

STAP Comment	IA/EA Response
<p>2. STAP welcomes this proposal to improve the environmental performance of the cocoa industry and notes its ambitious scope across the cocoa supply chain, from on-farm practices to the point of sale. The Panel's main concern is that the proposed funding profile invests more heavily in intermediate outcomes for which there are relatively well-understood commercial processes and alternative (non-GEF) sources of funding, and comparatively very little at the on-farm end of the chain where it is highly uncertain whether in fact certification can improve either biodiversity or farm income, let alone both.</p>	<p>The Platform and Log Frame, together with the Justification Section of been amended to address this concern. In particular Justification section 4 (a-d). Also see: Component 2, Activity 5, Component 3, Activity 5, Component 4, activity 4.</p>
<p>3. The two main objectives, conserve biodiversity and increase income for smallholders, need to be translated into outcomes in section A, Component 4 and this component should be expanded with more credible monitoring and evaluation of impacts. At present, there are some indicators for biodiversity trends in Annex 2 (p. 18) but no indicator of smallholder income anywhere in the proposal. The Annex refers to the development of SMART indicators during project appraisal and the Panel is ready to advise on these. However, unless these two outcomes are made explicit, improving or developing the indicators for them will not result in an evaluation framework that will be useful in assessing the success or otherwise of this project. As the proposal is currently structured, all of the outcomes could be achieved without having any impact on the project's stated objectives.</p>	<p>With respect to objective relating to income increases, please see: Component 2, Activity 5, Component 3, Activity 5, Component 4, activity 4 and supported by corresponding indicators and targets in the Log Frame</p> <p>We welcome the offer of the Panel's assistance to further advice on indicators during project appraisal.</p>
<p>a. The five claimed benefits of shade-grown cocoa production (Part II.A.6, p.6) could be used to inform biodiversity indicators but is not an exhaustive list. A challenge for this project will be to not only establish that these benefits can be achieved, but that there is a causal link between certification/adoption of standards and the achieved benefits.</p>	<p>This causal link challenge will be further delineated as part of project appraisal prior to CEO endorsement.</p>
<p>b. Baseline analysis and measurement of progress in biodiversity and land use (Part II.A. 'Activities by component' / Component 4), anticipated for 2 countries, should be extended to all 10 participating countries. This will not represent much additional work, since the criteria for including cocoa regions (Annex I, part h) will already rely on these types of analyses. The lack of this information is correctly identified as a barrier to the project at Part II.D ('Barrier 6').</p>	<p>Agreed. Only the carbon capture potential methodology (1) is limited to 2 countries. (3) key biodiversity indicators and baseline analysis will be for all participating countries.</p>
<p>c. Indicators of increased smallholder income should fully account for the costs to farmers of meeting the standards for certification, the literature on certification shows that this is rarely achieved.</p>	<p>See Component 4, activity 4. Log Frame - See Outcome 3, target 5.</p>

<p>4. The project represents a good opportunity to contribute to Learning Objective Three of the GEF-5 Biodiversity Focal Area Strategy: <i>Enhancing Impacts through Improved Understanding of the Causal Relationships between Popular Mainstreaming Approaches and Conservation Outcomes</i>. This learning objective refers to three popular approaches for which little evidence on their effectiveness in generating biodiversity benefits exists: certification; PES; and information transfer on the spatial distribution of species and ecosystem services and the valuation of these species and services.</p>	<p>Concur. The Rainforest alliance has an excellent track record of contributing to knowledge generation and tools.</p>
<p>5. The project should attempt a more scientifically credible evaluation design to measure the impacts of certification on biodiversity and farm income, compared to the absence of certification. A full experimental design may not be feasible, although it could be, given that the project will unlikely be able to certify all eligible and interested growers in a short time period. Nevertheless, the large number of countries and the time frame of 6 years is amenable to designs that could help the GEF understand the circumstances under which certification could lead to biodiversity benefits and increased smallholder income. For example, rather than a simple before and after comparison, the timing of certification systems starting could be staggered to allow comparison between groups of farmers within a country.</p>	<p>The possibility of experimental design will be considered during project appraisal.</p>
<p>6. Part I.D. lists 6 barriers to scaling up sustainable cocoa production and mainstreaming biodiversity but overlooks the barrier of cost-effectiveness for smallholder producers. As noted above, this has rarely been demonstrated and is a key barrier to changing land use practices. It is related to the first risk identified in Part II.E, non-uptake by farmers, rated in the table at pp9-10 as 'low' risk. In fact this risk is very high and rather than attempt to mitigate it by marketing SAS to farmers, the project should include stronger measures to make SAS cost-effective to farmers while still achieving biodiversity conservation. As noted above (and even hinted at in the PIF's risk table), there is little evidence that this has been done with any environmental certification scheme but it is critical to the success of this project.</p>	<p>Please note target 5 of Outcome 3. The element of risk has been revised with additional text elaborating the current situation (see Risk Table)</p>
<p>7. It is not clear from the PIF how the development of Payment for Environmental/Ecosystem Services mechanisms fits into this project (Part II.A.5). In relation to PES, STAP refers UNEP and ICRAF to its PES advisory document and in particular the need to describe design choices to minimize four threats to PES effectiveness and specify indicators that will permit one to evaluate the importance of these threats in the project:</p> <ul style="list-style-type: none"> a. non-compliance with contractual conditions b. poor administrative selection (i.e., contracts are offered to areas or individuals who are not in the best position to supply environmental services cost-effectively) c. spatial demand spillovers (a.k.a., general equilibrium effects, or "leakage") whereby protecting a resource in one location pushes pressure onto resources elsewhere d. adverse self-selection, where people would have supplied the contracted PES service or activity 	<p>The PES element is to be piloted within the project in 2 countries in the context of carbon capture opportunities (Component 4, activity 1 has been clarified). The STAP PES advisory document is referenced in footnote 3.</p>

even in the absence of a payment.	
8. STAP is currently producing an advisory document on certification that will expand on the above points and other issues in environmental certification more generally. This document will be provided to UNEP as soon as possible and the Panel would like to be consulted before this proposal is finalised or implementation starts.	The UNEP and RA project team will make every effort to involve STAP in the appraisal phase of this project which will take place over the course of 6 months following EFPIF approval.
(i) Whether and how improvements necessary to obtain certification can be funded by the farmers; (ii) What certification needs to be done to bring traceability systems at farm and group levels to a condition sufficient to justify the proposed investments in certification, and how such measures will be implemented. These issues may substantially impact what can be achieved by the platform as indicated in the current log frame, which may need to be modified.	Text has been added to augment what the project is saying about costs of certification for farmers, and the traceability