- 90% of the sources and springs in the certified coffee farms within the Apaneca Corridor are classified as healthy.
- reduce levels of Prior-Informed-Consent (PIC) and Persistent Organic Pollutants (POP) Convention-listed chemicals in the water sources and springs, in the certified coffee farms within the Apaneca Corridor, by 80%.
- reduce levels of Prior-Informed-Consent (PIC) and Persistent Organic Pollutants (POP) Convention-listed chemicals used for coffee cultivation, in the certified coffee farms within the Apaneca Corridor, by 70%.
- eliminate use of chemicals of World Health Organization (WHO) toxicity categories I and II, and the restricted use pesticides (RUPs) of the Environmental Protection Agency (EPA), by 100% in certified coffee farms of the Apaneca Corridor.

5.c. Reduce erosion and sedimentation of freshwater habitats

- 90% of certified coffee farms within the Apaneca Corridor will have canopy cover of >40%.
- 60% of certified coffee farms within the Apaneca Corridor will have reduced herbicide use by >90%.
- a sedimentation index in springs and rivers of the Apaneca Corridor is reduced by 40% in certified coffee farms.

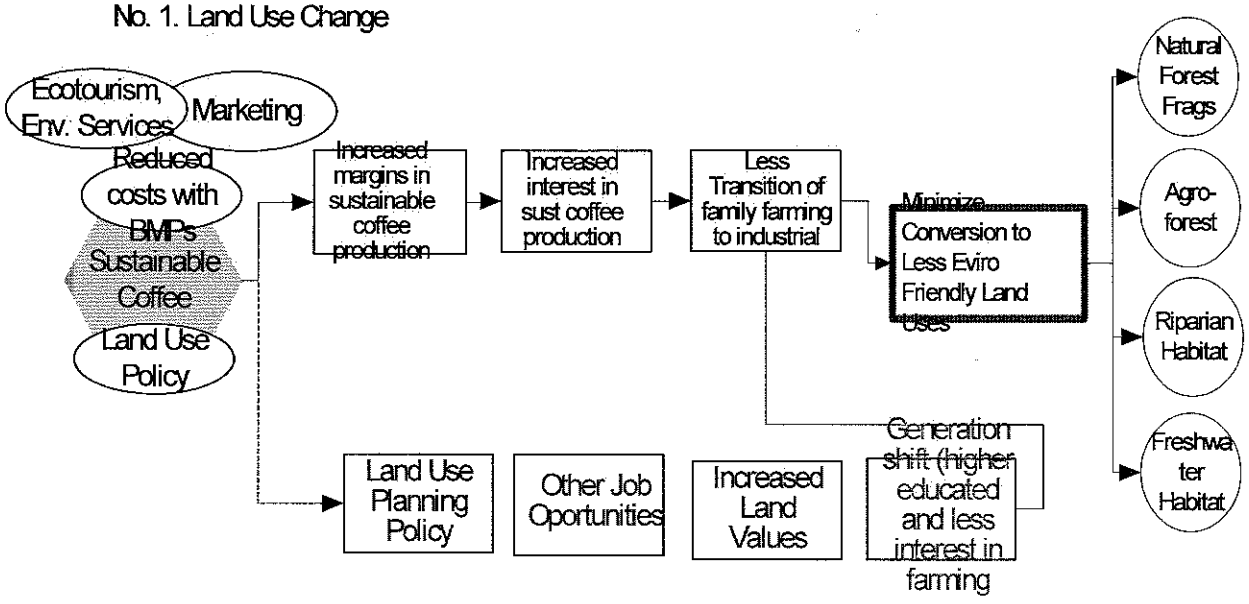
Strategy 6: Reduce unsustainable firewood extraction from natural forest fragments or riparian habitats (not applicable for El Salvador model)

- restrict firewood extraction to the use of wood obtained from tree pruning activities related to coffee production, or to dedicated firewood production lots, in 100% of certified farms.
- restrict firewood extraction to waste from tree pruning activities related to coffee production, or to dedicated firewood production parcels, in 75% of non-certified farms.

- Strategies in the Apaneca Biological Corridor

For each of the priority strategies outlined in the table above, there is a corresponding "results chain" that contains the cause and effect relations between the proposed interventions and the expected outcomes. These chains include both expected final and intermediate results, thereby enabling RA/SAN to determine during the course of the project if the cause/effect relationships are valid and to make necessary adjustments to the strategies (according to the principles of adaptive management, as described outlined in Annex 1).

The following is an example of the results chains developed for each of the strategies:
Strategy 1: Minimize conversion of coffee agroforests to more intensive (high disturbance) land uses: Degradation.

