

## STAP SCREENING TEMPLATE

GEF ID	11327
Project title	Living Amazon Mechanism
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### 1. Summary of STAP's views of the project

STAP welcomes, and supports, the GEF's blended finance project "Living Amazon Mechanism". The project brings together a group of investors with experience on agriculture finance and the bioeconomy in Brazil. To achieve the demonstration effect of the blended finance instrument being applied, STAP strongly encourages defining explicitly the assumptions, or knowledge gaps, associated with the project's key outcomes. The project aspires to achieve scaling for innovation, as well as for replication purposes, outlining useful thinking in this regard. However, how much scaling is achieved depends on the attitude and leadership of Natura, as well as how might other actors be actively exposed to the project successes during phase 1. Meeting these goals will depend on embedding learning throughout the project design and implementation.

Brazil's vulnerability to climate change poses risks to its economy and social well-being. As written, the project does not appear to demonstrate evidence of an analysis of the key underlying drivers of change, climate and non-climate (e.g. changes in demand, population changes), their interactions, and how they influence the project context, and its future.

Below, STAP articulates further its guidance to strengthen the project.

*Note to STAP screeners: a summary of STAP's view of the project (not of the project itself), covering both strengths and weaknesses.*

### STAP's assessment

- Concur - STAP acknowledges that the concept has scientific and technical merit
- Minor - STAP has identified some scientific and technical points to be addressed in project design
- Major - STAP has identified significant concerns to be addressed in project design

Please contact the STAP Secretariat if you would like to discuss.

### 2. Project rationale, and project description – are they sound?

See annex on STAP's screening guidelines.

The project rationale is well described. It contains a thorough, but concise, description of why the Brazilian Amazon is an important biodiversity region, globally. Details were provided on the geographical size of the Brazilian Amazon, the plants and animal species it harbors, and its importance in generating multiple ecosystem services from its forests and river system. The rationale also raises the importance of the Amazon to its Indigenous Peoples and Local Communities (IPLC). The rights of IPLCs to use and manage forest resources in the Amazon's protected areas are explained, and a description is provided of the different types of protected areas that recognize IPLC's rights to harvest and manage forests.

The proximate drivers of degradation and deforestation are identified, such as cattle ranching, logging, mining, and agriculture (soy). Some figures are provided to demonstrate the deforestation impact of these activities in the Amazon. However, a description of other potential significant drivers of change appears missing, particularly underlying drivers such as climate change, population changes, changing demand, and fluctuations in markets

for bioeconomy products. Climate risks are minimally identified in the risk section and in the environmental and social risk annex. Given the mounting evidence of the effects of climate change on the Amazon, the rationale can be strengthened substantially if a climate risk assessment is done to inform what process is needed in the assessment of co-operatives' plans to ensure that proposed products and sustainable management activities are robust to future (often uncertain) change. Furthermore, developing simple narratives of how the targeted socioecological systems may evolve in the future based on the interactions between these key drivers of change (e.g., climate change, market changes) would help to ensure the outcomes of the project are long-lasting.

The project description details the partnership between VERTA, Funbio, and Natura, and how their collective experience on agricultural finance seeks to strengthen farmer cooperatives' access to funding and bioeconomy markets. The theory of change, and its components, are also described well. Although a theory of change narrative and figure is provided in the PIF, STAP has several suggestions below on how the project logic can be improved. This includes identifying key assumptions more clearly, and specifying stakeholders' roles and responsibilities throughout the theory of change. The development of a stakeholder plan is a good step to help achieve this. The stakeholder plan will need to reflect the different types of knowledge and learning methods that characterize the group, assessing how this information is relevant to each component – and to the overall governance of the project.

Although the PIF addresses scaling, STAP recommends thinking further now about how scaling will happen. This thinking will help ensure that phase 2 of the project is successful, especially given the admirable, pivotal, and possibly, unique role of Natura.

Below, STAP details its recommendations.

*Note: provide a general appraisal, asking whether relevant screening guideline questions have been addressed adequately – not all the questions will be relevant to all proposals; no need to comment on every question, only those needing more attention, noting any done very well, but ensure that all are considered. Comments should be helpful, evaluative, and qualitative, rather than yes/no.*

### **3. Specific points to be addressed, and suggestions**

Before the project is fully developed, STAP recommends addressing these recommendations in the proposal:

