



GEF-6 GEF SECRETARIAT REVIEW FOR FULL-SIZED/MEDIUM-SIZED PROJECTS THE GEF/LDCF/SCCF TRUST FUND

GEF ID:	9696		
Country/Region:	Global		
Project Title:	Enabling Transactions - Market Shift to Deforestation Free Beef, Palm Oil and Soy		
GEF Agency:	World Bank and UNEP	GEF Agency Project ID:	
Type of Trust Fund:	GEF Trust Fund	GEF Focal Area (s):	Multi Focal Area
GEF-6 Focal Area/ LDCF/SCCF Objective (s):	IAP-Commodities; CCM-2 Program 4; IAP-Commodities;		
Anticipated Financing PPG:		Project Grant:	\$6,405,101
Co-financing:	\$22,958,419	Total Project Cost:	\$29,363,520
PIF Approval:		Council Approval/Expected:	
CEO Endorsement/Approval		Expected Project Start Date:	
Program Manager:	Paul Hartman	Agency Contact Person:	Bruce Wise

PIF Review			
Review Criteria	Questions	Secretariat Comment	Agency Response
Project Consistency	1. Is the project aligned with the relevant GEF strategic objectives and results framework? ¹		
	2. Is the project consistent with the recipient country's national strategies and plans or reports and assessments under relevant conventions?		
Project Design	3. Does the PIF sufficiently indicate the drivers ² of global environmental degradation, issues of sustainability, market transformation, scaling, and		

¹ For BD projects: has the project explicitly articulated which Aichi Target(s) the project will help achieve and are SMART indicators identified, that will be used to track the project's contribution toward achieving the Aichi Target(s)?

² Need not apply to LDCF/SCCF projects.

PIF Review

Review Criteria	Questions	Secretariat Comment	Agency Response
Availability of Resources	innovation?		
	4. Is the project designed with sound incremental reasoning?		
	5. Are the components in Table B sound and sufficiently clear and appropriate to achieve project objectives and the GEBs?		
	6. Are socio-economic aspects, including relevant gender elements, indigenous people, and CSOs considered?		
	7. Is the proposed Grant (including the Agency fee) within the resources available from (mark all that apply):		
	<ul style="list-style-type: none"> • The STAR allocation? • The focal area allocation? • The LDCF under the principle of equitable access • The SCCF (Adaptation or Technology Transfer)? • Focal area set-aside? 		
Recommendations	8. Is the PIF being recommended for clearance and PPG (if additional amount beyond the norm) justified?		
Review Date	Review		
	Additional Review (as necessary)		
	Additional Review (as necessary)		

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Project Design and Financing	<p>1. If there are any changes from that presented in the PIF, have justifications been provided?</p>	<p>December 27, 2016</p> <p>This is a child project under the Commodity IAP program, for which no PIF stage was required. As such, Part II table A should be left blank. In addition:</p> <p>i) The project provides critical support to the supply chain approach of the Commodities IAP program by focusing on strengthening the financing environment for sustainable commodity production. The Commodities IAP program PFD lays out an integrated supply chain approach for three commodities, with each of the child projects operating in a coordinated and synergistic fashion in order to foster sustainability and achieve transformational impact. Additional opportunities to demonstrate synergies and alignment with other child projects can be found in the PFD, including:</p> <p>a) Coordination with the Production child project (see Pg 14 of PFD) to share information and utilize the same data for the land use plans and maps for targeted landscapes and for the VaR models</p>	<p>March 6, 2017</p> <p>i) Part II Table A deleted</p> <p>ia) Coordination (sharing information) has been addressed under Output 2.1.1 on 31: Please see below added new sections: Information about identified "go" and "no-go" areas using the land-use planning methodologies and tools developed by the Production child project will also be included and factored in the quantification of the various deforestation risks. These models will capture the financial value a company (and its investors) at risk faces by ongoing engagement in deforestation. The model enables companies and investors to identify and quantify the material economic and financial risks that are resulting from unsustainable land use, from biophysical risks at the level of the plantation to reputational and commercial risks further up the value chain. The development of innovative risk management tools such as the DVaR framework highlights the necessity of collecting more evidence on the business implication of deforestation to convince FIs of the importance of deforestation-free supply chains and mobilize them towards that goal. It is well known that gathering relevant data about environmental and social issues pertaining to large commodity supply chains is a difficult endeavor, often held back by a reluctance by the main actors to disclose</p>