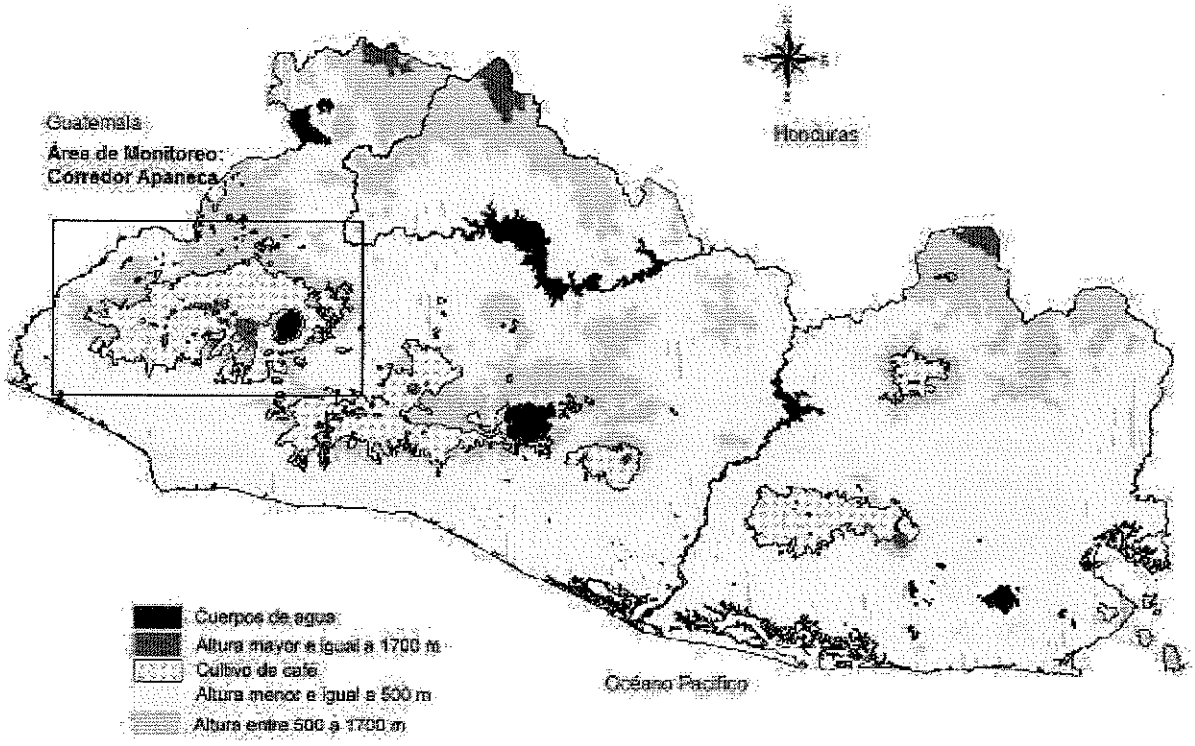


Data Collection and Analysis

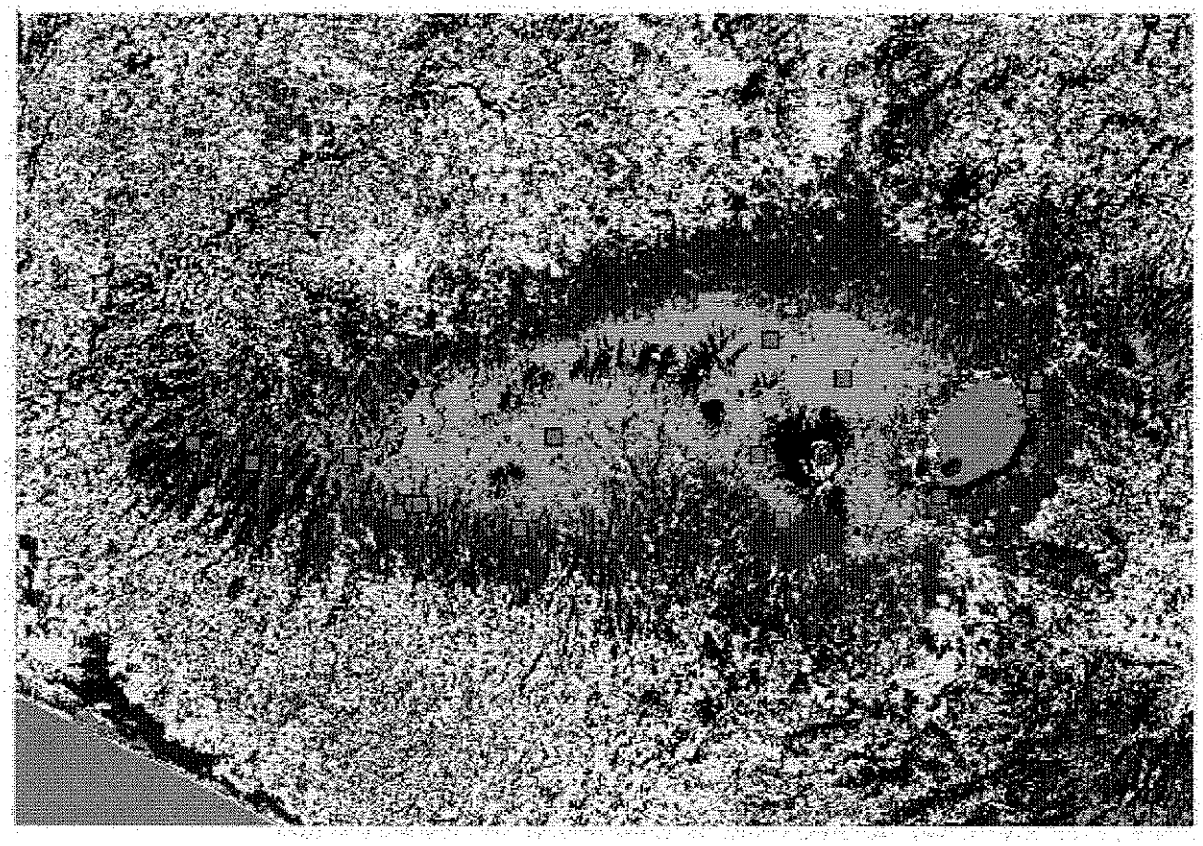
As noted earlier, RA/SAN will collect information to assess the impact of the proposed strategic interventions primarily at the farm-level. Farm-level data will be collected during the course of the annual farm certification process on each farm. In addition, more detailed information will be collected from a representative sample (10%?) of RA- certified farms compared to number of similar non-certified coffee farms in each of the five countries.

In El Salvador and Colombia, RA/SAN will also develop landscape-level conservation strategies and collect the associated information as previously indicated.

This collection and analysis of this data is presented in the following summary table: **Monitoring Plan**



MAPA DEL CORREDOR APANECA—AREA PARA MONITOREO EN ELSALVADOR. (ver detalle siguiente página / *See detail on following page*).



Remote Sensing-generated habitat map for the Apaneca Corridor: Dark green is natural forest, brown is dense-canopy shade coffee, yellow is open-canopy shade coffee and/or sun coffee, gray is bare ground or lava flows, white is pasture or open agricultural fields, blue-green is mangrove forest, light blue is water, and red is urban areas. Green squares are study sites occupied by a Univ. KS/SIMBIOSIS study in 2000-2002. Source: O. Komar, unpublished data, and Univ. of Kansas Applied Remote Sensing Program.

Coffee Program Monitoring System
Project Objectives Monitoring Plan 2006-2013

Biodiversity and Habitat Objectives

By 2013, certify x% of the coffee production area as sustainable (Rainforest Alliance Certified).
By 2013, x% of the natural forests found on certified farms are classified as healthy fragments.[1]
By 2013, x% is in healthy agro-forests[2]
By 2013, x% of the riparian areas adjacent to springs, streams and rivers on certified farms are classified as natural habitat or healthy agroforests[3]
By 2013, x% of rivers and streams in priority watersheds classified as healthy.

What? (Indicator)	How? (Methods)	When?	Who?	Unit	Where?	Comments
Overall coffee production area	Ministry of AG and coffee association stats	Annually	Project Monitoring Team (PMT)	Landscape	All countries	Coordination costs
Certified coffee production area	Producer reports, maps	Annual audits	Auditor	Farm	All countries	Audit, mapping consultant
Natural forest fragments on certified farms	Producer reports, maps	Annual audits	PMT	Farm	All countries	Audit, mapping consultant
Area in healthy agro forests	Satellite images	Baseline and end of project	PMT	Landscape	El Sal and Colombia	Maps and analysis
Certified farm area adjacent to water bodies	Producer reports, maps	Annual audits	PMT	Farm	All countries	Audit, mapping consultant
Kilometers of rivers and streams	Satellite images	Baseline and end of project	PMT	Landscape	El Sal and Colombia	Maps and analysis
Indicator Species	Point Count Biodiversity Survey[4]	Baseline and end of project during wet and dry season	Conservation Science Program PMT	Landscape	El Sal and Colombia	
Bird Species	Christmas Bird Count	Annually	PMT	Landscape	El Sal and Colombia	

[1] adequately protected against hunting and extraction and more than one hectare
[2] Healthy Agroforests is defined as a production area with an abundant mix of diverse native species (more than 10 species per hectare) and a minimum of 30% shade (average over the farm)
[3] adjacent equals within 50 meters
[4]

Activities:

Activity 1: define fragments, agro-forestry and priority watersheds
Activity 2:. incorporate into auditor training materials and audit report
Activity 3: create field in AG DB for data collection
Activity 4: determine baseline agro forests and priority watersheds, mapped in digital format
Activity 5: define indicator species for each site and create survey
Activity 6: organize Bird Count participation

Threat Reduction Objectives

Specific Objective 1: Minimize conversion of agroforests to more intensive (high disturbance) land uses: Degradation.

- Reduce land conversion of coffee agroforests
- In 5 years, certified farms have a x% higher margin than conventional production.

