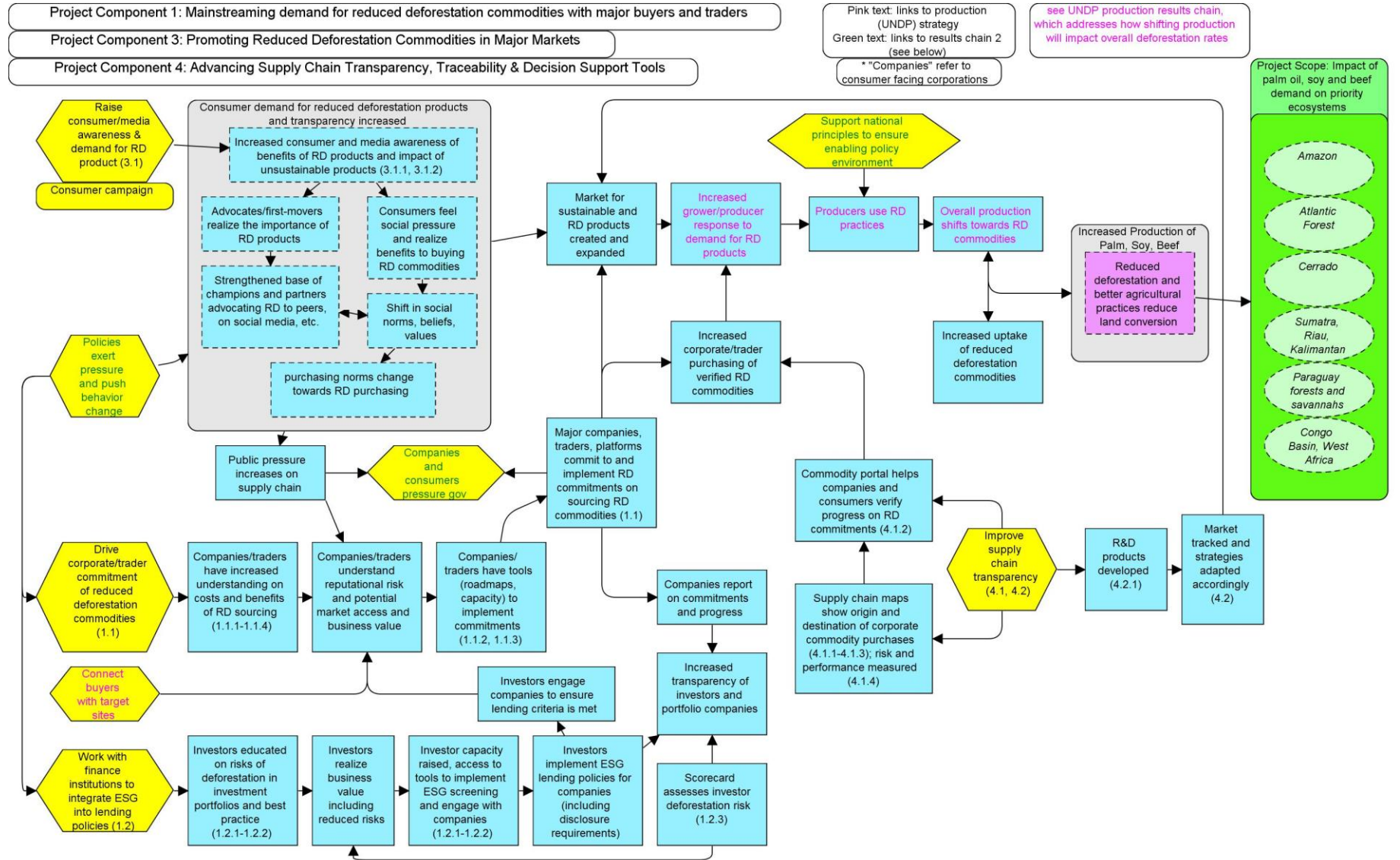
**Appendix 2: Project Site Map**



### Appendix 3: Conceptual Model



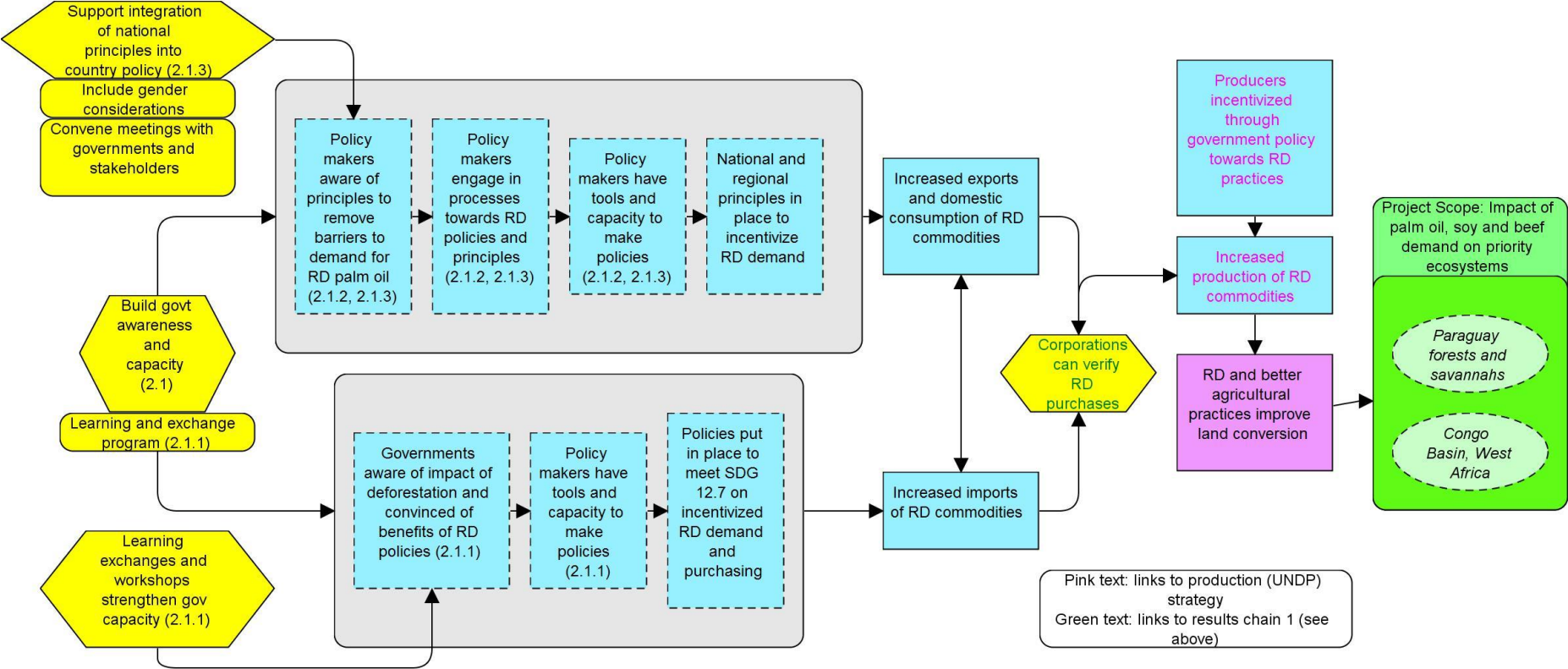
# Appendix 4: Results Chains





Component 2: Strengthening the enabling environment for reduced deforestation commodities in demand markets

Component 4: Advancing Supply Chain Transparency, Traceability & Decision Support Tools



### Appendix 5: Monitoring & Evaluation Plan (GEF Results Framework)

OBJECTIVE/ OUTCOME	INDICATOR/ UNIT	DEFINITION	DISAGGREGATION	METHOD	FREQUENCY	RESPONSIBLE	BASELINE (Yr 0)	Targets (cumulative)				Cost	Assumptions
								Yr1	Yr2	Yr 3	Yr4		
<b>Objective level indicators</b>													
To strengthen the enabling environment and public and private sector commitment to and demand for reduced deforestation commodities in priority markets	Number of companies engaged in project activities that are making new commitments to source reduced deforestation palm oil, soy, and/or beef	<p><i>Companies:</i> companies involved in project activities, engaged directly and reached through platforms</p> <p><i>New:</i> announced publicly during project period</p> <p><i>Commitment:</i> public, time-bound and specific description of sourcing decision to be implemented, e.g. only sourcing reduced deforestation or RSPO palm oil</p>	By commodity (palm, soy, beef) when possible	Corporate data tracking tools, e.g. Forest 500, Supply Change, NCD; corporate websites, press releases, and sustainability reports	Midterm and close	M&E Officer (PMU)	0 (“new” commitments = those made within project period)		8		18	\$0 (M&E and project staff time covered by project funding)	- Commitments that are made after company’s engagement in project activities are influenced by and at least partly attributable to project activities