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		<p>b) Coordination to ensure alignment with the policy and regulatory work under the Production and Enabling Demand child projects (see Pg 14 & 15 of PFD) for the work with the financial regulatory environment.</p> <p>Please revise the CEO Endorsement accordingly.</p> <p>March 9, 2017 The revised Prodoc now demonstrates improved coordination and alignment with other child project initiatives. Cleared</p>	<p>commercially sensitive information publicly. We plan to mitigate these challenges by capitalizing on the work of the Production child project, more precisely by capturing some of the findings they will obtain with their activities on (i) Production policy and enforcement, (ii) farmer support systems and (iii) land use planning and mapping systems to inform the calibration of the DVaR models. In addition, means to integrate the information generated from outputs on the Demand Child Project focused on increasing transparency along the supply chain (output 4.1.2) into the risk models will be examined.</p> <p>calibrate the model's parameters and specifications, using a wide range of data and indicators, including spatially resolved data on high conservation value (HCV) and high carbon stock (HCS) forests, important biological corridors and related ecosystem services. By feeding the model with real-world data, sustainability of its economic growth. As an intended benefit, it should provide complementary risk insights to further refine the design and development of the land-use maps and plans in targeted landscapes undertaken by the Production child project. In light of these interactions between the two projects, a special attention will be given to coordination mechanisms to ensure the timely delivery of outputs.</p> <p>ib) This is addressed under Output 2.1.3 on page 33. See the added section below:</p>

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			<p>the Sustainable Stock Exchanges Initiative on enhancing market transparency. A strong emphasis will be placed on ensuring an effective coordination between these activities and the policy and regulatory work undertaken by the Production ("Production policy and enforcement") and Demand ("Enabling environment for reduced deforestation commodities in demand markets") child projects. It will be especially important that the formulation of guidelines for financial regulations be in line with the set of rules and principles established to strengthen the enabling environment for the production, trade and consumption of legal, reduced-deforestation palm oil, soy and beef. This will be ensured by periodic communication with the project leads for the Production and Demand child projects. (UNEP FI).</p>
	<p>2. Is the project structure/ design appropriate to achieve the expected outcomes and outputs?</p>	<p>December 27, 2016 No. While the project is well designed, please address the following:</p> <p>i) Table A of the CEO Endorsement should detail the Focal Area Objective for CCM that the program is supporting (CCM 2, Program 4) as the CCM tracking tool indicates the project's contribution to this outcome. Financing and co-financing contribution to this focal area do not need to be indicated in the table.</p> <p>ii) In table B of the CEO</p>	<p>March 6, 2017</p> <p>i) The following objective and outcomes inserted: CCM2: Demonstrate Systemic Impacts of Mitigation Options Program 4: Promote conservation and enhancement of carbon stocks in forest, and other land use, and support climate smart agriculture</p> <p>Outcome A. Accelerated adoption of innovative technologies and management practices for GHG emission reduction and carbon sequestration</p>