What? (Indicator)	How? (Methods)	When?	Who?	Unit	Where?	Comments
Land conversion rate from traditional coffee farms	Coffee association records validated with Satellite Image maps	Annually	PMT	Landscape	El Sal and Colombia	Coordination time
Coffee Sales at a premium	Export records of producers	Baseline Sept (previous year)	Producers reports	Farm	All countries	Staff time, Enter into Cert DB or CoC database?
Certified coffee profit margins and national average coffee profit margins	Coffee Cost Administration Software	Information submitted quarterly to RA	Producers report to SN	Farm	All countries	A sustainable coffee software for costs/sales info administration

Activities:

Activity 1: develop agreement with coffee associations to exchange information
Activity 2: set up M&E system linked to CoC to compare actuals against C price. Develop survey format.
Activity 3: decide on sample size and economic indicators
Activity 4: train on use of software or alternative system
Activity 5: include field in DB on profit margins per producer

Specific Objective 2: Increase connectivity of forest fragments through improved regeneration of forests and expansion of certified agroforests

- reduce by x% the fragmentation index for forest within certified farms.
- x% of the natural forest fragments in certified farms have protection plans (are guarded against extraction) and > 1 hectare

What? (Indicator)	How? (Methods)	When?	Who?	Where?	Comments
Shape, size and proximity of forest fragments to	Satellite images GIS analysis of aerial photos	baseline begin project	PMT Conservation Science	Corridor, 30 farm sample	Consultant SN time 15K year one

neighboring fragments		end of	Program	minimum	25K last year
Protection enforcement rates	Producer reports	Annual audit	Producer report to SN	All certified farms	

Activities:

Activity 1: define fragmentation index
Activity 2: aerial photos of certified farms in Year1 to map existing forest fragments and areas of high or moderate shading
Activity 3:. GIS technician conduct site visits to complement maps (4 months)
Activity 4: repeat and expand in project final year

Specific Objective 3: Reduce extraction of flora and fauna (including subsistence and sport hunting)

- populations of indicator game species or extractable non-game species are stable or increasing on certified operations
- 100% of certified coffee farms pay at least the legal minimum wage.

What? (Indicator)	How? (Methods)	When?	Who?	Where?	Comments
Key species	Point Count Biodiversity Survey[5]	Baseline and end of project during wet and dry season	Conservation Science Program PMT	Landscape	El Sal and Colombia
Wages	Record reviews validated with surveys	Annual Audit	PMT	Farm	All countries

Activities:

Activity 1: identify game and non game indicator species such as dove, quail, paca
Activity 2:.idenitfy other social indicators to include in farm audits

Specific Objective 4: Reduce forest fires

- reduce area affected by forest fires within certified plantations by x%
- # farms with implemented alternative waste solutions

What? (Indicator)	How? (Methods)	When?	Who?	Where?	Comments
Area burned (Ha)	Survey farm managers	baseline annually at end of dry season	Auditor	farm	Staff time could be included in annual audit for last year's data
Alternative waste solutions	Survey farm managers	Annual audit	Auditor	Farm	

Activities:

Activity 1: develop surveys
Activity 2:.expand DB fields

5

5.a. Reduce direct contamination of freshwater habitats

- reduce by x% the quantity of domestic waste contaminants deposited in sources and springs within certified coffee farms in pilot sites.
- reduce by x% the quantity of agro-industrial contaminants deposited in sources and springs within certified coffee farms of the pilot sites.
- reduce by x% the discharge of organically-contaminated waters (produced by coffee processing) into springs and rivers from certified coffee farms within pilot sites.

What? (Indicator)	How? (Methods)	When?	Who?	Where?	Comments
Volume of waste in streams	Monitoring stations at sources and springs		CMP	30 randomly selected certified farms	High estimated costs according to SN, but believe can be done much cheaper – maybe 5K per year for grad students
Organic discharge	Farm records (estimates) Measure oxygen levels and stream fauna above and below discharge sites	Annually within 2 weeks at end of processing season	SN CMP	30 randomly selected certified farms	Water specialist Approx $5K p.a.

5.b. Reduce indirect contamination of freshwater habitats

- x% of the sources and springs in the certified coffee farms within the pilot landscapes are classified as healthy.
- reduce use of Prior-Informed-Consent (PIC) and Persistent Organic Pollutants (POP) Convention-listed chemicals in the sources and springs, in the certified coffee farms within the pilot landscapes, by x%.
- reduce levels of Prior-Informed-Consent (PIC) and Persistent Organic Pollutants (POP) Convention-listed chemicals used for coffee cultivation, in the certified coffee farms within the pilot landscapes, by x%.
- eliminate use of chemicals of World Health Organization (WHO) toxicity categories I and II, and the restricted use pesticides (RUPs) of the Environmental Protection Agency (EPA), by 100% in certified coffee farms.

What? (Indicator)	How? (Methods)	When?	Who?	Where?	Comments
Oxygen content of water	Water sampling to test for agrochemicals and water quality indicators	annually	CMP	30 randomly selected certified farms at entry and exit points	
Acidity (pH) of water	Water sampling to test for agrochemicals and water quality indicators		CMP	30 randomly selected certified farms at	

				entry and exit points	
Coliforms in water samples	Water sampling to test for agrochemicals and water quality indicators		CMP	30 randomly selected certified farms at entry and exit points	
Agrochemicals in water samples	Water sampling to test for agrochemicals and water quality indicators		CMP	30 randomly selected certified farms at entry and exit points	
Agrochemical use on certified farms versus non certified farms	Audit on farm agrochemical use comparing records with Chemical containers in storage areas/ inventories for per hectare use Surveys of non certified farms	Annual audit Annual surveys	Auditor PMT	All certified farms 30 randomly selected non-certified farms	Activity depends on accurate and honest reporting

Activities:
Activity 1: develop questionnaire for chemical use: PIC/POC listed chemicals, WHO I and II, restricted use pesticides of the EPA and herbicides

5.c. Reduce erosion and sedimentation of freshwater habitats

- a sedimentation index in springs and rivers of the Apaneca Corridor is reduced by 40% in certified coffee farms.
- 90% of certified coffee farms within the Apaneca Corridor will have canopy cover of >40%.
- 60% of certified coffee farms within the Apaneca Corridor will have reduced herbicide use by >90%.

What? (Indicator)	How? (Methods)	When?	Who?	Where?	Comments
Sediments index	Combine with water sampling program above				Minimal additional costs
Herbicide Use	Combine with 5b				

Activities:
Activity 1: develop sedimentation index
Activity 2:.expand DB fields

Part (Annex) XIV: Bibliography

Please refer to Annex XI for a review article with an extensive bibliography on biodiversity benefits in coffee, including approximately 100 references. The article has submitted for publication in BioScience.

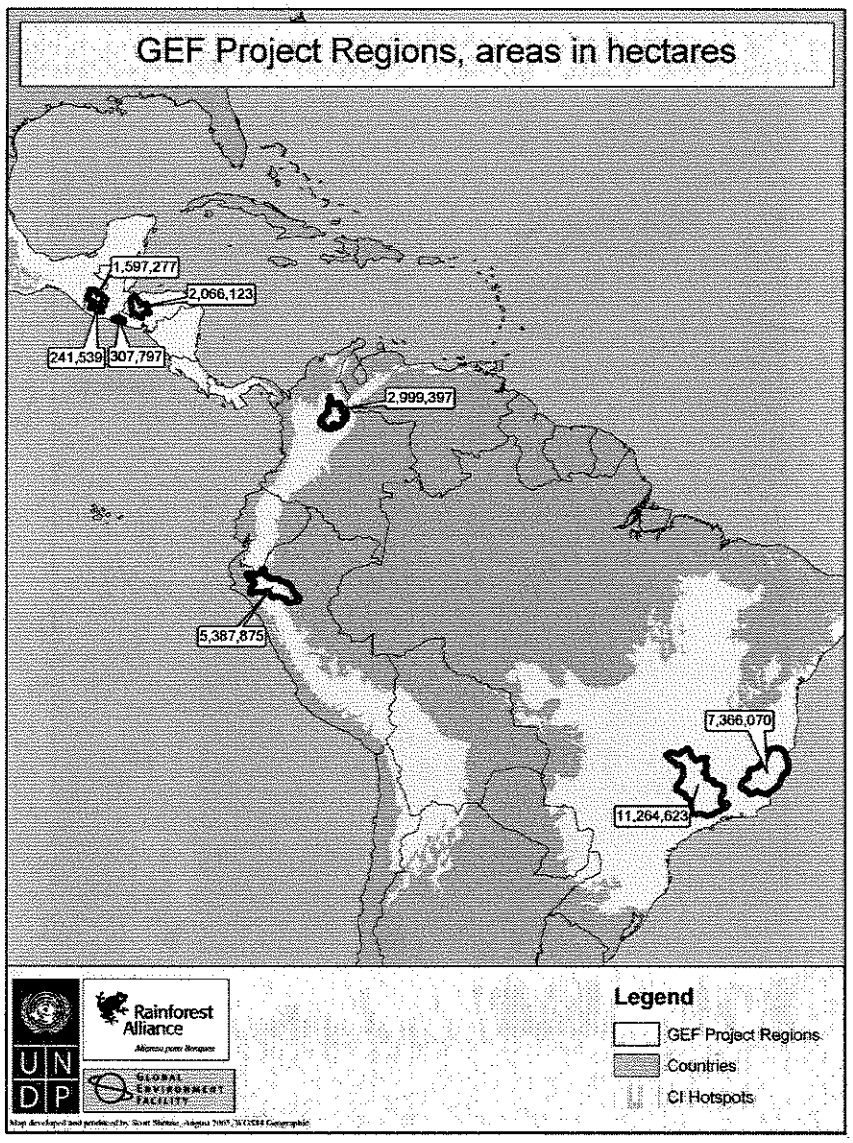
In the Project Document is made reference to:

