



# GEF-6 REQUEST FOR PROJECT ENDORSEMENT

PROJECT TYPE: Full-sized Project

TYPE OF TRUST FUND: GEF Trust Fund

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## PART I: PROJECT INFORMATION

Project Title: Generating Responsible Demand for Reduced-Deforestation Commodities			
Country(ies):	Global	GEF Project ID: <sup>1</sup>	9182
GEF Agency(ies):	World Wildlife Fund, Inc., UNDP	GEF Agency Project ID:	WWF: G0008 UNDP PIMS# 5909
Other Executing Partner(s):	Proforest, Stockholm Environment Institute, WWF Singapore, WWF Indonesia;	Submission Date:	07/15/2016 10/14/2016 12/29/2016
GEF Focal Area (s):	IAP Set Aside	Project Duration (Months)	48
Integrated Approach Pilot	IAP-Cities <input type="checkbox"/> IAP-Commodities <input checked="" type="checkbox"/> IAP-Food Security <input type="checkbox"/>	Corporate Program: SGP <input type="checkbox"/>	
Name of Parent Program	Taking Deforestation Out of Commodity Supply Chains	Agency Fee (\$)	787,325

### A. FOCAL AREA STRATEGY FRAMEWORK AND OTHER PROGRAM STRATEGIES<sup>2</sup>

Focal Area Objectives/Programs	Focal Area Outcomes	Trust Fund	(in \$)	
			GEF Project Financing	Co-financing
IAP-Commodity Supply Chain	<p>The Responsible 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 generating reduced deforestation demand, the Demand Child Project contributes to GEF strategies for biodiversity, climate change and sustainable forestry management (see section 2.5 of Demand ProDoc for full details).</p> <p><i>Biodiversity.</i> The Responsible 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 Demand Child Project will build demand for commodities from production landscapes that integrate conservation and sustainable use of biodiversity (Outcome 9.1).</p> <p><i>Climate change.</i> The Responsible Demand Child 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</p>	GEFTF	8,748,060	42,334,902

<sup>1</sup> Project ID number remains the same as the assigned PIF number.

<sup>2</sup> When completing Table A, refer to the excerpts on [GEF 6 Results Frameworks for GETF, LDCF and SCCF](#).

	<p>options. By generating demand for reduced deforestation commodities from production landscapes and strengthening policy frameworks, the Project will support the following two outcomes: Outcome A on the adoption of management practices that reduce GHG emission from land use change and deforestation; and, Outcome B on planning and regulatory frameworks that foster low GHG development from agriculture commodities.</p> <p><i>Sustainable forest management.</i> The Demand Child Project supports GEF's Sustainable Forest 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.</p>			
<b>Total project costs</b>			8,748,060	42,334,902

B. This figure of \$8,748,060 includes \$650,000 that will be directly accessed by UNDP for demand work in Paraguay.

**PROJECT DESCRIPTION SUMMARY**

<b>Project Objective:</b> To strengthen the enabling environment and public and private sector commitment to and demand for reduced-deforestation commodities in priority markets						
Project Components/ Programs	Financing Type <sup>3</sup>	Project Outcomes	Project Outputs	Trust Fund	(in \$)	
					GEF Project Financing	Confirmed Co-financing
1. Mainstreaming demand for reduced deforestation commodities with major buyers and traders	TA	1.1 Key buyers and traders make commitments and have increased capacity to implement commitments to source reduced deforestation commodities.	<p>1.1.1. Learning exchanges and workshops with key palm oil traders and buyers to drive reduced deforestation commitments [SEA, ID]</p> <p>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]</p> <p>1.1.3. Soy Traders Platform convened [LATAM]</p> <p>1.1.4. Meetings to engage Indonesian companies including brands, retailers and traders to facilitate reduced deforestation</p>	GEFTF	3,698,032	17,896,063

<sup>3</sup> Financing type can be either investment or technical assistance.

		1.2 Increased investor capacity to incentivize fast-moving consumer goods (FMCG) companies towards reduced deforestation sourcing	<p>palm oil sourcing and sales within domestic markets [ID]</p> <p>1.2.1. Workshops and trainings to educate investors on best practice for sustainable investing criteria for their portfolio companies and internal practices [SEA]</p> <p>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]</p> <p>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]</p>			
2. Strengthening the enabling environment for reduced deforestation commodities in demand markets	TA	2.1 Capacity strengthened to inform policy dialogue around reduced deforestation	<p>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]</p> <p>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]</p> <p>2.1.3. National principles to incentivize demand [PY]</p>	GEFTF	846,519	4,096,600
3. Promoting reduced deforestation commodities in major markets	INV	3.1 Increased consumer awareness to drive demand for reduced deforestation products in key demand markets	<p>3.1.1. Press events, media briefings, workshops and field visits to inform Indonesian media on impacts of oil palm [ID]</p> <p>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]</p>	GEFTF	606,481	2,934,973

4. Advancing supply chain transparency, traceability & decision support tools	TA/INV	4.1. Increased supply chain transparency to facilitate verification of sustainably produced commodities  4.2. Global demand and finance projections for palm, soy, and beef support project and program knowledge management	4.1.1. Supply chain actors identified for pilot regions to link commodity purchases from geographical origin to destination [GL, ID]  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 [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]  4.2.1. R&D products developed through market intelligence to provide strategic insights on market demand, trade flows, consumption trends, and finance trends [GL]	GEFTF	2,440,332	11,809,615
5. Monitoring and evaluation	TA	5.1. Project M&E informs project management	5.1.1. Project M&E implemented [GL]	GEFTF	740,121	3,581,703
Subtotal					8,331,485	40,318,954
Project Management Cost (PMC) <sup>4</sup>				GEFTF	416,575	2,015,948
<b>Total project costs</b>					8,748,060	42,334,902

**Key. Activities to be executed in:**

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

<sup>4</sup> For GEF Project Financing up to \$2 million, PMC could be up to 10% of the subtotal; above \$2 million, PMC could be up to 5% of the subtotal. PMC should be charged proportionately to focal areas based on focal area project financing amount in Table D below.

**C. CONFIRMED SOURCES OF CO-FINANCING FOR THE PROJECT BY NAME AND BY TYPE**

Please include evidence for co-financing for the project with this form.

Sources of Co-financing	Name of Co-financier	Type of Cofinancing	Amount (\$)
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>			42,334,902

**D. TRUST FUND RESOURCES REQUESTED BY AGENCY(IES), COUNTRY(IES) AND THE PROGRAMMING OF FUNDS**

GEF Agency	Trust Fund	Country Name/Global	Focal Area	Programming of Funds	(in \$)		
					GEF Project Financing (a)	Agency Fee <sup>a)</sup> (b) <sup>2</sup>	Total (c)=a+b
WWF-US	GEF TF	Global	IAP Set Aside	IAP-Commodities	8,098,060	728,825	8,826,885
UNDP	GEF TF	Global	IAP Set Aside	IAP-Commodities	650,000	58,500	708,500
<b>Total Grant Resources</b>					8,748,060	787,325	9,535,385

a ) Refer to the Fee Policy for GEF Partner Agencies

## E. PROJECT'S TARGET CONTRIBUTIONS TO GLOBAL ENVIRONMENTAL BENEFITS<sup>5</sup>

No direct accounting towards the GEB targets is noted in the table below for the project level, however, the Demand project contributes towards the programmatic targets. Please refer to the CIAP's UNDP-GEF Adaptive Management and Learning Child Project for the Program level Global Environmental Benefits.

Corporate Results	Replenishment Targets	Project Targets
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>Hectares*</i> * Demand project contributes to the programmatic target of 23 million ha
2. Sustainable land management in production systems (agriculture, rangelands, and forest landscapes)	120 million hectares under sustainable land management	<i>Hectares**</i> ** Demand project contributes to the programmatic target of 1 million ha
3. Promotion of collective management of transboundary water systems and implementation of the full range of policy, legal, and institutional reforms and investments contributing to sustainable use and maintenance of ecosystem services	Water-food-ecosystems security and conjunctive management of surface and groundwater in at least 10 freshwater basins;	<i>Number of freshwater basins</i>
	20% of globally over-exploited fisheries (by volume) moved to more sustainable levels	<i>Percent of fisheries, by volume</i>
4. 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>metric tons***</i> *** Demand project contributes to the programmatic target of 117.5 million tons CO <sub>2e</sub>
5. Increase in phase-out, disposal and reduction of releases of POPs, ODS, mercury and other chemicals of global concern	Disposal of 80,000 tons of POPs (PCB, obsolete pesticides)	<i>metric tons</i>
	Reduction of 1000 tons of Mercury	<i>metric tons</i>
	Phase-out of 303.44 tons of ODP (HCFC)	<i>ODP tons</i>
6. Enhance capacity of countries to implement MEAs (multilateral environmental agreements) and mainstream into national and sub-national policy, planning financial and legal frameworks	Development and sectoral planning frameworks integrate measurable targets drawn from the MEAs in at least 10 countries	<i>Number of Countries:</i>
	Functional environmental information systems are established to support decision-making in at least 10 countries	<i>Number of Countries:</i>

<sup>5</sup> Update the applicable indicators provided at PIF stage. Progress in programming against these targets for the projects per the *Corporate Results Framework* in the [GEF-6 Programming Directions](#), will be aggregated and reported during mid-term and at the conclusion of the replenishment period.