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		<p>Endorsement, the outcome for Component 1 currently reads like an indicator and is different than Outcome 1 in the Annex A Results Framework. In addition, outcome 2.1 should also be strengthened to reflect a broader impact that covers the outputs detailed, for example 'Improved enabling environment/lending landscape in support of deforestation risk.' Please revise these outcome descriptions to match the language of component 3 and ensure consistency throughout the CEO Endorsement and Annexes.</p> <p>iii) Please move the note in component 1 of CEO Endorsement Table B starting with "By Dec 2018..." to a footnote.</p> <p>iv) Output 2.1.3 of CEO Endorsement Table B currently reads as an activity and should be revised to match the language of the other indicators.</p> <p>v) The emphasis placed on REDD+ as a fiscal incentive in component 3 of the CEO Endorsement doesn't strongly correlate to the efforts being undertaken across the Commodities IAP program. Please provide a rationale for how this incentive is supportive of the work of CIAP</p>	<p>Outcome B. Policy, planning and regulatory frameworks foster accelerated low GHG development and emissions mitigation</p> <p>ii) Revised using ' Commercial transactions totaling a minimum of USD100 million dollars of new investment per year'</p> <p>Output 2.1 revised as: Outcome 2.1 Increased funds (loans and investments) subjected to enhanced deforestation risk policies, either permitted by changes to existing funding instruments and practices or by development of new products already in compliance with reduced deforestation objectives</p> <p>iii) Revised</p> <p>iv)Output 2.1.3 revised as: Output 2.1.3 Capacity is built and guidance and tools are provided for effective application of major new emerging markets regulations to target supply chains.</p> <p>v) The following section added to Component page 34: The readiness phase of the UN-REDD programme has clearly highlighted that public funding stimuli, such as REDD+ results-based payments or future Green Climate Fund grants and loans, will not be enough to significantly and permanently transform commodity supply chains. According to an ODI report analysing</p>

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		<p>program outputs.</p> <p>vi) The Implementation Arrangements section of the CEO Endorsement and Annex H is weak and focuses solely on transaction child project coordination with the CIAP Program Steering Committee. While this coordination is important and necessary, a description of how the transactions child project will itself be coordinated is lacking. Specifically, the description of the project coordination unit's operations would benefit from more detail on how it will ensure strong coordination between the agencies implementing and executing the child project. Please revise the CEO Endorsement and Annex H accordingly.</p> <p>vii) Draft ToRs have been provided for technical consultants in Annex E, which are helpful, but not for positions undertaking important project functions (eg. management, M&E, communications, KM). We request an explanation of how these functions will be undertaken and indication of who will be responsible for them in the CEO Endorsement, and ToRs reflective of these tasks in Annex E.</p>	<p>the role and importance of public subsidies in maintaining unsustainable agricultural practices for beef, soy, timber and palm oil production, "any efforts to shift investment towards REDD+ [and deforestation removal policies and strategies], be it public or private, must take into account governments' existing use of subsidies to: (1) identify opportunities to phase out or reform current subsidies that encourage forest loss, (2) support the design of any new incentives for REDD+, so they complement domestic efforts to shape private investment and (3) ensure subsidy reform protects the poor and most vulnerable". The use of REDD+ finance to support the reform of subsidies to re-shape private investment flowing to key commodities driving deforestation is a critical step if these governments are to reach their REDD+ targets and other environmental and social targets. REDD+ funding represents one key potential source of transitional financing that can be potentially used for blended-finance transactions hence the emphasis on identifying potential linkages. Other sources will also be identified through the course of the project e.g. Biocarbon Fund, Canadian Climate Funds also represent opportunities for potential blended finance opportunities.</p> <p>vi) Implementation arrangement on Page 47 and Annex H revised. In addition to the Programme steering committee, a new steering committee for the</p>