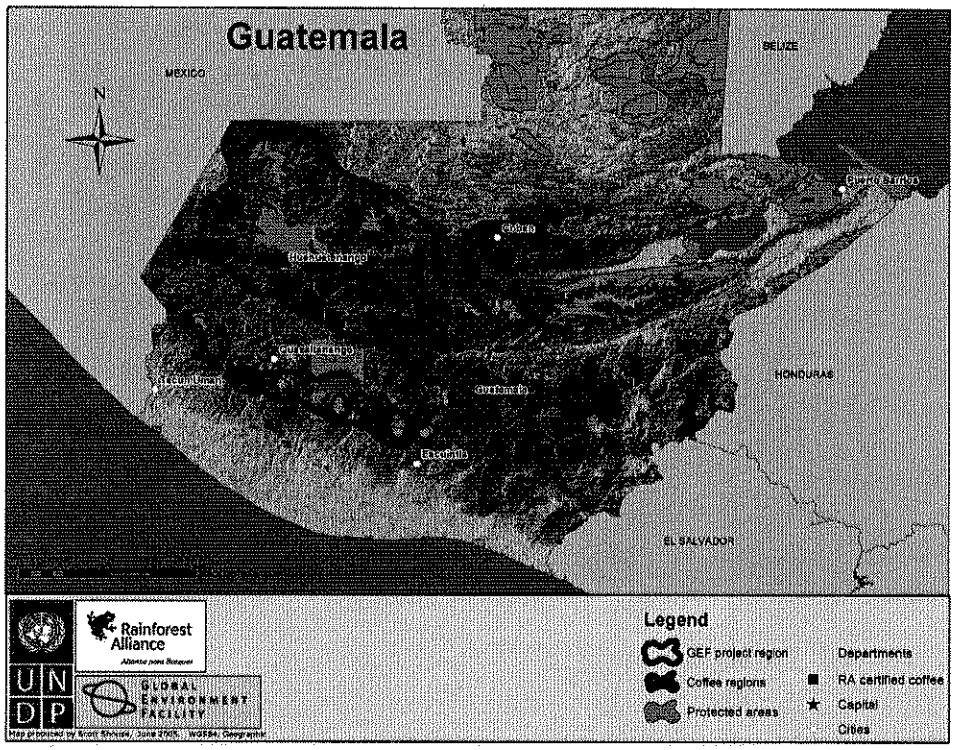
Blackman, A., H. Albers, B. Avalos-Sartorio and L. Crooks. Deforestation and shade-coffee in Oaxaca, Mexico: key research findings. (Draft) Resources for the Future. 2004

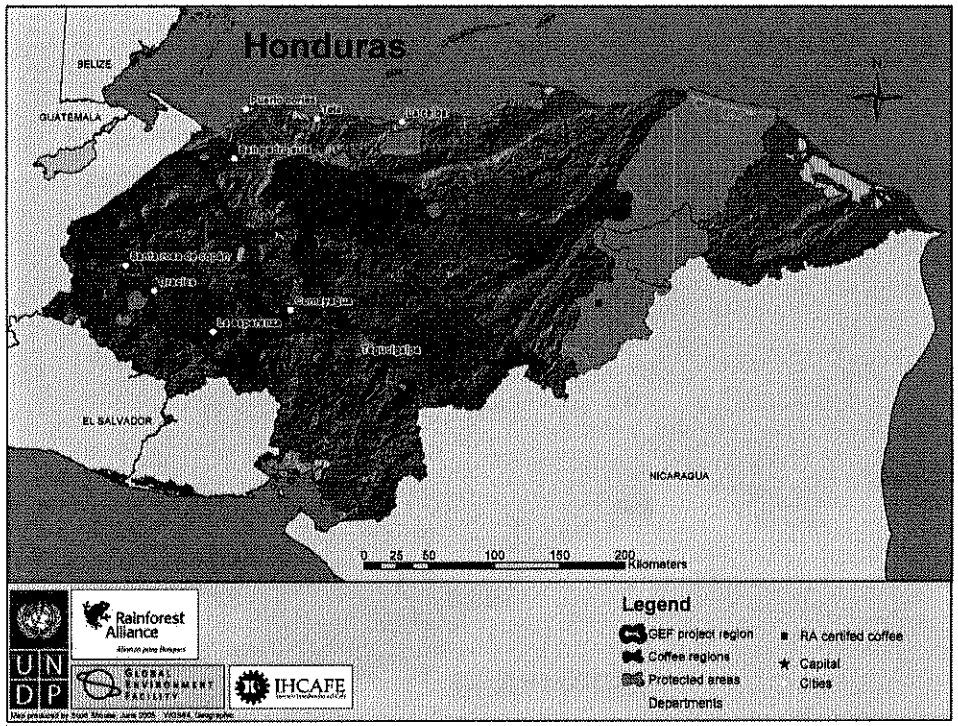
"A Positive Future for Coffee," presented in Amsterdam, February 2005 as part of the ECF's "Agenda for Action."

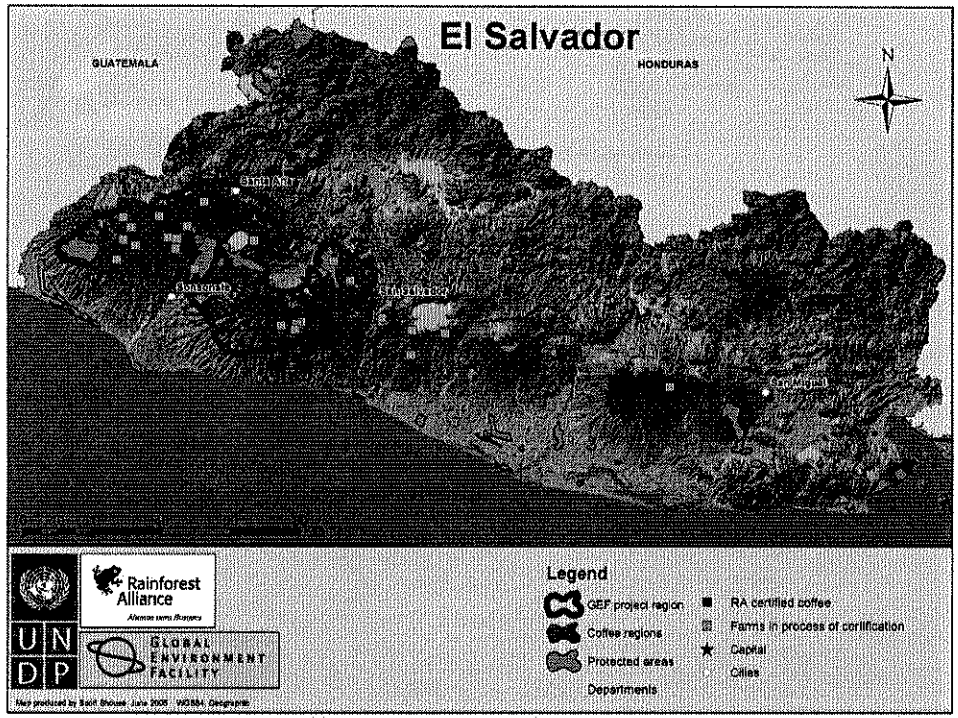
Part (Annex) XV: Maps of project countries: Protected Areas and Project Coffee Regions