- As currently written, the project does not analyze the key underlying drivers of change that will affect the socioecological systems that broadly represent the 20 cooperatives, and their ability to deliver GEBs. These drivers include climate risks, market and demand changes, and possible demographic changes. Thus, as the project and its theory of change is developed more in-depth, STAP recommends the following:
  - Briefly describe the socioecological systems, as well as identifying the drivers of change, (climate and non-climate) and how they are influencing the project context, or how these relationships may play out in the future. This analysis is key for describing the system, identifying risks and planning for them.
  - For climate change information, this website provides information about the climate change projections and trends for Brazil, although, please, complement this information with relevant downscaled data where available: <https://climatescreeningtools.worldbank.org/> As part of a climate risk analysis, STAP also recommends applying a climate risk screening, aiming at issues of significance to the forest resources and people core to this proposal. Brazil is highly vulnerable to climate change impacts. The World Bank's climate screening tool is one option the project team could use: <https://climatescreeningtools.worldbank.org/>
  - Develop simple future narratives. Accompanying the theory of change with a simple, narrative of how change might unfold in the future and affect the logic chain, would strengthen the project. This future planning would help to indicate what choice of activities by cooperatives

would be needed to make the project resilient to unwanted change, and hence inform the Steering Committee's decisions. The project can refer to STAP's advice on simple future narratives for further guidance: <https://stapgef.org/index.php/resources/advisory-documents/simple-future-narratives-brief-and-primer>

- STAP appreciates the figures displaying the overall structure (operationalization) of the Living Amazon Mechanism, as well as the project's governance structure. STAP particularly endorses having a single governance process overseeing both agribusiness receivable certificates (CRAs), and the Enabling Conditions Facility's (ECF) project components. STAP would highly encourage the project team to develop further the theory of change to encompass the mechanism's structure, and its governance. This could be achieved by developing the figure further and depicting the relationships of each stakeholder (Funbio, Natura, Vert, cooperatives) to each other, as well as their individual links to the components and outcomes. Essentially, this entails combining some form of the figures on page 17, 23, and 30.
- The narrative for the logic chain needs to be revisited to describe the governance structure based on the stakeholder mapping carried out during the PPG. For example, in addition to the governance activities described on page 24-25, the governance structure can detail stakeholders' roles and responsibilities, as well as the decision-making processes guided by institutional, or regulatory, arrangements that are already in place, whether these are Natura's GRAS or other investors' regulations, or formal, or informal, principles governing the cooperatives' decisions. There are implicit assumptions about how this governance structure will work well, which are plausible. Nonetheless, the assumptions would benefit by being made explicit so that their success can be monitored during phase 1 to provide lessons for phase 2.
- The project is reliant on demonstrating that CRAs, used for the first time to support bioeconomy value chains in Brazil, will lead to the improved performance of 20 established cooperatives (e.g. via infrastructure improvements) that already work with Natura. Because of this financial support, the cooperatives are expected to generate enough financial resources to pay back their loans to VERT, improve livelihoods, and strengthen biodiversity conservation. These efforts will be addressed through component 1. Component 2 will focus on providing technical assistance to the cooperatives – for example, providing financial management training on the CRAs to improve cooperatives' bioeconomy production, increase participants' incomes while strengthening further incentives for biodiversity conservation. The number of cooperatives is also expected to increase as outreach of best practices on CRA implementation and management are adopted by others.

Therefore, the project expects to replicate the adoption of CRAs, as a capital market instrument, that can provide greater access to markets, improve incomes and livelihoods, and strengthen biodiversity conservation. This logic is plausible, but again, there are many assumptions about these steps that are implicit in the PIF; these should be made explicit in the theory of change narrative so they can be monitored and tested, or validated, to generate the learning required to achieve enduring impact (or to adjust the logic before phase 2 starts). Such assumptions (that need validation through robust monitoring and learning) include:

- i. improved protected area management will result from increased agricultural finance to support upfront costs and technical training for cooperatives linked to the judgment of the Steering Committee as to what constitutes improved management;
- ii. cooperatives will have access to credit markets through a better understanding of how their assets can be securitized through CRA (as a financial instrument), so they can receive loans to finance improvements to their bioeconomy production;
- iii. this project will contribute to increasing the Amazon bioeconomy as a result of communities' improved understanding of how to access and mobilize CRA financing, as well as from better infrastructure and products supported by agricultural finance; and,

iv. for scaling, the willingness of Natura to support the proposed arrangements is not unique among commercial concerns (i.e. not just development banks and philanthropies)