OBJECTIVE/ OUTCOME	INDICATOR/ UNIT	DEFINITION	DISAGGREGATION	METHOD	FREQUENCY	RESPONSIBLE	BASELINE (Yr 0)	Targets (cumulative)				Cost	Assumptions
	Number of countries with improved policy frameworks in place to support reduced deforestation commodity markets, due to project activities		N/A	Track country progress against project-determined step changes through project-hosted workshops/ engagement; public information (e.g. NGO ratings of government capacity/ policy/ implementation, information gleaned from public policy documents)	Midterm and close	Proforest, UNDP	0 (progress related to project will be measured)		1		6	\$0 (M&E and project staff time covered by project funding)	- Engagement and capacity building activities with government ultimately lead to policy change beyond the project term, and create the enabling environment to catalyze further change including increased demand due to reduced barriers
	Percentage of consumers who state they are willing to change their purchasing habits to sustainable palm oil	<i>Consumers:</i> Members of the general public in the three Indonesian cities targeted by project activities	By city (3 target cities in project: Jakarta, Pontianak and Pekanbaru); by gender; by consumer typology	Public/focus group survey	Midterm and close	Hired communications firm	Baseline for each city TBD by Indonesian comms firm once hired. FYI: 14% respondents from RSPO-Daemeter study prioritize products with environmentally-friendly logo when shopping; 27% are ready to support and shift to sustainable palm oil		TBD after baseline known		TBD after baseline known	\$0 (contract with Indonesian comms firm will include survey development and survey implementation in 2016, 2018, 2020)	- Consumers act in accordance with their stated willingness to do so