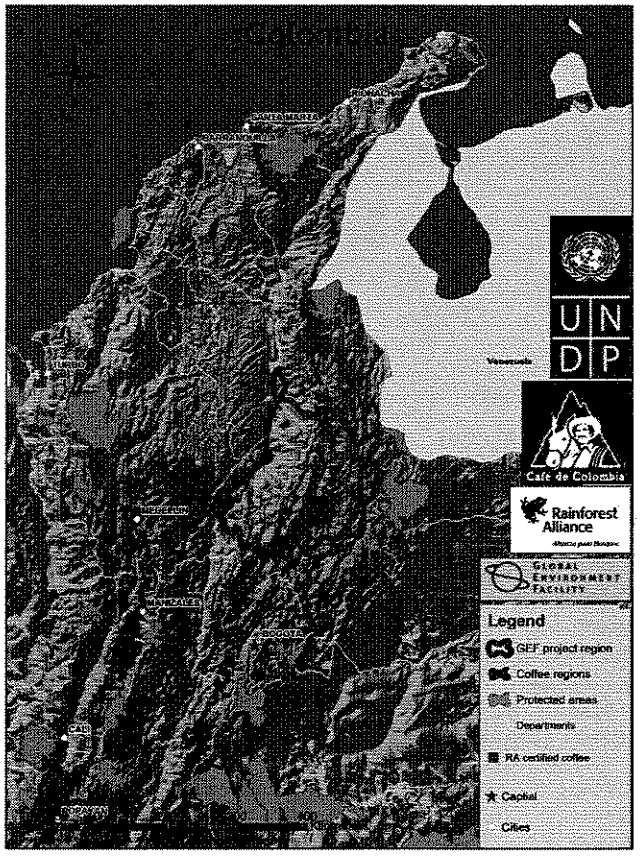
(See separate file)

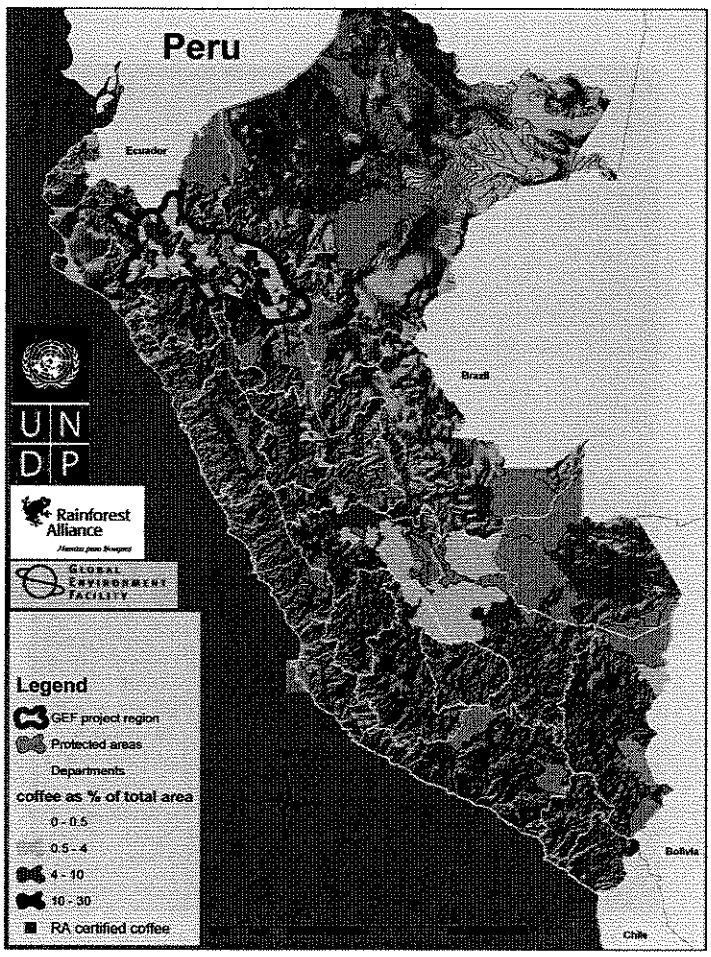

GEF Project Regions, areas in hectares
1,597,277
2,066,123
241,539
307,797
2,999,397
5,387,875
7,366,070
11,264,623
Rainforest Alliance
UNDP
Global Environment Facility
Legend
GEF Project Regions
Countries
CI Hotspots

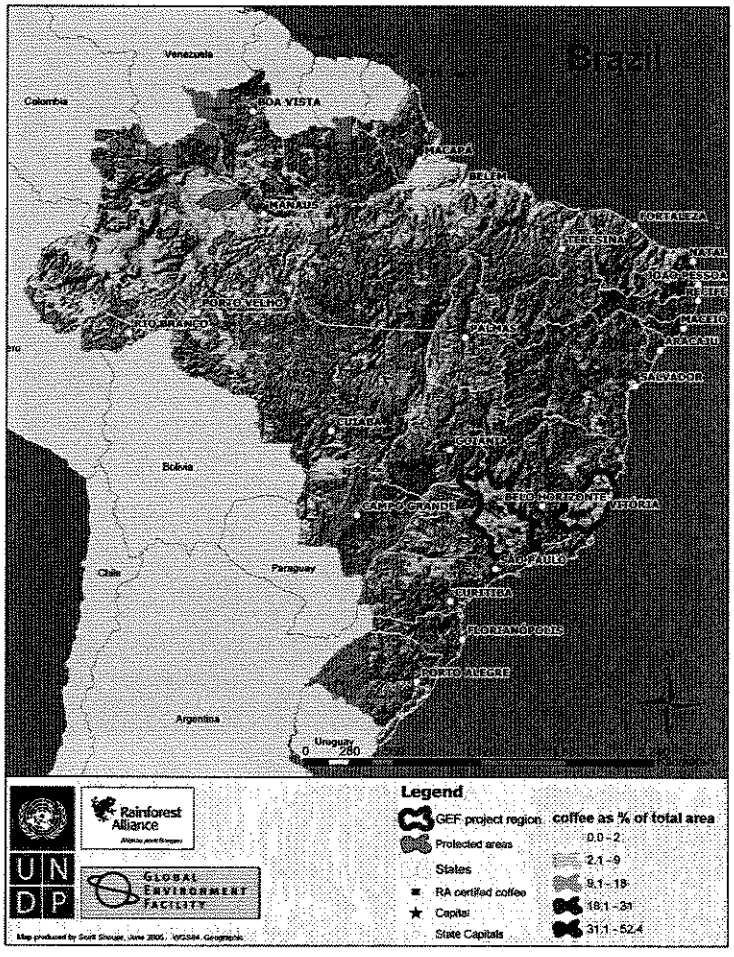

Guatemala
MEXICO
BELIZE
HONDURAS
EL SALVADOR
N
Legend
GEF project region
Coffee regions
Protected areas
Departments
RA certified coffee
Capital
Cities
Rainforest Alliance
GLOBAL ENVIRONMENT FACILITY
UNDP