**F. DOES THE PROJECT INCLUDE A “NON-GRANT” INSTRUMENT? NO**

(If non-grant instruments are used, provide an indicative calendar of expected reflows to your Agency and to the GEF/LDCF/SCCF Trust Fund) in Annex D.

**PART II: PROJECT JUSTIFICATION**

**A. DESCRIBE ANY CHANGES IN ALIGNMENT WITH THE PROJECT DESIGN WITH THE ORIGINAL PIF<sup>6</sup>**

**A.1. Project Description.**

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.<sup>7</sup> 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 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 less 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, 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 and Paraguay for soy and beef respectively; and Indonesia and Liberia for oil palm. 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:

- a. **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.

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<sup>6</sup> For questions A.1 –A.7 in Part II, if there are no changes since PIF, no need to respond, please enter “NA” after the respective question.

<sup>7</sup> Lawson, S. (September 2014). *Consumer Goods and Deforestation: An Analysis of the Extent and Nature of Illegality in Forest Conversion for Agriculture and Timber Plantations*. Forest Trends.

Key geographies have been targeted for demonstration of best practices for sustainable production of oil palm (largest driver in Indonesia and Southeast Asia), and soy and beef (largest drivers in Latin America).

- b. 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.
- c. 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.
- d. 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.

<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>

Under the Responsible Demand Child Project, strengthening demand for sustainable, reduced deforestation commodities will 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). Individually and together, and accompanied by transparency tools, these four actors have the potential to send strong demand signals calling for reduced deforestation practices on the ground. In response to these demand signals, producers will begin shifting to responsible, reduced-deforestation commodity production, facilitated by an enabling environment and the incentive of financial benefits.

## 1) Global environmental problem, root causes and barriers



As described in detail in Section 1.2 of the WWF-GEF Demand Child Project Document (ProDoc), tropical forests and savannahs host the majority of all terrestrial biodiversity on less than 10% of earth's land surface, represent important carbon sinks, and provide numerous ecosystem services. However, these ecosystems are being increasingly deforested for commercial agriculture. Demand for a few key commodities is a root cause of this deforestation from agricultural production, with an estimated 70% of tropical deforestation alone coming from commercial agriculture for palm, soy, and beef (plus timber and pulp).<sup>8</sup> Global demand for palm oil, soy, and beef 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. Some estimate a 70% increase in demand for food products by 2050 to meet the world's more urban, prosperous population.<sup>9</sup>

There are numerous barriers in the move towards demand for reduced deforestation commodities (described further in Section 1.3 of the ProDoc):

- Companies and investors face three major barriers.
  1. First is *insufficient awareness and/or capacity* on the value of sourcing reduced-deforestation commodities, and the risks of deforestation in supply chains. This lack of awareness may prevent companies from making reduced-deforestation commitments. For those that have made commitments, there is not always the capacity or tools (e.g. sourcing policies) to implement commitments.
  2. Second, *lack of investment disclosures and lack of environmental social and governance (ESG) lending policies* means that (a) investors may be taking risks that are not disclosed to the public, and due to a culture of non-disclosure means investors may not disclose risks to the public, and are not pressured to adopt Environmental, Social and Governance (ESG) policies, and (b) an opportunity is lost for investors to demand investees to adopt sustainable sourcing practices, which could help drive reduced deforestation practices.
  3. Third, there is *limited collective action among companies and other stakeholders*. Existing individual corporate actions are disparate and not extensive enough to change the bulk of the supply chain towards reduced deforestation practices, posing a barrier to collective progress against deforestation practices.
- Policy makers also face a major barrier.
  4. A *weak enabling environment* or conflicting policies means companies cannot meet their demands for reduced-deforestation commodities and reduced deforestation supply chains are not mandated. Policies that do not promote or account for the benefits of forests will leave supply chains susceptible to deforestation practices. 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 face a major barrier.
  5. *Weak awareness on the benefits of reduced deforestation commodities* mean consumers lack demand for sustainable products; greater consumer awareness and demand of sustainable products would encourage companies to offer sustainable products where they currently do not exist.
- Limited tools for transparent supply chains is a barrier to the above three actors.

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<sup>8</sup> Lawson, S. (September 2014). *Consumer Goods and Deforestation: An Analysis of the Extent and Nature of Illegality in Forest Conversion for Agriculture and Timber Plantations*. Forest Trends.

<sup>9</sup> Kissinger, G., Herold, M., & De Sy, V. (August 2012). *Drivers of Deforestation and Forest Degradation: A Synthesis Report for REDD+ Policymakers*. Vancouver Canada: Lexeme Consulting.

6. *Limited transparency tools* that help actors understand where commodities are being produced, traded and consumed hinders corporate efforts to source sustainably, obscures accountability for actors sourcing commodities linked to deforestation practices, and limits informed decision making for corporate, government, and consumer actors.
7. *Limited market intelligence to inform public and private decision making.* Unanticipated trends on demand for commodities leads to uninformed decision making and lack of awareness around issues of leakage.

There have been no significant changes to the environmental problem, root causes or barriers since PFD approval.

## 2) Baseline

There are numerous global and regional initiatives, NGOs, and partnerships that 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 holding companies more accountable and further incentivizing lower risk practices.

### Companies and investors.

The existing commitments among companies to source sustainable commodities provide opportunities to further drive sustainable demand through key markets. For example, the Consumers Goods Forum, representing 400 members, resolved to achieve zero net deforestation by 2020 and have mobilized resources to achieve this including developing corporate sourcing standards and guidelines. Recent reports tracking corporate progress after the CGF zero deforestation pledge and the New York Declaration on Forests (e.g. Union of Concerned Scientists' [progress assessment](#) on the New York Declaration on Forests, and WWF's [Slow Road to Sustainability](#) report on progress of CGF member commitments) 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.

*Soy and Beef (Brazil, Paraguay):* Brazil is the number two producer of soybeans in the world, with the majority of its exports going to China and the EU. Paraguay is a growing exporter of beef, with its products going to Chile and Russia. Significant traders that operate in the region have signed onto the New York Declaration on Forests<sup>10</sup> and made reduced deforestation commitments; such traders include ADM, Bunge and Cargill, who together represent roughly 35% of the Brazil market. However, other large traders including Marubeni, Louis Dreyfus, COFCO, and Cefetra have not made deforestation free pledges. In Paraguay, Minerva and Cargill are the largest traders.

The Cerrado in Brazil, part of which is within the Matopiba region, and the Chaco in Paraguay are the geographic focus of ongoing efforts to shift demand towards reduced deforestation commodities, including: a USAID funded project, Forest Conservation Agriculture Alliance (FCAA), to foster international trade and demand for more sustainably produced beef; Proforest's mapping of Brazil's reduced deforestation commitments and development of an approach for companies to pursue Forest Code compliance and zero deforestation commodities; the Conservation and Forest Alliance (CFA), a collaboration with the Gordon and Betty Moore Foundation, The Nature Conservancy, National Wildlife Federation and WWF to increase corporate commitments, awareness, capacity, transparency and monitoring among companies with soy and beef in their supply chains. The Transactions Child Project will be working with banks and financial institutions active in the beef sector in Paraguay.

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<sup>10</sup> 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

*Oil Palm:* Major consumption countries include India (16%), Indonesia (13%), EU (12%) and China (10%). Global demand is expected to grow by 5% per year to reach 72.9 million metric tonnes in 2020, and 120-156 million tonnes in 2050, fueled primarily by growing demand in Asian markets. A majority of the predicted growth is expected to come from Indonesia.

In Indonesia, international companies such as McDonald's and Yum Brands have begun making commitments but have not yet implemented their commitments in Indonesia. Indonesian companies have not made commitments to reduced deforestation palm oil and are not retailing branded sustainable palm oil domestically.

WWF-Singapore has started to engage investors in the region, but the majority of investors have not engaged downstream supply chain companies on Environmental, Social and Governance (ESG) issues. While investments have grown in the 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.<sup>11</sup> Only a small number of investors and regional banks are analyzing sustainable agriculture related risks in South East Asia.

#### Policy makers.

*Oil Palm:* While Indonesia has a history of growing and mature markets for palm, 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 sector from an early stage. The Tropical Forest Alliance's (TFA 2020) African Palm Oil Initiative (POI), implemented by Proforest, works in West African countries 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. 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. 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:* 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. Implementation of any type of certification for reduced-deforestation beef has not been achieved. As baseline to this project, the Global Roundtable on Sustainable Beef (GRSB) is relatively nascent, but has recently released its principles and criteria. GRSB contains globally recognized principles and criteria and have had broad buy in from corporations and producers. This will ensure 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. A focused approach is needed to move forward on Paraguay's interest in this process.

#### Consumers.

*Oil Palm:* Indonesia represents an emerging economy with extensive production of oil palm, and also strong domestic demand for palm oil that 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.<sup>12</sup> However, there is not currently a high domestic demand for reduced deforestation palm oil. An RSPO-Daemeter study of 700 female and 100 male respondents in Indonesia found that 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

<sup>11</sup> Global Sustainable Investment Alliance. (2014). Global Sustainable Investment Review.