- In addition to these assumptions, it will be necessary to remain cognizant of cultural values and norms, gender, power dynamics, or other social attributes that characterize the cooperatives and their decision-making and resulting behavior change. These issues should be captured as part of the description of the socioecological systems.
- Because the logic chain is long, (i.e. from the time the cooperatives sign the loan, or CPR, to the point where the cooperatives' actions contribute to GEBs), STAP recommends setting up a learning loop that allows Funbio (the GEF agency) to learn rapidly about the effectiveness of the CRA as a financial instrument to deliver GEBs through each of the more detailed pathways chosen by different cooperatives. The assumptions identified above could be a starting point for identifying what needs to be learned to understand the demonstration effect of the CPR on GEBs and socioeconomic benefits.
- STAP notes that Natura's role in this project, including its deep relationships with people in the region and its willingness to invest significant capital, is key to this model. STAP is pleased to see this initiative. Nonetheless, STAP recommends taking a critical look at the scaling strategy to ensure it is developing the best possibility of identifying other comparable investors from the start of phase 1 – the potential investors listed so far all seem to be essentially philanthropic sources (plus a development bank) rather than commercial concerns. This is not to downplay their potential. However, philanthropic sources are not an enduring source of funding beyond the life of the project. Whereas other commercial concerns, that see such investment as being in their own interests, as well as socially responsible, would be more likely to replicate and scale the approach (see also Risk Table entry on p.34). Developing a simple theory of change during year 1 aimed specifically at scaling and durability would help think through what might eventually be done in this regard. Hence, help identify actions during phase 1 which would be most likely to ensure scaling later (e.g. active engagement with the Union for Ethical BioTrade, mentioned on p.40, might be one such pathway for attracting the attention of like-minded businesses).
- The stakeholder description includes information about Naturas experience working with cooperatives on the bioeconomy, and it is less a description of which stakeholders need to be involved, and how. See STAP's comments above on governance and stakeholders' roles. Furthermore, Natura's information could usefully be used to describe the system, and its baseline. Please consider making this change.

*Note: number key points clearly and provide useful information or suggestions, including key literature where relevant. Completed screens should be no more than two or three pages in length.*

## ANNEX: STAP'S SCREENING GUIDELINES

1. How well does the proposal explain the problem and issues to be addressed in the context of the **system** within which the problem sits and its drivers (e.g. population growth, economic development, climate change, sociocultural and political factors, and technological changes), including how the various components of the system interact?
2. Does the project indicate how **uncertain futures** could unfold (e.g. using simple **narratives**), based on an understanding of the trends and interactions between the key elements of the system and its drivers?
3. Does the project describe the **baseline** problem and how it may evolve in the future in the absence of the project; and then identify the outcomes that the project seeks to achieve, how these outcomes will change the baseline, and what the key **barriers** and **enablers** are to achieving those outcomes?
4. Are the project's **objectives** well formulated and justified in relation to this system context? Is there a convincing explanation as to **why this particular project** has been selected in preference to other options, in the light of how the future may unfold?
5. How well does the **theory of change** provide an "explicit account of how and why the proposed interventions would achieve their intended outcomes and goal, based on outlining a set of key causal pathways arising from the activities and outputs of the interventions and the assumptions underlying these causal connections".
  - Does the project logic show how the project would ensure that expected outcomes are **enduring** and resilient to possible future changes identified in question 2 above, and to the effects of any conflicting policies (see question 9 below).
  - Is the theory of change grounded on a solid scientific foundation, and is it aligned with current scientific knowledge?
  - Does it explicitly consider how any necessary **institutional and behavioral** changes are to be achieved?
  - Does the theory of change diagram convincingly show the overall project logic, including causal pathways and outcomes?
6. Are the project **components** (interventions and activities) identified in the theory of change each described in sufficient detail to discern the main thrust and basis (including scientific) of the proposed solutions, how they address the problem, their justification as a robust solution, and the critical assumptions and risks to achieving them?
7. How likely is the project to generate global environmental benefits which would not have accrued without the GEF project (**additionality**)?

8. Does the project convincingly identify the relevant **stakeholders**, and their anticipated roles and responsibilities? is there an adequate explanation of how stakeholders will contribute to the development and implementation of the project, and how they will benefit from the project to ensure enduring global environmental benefits, e.g. through co-benefits?
9. Does the description adequately explain:
  - how the project will build on prior investments and complement current investments, both GEF and non-GEF,
  - how the project incorporates **lessons learned** from previous projects in the country and region, and more widely from projects addressing similar issues elsewhere; and
  - how country policies that are contradictory to the intended outcomes of the project (identified in section C) will be addressed (**policy coherence**)?
10. How adequate is the project's approach to generating, managing and exchanging **knowledge**, and how will lessons learned be captured for adaptive management and for the benefit of future projects?
11. Innovation and transformation:
  - If the project is intended to be **innovative**: to what degree is it innovative, how will this ambition be achieved, how will barriers and enablers be addressed, and how might scaling be achieved?
  - If the project is intended to be **transformative**: how well do the project's objectives contribute to transformative change, and are they sufficient to contribute to enduring, transformational change at a sufficient scale to deliver a step improvement in one or more GEBs? Is the proposed logic to achieve the goal credible, addressing necessary changes in institutions, social or cultural norms? Are barriers and enablers to scaling be addressed? And how will enduring scaling be achieved?
12. Have **risks** to the project design and implementation been identified appropriately in the risk table in section B, and have suitable mitigation measures been incorporated? (NB: risks to the durability of project outcomes from future changes in drivers should have been reflected in the theory of change and in project design, not in this table.)