OBJECTIVE/ OUTCOME	INDICATOR/ UNIT	DEFINITION	DISAGGREGATION	METHOD	FREQUENCY	RESPONSIBLE	BASELINE (Yr 0)	Targets (cumulative)				Cost	Assumptions
							products, if available						
	Number of countries where supply chain transparency is increased using version three of the SEI-PCS method and made available to global supply chain actors through project activities	<i>Supply chain transparency:</i> when information about the companies, suppliers and sourcing locations for Brazilian soy and Paraguayan beef supply chains is readily available to end-users (traders, consumers, governments, investors) in the supply chain, based on version 3 of the SEI-PCS method <i>Version three of the SEI-PCS method:</i> Version three improves previous accuracy by triangulating the information used in previous versions with additional datasets on supply chain logistics and taxation, linking international trade flows to specific production locations. <i>Made available:</i> publicly accessible through online portal	By commodity and country	SEI-PCS method commodity platform results put online by SEI & GCP  Measured as number of countries that access the information	Annual	SEI	0 (to be measured during project implementation)	5	30	45	60	\$0 (included as requirement in SEI contract)	- Platform data needs are met enabling supply chain mapping - Users find value in the information presented and are able to use it for decision-making
<b>Outcome level indicators</b>													
1.1 Key buyers and traders make commitments and have increased capacity to implement	Number of companies that have increased capacity to make and implement	<i>Companies:</i> companies (including traders/cooperatives) involved in project activities, engaged directly and reached through platforms	By commodity	CDP analysis of corporate responses to CDP Forests Information Request; UNDP	Midterm and close	CDP	0 (to be measured during project implementation)		8 (at least 2 in PY)		16 (at least 3 in PY)	\$100k for survey development and implementation by CDP	- Corporate participants in project activities accurately respond to surveys

OBJECTIVE/ OUTCOME	INDICATOR/ UNIT	DEFINITION	DISAGGREGATION	METHOD	FREQUENCY	RESPONSIBLE	BASELINE (Yr 0)	Targets (cumulative)				Cost	Assumptions
commitments to source reduced deforestation commodities.	commitments to source reduced deforestation commodities	<p><i>Capacity:</i> (self-reported) understanding and ability to implement activities on a given topic</p> <p><i>Commitment:</i> public, time-bound and specific description of sourcing decision to be implemented, e.g. only sourcing reduced deforestation or RSPO palm oil</p>		survey of cooperatives/traders engaged in Paraguay									- Surveys are designed to ask questions that appropriately determine if capacity has been built
1.2 Increased investor capacity to incentivize fast-moving consumer goods (FMCG) companies towards reduced deforestation sourcing	Number of investors that have increased capacity to engage companies on reduced deforestation sourcing and disclosure	<p><i>Investors:</i> financial institutions (including investment arms of regional banks) that invest money in regional FMCG groups, corporations or directly into production, and that are involved in project activities (workshops, trainings, 1:1 meetings)</p> <p><i>Capacity:</i>(self-reported) understanding and ability to implement activities on a given topic</p> <p><i>Sourcing:</i> Processes of supply chain management and company purchasing/procurement practices, e.g. ensuring palm oil is sourced from reduced deforestation origins.</p> <p><i>Disclosure:</i> Releasing information on company sourcing practices and business activity to investors</p>	By type of investor, if applicable	Survey (what # of FI respondents feel they have increased capacity to engage companies on reduced deforestation sourcing and disclosure, e.g. feel or can demonstrate that they are more informed than before engaged through the project?)	Collect info after each workshop, training, 1:1 meeting, platform; report annually	WWF-Singapore	0 (to be measured during project implementation)	4	8	12	16	<p>\$10k for survey development (addressing this indicator and the other 1.2 indicators)</p> <p>Implementation included in project activities (no extra budget needed)</p>	<p>- Investor participants in project activities accurately respond to surveys</p> <p>- Surveys are designed to ask questions that appropriately determine if capacity has been built</p>