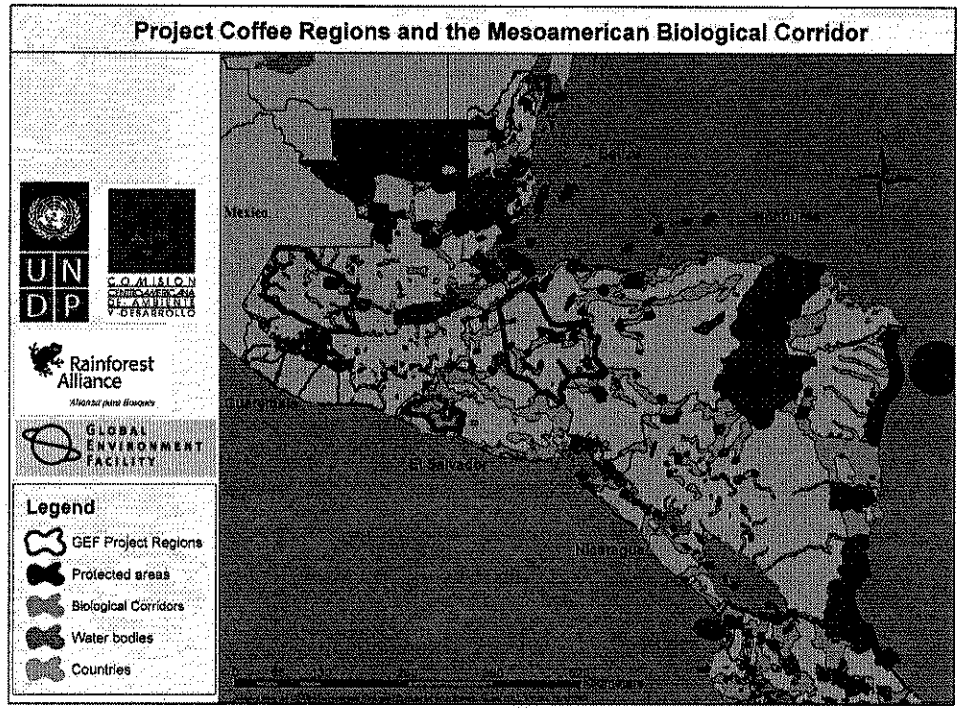

Honduras
BELIZE
GUATEMALA
EL SALVADOR
NICARAGUA
0 25 50 100 150 200 Kilometers
Rainforest Alliance
UNDP
GLOBAL ENVIRONMENT FACILITY
IHCAFE
Legend
GEF project region
Coffee regions
Protected areas
Departments
RA certified coffee
Capital Cities


El Salvador
GUATEMALA
HONDURAS
N
Rainforest Alliance
UNDP
GLOBAL ENVIRONMENT FACILITY
Legend
GEF project region
Coffee regions
Protected areas
Departments
RA certified coffee
Farms in process of certification
Capital
Cities


Colombia
SANTA MARTA
BARRANQUILLA
Venezuela
MEDELLIN
MANIZALES
BOGOTA
CALI
UNDP
Café de Colombia
Rainforest Alliance
GLOBAL ENVIRONMENT FACILITY
Legend
GEF project region
Coffee regions
Protected areas
Departments
RA certified coffee
Capital
Cities


Peru
Ecuador
Brazil
Bolivia
Chile
UNDP
Rainforest Alliance
Global Environment Facility
Legend
GEF project region
Protected areas
Departments
coffee as % of total area
0 - 0.5
0.5 - 4
4 - 10
10 - 30
RA certified coffee


Brazil
Venezuela
Colombia
BOA VISTA
MACAPA
BELEM
MANAUS
FORTALEZA
PORTO VELHO
RIO BRANCO
MACEIO
ARACAJU
SALVADOR
CUIABA
GOIANIA
Bolivia
BELO HORIZONTE
VITORIA
CAMPO GRANDE
Chile
Paraguay
CURITIBA
FLORIANOPOLIS
PORTO ALEGRE
Argentina
Uruguay
0
280
Legend
GEF project region
Protected areas
States
RA certified coffee
Capital
State Capitals
coffee as % of total area
0.0 - 2
2.1 - 9
9.1 - 18
18.1 - 31
31.1 - 52.4
Rainforest Alliance
UNDP
Global Environment Facility


Project Coffee Regions and the Mesoamerican Biological Corridor
UNDP
Rainforest Alliance
GLOBAL ENVIRONMENT FACILITY
Legend
GEF Project Regions
Protected areas
Biological Corridors
Water bodies
Countries
Mexico
Guatemala
El Salvador
Nicaragua

Part (Annex) XVI: Tracking Tool for BD-2

Tracking Tool for GEF Biodiversity Focal Area Strategic Priority Two: "Mainstreaming Biodiversity in Production Landscapes and Sectors"

Objective: This tracking tool will measure progress in achieving the coverage and impact targets established at the portfolio level under Strategic Priority Two of the biodiversity focal area and as agreed in the business plan for GEF Phase-3 (please see Annex A). The expected impacts of this strategic priority are to: (a) produce biodiversity gains in production systems; (b) improve livelihoods based on sustainable harvesting of natural resources; (c) replicate approaches applying positive incentive measures and instruments; and (d) mainstream biodiversity into the development and technical assistance, sector, and/or lending programs of the Implementing Agencies.

Structure of Tracking Tool: This tracking tool reflects a review of the types of projects that have been supported under Strategic Priority Two. In addition, the content and structure of the tracking tool have been informed by feedback from the GEF biodiversity task force, input from a workshop held in Cambridge in 2003, and pre-testing of the tool.[6]

Guidance in Applying the Tracking Tool: This tracking tool will be applied three times: at work program inclusion[7], at project mid-term during project implementation, and at project completion. The completed forms from projects will be aggregated for analysis of directional trends and patterns at a portfolio wide level.

Projects which fall clearly within Strategic Priority (SP) #2 will only apply the tracking tool for SP#2. Projects that also contribute to SP#1, however, should also apply the tracking tool for SP#1. It is important to keep in mind that the objective is to capture the full range of a project's contributions to delivering on the targets of the strategic priorities. The Implementing Agency will guide the project teams in the choice of the tracking tools. Please submit all information on a single project as one package (even where more than one tracking tool is applied).

Multi-country projects may face unique circumstances in applying the tracking tools. The GEF requests that multi-country projects complete one tracking tool per country involved in the

[6] "GEF workshop to develop a "tracking tool" to evaluate the impacts of sustainable use activities in GEF Mainstreaming Projects". Cambridge, October 2003.
[7] For Medium Sized Projects when they are submitted for CEO approval.

project, based on the project circumstances and activities in each respective country. The completed forms for each country should then be submitted as one package to the GEF. Global projects which do not have a country focus, but for which the tracking tool is applicable, should complete the tracking tool as comprehensively as possible.

The tracking tool is designed to be "user-friendly", while attempting to ensure objective assessment of the progress of the project situation. Project proponents and managers will likely be the most appropriate individuals to complete the form, in collaboration with the project team, since they would be most knowledgeable about the project. Staff and consultants already working in the field could also provide assistance in filling out the form.