<sup>12</sup> Gaskell, J. C. (2015). *The Role of Markets, Technology, and Policy in Generating Palm-Oil Demand in Indonesia*. Bulletin of Indonesian Economic Studies, 51(1).

oil and paying a premium.<sup>13</sup> As such, Indonesia is an ideal target country to demonstrate the opportunity for engaging national consumers to shift towards reduced deforestation commodities and related products. Several efforts to improve Indonesian consumer awareness on the impact of unsustainable palm oil have begun and are planned to continue. This includes: RSPO development of a communications resource for stakeholders to effectively engage consumers on sustainable palm oil; and, WWF Indonesia's #beliyangbaik (A Good Buy) campaign to educate Indonesian consumers about the benefits of sustainable products (including palm oil, but not explicitly focusing on this key commodity). These efforts provide a foundation to further develop consumer demand for reduced-deforestation products in this key market where domestic production and domestic demand of palm oil greatly overlap (the Production Child Project will work on production activities in Indonesia).

*Soy and Beef:* In Latin America, consumer knowledge of the environmental impacts of soy and beef is relatively nascent. However 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 the work to link on-the-ground impacts with the demand that drives them, and domestic awareness campaigns on soy and beef in Brazil, Argentina, and Paraguay will take place through work by WWF with funding through the Betty and Gordon Moore Foundation.

#### Transparency tools.

For all commodities globally, there are myriad efforts to improve supply chain transparency through mapping, reporting, and implementing traceability systems (e.g. Global Forest Watch, Carbon Disclosure Program, Global Reporting Initiative, Global Canopy Program, Supply Change.org, 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. 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. However, the tool is nascent and needs mapping coverage and a public portal to become more effective at scale. Finally, new methods such as Horizon Scanning have emerged to allow for more effective information on overall market demand for palm oil, soy and beef.

*Oil Palm:* 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.

*Beef and Soy:* In Paraguay and Brazil, there are efforts to track land use change over time. Several NGO's, including WWF, have 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. MapBiomass, 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. These efforts will provide data that will be built upon through the Demand Child Project.

The baseline is expanded upon in Section 1.4 of the ProDoc. At PFD approval, the baseline largely described global private sector commitments and governments or public-private partnerships. Key changes in the baseline since PFD approval include more detail of ongoing efforts regarding companies, investors, policy makers, consumers, and transparency tools. Care was taken to show both the global baseline and the baseline specific to project target commodities, target countries, and project partners.

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<sup>13</sup> RSPO and Daemeter. (2015, November). *Seeing Palm Oil Through Indonesian Consumers' Eyes: The Good and the Bad*. Retrieved from [http://daemeter.org/new/uploads/20151106082855.Baseline\\_study\\_main\\_report\\_Eng\\_final.pdf](http://daemeter.org/new/uploads/20151106082855.Baseline_study_main_report_Eng_final.pdf).

### 3) Proposed alternative scenario, GEF focal area<sup>14</sup> strategies, with a brief description of expected outcomes and components of the project.

#### Proposed alternative scenario including expected outcomes and components

The Demand Child Project's theory of change (figure 1) holds that, by engaging key actors, and making supply chains transparent, demand will shift towards reduced deforestation commodities. This will in turn send a clear demand signal to producers who are incentivized to use sustainable practices to meet the demand. The Demand Child Project aims to build on the above described baseline to advance awareness, capacity and collective actions of four key actors: corporations, investors, consumers, and policy makers; and, transparency tools will help drive this institutional change. Engaging the above four actors can be mutually reinforcing, as civil society's demands can influence government decision-making which can in turn create an enabling environment for reduced deforestation commodities, and promote reduced deforestation supply chains for companies. Consumer pressure can incentivize companies and financial institutions to commit to reduced deforestation sourcing and lending policies.

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. 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 the business case for more responsible purchasing practices, 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. Shifting 25% of the demand market can be achieved by influencing just a few major companies for each commodity.<sup>15</sup>

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. 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.

Policy frameworks can be effective in 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. 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

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<sup>14</sup> For biodiversity projects, in addition to explaining the project's consistency with the biodiversity focal area strategy, objectives and programs, please also describe which Aichi Target(s) the project will directly contribute to achieving.

<sup>15</sup> WWF. 2016. "Transforming Business." Accessed December 28. <http://www.worldwildlife.org/initiatives/transforming-business>.

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.

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 1) to each situation, thus enabling the framework to address specific needs.

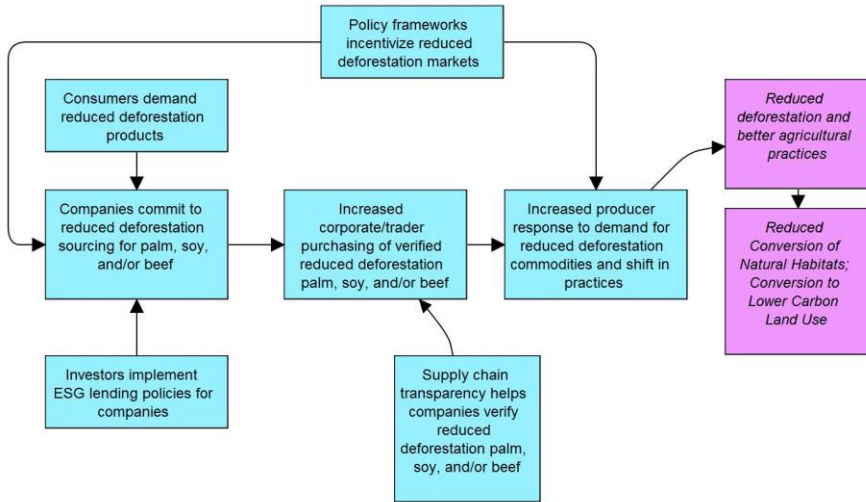
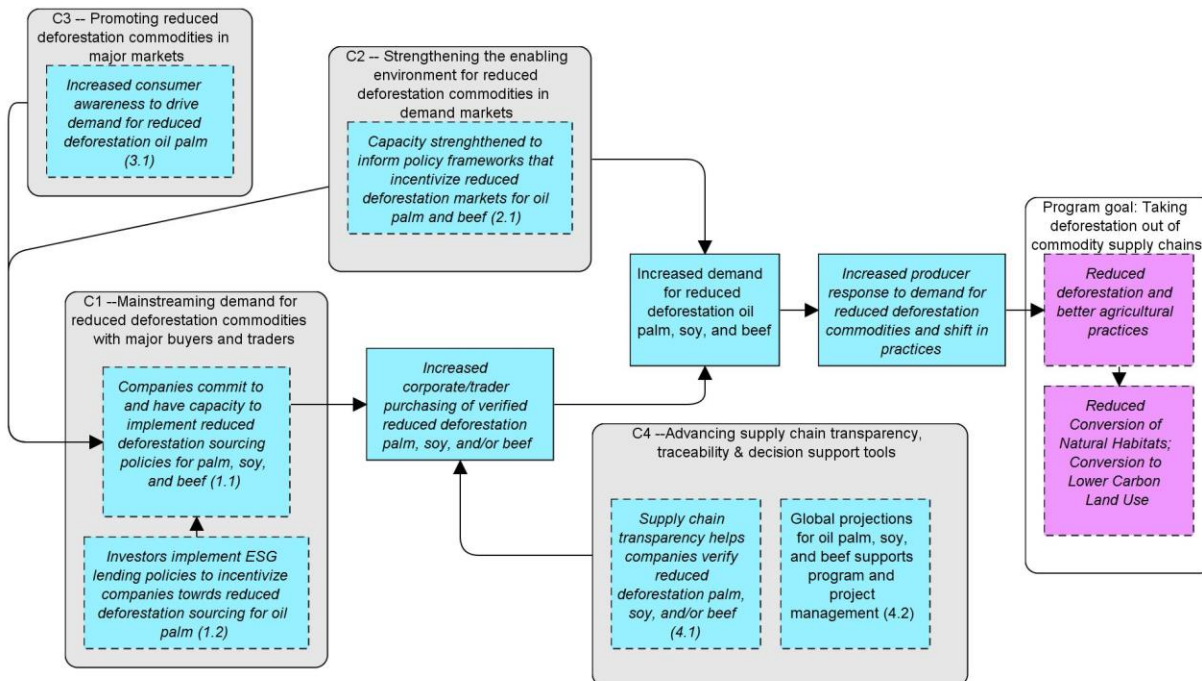


FIGURE 1 THEORY OF CHANGE

The Demand Child Project objective is: **To strengthen the enabling environment and public and private sector commitment to and demand for reduced-deforestation commodities in priority markets.** The objective will be achieved through four interrelated components (figure 2), described as follows.

FIGURE 2 INTEGRATED APPROACH OF DEMAND PROJECT COMPONENTS



Project Component 1 focuses on mainstreaming demand for reduced deforestation commodities with major buyers and traders. Component 1 builds awareness, capacity and opportunities for collective action among buyers, traders and investors in South East Asia and Latin America.

*Oil Palm:* In South East Asia, this component will be undertaken region-wide with a focus on Indonesia and will link buyers and producers through the Production Child Project's National Level Palm Oil Platform. There will be an opportunity for additional demand countries to engage in the Demand Child Project through the Asia Learning and Exchange Program. Demand countries will engage in sharing of best practices, policies and programs for reduced deforestation sourcing. Proponents (NGOs and Universities) are eligible to apply for funds under the learning and exchange program to host workshops, awareness-raising trips, seminars, or research partnerships for participants from key companies who are key buyers 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.<sup>16</sup>

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. The 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.