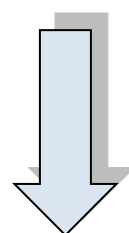
OBJECTIVE/ OUTCOME	INDICATOR/ UNIT	DEFINITION	DISAGGREGATION	METHOD	FREQUENCY	RESPONSIBLE	BASELINE (Yr 0)	Targets (cumulative)				Cost	Assumptions
	Number of investors who disclose in their annual/ sustainability reports/ corporate webpage the consideration of ESG factors in their client or credit approval processes	<i>Investors:</i> financial institutions (including investment arms of regional banks) that invest money in regional FMCG groups, corporations or directly into production, and that are involved in project activities (engaged directly or through platforms) <i>ESG:</i> Environmental Social Governance	By type of investor, if applicable	Tracked through scorecards (see Output 1.2.3)	Collect and report at project midterm and close	WWF-Singapore	0 (to be measured during project implementation)		3		6	(Survey development covered under previous investor indicators) \$10k for post-workshop survey implementation and analysis	- Progress with corporate disclosure and transparency that occurs after investor's engagement in project activities is influenced by and at least partly attributable to project activities
2.1 Capacity strengthened to inform policy dialogue around reduced deforestation in project demand markets	Number of step changes in policy frameworks to incentivize demand or remove barriers for reduced deforestation commodities in project countries	<i>Step changes:</i> Sequentially increasing stages of government awareness, capacity, and implementation on relevant issues  (steps to be adapted from PPA Commitment and Action Tool (see Appendix 5.b to follow) and agreed by PMU and executing partners)	By country	Track country progress against project-determined step changes through project-hosted workshops/ engagement; public information (e.g. NGO ratings of government capacity/ policy/ implementation, information gleaned from public policy documents)	Midterm and close	Proforest, UNDP	0		4 (3 in SL and 1 in PY)		5 (+1 new in SL)	\$0 (M&E and project staff time covered by project funding)	- Engagement and capacity building activities with government ultimately lead to policy change beyond the project term, and create the enabling environment to catalyze further change including increased demand due to reduced barriers
3.1 Increased consumer awareness to drive demand for reduced deforestation products in key demand markets.	Percentage of consumers who associate palm oil with negative environmental impacts related to deforestation	<i>Consumers:</i> Members of the general public in the three Indonesian cities targeted by project activities	By city (Jakarta, Pontianak and Pekanbaru); by gender; by consumer typology	Public/focus group survey	Midterm and close	Hired communications firm (TBD)	Baselines TBD for each city (measured by Indonesian comms firm once hired). FYI: RSPO-Daemeter study of 700		TBD after baseline known		TBD after baseline known	\$0 additional (included in objective level indicator on consumer campaign)	- Consumers consider deforestation to be a negative impact - Consumers understand the presence of palm oil in their products

OBJECTIVE/ OUTCOME	INDICATOR/ UNIT	DEFINITION	DISAGGREGATION	METHOD	FREQUENCY	RESPONSIBLE	BASELINE (Yr 0)	Targets (cumulative)				Cost	Assumptions
							female and 100 male respondents in Indonesia found: 20% consumers think palm oil has negative environmental impacts (19% think it destroys the forest and 10% think it decreases forest area).						
4.1. Increased supply chain transparency to facilitate verification of sustainably produced commodities.	Number of companies with increased capacity to use decision-relevant information developed by the Transparency portal to inform their strategies	<i>Transparency portal:</i> Transformative Transparency Portal, an online database and mapping platform developed and made public through the project	Disaggregate by commodity (beef, soy) and country	Track number of companies engaged and with increased capacity (capacity assessed through survey post engagement); track any additional companies siting the data in their sustainability strategies and reporting	Annual	SEI	0 (v3 portal not yet developed)	3 (1+ each of beef and soy)	6	12 (3+ each of beef and soy)	20	\$0 (included as requirement in SEI contract)	- Platform users understand the information presented - Users find value in the information presented and are able to use it for decision-making

OBJECTIVE/ OUTCOME	INDICATOR/ UNIT	DEFINITION	DISAGGREGATION	METHOD	FREQUENCY	RESPONSIBLE	BASELINE (Yr 0)	Targets (cumulative)				Cost	Assumptions	
	Number of jurisdictions of origin where exported beef and soy are mapped from origin to destination using version three of the SEI-PCS method	<i>Jurisdiction: Municipality in Brazil and province in Paraguay</i> <i>Origin: Geography of raw commodity production at the jurisdiction of production level</i> <i>Destination: Importing country (based on port of entry) and consumer country (accounting for re-exports)</i> <i>Version three of the SEI-PCS method: Version three improves the accuracy of the model by adding new information on the tax domicile of the exporter that links trade flows to specific production sheds and verifies municipalities of origin listed in the bills of landing.</i>	Disaggregate by commodity (beef, soy) and country; disaggregate production project sites if relevant	SEI & GCP to quantify jurisdictions mapped using the SEI-PCS method	Midterm and close	SEI	2016: 0 (5550 jurisdictions where soy is mapped from origin to destination using previous v2 model, and 0 jurisdictions where beef is mapped from origin to destination)		5,570 (soy)				\$0 (included as requirement in SEI contract)	- Platform data needs are met enabling supply chain mapping - Users find value in the information presented and are able to use it for decision-making
4.2. Global demand and finance projections for palm, soy, and beef support project and program knowledge management.	Number of biannual market intelligence memos and annual watch briefs produced and shared publicly	<i>Market intelligence:</i> Information on commodity market demand trends, trade flows, "hot spots" of deforestation, track market structure	Disaggregate by memo and watch brief	Review project work plan and evaluate progress	Annually	WWF-US/M&E officer	0 (to be measured during project implementation)	3	6	9	12	\$0 (M&E and project staff time covered by project funding)	- Demand projections and other market intelligence products are useful to buyers and decision-makers and can influence the direction of future work, policies, and purchases	