The tracking tool will be used for the remainder of the third phase of the GEF (GEF-3) until June 30, 2006 at which time feedback will be sought from the users of the tracking tool in order to improve and refine it for application during the fourth phase of the GEF. The tracking tools are best thought of as a work in progress that will require refinement through an iterative process of application, reflection and analysis throughout GEF-3. Please keep track of your experiences in applying the tool so that the tool can be improved based on your practical experience in its application.

Submission: The finalized form will be cleared by the Implementing Agencies and Executing Agencies under expanded opportunities before submission to GEF Secretariat for aggregation and analysis at the portfolio level. This tracking tool does not substitute or replace project level M&E processes, or Implementing Agencies' own monitoring processes. As mentioned above, the tracking tool is to be submitted to the GEF Secretariat at three points:

1.) With the project document for work program inclusion[8];
2.) Within 3 months of completion of the project's mid-term evaluation or report; and
3.) With the project's terminal evaluation or final completion report, and no later than 6 months after project closure.

[8] For Medium Sized Projects when they are submitted for CEO approval.

ANNEX A

Strategic Priority Two: Mainstreaming Biodiversity in Production Landscapes and Sectors

1. **Rationale**: To integrate biodiversity conservation into production systems/sectors (e.g. agriculture, forestry, fisheries, tourism, and/or others).

2. **Expected impact:** (i) Produce biodiversity gains in production systems and buffer zones of protected areas and (ii) Biodiversity mainstreamed into sector programs of the IAs.

3. **Targets (coverage)**

a) At least 5 projects in each of the targeted sectors (agriculture, forestry, fisheries, and tourism) focused on mainstreaming biodiversity into the sector.
b) At least 20 million ha in production landscapes and seascapes that contribute to biodiversity conservation or the sustainable use of its components.
c) At least 5 countries promote conservation and sustainable use of wild species and landraces, taking into consideration their real and potential contribution to food security.

4. **Performance indicators (impact)**

a) X (Y %) projects supported in each sector have included incorporated biodiversity aspects into sector policies and plans at national and sub-national levels, adapted appropriate regulations and implement plans accordingly.
b) X ha of production systems that contribute to biodiversity conservation or the sustainable use of its components against the baseline scenarios.
c) X people (Y % of total beneficiaries) show improved livelihoods (especially local and indigenous communities) based on more sustainable harvesting.
d) X number of replications (reported & verified through the project) applying incentive measures & instruments (e.g. trust funds, payments for environmental services, certification) within and beyond project boundaries.
e) X% of projects mainstream biodiversity into IA loan and/or sector work.

5. **Modality to track "targets" (coverage) and "performance indicators" (impact)**

- This tracking tool will be applied to all relevant projects approved under GEF-3 at work program inclusion, project mid-term and at project completion.
- The information from each project will be aggregated for portfolio-level analysis.
- The progress towards meeting the targets and performance indicators will be published annually.

I. Project General Information

1. Project name: "Biodiversity Conservation in Coffee: transforming productive practices in the coffee sector by increasing market demand for certified sustainable coffee"

2. Country (ies):
Brazil, Colombia, El Salvador, Guatemala, Honduras, and Peru

National Project:_____ Regional Project:___x___ Global Project:_____

3. Name of reviewers completing tracking tool and completion dates:

	Name	**Title**	**Agency**
Work Program Inclusion	Andrew Bovarnick	Regional Technical Adviser	UNDP
Project Mid-term			
Final Evaluation/project completion			

4. Funding information

GEF support: USD 12,640,092
Co-financing: USD 81,613,497
Total Funding: USD 94,253,589

5. Project duration: ***Planned*** 7 years ***Actual*** _____ years

6. a. GEF Agency: x UNDP ☐ UNEP ☐ World Bank ☐ ADB ☐ AfDB ☐ IADB ☐ EBRD ☐ FAO ☐ IFAD ☐ UNIDO

6. b. Lead Project Executing Agency (ies): Rainforest Alliance

7. GEF Operational Program:
☐ drylands (OP 1)
☐ coastal, marine, freshwater (OP 2)
x forests (OP 3)
x mountains (OP 4)
☐ agro-biodiversity (OP 13)
☐ integrated ecosystem management (OP 12)
☐ sustainable land management (OP 15)

Other Operational Program not listed above:_____

8. Project Summary (one paragraph):

Coffee is the second-largest traded commodity in the world after oil and employs 25 million people in the developing world. Coffee landscapes are very important for the world's biodiversity. This project will result in conservation of biologically rich coffee areas though an increase in market demand for coffee produced under biodiversity-friendly, sustainable production practices. The project will work in Brazil, Colombia, El Salvador, Guatemala, Honduras and Peru and thereby deliver impacts in the Brazilian Atlantic Forest, Brazilian Cerrado, Mesoamerica, and in the Tropical Andes biomes. By increasing market demand for certified coffee from all origins, the project will also produce impact in other countries where certified sustainable coffee is produced. Providing market incentives through certification, the project will achieve transformation of the coffee sector, and ensure that it becomes a valuable complement to conservation efforts in protected areas. Results will include the direct conservation of 1,500,000 hectares of coffee, up from currently 93,000, with positive biodiversity impacts across coffee landscapes, representing approximately 10-15 million hectares. The project will foster an increase in the volume of sustainable coffee sold from 30,000 to 500,000 metric tons, with at least 100,000 of these metric tons coming from smallholders. The number of coffee companies supporting biodiversity conservation by selling sustainable coffee will increase to approximately 580. The project will work closely with governments in producer and consumer countries to make them partners in creating market-based solutions to conservation and development problems in coffee.

9. Project Development Objective:

Increased conservation of globally important biodiversity in coffee landscapes by transformation of the coffee market in support of sustainable productive practices on coffee farms

10. Project Purpose/Immediate Objective:

Demand and sales of biodiversity-friendly coffee increases from niche to mainstream product allowing a significant growth in farms adopting biodiversity-friendly, sustainable productive practices and showing on-farm BD benefits

11. Expected Outcomes (GEF-related):

Outcome One: Demand for biodiversity-friendly coffee created on international coffee markets has increased

Outcome Two: Consumer interest to purchase certified coffee has increased

Outcome Three: National capacities to certify all sizes of coffee farms certified in biologically rich production landscapes has increased

Outcome Four: Economic sustainability of certified coffee farms has increased

Outcome Five: Increased capacity to engage policy makers in coffee-producing and consuming countries in promoting sustainable coffee practices and to monitor and respond to policy initiatives/threats to sustainable coffee.

Outcome Six: Increased learning and adaptive management

12. Production sectors and/or ecosystem services directly targeted by project:

12. a. Please identify the main production sectors involved in the project. Please put "**P**" for sectors that are primarily and directly targeted by the project, and "**S**" for those that are secondary or incidentally affected by the project.

Agriculture___P___
Fisheries_____
Forestry____S____
Tourism_____
Mining_____
Oil_____
Transportation_____
Other (please specify)_____

12. b. For projects that are targeting the conservation or sustainable use of ecosystems goods and services, please specify the goods or services that are being targeted, for example, water, genetic resources, recreational, etc

1. _____Water__
2. _____
3. _____
4. _____

II. Project Landscape/Seascape Coverage

13. a. What is the extent (in hectares) of the landscape or seascape where the project will directly or indirectly contribute to biodiversity conservation or sustainable use of its components? An example is provided in the table below.