Regionally, the Demand Child Project will engage investors to incentivize oil palm companies and fast moving consumer goods companies to commit to and source reduced deforestation oil palm. There will be a focus on increasing the capacity of investors on best practice for investment in reduced deforestation financing. Having investors demand Environmental Social Governance (ESG) policies from their portfolio companies, with specific references to reduced deforestation, will incentivize the fast-moving consumer goods companies to comply, and thereby shift to reduced deforestation sourcing. Activities to achieve this outcome will include an integrated series of investor workshops, 1:1 meetings to drive collective action, and an annual investor scorecard.

*Beef and soy:* In Latin America, this component will support workshops to mobilize corporate demand for responsible beef from Paraguay (implemented by UNDP), and will link to the Production Child Project's Chaco Beef Platform in order to better communicate buyer sustainability needs to producers. 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

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<sup>16</sup> This output will be implemented by NGO's and universities, with small grants administered by the Demand Child Project's PMU. No GEF finance will go directly to companies through the Asia Learning and Exchange Program. 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.

from reduced deforestation producers. As such, the project will support workshops that facilitate two types of dialogue expected to generate increased demand for reduced deforestation beef.

First, the Project will support dialogue among 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. 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.).

In addition, this component will support the convening of a Soy Traders Platform to take place at a regional and international scale, with the goal of influencing demand for reduced deforestation commodities from the Cerrado and Chaco regions, especially the major traders of Brazilian soy.

Two outcomes are expected from component 1: (1) Key buyers and traders make commitments and have increased capacity to implement commitments to source reduced deforestation commodities, and (2) Increased investor capacity to incentivize fast-moving consumer goods (FMCG) companies towards reduced deforestation sourcing. Activities towards the outcome regarding investor capacity will be coordinated closely with the Enabling Transactions Child Project.

Project Component 2 focuses on strengthening the enabling environment for reduced deforestation commodities in demand markets.

*Oil Palm:* Component 2 will be applied in Sierra Leone to incentivize reduced deforestation demand for palm oil and remove deforestation-related barriers. In addition, GEF funds will be used for broader workshops where West African countries, including Liberia, will be invited to attend. At the regional scale in South East Asia there will be a focus on learning exchanges (Asia Learning & Exchange Program – Governments) and workshops to encourage demand country governments to commit to and adopt policies that incentivize reduced deforestation sourcing. Both activities will be coordinated closely with the Production and Enabling Transactions Child Projects.

*Beef:* UNDP Paraguay 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. The Demand Child Project will support a draft of the national interpretation, and workshops to ensure this draft is validated by key stakeholders.

The outcome expected is that capacity is strengthened to inform policy dialogue around reduced deforestation in project demand markets.

Project Component 3 will focus on *oil palm* in Indonesia only, as this is the market for which a great opportunity exists to influence domestic demand. The work will build awareness for Indonesian consumers and media on the benefits of reduced deforestation palm oil and the impact of unsustainable oil palm 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. These three cities are large (Jakarta), medium sized (Pekanbaru) and small (Pontianak), and were strategically chosen based on population size, linkage between producer and consumer area, and human development index, 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 have national borders, messaging is expected to be broader than Indonesia. The expected outcome is: increased consumer awareness to drive demand for reduced deforestation products in key demand markets.

Project Component 4 focuses on advancing supply chain transparency, traceability and decision support tools.

*Oil Palm:* WWF will be undertaking detailed mapping of supply chain actors attributed to the Production Child Project sites. In Indonesia, oil palm purchases will be mapped for key actors from geographic origin to destination for the provinces of North Sumatra, West Kalimantan, and Riau.

*Beef and Soy:* 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. This Component will be undertaken regionally in Latin America with a focus on increasing transparency of the region through a public platform, mapping, and aggregate measures of risk and performance for the region. GEF funds will support the development of a Transformative Transparency platform to explicitly link companies purchasing beef and soy with the on-the-ground impacts of their purchases. Using large datasets the project will build out the platform to map material flows from production to end point, as well as aggregate measures of risk and performance. Case studies and yearbooks will build on this information and be available publically.

The detailed work will be performed in concert with the Production Child Project sites in Paraguay and Brazil.

*Oil palm, soy, and beef:* Market intelligence data and analysis will be produced that informs commodity sourcing trends and the impacts of sustainable demand interventions. These will feed in to the Adaptive Management and Learning Child Project.

Two outcomes are expected under Component 4: (1) Increased supply chain transparency to facilitate verification of sustainably produced commodities, and (2) global demand and finance projections for palm, soy, and beef support project and program knowledge management.

Project Component 5 focuses on monitoring and evaluation (M&E). Project level M&E will be undertaken to ensure the efficient and effective delivery of expected outcomes for each component, and to feed results to the Program-level results tracking.

One outcome is expected under Component 5: Project M&E informs project management.

The project components, outcomes, and outputs are described in detail in Section 2.5 of the ProDoc.

Key changes since PFD approval include:

	<i>Adjustments since PFD approval (components and outcomes listed below reflect PFD approved components/outcomes)</i>
<i>Component 1</i>	Component 1 language has not changed since PFD approval. Changes to outcome language include: changing from “Development and implementation of purchasing policies and pledges under Component 1” (1.1) to a greater focus on <i>how</i> (through capacity) the Demand Child Project will increase buyer commitments to source reduced deforestation commodities; (1.2) was originally “measurable progress from major buyers on reduced deforestation commitments,” but this work has been moved into (1.1) as the line between commitments and progress was not clear, i.e. companies that have not committed can still join platforms to increase reduced deforestation sourcing. In addition, the Demand Child Project added a new outcome on increased investor capacity to incentivize companies towards reduced deforestation; investors were identified as a

	<p>potential leverage point to pressure companies to reduced deforestation sourcing, and therefore it was relevant to include an outcome aimed at investor engagement.</p> <p>Since PFD approval, the component budget was reduced as activities (e.g. corporate engagement and 1:1 interactions) can be successfully achieved at reduced costs. Funds were redirected to other components that were identified as priorities during the PPG phase</p>
<i>Component 2</i>	<p>The most notable change was deleting the “Development of new policies and demand side measures that help curb deforestation such as public procurement standards under Component 2.” The reason was that key demand markets are not participating in the IAP, and, there were comments on the PFD cautioning against this approach. Component 2 language otherwise has not changed since PFD approval. Changes to outcome language include: (2.1) wording was changed to capture project activities, i.e. <i>how</i> (through capacity) the project will foster policy dialogue. The wording also changed from “policy frameworks” to “policy dialogue” so the Demand Child Project’s work (i.e. workshops to support policy processes) could be taken into account. Outcome (2.2), which focused on procurement policies, was removed, based on feedback from GEF Council.</p> <p>Budget changes reflect a move away from policy frameworks, a decision agreed upon by the SC during the PPG phase of the Project. These funds were redirected to other components that were identified as priorities during the PPG phase.</p>
<i>Component 3</i>	<p>Component 3 language has not changed since PFD approval. Changes to outcome language includes a shift from “Increased consumer demand for deforestation-free products in key demand markets” to “Increased consumer awareness to drive demand for reduced deforestation products in key demand markets.” This shift reflects campaign activities that focus on awareness raising, which can drive demand in numerous ways (including pressure on companies).</p> <p>As this component will only be piloted in Indonesia (this geography was identified as having the best opportunity for such work) the budget was reduced for this component.</p>
<i>Component 4</i>	<p>Component 4 language has not changed since PFD approval. Changes to outcome language include: (4.1) has been deleted, which focused on assessing the costs and risks associated with commodity production, as this was more production-oriented; (4.2) originally stated “traceable supply chains enable buyers to verifiably source sustainable commodities,” this language was adapted to “Increased supply chain transparency to facilitate verification of sustainably produced commodities” to more clearly reflect the project strategy around geographic and actor mapping; (4.3) on credible standards was removed based on country feedback. (4.4) “improved understanding of progress towards generating responsible demand” was removed. Added to component 4 is an outcome on “global demand projections,” this outcome was originally in the Adaptive Management and Learning ProDoc, but is relevant for supporting Responsible Demand Child Project knowledge management and has been included for this reason.</p> <p>The budget for Component 4 has increased because transparency tools were deemed a priority that bolsters project and program work.</p>
<i>Component 5</i>	<p>Component 5 was added to reflect M&amp;E efforts, including budget set aside for technical and financial M&amp;E purposes.</p>

## Focal Areas

The Responsible 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 generating reduced deforestation demand, the Demand Child Project contributes to GEF strategies for biodiversity, climate change and sustainable forestry management (see section 2.4 of Demand ProDoc for full details).

*Biodiversity.* The Responsible 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 Demand Child Project will build demand for commodities from production landscapes that integrate conservation and sustainable use of biodiversity (Outcome 9.1). The Demand Child 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).<sup>17</sup>

*Climate change.* The Demand Child 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. By generating demand for reduced deforestation commodities from production landscapes and strengthening policy frameworks, the Project will support the following two outcomes: Outcome A on the adoption of management practices that reduce GHG emission from land use change and deforestation; and, Outcome B on planning and regulatory frameworks that foster low GHG development from agriculture commodities.<sup>18</sup>

*Sustainable forest management.* The Demand Child Project supports GEF's Sustainable Forest 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 Demand Child Project supports SFM-1's cross-sector policy and planning outcome. Moreover, the Demand Child 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.<sup>19</sup>

In addition to GEF strategies, the Demand Child Project directly supports the following goals of the Aichi Biodiversity Targets: (1) addressing the underlying causes of biodiversity loss by mainstreaming biodiversity; (2) reduce the direct pressure of biodiversity and promote sustainable use; (3) improve the status of biodiversity by safeguarding ecosystems, species and genetic diversity; (4) enhance the benefits to all biodiversity and ecosystems services.