## Appendix 5.b: Policy Steps Tracking Tool

Increasing Levels of Commitment & Action



Level of Commitment and/ or Action	Example
<b>LEVEL 0 – Insignificant</b>	<ul style="list-style-type: none"> <li>No real interest or focused dialogue</li> <li>Only limited engagement with reduced deforestation issues to date</li> <li>No discussion about changing policies or practices</li> </ul>
<b>LEVEL 1 – Low</b> Engaging and Exploring good practice ‘Declaratory’ in terms of mostly verbal interest or commitment to issues/action shown at this stage	<ul style="list-style-type: none"> <li>Demonstrating increased interest and/or knowledge of the issue</li> <li>Exploring, establishing or participating in new partnerships with WWF/partners or others, e.g. agreement to participate in the Demand Child Project or attend a key event/training</li> <li>Significant discussion/dialogue with WWF and/or partner organizations on critical topics including what constitutes ‘good practice’ (e.g. dialogues between companies and government)</li> </ul>
<b>LEVEL 2 - Medium</b> Developing policies, guidelines, practices for change	<ul style="list-style-type: none"> <li>Conducting relevant research and studies (e.g. gap analysis)</li> <li>Participation in in-depth trainings (e.g learning exchanges) and key events</li> <li>Taking steps toward developing drafts or revisions of policies, guidelines, national/regional principles to reflect ‘good practice’ (reduced deforestation supply chains)</li> <li>Publicly advocating for new methods, tools, guidelines, etc. developed through the Demand Child Project</li> </ul>
<b>LEVEL 3 - High</b>  Collaboration/influencing results in significant actions that move the policy/practice forward  Procedures for change in place (process has gained some momentum)	<ul style="list-style-type: none"> <li>Government/company approves new or improved policy/standard that reflects ‘good practice’</li> <li>Government/company begins to implement new or improved policy/standard that reflects ‘good practice’ (though implementation may be weak and inconsistent at this stage)</li> </ul>
<b>LEVEL 4 - Very High</b>  Procedures being implemented/rolled out	<ul style="list-style-type: none"> <li>Revised/updated/new policies and practices being rolled out/implemented more robustly</li> <li>Increased investment (financial and/or technical capacity) in support of ‘good’ policy/practice and subsequent implementation</li> </ul>
<b>LEVEL 5 – Impact</b>  Evidence of long term changes in policy and practice  Evidence of sustained commitment to the issue, e.g. supplementary funding	<ul style="list-style-type: none"> <li>Evidence of impact at policy/practice level (e.g. sustained commitment in terms of resources and capacity) over time</li> <li>Sustained interest in reduced deforestation issue evidenced through media, public meetings, etc. where raised, and subsequent involvement of further actors/organizations</li> <li>Evidence of ‘secondary’ policy and practice initiatives as a result of initial change/outcome</li> <li>Evidence of ‘secondary’ (additional/complementary/supplementary) funding support as a result of change</li> </ul>

**Appendix 6: Summary Budget**

Component 1	\$3,698,032
Component 2	\$846,519
Component 3	\$606,481
Component 4	\$2,440,332
Component 5	\$740,121
Project Management Cost	\$416,575
<b>Total</b>	<b>8,748,060</b>



**Appendix 7: Co-Financing by Source (GEF Table C)**

<b>Sources of Co-financing</b>	<b>Name of Co-financier</b>	<b>Type of Cofinancing</b>	<b>Amount (\$)</b>
GEF Agency	WWF	Grants/In-kind	6,384,613
CSO	Gordon and Betty Moore Foundation	Grants	34,000,000
CSO	Proforest	Grants	226,383
CSO	Stockholm Environment Institute	Grants	225,000
CSO	Global Canopy Program	Grants	140,158
CSO	WWF Brazil	Grants	1,358,748
<b>Total Co-financing</b>			<b>42,334,902</b>

## Appendix 8: Co-Financing Commitment Letters



Global Canopy Programme, 23 Park End Street, Oxford, OX1 1HU, United Kingdom  
Tel: +44 (0)1865 724333, E-mail: n.mardas@globalcanopy.org  
Web site: www.globalcanopy.org

1<sup>st</sup> July 2016

Mr. Herve Lefevvre  
Senior Director & WWF GEF Coordinator  
World Wildlife Fund, Inc.  
1250 24<sup>th</sup> Street NW  
Washington, DC, 20037

**Re: Co-financing Support for the WWF-GEF Project: Generating Responsible Demand for Reduced-Deforestation Commodities (GEF# 9182) under the GEF Commodities IAP Program (#9072)**

Dear Mr. Lefevvre,

I am pleased to inform you that the Global Canopy Foundation will contribute US \$140,158 in co-financing to the above-referenced Commodities IAP Program. Specifically, this US \$140,158 will support the goals of the Responsible Demand Project (#9182). Funds will be contributed as co-finance from start of the GEF project until 2018.