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		<p>March 9, 2017</p> <p>Tables A & B have been revised and improved.</p> <p>The rationale provided for the role that REDD+ will play in reforming of subsidies to commodities driving deforestation is sound and justifies this approach in the child project.</p> <p>The Implementation arrangement has been significantly strengthened by the inclusion of details on the role and responsibility that the child project steering committee will play and the ToRs that have been prepared for various management, KM/Communications, and M&E functions under the child project.</p> <p>Cleared</p>	<p>transactions child project defined.</p> <p>IFC project management arrangements further clarified on pg 46 and in Annex H.</p> <p>vii) ToR of the Project Coordinator, and ToR of the Communications and Knowledge Management expert included.</p> <p>For Midterm and Terminal Evaluations, UNEP's standard ToRs will be used.</p> <p>IFC have added the TOR for the Project Coordinator that will be responsible for the project inclusive of ensuring timely M&E and KM responsibilities.</p>
	<p>3. Is the financing adequate and does the project demonstrate a cost-effective approach to meet the project objective?</p>	<p>December 27, 2016</p> <p>No.</p> <p>The financing is adequate to demonstrate a cost-effective approach. However, the Project Management Cost indicated in CEO Endorsement Table A exceeds 5% of GEF Program Financing. Please revise and ensure consistency across the CEO Endorsement and budgets.</p> <p>March 9, 2017</p> <p>The PMC has been revised and is now correct.</p> <p>Cleared</p>	<p>March 6, 2017</p> <p>The budget was modified to allocate 5% of subtotal grant for PMC. UNEP reduced its PMC to 5% of expected funds.</p> <p>WB GEF colleagues have worked with GEFSEC to finalize the overall numbers now reflected in the document.</p>

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	4. Does the project take into account potential major risks, including the consequences of climate change, and describes sufficient risk response measures? (e.g., measures to enhance climate resilience)	<p>December 27, 2016 No. A sound consideration of major potential risks is provided in the CEO Endorsement, but climate change is not factored into this analysis. Please include climate change in this assessment.</p> <p>March 9, 2017 Climate Change is now factored into potential risks faced in implementation of the child project. Cleared</p>	<p>March 6, 2017 A consideration of climate change related risks has been included in the CEO template : Risk: Environmental risk - Climate change and associated extreme weather events adversely affect agricultural production, leading to pressure to expand production and reducing support for setting aside high conservation value forests and for sustainably sourced commodities, undermining the ability of the interventions of the Transactions Child Project to achieve its expected impacts Mitigation: The IAP has already built in considerations of resilience into its design and ensured that activities are climate proofed. The different tools and methodologies that are being put forward by the Transactions Child Project already consider biophysical risks as one of the main categories of risks to consider when financing commodity production and trade.</p>
	5. Is co-financing confirmed and evidence provided?	<p>December 27, 2016 Yes. Co-financing evidence is provided. Cleared</p>	
	6. Are relevant tracking tools completed?	<p>December 27, 2016 Tracking tools for BD, SFM and CCM are provided. It is understood that the transactions child project will not directly invest in any on the ground actions, and that, as such, the Biodiversity and CCM TTs have largely been left blank.</p>	

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		Cleared	
	7. <i>Only for Non-Grant Instrument:</i> Has a reflow calendar been presented?	N/A	
	8. Is the project coordinated with other related initiatives and national/regional plans in the country or in the region?	<p>December 27, 2016 The project's coordination with national and regional plans in the target countries is well described in the CEO Endorsement. However, coordination with other related initiatives (including GEF projects) that are outside of the focus of the implementing and executing agencies should be further re-enforced. Please revise the CEO Endorsement accordingly.</p> <p>March 9, 2017 Description of the child project's coordination with other projects has been significantly enhanced and clarified. Cleared</p>	<p>March 6, 2017 Coordination with other related initiatives added with a sub-section title: Linkages with other GEF and non-GEF interventions on pages 46-48</p>
	9. Does the project include a budgeted M&E Plan that monitors and measures results with indicators and targets?	<p>December 27, 2016 The project includes a budgeted M&E plan.</p> <p>Please review the Project Results Framework (Annex A) and address the points below: i) All the baseline figures are zero. If efforts have been undertaken previously on activities that will be</p>	<p>March 6, 2017</p> <p>i) Baseline figures of the indicators have been updated and references provided for each revised baseline. See Annex A for the revisions. IFC has revised baseline figures.</p> <p>ii & iii) Revised for 1.1-1.3 by IFC in Annex A</p>