Since PFD approval, changes include a more specific narration on how Demand Child Project components will contribute to the approved focal areas.

### **4) 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 palm oil, soy and beef. The incremental costs are based on the Project's contribution to local and global environmental benefits (produced through the Commodities IAP as a whole). The project's interventions represent a

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<sup>17</sup> GEF. (2014). The FEF-6 Biodiversity Strategy. Washington, DC: Global Environmental Facility.

<sup>18</sup> GEF. (2016, May 26). Climate Change Mitigation Strategy. Retrieved from [https://www.thegef.org/gef/CC\\_mitigation\\_strategy](https://www.thegef.org/gef/CC_mitigation_strategy).

<sup>19</sup> GEF. (2015). GEF-6 Sustainable Forest Management Strategy: Strengthened Support for Forests. Washington, DC: Global Environmental Facility.

greater likelihood that demand for reduced deforestation commodities (beef, soy and oil palm) 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 a 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.

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 (see table below).

#### Project Incremental Benefits

Project Component	Baseline	GEF Alternative	Regional and Global Incremental Benefits
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.

<b>Project Component</b>	<b>Baseline</b>	<b>GEF Alternative</b>	<b>Regional and Global Incremental Benefits</b>
Component 2: Strengthening the enabling environment for reduced deforestation commodities in demand markets	Largely domestic consumption of oil palm in West Africa  Low uptake and implementation of sustainability requirements in West Africa  Limited large market players demanding reduced deforestation oil palm regionally  Low policy foundation and enabling environment, no guiding regional principles	Develop enabling environment to demand reduced deforestation palm oil from West Africa  Advance principles for reduced deforestation policy frameworks	Policies in place establishing reduced deforestation practices in Liberia and Sierra Leone
Component 3: Promoting reduced deforestation commodities in major markets	Low consumer awareness/demand for reduced deforestation palm oil in key producer countries, such as Indonesia	Domestic consumer campaign and media outreach and education for reduced deforestation palm oil in Indonesia	Increased consumer awareness of deforestation associated with unsustainable oil palm leading to increased demand for reduced-deforestation palm oil
Component 4: Advancing supply chain transparency, traceability & decision support tools	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.	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.	Informed Corporate Decision Making  Increased transparency of the soy and beef supply chain and connection to practices on the ground e.g. deforestation

If corporate commitments, government policy, and consumer demand continue at their current pace, without GEF funded interventions, irrecoverable deforestation, biodiversity loss, and carbon emissions will continue. 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.

Since PFD approval, the intent behind the incremental reasoning section has not changed. As the approved PFD was short and did not provide many details, information has been added or adjusted to reflect the incremental reasoning and global environmental benefits brought about by specific project activities as they are now described.

## 5) Global environmental benefits

The Responsible Demand Child Project will link with the Enabling Transactions and Support to Production child projects, with the Program as a whole contributing to the following Global Environment Benefits: sustainable forest management, climate change mitigation, biodiversity, and global knowledge. 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 serve to mitigate carbon emissions. To achieve this, the Demand Child Project will address a major driver of deforestation: demand. The Demand Child Project strategies will help reduce forest lost by shifting demand from one that is met through deforestation, to one that actively promotes and pressures producers to rely of reduced deforestation practices in the production of palm oil, soy, and beef. Beneficiaries from intact forests and ecosystems includes local benefits (to the people that rely on these forests) and global benefits as global forest ecosystems are maintained and threats reduced.

The above is consistent with the approved PFD; adjustments were made to ensure demand-specific language.

## 6) Innovativeness, sustainability and potential for scaling up.

**Innovation:** The Demand Child Project will support numerous innovative methods to shift demand towards reduced deforestation commodities. Highlight innovations include: (1) the IAP approach as a whole. The innovative approach of the Demand Child Project comes from directly linked demand and production, complemented by transactions, to support reduced deforestation practices across the whole supply chain; (2) the consumer campaign in Indonesia will include tailoring global strategies to fit the local context, addressing a major gap as branded reduced deforestation palm oil is not currently available in the domestic market. The methods produced through this campaign will provide valuable lessons for other campaigns to take place in South East Asia; (3) the investor work in South East Asia is innovative in that it tailors global strategies to fit the local context and focusing on exposing the link between money/investing and deforestation attributed to oil palm; (4) 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. This method can be scaled up in other geographies; (5) the South East Asian learning exchanges are innovative in that they provide a flexible and open mechanisms enabling a set of stakeholders to quickly respond to changing situations. A company or government may face unexpected pressure and they can turn to the Demand Child Project for support. This kind of instrument has not been developed at scale with the private sector; (6) finally, the Transformative Transparency platform is innovative in its use of select data sets exposing commodity production, including customs data, and trade matrices to track trade flows by commodity, company and production at the sub-national level. The Transformative Transparency platform has huge potential to be scaled up to include additional jurisdictions and geographies.

**Sustainability:** The sustainability of the Responsible 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 helps organizations address them. The Project directly builds this understanding, transparency and the ability of organizations to directly address risks. Effectively, the Demand Child 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); principles to guide palm oil in regional West Africa; a national sustainability standard in Paraguay. These policies are unlikely to reverse and will likely strengthen over time, or even be adopted by other interested investors or traders/companies.

**Scaling Up:** Upscaling will be promoted in the Demand Child Project by building innovative initiatives that can be expanded or replicated elsewhere. Through the corporate and government Learning & Exchange programs, for example, best practice and innovative approaches being taken by corporate and government leaders to remove deforestation from commodity supply chains can be applied by other Learning & Exchange participants in their own contexts. Capacity building and partnership building of key stakeholders such as buyers, traders, banks, investors, and governments will facilitate broader impact beyond the specific target landscapes and countries. Learnings from the market intelligence work will also be integrated throughout the project and disseminated to wider audiences, to promote change at the speed of markets.

For further details see section 2.10 of the Demand ProDoc.

This section has largely remained consistent with the approved PFD. Changes include a move away from strengthening procurement policies and less emphasis on private sector engagement with governments. Specific details have been built out according to Demand Child Project activities and strategies finalized during the PPG phase.

*A.2. Child Project?* If this is a child project under a program, describe how the components contribute to the overall program impact.

The Responsible Demand Child Project was designed to contribute to the Commodities IAP Program overall objective to reduce the global impacts of agriculture commodities on GHG emissions and biodiversity by meeting the growing demand of palm oil, soy and beef through supply that does not lead to deforestation and related GHG emissions. To contribute to this IAP objective and ensure program impact, the Responsible Demand Child Project has been organized around five interrelated components focused on: (1) corporations and investors; (2) policy makers; (3) consumers; (4) transparency; (5) monitoring and evaluation.

Under Component 1, the Demand Child Project will target large buyers and trading companies, as they exert substantial pressure on producers and are responsible for making products available to consumers. If companies 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. This demand signal to producers will support the **Production Child Project** and the Commodities IAP as a whole. In other words, if companies shift their sourcing policies to reduced deforestation, producers will respond (with capacity bolstered through the Production Child Project) through practices that do not involve deforestation. The program objective of reduced deforestation is thereby supported through Demand Component 1.

The Responsible Demand Child Project will work with several additional levers to encourage companies towards reduced deforestation sourcing commitments. WWF and partners to the Responsible Demand Child Project have worked closely with the **Enabling Transactions** Child Project to design the work with investors – a segment that can have a major impact on increasing the demand for reduced deforestation oil palm. 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. Investor work implemented under the

Demand Child Project remains distinct from, but complements, the work implemented under the Transactions Child Project. The Demand Child Project will target investors to influence demand companies, and will remain at a largely regional level. The Transactions Child Project will work with banks at national levels, largely to target producers, and also on financial instruments to incentivize reduced deforestation production.

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. In coordination with the Enabling Transactions Child Project, the Responsible Demand Child Project will encourage major investors to incentivize sustainable demand by developing and mandating sustainable investing criteria for their portfolio companies and their internal practices. Portfolio companies, such as the large buyers and traders described above, will respond to investor criteria and facilitate the results described above (wherein companies create sourcing policies, which leverages producers towards reduced deforestation production practices, and achieves the program's overall goal).

Under Component 2, the Demand Child Project will strengthen the enabling environment for reduced deforestation commodities in demand markets by promoting policy frameworks that remove barriers to demand for sustainable products, encouraging policy makers to consider policy frameworks that make countries' sustainability pledges more tangible and achievable by developing principles and actions to facilitate low carbon/ reduced deforestation sustainable commodity markets. Such policy sends a strong demand signal that the Production, Transactions, and Demand Child Projects can all use to leverage a wide range of supply chain actors towards reduced deforestation supply. Through this work, an enabling environment for reduced deforestation commodities facilitates the work of all child projects towards the program goal.

Under Component 3, the Demand Child Project will work to increase consumer awareness and demand for reduced deforestation products, focusing on Indonesia, which is one of the top consumers of palm oil in the world. As with investor work, consumers are an important leverage point to encourage corporate commitments (see corporate work above). Furthermore, demand for Indonesian sustainable palm oil can connect to a sustainable supply being facilitated and verified through the **Production Child Project**. This allows for a reduced deforestation supply chain in the Indonesian market, and reduced domestic pressure on Indonesian tropical forests (thereby supporting the program goal).