This contribution will consist of the following:

ACTIVITY/THEME	TYPE	VALUE US\$
15% time of F500 Project Manager on developing actor performance methodologies under 4.1.3 Source: UK Department for International Development	Grant	9,966
Staff time, design and network around development of platform with focus on soy in Brazil Source: European Forests Institute funds, sub-contracted via SEI	Contract	28,728
More than 60% staff time for Latin America Associate and support for staff time across team. Travel and field work in Brazil. Source: NORAD funds, sub-granted via CDP	Grant	101,464
<b>TOTAL VALUE US\$</b>		<b>140,158</b>

Sincerely,

Niki Mardas, Executive Director

**Trustees**

**Lindsay Bury**  
Hylton Murray-Philipson  
Wingate Ventures Ltd  
**Edward Mott**  
Oxford Capital Partners, UK  
**Dr William Wint**  
University of Oxford, UK  
**Solicitors,**  
Charles Russell and Co.  
New College, Florida, USA

**Steering Committee**

**Professor Dieter Anhu**  
University of Passau, Germany  
**Dr Bruno Corbara**  
University of Clermont Ferrand, France  
**Dr Soubadra Devy**  
ATREE, India  
**Professor Roger Kitching**  
Griffith University, Australia  
**Dr Meg Lowman**  
Institute for Humanity & Nature, Japan

**Dr Rick Meinzer**  
US Forest Service, USA  
**Professor Cao Min**  
Chinese Academy of Sciences, China  
**Andrew Mitchell (Sec)**  
Global Canopy Programme, UK  
**Dr Nalini Nadkarni**  
Evergreen State College, USA  
**Dr Tohru Nakashizuka**

**Dr Claire Ozanne**  
Roehampton University, UK  
**Dr Vojtech Novotny**  
Czech Academy of Sciences, Czech Rep.  
**Professor Nigel Stork**  
University of Melbourne, Australia  
**Dr Joe Wright**  
Smithsonian, STRI, Panama

The GCP is supported by the Global Canopy Foundation. Registered UK Charity (No. 1089110). Incorporated as a Company Limited by Guarantee (No. 4293417).  
The GCP was founded with the generous support of The Rufford Maurice Laing Foundation

**Statement of planned co-finance GCP**

Below is a summary of the planned co-financing by SEI for the *Responsible Demand* project of the GEF *Integrated Assessment Pilot Taking Deforestation out of Global Commodity Supply Chains*, referring to our proposed work under Component 4 of the project

This co-financing comes from additional project work being undertaken by SEI during the project delivery period ((assuming a start date of 01 January 2017) that shares a broad thematic focus with the Responsible Demand project and will contribute towards enhanced deliverables.

Funding source	Year 1 (USD)	Year 2 (USD)	Total (USD)	Focus of work
Formas, Swedish Research Council <i>"EMBED - Greenhouse gas emissions and biodiversity loss from land use change embodied in international Trade of agricultural commodities - a pan-tropical assessment"</i> . Led by Chalmers University	15 000	15 000	30 000	Development of globally applicable methodologies to allocate deforestation and biodiversity risks along supply chains.
European Commission H2020 <i>"ODYSSEA - Observatory of the dynamics of interactions between societies and Environment in the Amazon"</i> . Led by Institut de Recherche pour le Developpement	20 000	20 000	40 000	Travel support for work related to social-ecological change in Amazonian landscapes

The Stockholm Environment Institute is an international research organization that has been engaged in environment and development issues for a quarter of a century. SEI supports decision making for sustainable development at local, regional and national levels by bridging science and policy.

Mailing address:  
Stockholm Environment Institute  
Box 24218  
104 51 Stockholm  
Sweden

Visiting address:  
Linnégatan 37  
115 23 Stockholm



Contact:  
Tel: +46 8-30 80 44  
Org. number: 802014-0763  
www.sei-international.org

*Simon*  
SIMON PERSON  
FINANCIAL DIRECTOR

(IRD)				
Stockholm Environment Institute's "P2CS - Producer to Consumer Sustainability Initiativ. Led by IRD	30 000	30 000	60 000	Core support for convening meetings, data purchase and technical development of the SEI-PCS model
German Federal Ministry for Education and Research "STRIVE – Sustainable TRade and InnoVation transfer in the bioEconomy: from national strategies to global sustainable development goals". Led by Bonn University	60 000		60 000	Contribution towards the web development of a prototype public transparency platform
European Forests Institute "Transformative Transparency Platform". Led by SEI	35 000		35 000	Support for core staff time working on development of SEI-PCS and stakeholder engagement during 2017
<b>TOTAL (USD)</b>			<b>225 000</b>	



*Simon Persson*  
SIMON PERSSON  
FINANCIAL DIRECTOR

The Stockholm Environment Institute is an international research organization that has been engaged in environment and development issues for a quarter of a century. SEI supports decision-making for sustainable development at local, regional and national levels by bridging science and policy.