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		<p>built upon by the child project a positive value could be shown. Please revise as necessary;</p> <p>ii) Output 1.1 % value of investors / companies /banks expressing interest in should be \$ value so that the measures are the same;</p> <p>iii) the indicators for 1.2 and 1.3 should be more specific. What are the measures of success for a product that is promoted and utilized? For the former is it the # of launch events held or # press releases published etc. For the latter is it # of companies who express an interest in the product or # of companies who report on clients who have used the product etc.</p> <p>March 9, 2017 The M&E plan has been revised Cleared</p>	
	<p>10. Does the project have descriptions of a knowledge management plan?</p>	<p>December 27, 2016</p> <p>A description of the child project's efforts to capture and disseminate knowledge nationally is provided in the CEO Endorsement. However, further elaboration is requested on how the transactions project will feed this information to the Adaptive Management & Learning child project in order to ensure that knowledge dissemination based on lessons and experience is shared more broadly. For example, from the</p>	<p>March 6, 2017</p> <p>This has been addressed in Section A.8 Knowledge Management, and the ToR of the communications and knowledge management consultant provided in Annex E. Please see below the additional text inserted in Section A.8:</p> <p>Knowledge management products, including the different guidance briefs, tools and methodologies to assess deforestation risks in commodity production and trading, will widely be disseminated amongst practitioner networks (including the UNEP FI and the Natural</p>

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		<p>description in the CEO Endorsement, it is unclear who will be charged with leading this important KM function and no positions for KM or communications are described in the Implementation Arrangement, Project Execution Arrangement Org Chart, or draft ToRs. Please clarify and revise.</p> <p>March 9, 2017 The description of the child project's approach to KM and communications has been improved and roles and responsibilities related to these functions has been clarified through the inclusion of a ToR. Cleared</p>	<p>Capital Finance Alliance network) through events, workshops and webinars. In addition, the products generated during the project will be feed into the overall IAP knowledge management strategy led by UNDP as part of the Adaptive Management Child Project and so that products are disseminated to a wider audience of stakeholders at relevant events and meetings. Thematic experts engaged in the execution of the Transactions Child Project and practitioners from the different finance industry networks will be mobilized to participate in the IAP Global Community of Practice to ensure that knowledge reaches critical stakeholders in the four target countries.</p> <p>In addition to coordination of knowledge management activities at the IAP Steering Committee, the knowledge management experts from UNEP and IFC engaged in the Transactions Child Project will periodically coordinate with the IAP coordinator and the IAP KM lead to identify synergies, share knowledge management products, and to identify relevant events outside the IAP. In addition, reports will be given to the IAP Steering Committee on the participation of project thematic experts at finance-focused events. This approach will contribute to ensure that knowledge sharing and replication take place throughout the project implementation period.</p>
Agency Responses	11. Has the Agency adequately responded to comments at the		

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	PIF ³ stage from:		
	<ul style="list-style-type: none"> • GEFSEC 		
	<ul style="list-style-type: none"> • STAP 	December 27, 2016 Yes. Responses to STAP are adequate. Cleared	
	<ul style="list-style-type: none"> • GEF Council 	December 27, 2016 Yes, responses to council are adequate. Cleared. March 9, 2017 Additional questions were posed by council during the required review phase prior to CEO Endorsement. These comments have been addressed in the resubmission.	
	<ul style="list-style-type: none"> • Convention Secretariat 	N/A	
Recommendation	12. Is CEO endorsement recommended?	December 27, 2016 No, project cannot be recommended yet. Please address all comments. March 9, 2017 Yes, questions have been addressed and the child project can be recommended for CEO Endorsement.	
Review Date	Review	December 26, 2016	March 06, 2017
	Additional Review (as necessary)	March 09, 2017	

³ If it is a child project under a program, assess if the components of the child project align with the program criteria set for selection of child projects.

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	Additional Review (as necessary)		