Under Component 4, the Demand Child Project will promote transparent supply chains and mapping to enable verification of sustainably produced commodities. This will support components 1-3 above, and will assist all child projects in the move towards transparency and verified reduced deforestation supply chains (from production to end demand user). Transparent supply chains can benefit the efforts of all the child projects in the move towards reduced deforestation supply chains.

Under Component 5, project-level monitoring and evaluation will be performed. This will feed into program-level M&E and will contribute to program-level knowledge management.

Together, these five components contribute to the overall IAP program impact.

### **A.3. Stakeholders.**

The Responsible Demand Child Project team consulted 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. The identification of stakeholders was based on a stakeholder analysis conducted during the early stages of the PPG phase, which 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 and other key partners, including the Consumer Goods Forum, for review, input, and approval.

Country and regional engagement took place during the PPG. In Indonesia, this included an IAP program inception meeting was held in Jakarta, Indonesia with the GEF Secretariat and Government representatives in attendance, as well as representatives of key potential partners. In addition, a multi stakeholder (including government) project design workshop was held in Jakarta, Indonesia during the PPG phase of the project. In Paraguay, four project design workshops were held with key stakeholders, including government representatives. In addition, workshops were held to introduce the project to the Minister of Environment, the Deputy Minister of Livestock, the Technical and Legal team of the Secretary of the Environment (SEAM) and the National Forest Institute (INFONA). In Brazil, the IAP convened a half-day meeting with Government officials, led by the Secretary of Environment and Forests in the Ministry of Environment. An additional workshop in March convened by CI and hosted by WWF whereby the project design was reviewed. Additional engagement took place regionally. In regional South East Asia, an RSPO meeting in November 2015 was maximized to undertake consultation and validation of the Demand Child Project with key stakeholders. In regional Africa, Proforest, as project executing partner for the Responsible Demand Child Project in Africa, held a TFA regional workshop in Accra Ghana, with participants including representatives from government, private sector and civil society from nine countries (including Liberia and Sierra Leone). To gain consensus on the project's regional Latin American work, WWF, CI and IFC held a meeting in Miami to discuss soy in the region. Participants included eight key traders, the Consumer Goods Forum, key mapping organizations, and NGOs.

Private sector engagement included outreach and presentations to, or meetings with, companies including Cargill, Musim Mas, Sine Darby and Mondelez; a workshop with soy trading companies including ADM, Bunge, Louis Dreyfus, Noble/COFCO, Wilmar, Amaggi and Marubeni, and the CGF (also listed above). A follow-up meeting to the aforementioned soy traders meeting was held in early June yielding additional input. The Demand Child Project also benefited from the feedback of an external advisors group.

In addition to national, regional, and private sector engagement, a workshop was held on transparency tools to further build out Component 4. The Stockholm Environment Institute, which will implement the transparency and mapping work for the Supply Chain Transparency, held a workshop in Stockholm attended by 42 people from 30 organizations. Discussions were held on methods and strategies to monitor forest-risk supply chains and link disparate producers and consumers.

Other project partners that have been consulted for technical input and insight include CLUA, the Gordon and Betty Moore Foundation, Solidaridad, Oxfam, Rainforest Alliance, Paulson Institute, UNEP TEEB, Meridian Institute, Supply Change/Forest Trends, Proforest, TNC, and Governors' Climate and Forests Fund. The Demand Child Project will continue to engage stakeholders during implementation through an annual feedback call. In addition, project partners will be invited to attend annual Community of Practice meetings organized and held through the Adaptive Management and Learning Child Project.

The Demand Child 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. 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. A total of two Communities of Practice events will be organized during the 4-year IAP program. This provides an avenue for the Demand Child Project to encourage partner and stakeholder participation throughout implementation.

See section 4 of the ProDoc for full details.

Stakeholders were not well elaborated in the PFD, therefore the above information was developed during the PPG phase of the Demand Child Project to reflect stakeholder engagement that took place, as well as mechanisms for stakeholder engagement throughout project implementation.

#### **A.4. Gender Considerations.**

Gender equality is vital to achieving environmental sustainability goals, and is a key goal for both the GEF and the WWF network. As such, opportunities for inclusion of both men and women and areas to reduce gender inequality have been assessed and incorporated into project design, and will be mainstreamed in project implementation and monitoring and evaluation. During project development, a gender specialist consultant was recruited to analyze the Responsible Demand Child Project strategies for gender inclusiveness entry points. The Responsible Demand Child Project has been designed in such a way that both men and women can benefit socially and economically, that men and women do not suffer adverse effects from project activities, and that a gender perspective is considered and applied. WWF will ensure consistency with the Gender Mainstreaming Strategy and Action plan developed by the Adaptive Management and Learning Child Project, and with the WWF Global Network Policy on Gender. Gender considerations will be taken into account for each of the five project components (see Section 6 of the ProDoc for full detail):

- Project Component 1: 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.
- Project Component 2: The Demand Child 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 in Paraguay (executed through UNDP), as well as in the establishment of TFA principles in Sierra Leone and regional West Africa
- Project Component 3: 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.
- Project Component 4: 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.
- Project Component 5: M&E efforts under Component 5 will ensure gender is incorporated throughout project implementation, within Components 1-4 listed above. Relevant gender-specific or gender-disaggregated indicators include:

- 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;
- Output level: Number of gender-specific tutorials conducted with buyers or investors.

As described in the PFD, the Demand Child Project will link to a Gender Mainstreaming Strategy and Action Plan developed by UNDP through the Adaptive Management and Learning Child Project.

#### A.5 Risk.

Risks	Risk Management
(1) Buyers/traders that make commitments are not able to implement their 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>
(2) High level commitments that have been brokered but fail to make progress or follow through on commitments due to a lack of visibility into and control over their supply chain.	<p>Risk will be mitigated through the following:</p> <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 can be progressed on</li> <li>● Use multiple levers (including investors and consumers) to promote public disclosure and transparent reporting</li> </ul>
(3) Lack of transparency in supply chains remains a major issue.	Develop innovative transparency tools that can be scaled up and are sustainable over time
(4) 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.	<p>Risk will be mitigated through the following:</p> <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>
(5) Consumer awareness campaigns do not lead to increased consumer purchases of reduced-deforestation products.	<p>Risk will be mitigated through the following:</p> <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</li> </ul>
(6) Governments do not make long-term commitments to reduced-deforestation policies, undermining project goals.	<p>Risk will be mitigated through the following:</p> <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 to improve throughout project implementation</li> </ul>
(7) 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
(8) Climate change means demand for certain agricultural commodities and products may shift depending on what is available (by price and by quantity). This means the companies and commodities targeted by the Demand Child Project may shift as well,	<p>Risks will be mitigated through the following:</p> <ul style="list-style-type: none"> <li>● Encourage companies and investors to commit to reduced deforestation commitments that apply to all commodities</li> <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</li> </ul>

<p>leading to deforestation from other actors and commodities.</p>	<p>deforestation can move to neighbouring countries that have not been engaged)</p> <ul style="list-style-type: none"> <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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Key changes in this table since the PFD include 3 added risks (risks 5-8 listed in the table). Risks 5-8 were added so that each actor the Demand Child Project is targeting — consumers, policy makers, and companies — were represented and relevant risk management measures developed. In addition, wording was slightly adjusted (e.g. illegality taken out) to reflect the project’s objective of reduced deforestation.

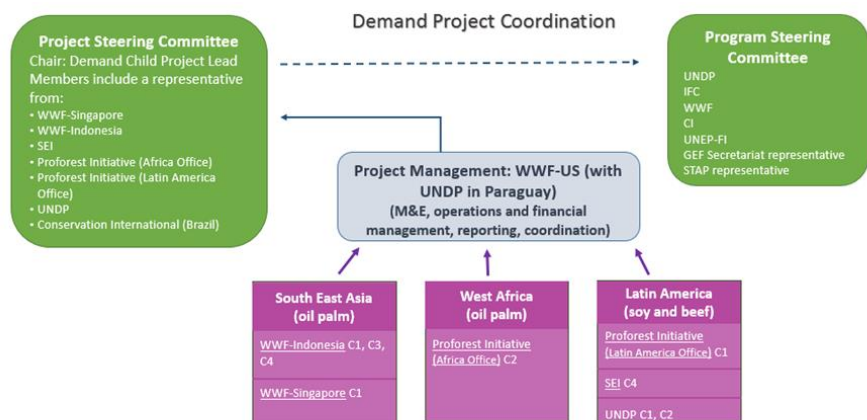
### Resilience

Resilience has been incorporated into the Responsible Demand Child Project risk analysis and risk management strategies (described above) to account for and mitigate disruptions arising from market shocks (for instance a sudden increase or decrease in demand for a specific commodity) and other threats (such as major policy changes in target countries). During project design, the Responsible Demand Child Project development staff interviewed multiple stakeholders inside and outside of the WWF Network, and identified project strategies that could adapt over the life of the project, fit within a tested theory of change, and be executed by organizations willing to continually evaluate their performance. More narrowly, the Responsible Demand Child Project incorporated resilience into (1) the theory of change, which relies on a series of feedback loops to encourage adaptive measures throughout the length of the project; (2) early and continuous stakeholder engagement to ensure many perspectives were incorporated and buy-in was ensured; (3) an M&E plan that includes a market intelligence piece with specific adaptive management recommendations, thereby ensuring the project is resilient throughout the project and stays relevant once the project is over. To ensure not just project but also program resilience, the Responsible Demand Child Project will link to the Adaptive Management and Learning Child Project. See section 2.6 of the ProDoc for more detail.