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Stockholm Environment Institute  
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104 51 Stockholm  
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Tel: +46-9-30 80 44  
Org. number: 802014-0763  
www.sei-international.org

Ms Tracey Smith  
WWF US  
1250 24th Street, N.W.  
Washington, DC 20037

20 May 2016

RE: Co-financing for Proforest WWF GEF Commodities project

The Proforest Initiative hereby confirms that will support activities of GEF Commodities Soy project within Proforest Brasil Responsible Production and Sourcing Programme through the following grant co-financing:

Grant No.	Grant Name	2016	2017	2018
G 031	DFID	\$79,383	\$73,500	\$73,500

Yours sincerely,



Cristina Mateos Arribas  
Senior Finance Manager for Programmes  
[cristina@proforest.net](mailto:cristina@proforest.net)

Mr. Herve Lefevvre  
 Senior Director & WWF GEF Coordinator  
 World Wildlife Fund, Inc.  
 1250 24<sup>th</sup> Street NW  
 Washington, DC, 20037

**Re: Co-financing Support for the WWF-GEF Responsible Demand Project (GEF# 9182) under the GEF Commodities IAP Program (#9072)**

Dear Mr. Lefevvre,

I am pleased to inform you that The Gordon and Betty Moore Foundation (GBMF) will contribute US\$**34,000,000** in co-financing to the above-referenced **Responsible Demand Project** under the Commodities IAP Program. Of this figure, \$11,000,000 is a grant to WWF to implement activities directly related to the Responsible Demand Project, and \$23,000,000 is a grant to additional partners (TNC, NWF, CERES and WBCSD) for complementary work on driving demand for deforestation-free soy and beef. This is under the Collaboration for Forests and Agriculture (CFA) and Conservation and Financial Markets Initiative (CFMI).

This contribution will consist of the following:

<b>ACTIVITY/THEME</b>	<b>Related Project</b>	<b>TYPE</b>	<b>VALUE</b>
GBMF grant to WWF for CFA	Responsible Demand	Grant	\$11,000,000
GBMF grants to other partners for CFA and CFMI	Responsible Demand	Grant	\$23,000,000
<b>TOTAL VALUE</b>			<b>\$34,000,000</b>

Sincerely,



Heather Wright  
 Program Officer



World Wildlife Fund  
1250 24<sup>th</sup> St. NW  
Washington, DC 20037-1193  
Main Phone: 202-293-4800  
Fax: 202-778-9747  
worldwildlife.org

**August 18, 2016**

Mr. Herve Lefevre  
Senior Director & GEF Coordinator  
World Wildlife Fund, Inc.  
1250 24<sup>th</sup> Street NW  
Washington, DC, 20037

Re: Co-financing Support for WWF-GEF Project: **Generating Responsible Demand for Reduced-Deforestation Commodities**

Dear Mr. Lefevre,

I am pleased to inform you that **World Wildlife Fund Inc.** will provide **\$6,384,613** in co-financing to the WWF-GEF Responsible Demand Project during the period of the project.

Sincerely,

  
**Kristine B. Vega,**  
**Vice President**  
**Program Operations**





07<sup>th</sup> of July, 2016

Mr. Herve Lefevre  
Senior Director & GEF Coordinator  
World Wildlife Fund, Inc.  
1250 24<sup>th</sup> Street NW  
Washington, DC, 20037

Re: Co-financing Support for WWF GEF Project: **Generating Responsible Demand for Reduced-Deforestation Commodities**

Dear Mr. Lefevre,

I am pleased to inform you that **WWF - Brasil** will provide **1,358,748 USD** in co-financing to the World Wildlife Fund, Inc. for the above-referenced project during the period of **5 years**. This contribution will consist of the following:

ACTIVITY	TYPE	VALUE
Engagement with different actor to support the production of better soy	Cash	<b>1,358,748</b>
	<b>TOTAL VALUE</b>	1,358,748

Sincerely,

**Mario Barroso**  
Conservation Director  
WWF Brasil

Office: 55 61 33647400  
Mobile: 55 61 98259-3837

mariobarroso@wwf.org.br



## Appendix 9: Stakeholder Consultation Report

Consultation place and date	Purpose of the consultation	Organizations represented	Format of Consultation	Issues discussed	Consultation documentation	Next steps/ follow up action
Zeist  6/2015	Program inception meeting	WWF Indonesia, WWF Brazil, WWF Africa, WWF Paraguay, WWF US, WWF International	Workshop	Baseline efforts, potential partnerships, conceptual model and results chains, strategic direction, ProDoc planning	Workshops documentation (Excel)	ProDoc development, national/ regional planning
Jakarta, Indonesia  11/2015	Program inception meeting	GEF Secretariat and government representatives, Commodities Programme representatives	Workshop	Present preliminary design of the IAP, as well as Demand Child Project interventions	Meeting minutes	National planning
Jakarta, Indonesia  1/25/2016 1/26/2016	Project design workshop	40+ participants; government agencies, civil society, development partners, private sector	Workshop	Validate demand strategies	Workshop notes	Flesh out Demand Child Project strategies
Filadelfia, Chaco  1/16-6/16	4 project design workshops	UNDP, main cooperatives (Fernheim, Neuland and Chortitzer), representatives of the Government of Boquerón and Alto Paraguay, representatives of the Municipality of Philadelphia, and representatives of the production cooperatives federation (FECOPROD)	Workshop	Design Demand outcomes and outputs for Paraguay	Workshop notes	Design Demand Child Project
Brazil	Meeting	IAP with Government officials, led by the Secretary of Environment and	Meeting	Agree to target landscapes, emphasize stakeholders on		