### A.6. Institutional Arrangement and Coordination.

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, and WWF Indonesia. The work in Paraguay will be led by UNDP. The Responsible Demand Child Project organization structure is shown below (figure 3).

**FIGURE 3: ORGANIZATION STRUCTURE FOR 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 coordinating role to ensure alignment and coherent implementation of the outputs and outcomes with all executing partners. The PMU will include a Project Manager, a Monitoring, Evaluation, and Reporting Officer, and a Finance and Operations Manager. The PMU will be responsible for coordination of implementation; technical and operational monitoring and evaluation throughout the project; 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 PMU will report to the Demand Project Lead.

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 following partners will receive a sub-grant from the Executing Agency and be responsible for technical and financial reporting of their grant (as inputs for project-level technical reporting, which will be compiled and submitted by the PMU to the GEF Project Agency) and will be represented on the Project Steering Committee: Proforest Initiative will be responsible for the C1 Outcome 1.1 (1.1.3) in Latin America, and C2 Outcome 2.1 (2.1.2.) in West Africa, largely in Sierra Leone but with broader activities to allow participation from other countries, including Liberia; WWF Singapore is responsible for C1 Outcome 1.2 (1.2.1-1.2.3); WWF Indonesia is responsible for C1 Outcome 1.1 (1.1.4), C3 Outcome 3.1 (3.1.1-3.1.2), and C4 Outcome 4.1 (4.1.1); SEI will be responsible for implementation of the C4 Outcome 4.1 (4.1.1-4.1.4).

**UNDP** as co-implementing agency will be responsible for the execution of the Responsible Demand Project's work in Paraguay, including C1 Outcome 1.1. (1.1.2) and C2 Outcome 2.1 (2.1.3). 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 serve on the Responsible Demand project's Steering Committee, and will provide inputs to the Responsible Demand Project PMU for regular monitoring, evaluation, and 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.

The overall coordination of the project is tasked to the Project Steering Committee (PSC) formed by representatives from the project partners. The PSC will be chaired by the Demand Child Project Lead, and will include representatives from SEI, Proforest, WWF Singapore, WWF Indonesia, UNDP Paraguay, and CI Brazil. 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. The Project Steering Committee will coordinate with the Program Steering Committee. The Program Steering Committee 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

## RESPONSIBLE DEMAND INTEGRATION WITH BRAZIL

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 (4.1.23), and produce a Transformative Transparency yearbook (4.1.4).

CI Brazil will have representation on the Project Steering Committee to ensure consistent and impactful coordination, and WWF will sit on the Brazil Child Project's board.

Committee Chair. WWF's Responsible Demand Project lead will represent WWF on the Program Steering Committee. An Advisory Committee made up of selective experts will be established to advise the Program Steering Committee on a periodic basis.

WWF-GEF Agency Management Unit will provide project assurance, including supporting 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 of the project outputs, ensure the proper use of GEF funds, and review and approve any changes in budgets or work-plans.

The Institutional Arrangement and Coordination is described in Section 4 of the Demand ProDoc.

Additional Information not well elaborated at PIF Stage:

### **A.7 Benefits.**

The Demand Child Project, and IAP Program as a whole, will lead to the conservation and maintenance of globally significant biodiversity, ecosystems goods and services, and prevent carbon emissions from deforestation, by engaging companies, policy makers, and consumers towards demand of key commodities that do not lead to deforestation and degradation of forests. As such, the Project will contribute to global environmental benefits of reduced deforestation, maintenance of biodiversity, and reduced emissions.

Through corporate commitments and sourcing policies ensuring reduced deforestation supply chains, investor ESG lending policies that demand companies to comply with reduced deforestation practices, and policy frameworks that promote reduced deforestation market demand, the project will improve the socio-economic conditions of all geographies that this demand (generated by the project) touches down in, especially where this demand links to the Production Child Project. Effectively, local benefits relate to more security in market access for producers and companies in priority regions. As the demand shifts towards reduced deforestation commodities globally, those regions that can best meet criteria will likely have preferential access from companies seeking verified reduced deforestation products. Furthermore, by supporting an enabling demand environment, the Demand Child Project will support transformational shifts towards reduced deforestation, low-emission supply chains.

### **A.8 Knowledge Management.**

The Demand Child Project will build on lessons learned from multiple projects, including: lessons from WWF-SIDA showing the importance of platforms, bolstering the strength of those platforms, and adapting demand mechanisms to Asian countries; lessons from WWF Market Transformation Initiative that made recommendations on using data and impact analysis in M&E to ensure successful adaptive management; lessons from FLEGT, which call for a better analysis on trade diversions and market substitutions; lessons from REDD+ on taking into account the time needed for strengthening awareness and capacity.

As described in the PFD, the Adaptive Management and Learning Child Project will function as an integrated approach mechanism to ensure adaptive management across the child projects. 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 practice and lessons learned to promote replication and scaling up of effective projects; and implementing a communications strategy 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 capturing lessons learned from each component and share with the AM&L Child Project. Additionally, the Demand Child Project will produce a report at midterm and close of the project on research developed through market intelligence, to be published and shared by the AM&L Child Project. Finally, the Demand Project will communicate the progress of project activities and key outcomes through publically disclosed monitoring and evaluation reporting, including lessons on best practice. The Demand Project Manager will lead the Knowledge Management work and collaboration with the AM&L Child Project. This is further elaborated in Section 2.11 of the Demand ProDoc.

## **B. DESCRIPTION OF THE CONSISTENCY OF THE PROJECT WITH:**

### *B.1 Consistency with National Priorities.*

Multiple international conventions align with the objectives of the Responsible 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. In addition, the UN Forum on Forests includes objectives to reverse forest loss, increase the area of sustainably managed forests, and mobilize resources for the implementation of SFM.

**Indonesia.** The Government of Indonesia has committed to reduce emissions 29 percent by 2030, which aligns with Indonesia’s Sustainable Consumption and Production strategies. In addition, the Government of Indonesia ratified the U.N. Framework Convention on Climate Change (UNFCCC), established and delivered the National Action Plan on GHG Emissions Reduction (President Regulation No. 61/2011), and the National Inventory of GHG Emissions (President Regulation No. 71/2011). Finally, the Government of 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 ratified both the U.N. Framework Convention on Climate Change in 1993 and the Kyoto Protocol in 1999. 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). The Government of Paraguay completed and adopted their National Biodiversity Strategies and Action Plans in 2003.

**Sierra Leone.** The Government of Sierra Leone ratified the Convention on Biodiversity in 1996, the UN Framework Convention on Climate Change in 1995, and the Kyoto Protocol in 2005. 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. 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 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 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. As part of its 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. The

REDD+ Technical Working Group (RTWG) provides 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.

Details of the National Priorities for Brazil are described in the Brazil Child Project.

For more details, see section 2.7 of the Demand Child ProDoc.

### **C. DESCRIBE THE BUDGETED M & E PLAN:**

The M&E plan adheres to WWF project management standards and is consistent with GEF monitoring and evaluation policy. The plan is designed to support the effective planning, execution and reporting progress towards achieving project objectives and outcomes. The Demand Child Project has defined performance indicators and has established the periodicity with which these indicators will be assessed. The plan includes a Project Results Monitoring Plan (Results Framework, Appendix A); Quarterly Field Reports; Quarterly Financial Reports; Semi-annual Project Progress Reports (PPRs); a project financial audit; Annual WWF-GEF Project Implementation Report (PIR); Annual WWF-GEF Monitoring Review (AMR); Supervision Agency Mission Reports; GEF Tracking Tool; Annual Senior Management Adaptive Management Review, Midterm Project Evaluation Report, and; Final Project Evaluation Report. See section 7 of the Demand ProDoc for full details regarding how each of the above will be conducted.

The Demand Child 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 Project all serve various roles in project M&E. PMU staff will include the Project Manager, responsible for ensuring project M&E is properly implemented, and a Monitoring, Evaluation, and Reporting Officer, responsible for M&E activities. The Finance and Operations Manager will track the budget, facilitate transactions, and prepare the quarterly financial reports included in the M&E plan. They will also be responsible for contracting with sub grant recipients and keep these recipients to financial reporting deadlines, a critical M&E role for financial reporting.

In addition to staff time, a total of \$20,000 has been set aside for M&E 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 Responsible Demand Child Project has also budgeted \$65,000 for a mid-term and final evaluation conducted by external consultants, as well as an annual audit of finances (\$50,271). \$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

Finally, \$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.