1/22/2016		Forests in the Ministry of Environment		production end and priorities of demand components		
Brazil 3/2016	Project design workshop	CI, WWF	Workshop	Review and validate project design		
Malaysia 11/2015	Stakeholder engagement; 60+ people	Private sector, civil society, government	RSPO meeting break-out session	Introducing the project, identifying key issues and strategies needed to promote sustainable oil palm		Incorporate recommendations into the Demand Child Project, including strategies to ensure intergovernmental dialogue, increase consumer awareness, leverage financial institutions and banks
Accra, Ghana 3/2/2016 3/3/2016	TFA workshop, hosted by Proforest	Government, private sector and civil society from nine countries, including Cameroon, Côte d'Ivoire, Gabon, Ghana, Liberia, and Nigeria, Sierra Leone	Workshop	Launch set of principles to guide responsible oil palm in West Africa		Sierra Leone noted they would like to pursue joining the initiative, incorporate into Project
Miami, USA 1/2016	Soy Traders Meeting	Participants included eight global traders--ADM, Bunge, Louis Dreyfus, Noble/COFCO, Wilmar, Amaggi and Marubeni--the Consumer Goods Forum, as well as key mapping organizations and NGOs	Workshop	Areas of opportunity for Demand Child Project (and Transaction and Production Child Projects)		Create transition working group and China working group

Miscellaneous	Presentations / meetings	Cargill, Musim Mas, Sine Darby and Mondelez	Presentation/ meetings	Present Demand Child Project for feedback and input		Comments /Feedback incorporated into the design.
Stockholm, SE April 2016	Workshop led by Stockholm Environment Institute	42 people from 30 organizations	Workshop	Input on supply chain transparency, mapping work	Meeting notes	Develop Component 4 work based on consultation

## Appendix 10: Links between IAP Child Projects and Demand Child Project

Demand child project	Links between Commodities IAP Child Projects and Demand Child Project			
	Transactions	Production	Brazil	Adaptive Management and Learning
<b>Oil palm, soy, beef</b>				
<b>Global</b>				
<i>Market Intelligence (4.2.1)</i>	Market intelligence on financial institutions will be coordinated with the Transactions Project			Market intelligence will feed into AML project, AML may disseminate information on market intelligence through the IAP Program Website, the Guardian Sustainable Business content partnership, or other relevant means.
<i>M&amp;E (C5)</i>				Project-level M&E to feed into program-level M&E
<i>Stakeholder engagement</i>				Demand partners and stakeholder to be invited to AML Community of Practice
<b>Oil palm</b>				
<b>Regional Southeast Asia (including Indonesia)</b>				
<i>Learning exchanges (1.1.1, 2.1.1)</i>	Learning exchanges aim to include financial institutions, to be coordinated with Transactions PMU	Visits to Production Project target geographies will be solicited; UNDP will be involved in the application selection process		AML to coordinate learning exchanges/study tours carried out by Demand and Production
<i>Engagement with Indonesian companies (1.1.4)</i>		Demand Child Project will link engaged buyers to Production Project sites and coordinate strategies through the Production Child Project's National Level Palm Oil Platform		
<i>Engagement with investors (1.2)</i>	All investor-related work will be coordinated with Transactions			
<i>Indonesia campaign (C3)</i>		WWF-Indonesia will facilitate media site visits to Production Project sites		
<i>Identify supply chain actors (4.1.1)</i>		SEI and GCP to identify supply chain actors in Indonesia, and will link to Production target landscapes. Close collaboration with CI and UNDP will be ensured		
<b>Regional Africa (including Liberia)</b>				
<i>Develop national principles (2.1.2)</i>	Align with Transactions Project when possible	Aligned with the Production Project through their Commodity Platform in Liberia		
<b>Soy and beef</b>				
<b>Regional Latin America (including Paraguay and Brazil)</b>				
<i>Paraguay workshops and demand work (1.1.2)</i>		UNDP to engage global buyers of beef to purchase responsible Paraguayan beef, and will communicate these buyer's needs to		

		producers through the Production Child Project's Chaco Beef Platform		
<i>Soy Trader Platform (1.1.3)</i>	Representatives from the Transactions Child Project will participate in the Soy Traders Platform, and will identify finance opportunities to promote sustainable commitments and production.	Soy trader's platform to include key traders identified by the sustainable Production project.	CI and SRB will participate in the Soy Traders Platform. They will identify traders from the MATOPIBA region, with a focus on key IAP sites in Brazil	
<i>Transformative Transparency case studies (4.1.3)</i>		Comprehensive analyses will be conducted by SEI and GCP to align with Production Project target sites, to be coordinated with UNDP in Paraguay	Comprehensive analyses will be conducted by SEI and GCP to align with Production Project sites, to be coordinated with CI in Brazil	
<i>Identify supply chain actors (4.1.1)</i>		SEI and GCP to map supply chain actors for beef in Production sites in the Chaco in Paraguay	SEI and GCP to map supply chain actors for soy in the Production sites in the Matopiba region, coordinating closely with CI	

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