The full M&E budget is as follows:

Monitoring and Evaluation											
CATEGORY	RATE	YEAR 1		YEAR 2		YEAR 3		YEAR 4		TOTAL:	
		# Units	Cost	# Units	Cost	# Units	Cost	# Units	Cost	Cost	
<b>PERSONNEL:</b>											
Salaries & Benefits											
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
TOTAL - PERSONNEL											
<b>THIRD PARTY FEES &amp; EXPENSES:</b>											
1	Mid-term Evaluation	\$30,000	0	\$0	0	\$0	1	\$30,000	0	\$0	\$30,000
2	Final Evaluation	\$35,000	0	\$0	0	\$0	0	\$0	1	\$35,000	\$35,000
3	M&E Consultants		0	\$0	0	\$40,000	0	\$40,000	0	\$40,000	\$120,000
4	Gender	\$10,000	0	\$10,000							\$10,000
TOTAL - THIRD PARTY FEES & EXPENSES											
<b>GRANTS &amp; AGREEMENTS:</b>											
<b>TRAVEL, MEETINGS &amp; WORKSHOPS:</b>											
International Travel											
1	International Travel	\$4,000	2	\$8,000	2	\$8,240	2	\$8,487	2	\$8,742	\$33,469
Subtotal - Staff Travel and Per Diem											
Meetings and Workshops											
1	Annual workshops	\$4,000	1	\$4,000	1	\$4,120	1	\$4,244	1	\$4,371	\$16,735
Subtotal - Workshops											
TOTAL - TRAVEL, MEETINGS & WORKSHOPS											
<b>OTHER DIRECT COSTS:</b>											
Communications (phone, fax, AV, WP)											
Supplies											
TOTAL-OTHER DIRECT COSTS											
<b>EQUIPMENT:</b>											
TOTAL - EQUIPMENT											
TOTAL DIRECT COSTS											
<b>ADMINISTRATIVE COSTS:</b>											
Audit Fees											
		\$12,341	1	\$12,341	1	\$12,711	1	\$13,159	1	\$13,485	\$51,696
TOTAL-ADMINISTRATIVE COSTS											
TOTAL MONITORING AND EVALUATION COSTS											

**PART III: CERTIFICATION BY GEF PARTNER AGENCY(IES)**

**A. GEF Agency(ies) certification**

This request has been prepared in accordance with GEF policies<sup>20</sup> and procedures and meets the GEF criteria for CEO endorsement under GEF-6.

<b>Agency Coordinator, Agency Name</b>	<b>Signature</b>	<b>Date (MM/dd/yyyy)</b>	<b>Project Contact Person</b>	<b>Telephone</b>	<b>Email Address</b>
Herve LeFeuvre WWF GEF Agency		12/29/16	Renae Stenhouse	202-495- 4703	Renae.stenhouse@wwfus.org Herve.lefeuvre@wwfus.org
Adriana Dinu Executive Corodinator UNDP-GEF		12/29/16	Andrew Bovarnick	507-302- 4589	andrew.bovarnick@undp.org

<sup>20</sup> GEF policies encompass all managed trust funds, namely: GEFTF, LDCF, and SCCF

**ANNEX A: PROJECT RESULTS FRAMEWORK** (either copy and paste here the framework from the Agency document, or provide reference to the page in the project document where the framework could be found).

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
	Number of countries with		N/A	Track country progress	Midterm and close	Proforest, UNDP	0 (progress related to		1		6	\$0	Engagement and capacity building

OBJECTIVE/ OUTCOME	INDICATOR/ UNIT	DEFINITION	DISAGGREGATION	METHOD	FREQUENCY	RESPONSIBLE	BASELINE (Yr 0)	Targets (cumulative)				Cost	Assumptions
	improved policy frameworks in place to support reduced deforestation commodity markets, due to project activities			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)			project will be measured)					(M&E and project staff time covered by project funding)	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;		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
							27% are ready to support and shift to sustainable palm oil 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	<p><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</p> <p><i>Version three of the SEI-PCS method:</i> Version three improves previous accuracy by triangulating the information used in previous</p>	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)	<ul style="list-style-type: none"> <li>- Platform data needs are met enabling supply chain mapping</li> <li>- Users find value in the information presented and are able to use it for decision-making</li> </ul>

OBJECTIVE/ OUTCOME	INDICATOR/ UNIT	DEFINITION	DISAGGREGATION	METHOD	FREQUENCY	RESPONSIBLE	BASELINE (Yr 0)	Targets (cumulative)				Cost	Assumptions
		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											
<b>Outcome level indicators</b>													
1.1 Key buyers and traders make commitments and have increased capacity to implement commitments to source reduced deforestation commodities.	Number of companies that have increased capacity to make and implement commitments to source reduced deforestation commodities	<p><i>Companies:</i> companies (including traders/cooperatives) involved in project activities, engaged directly and reached through platforms</p> <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</p>	By commodity	CDP analysis of corporate responses to CDP Forests Information Request; UNDP survey of cooperatives/traders engaged in Paraguay	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	<p>- Corporate 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	
		to be implemented, e.g. only sourcing reduced deforestation or RSPO palm oil												
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/procur</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	\$10k for survey development (addressing this indicator and the other 1.2 indicators)	<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
		<p>ement 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>											
	Number of investors who disclose in their annual/ sustainability reports/ corporate webpage the consideration of ESG factors in their client or credit approval processes	<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 (engaged directly or through platforms)</p> <p><i>ESG:</i> Environmental Social Governance</p>	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	<p>(Survey development covered under previous investor indicators)</p> <p>\$10k for post-workshop survey implementation and analysis</p>	- 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



OBJECTIVE/ OUTCOME	INDICATOR/ UNIT	DEFINITION	DISAGGREGATION	METHOD	FREQUENCY	RESPONSIBLE	BASELINE (Yr 0)	Targets (cumulative)				Cost	Assumptions
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 5b 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 female and 100 male respondents in Indonesia found: 20%		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
							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	<p><i>Jurisdiction: Municipality in Brazil and province in Paraguay</i></p> <p><i>Origin: Geography of raw commodity production at the jurisdiction of production level</i></p> <p><i>Destination: Importing country (based on port of entry) and consumer country (accounting for re-exports)</i></p> <p><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></p>	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)	<ul style="list-style-type: none"> <li>- Platform data needs are met enabling supply chain mapping</li> <li>- Users find value in the information presented and are able to use it for decision-making</li> </ul>

OBJECTIVE/ OUTCOME	INDICATOR/ UNIT	DEFINITION	DISAGGREGATION	METHOD	FREQUENCY	RESPONSIBLE	BASELINE (Yr 0)	Targets (cumulative)				Cost	Assumptions
								3	6	9	12		
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

**ANNEX B: RESPONSES TO PROJECT REVIEWS** (from GEF Secretariat and GEF Agencies, and Responses to Comments from Council at work program inclusion and the Convention Secretariat and STAP at PIF).

Comment	Agency Response
<b>Council comments from June 2015 Council</b>	
1. Regulatory measures can be implemented on supply and demand side (e.g. FLEGT-EUTR). Providing further details on the demand-side markets that are focus of its approach and whether and how regulatory measures can be addressed would be useful	FLEGT included under section 2.11 on knowledge management, describing lessons learned.
2. As child projects are developed, UNDP and other agencies should incorporate lessons learned from the World Bank BioCarbon Fund’s Initiative for Sustainable Forest Landscapes (ISFL) and the Tropical Forest Alliance 2020 to increase private sector interest and support.	TFA has been incorporated into the Demand Project, especially regarding Component 2 work.
3. The most promising aspects of the demand-focused child project should target major buyers and traders, particularly in the private sector, as compared to demand-side elements such as public procurement standards in consumer markets. Therefore, we request that WWF, UNDP and CI focus during the development of child projects on awareness campaigns targeting private sector partners for each commodity in primary demand markets. Further, the support tools and educational campaigns should target major buyers. To date, private sector actions to eliminate deforestation from supply chains have focused on making and implementing pledges. While consumer pressure has been important, it has not been the primary driver of business decisions. Therefore, we caution strongly against projects addressing global trading and markets and developing certification schemes, areas within the purview of organizations like the World Trade Organization	<p>The Project is targeting major buyers and traders to promote commitments to source reduced deforestation commodities. This will include awareness raising, support of tools, and trainings for buyers.</p> <p>The Project cannot conduct awareness campaigns in markets where governments do not support; nor can the Project spend GEF \$\$ in the EU.</p> <p>The Project is conducting the Asia Learning and Exchange to promote inclusion of important demand markets like China and India; the Project is also conducting awareness campaigns in Indonesia. Cofinancing will be working on awareness in Paraguay and Brazil.</p> <p>The Project is not working on certification. Only national interpretations enabling countries to adapt best practices to their local contexts.</p>
<b>STAP comments from June 2015 (concur)</b>	
4. With regard to the engagement of financial institutions, STAP would recommend that the Program actively seek to contribute to emerging global efforts to benchmark the success of financial firms with regard to deforestation risk exposure in their portfolios.	The investor scorecard developed under Output 2.1.3 will help benchmark the success of investors to addressing deforestation risk exposure in their portfolios.

**ANNEX C: STATUS OF IMPLEMENTATION OF PROJECT PREPARATION ACTIVITIES AND THE USE OF FUNDS<sup>21</sup>**

A. Provide detailed funding amount of the PPG activities financing status in the table below:

PPG Grant Approved at PIF:			
<i>Project Preparation Activities Implemented</i>	<i>GEF/LDCF/SCCF Amount (\$)</i>		
	<i>Budgeted Amount</i>	<i>Amount Spent To date</i>	<i>Amount Committed</i>
Staff	130,204	199,156	
Consultants		13,599	
Workshops and Meetings	49,500	9,339	
Other including Travel	70,296	27,906	
<b>Total</b>	<b>250,000</b>	<b>250,000</b>	

**ANNEX D: CALENDAR OF EXPECTED REFLAWS (if non-grant instrument is used)**

N/A

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<sup>21</sup> If at CEO Endorsement, the PPG activities have not been completed and there is a balance of unspent fund, Agencies can continue to undertake the activities up to one year of project start. No later than one year from start of project implementation, Agencies should report this table to the GEF Secretariat on the completion of PPG activities and the amount spent for the activities. Agencies should also report closing of PPG to Trustee in its Quarterly Report.