Targets and Timeframe **Project Coverage**	**Foreseen at project start**	**Achievement at Mid-term Evaluation of Project**	**Achievement at Final Evaluation of Project**
Landscape/seascape[9] area directly[10] covered by the project (ha)	1,500,000 hectares		
Landscape/seascape area indirectly[11] covered by the project (ha)	10-15,000,000		

Explanation for indirect coverage numbers:

[9] For projects working in seascapes (large marine ecosystems, fisheries etc.) please provide coverage figures and include explanatory text as necessary if reporting in hectares is not applicable or feasible.
[10] Direct coverage refers to the area that is targeted by the project's site intervention. For example, a project may be mainstreaming biodiversity into floodplain management in a pilot area of 1,000 hectares that is part of a much larger floodplain of 10,000 hectares.
[11] Using the example in footnote 5 above, the same project may, for example, "indirectly" cover or influence the remaining 9,000 hectares of the floodplain through promoting learning exchanges and training at the project site as part of an awareness raising and capacity building strategy for the rest of the floodplain. Please explain the basis for extrapolation of indirect coverage when completing this part of the table.

The biodiversity value of certified farms in a coffee landscape is likely to reach well beyond the certified farms themselves, depending on the certification activity and the threats against biodiversity in the surrounding area, because species typical for much larger ecosystems can survive on sustainable coffee farms in conjunction with remaining tracts of intact habitat, even if the larger ecosystem is degraded. On average, the area which will benefit from coffee certification could be as large as 7-10 times the size of the certified farms themselves, between 10-15 million hectares by the end of the project

13. b. Are there Protected Areas within the landscape/seascape covered by the project? If so, names these PAs, their IUCN or national PA category, and their extent in hectares.

	Name of Protected Areas	**IUCN and/or national category of PA**	**Extent in hectares of PA**
1. Brazil	• Serra da Canastra Park • Serra da Mantiqueira Protection Area • Rebes Duas Bocas Biological Reserve • Parque Nacional do Caparaó • Parque Estadual da Pedra Azul no Espirito Santo	IUCN II Protection Area N.A. IUCN II N.A.	71,525 422,873 26,000
2. Colombia	• Parque Nacional Natural: Serranía de los Yariguies • Santuario de Flora y Fauna de Guanenta Alto Rio Fonce • Santuario de Flora y Fauna de Iguaque	Natural National Park IUCN II IUCN II	78,837 10,429 6,750
3. El Salvador	• El Imposible National Park • Los Volcanes National Park • "Complejo" Las Lajas • "Complejo" Joya de Ceren • "Complejo" Barra de Santiago	IUCN II Protective Zone Not Known Protective Zone Not Known	3,820 350 516 823 296
4. Guatemala	• Visis Caba Biospere Reserve • Sierra de los Cuchumatanes Special Protection Area • Atitlan Multiple Use Area • Volcan Fuego, "Zona de veda definida" • Santo Tomas y Zunil" Zona de veda definida" • Lacandon"Zona de veda definida"	IUCN VI Special Protection Area Multiple Use Area Zona de veda definida IUCN VI Zona de veda definida	45,000 97,619 89 4,526 4,325 2,972
5. Honduras	• Montecillos Biological Reserve • Montaña Santa Bárbara National Park • Cerro Azul de Meambar National Park • Cusuco National Park	Biological Reserve National Park IUCN II IUCN II	13,120 12,130 15,500 18,400

6. Peru	• Alto Mayo Protected Forest • Cordillera de Colan Reserve Zone • Tabaconas-Namballe National Sanctuary • Santiago Comaina Reserve Zone • Cordillera Azul National Park • Rio Abiseo National Park	IUCN VI Reserve Zone IUCN III Reserve Zone National Park IUCN II	182,000 64,114 295,000 1,642,567 1,353,191 274,520

III. Management Practices Applied

14.a. Within the scope and objectives of the project, please identify in the table below the management practices employed by project beneficiaries that integrate biodiversity considerations and the area of coverage of these management practices? Note: this could range from farmers applying organic agricultural practices, forest management agencies managing forests per Forest Stewardship Council (FSC) guidelines or other forest certification schemes, artisanal fisherfolk practicing sustainable fisheries management, or industries satisfying other similar agreed international standards, etc. An example is provided in the table below.

Targets and Timeframe **Specific management practices that integrate BD**	**Area of coverage foreseen at start of project**	**Achievement at Mid-term Evaluation of Project**	**Achievement at Final Evaluation of Project**
1. Biodiversity-friendly coffee production (agroforestry) according to standards defined by the Rainforest Alliance certification system	1,500,000 hectares by year 7		

14. b. Is the project promoting the conservation and sustainable use of wild species or landraces?

____Yes __x__ No

If yes, please list the wild species (WS) or landraces (L):

Species (*Genus sp.*, and common name)	Wild Species (please check if this is a wild species)	Landrace (please check if this is a landrace)
1.		
2.		
3.		
4…		

14. c. For the species identified above, ***or other target species of the project not included in the list above (E.g., domesticated species)***, please list the species, check the boxes as appropriate regarding the application of a certification system, and identify the certification system being used in the project, if any. An example is provided in the table below.

Certification Species				

14. d. Is carbon sequestration an objective of the project?

☐ *Yes* *x No*

If yes, the estimated amount of carbon sequestered is: _____

IV. Market Transformation and Mainstreaming Biodiversity

15. a. ***For those projects that have identified market transformation as a project objective****, please describe the project's ability to integrate biodiversity considerations into the mainstream economy by measuring the market changes to which the project contributed.*
The sectors and subsectors and measures of impact in the table below ***are illustrative examples, only****. Please complete per the objectives and specifics of the project.*

Name of the market that the project seeks to affect (sector and sub-sector)	**Unit of measure of market impact**	**Market condition at the start of the project**	**Market condition at midterm evaluation of project**	**Market condition at final evaluation of the project**
Sustainable agriculture (Certified Sustainable Coffee)	500,000 tons of Certified Sustainable Coffee sold	*30,000 tons sold*		

15. b. Please also note which (if any) market changes were directly caused by the project.

_____

_____

_____

V. Improved Livelihoods

16. For those projects that have identified improving the livelihoods of a beneficiary population based on sustainable use /harvesting as a project objective, please list the targets identified in the logframe and record progress at the mid-term and final evaluation. An example is provided in the table below

Improved Livelihood Measure	Number of targeted beneficiaries (if known)	Please identify local or indigenous communities project is working with	Improvement Foreseen at project start	Achievement at Mid-term Evaluation of Project	Achievement at Final Evaluation of Project
1. Economic sustainability for farmers	At least 50,000 farmers		At least 50% of farmers achieve market benefits through certification (such as price premium or better terms of trade)		
2. Farm worker income	At least 100,000 permanent farm workers and at least 500,000 seasonal workers		All farm workers on certified farms earn minimum wage		
3. Farm worker access to health care	At least 100,000 permanent farm workers and at least 500,000 seasonal workers		All farm workers on certified farms have access to regular health care		

VI. Project Replication Strategy

17. a . Does the project specify budget, activities, and outputs for implementing the replication strategy? Yes_x_ No___

17. b. Is the replication strategy promoting incentive measures & instruments (e.g. trust funds, payments for environmental services, certification) within and beyond project boundaries?
Yes_x__ No___

If yes, please list the incentive measures or instruments being promoted:
"Rainforest Alliance Certified" gives a series of incentives for sustainable production (see project document for details)

17. c. For all projects, please complete box below. Two examples are provided.

Replication Quantification Measure (Examples: hectares of certified products, number of resource users participating in payment for environmental services programs, businesses established, etc.)	**Replication Target Foreseen at project start**	**Achievement at Mid-term Evaluation of Project**	**Achievement at Final Evaluation of Project**
1. Number of farmers applying sustainable coffee management practices	At least 50,000 farmers		
2. Hectares of biodiversity-friendly coffee production under certified management that incorporates biodiversity considerations	1,000,000 hectares		

VII. Enabling Environment

For those projects that have identified addressing policy, legislation, regulations, and their implementation as project objectives, please complete the following series of questions: 18a, 18b, 18c.

An example for a project that focused on the agriculture sector is provided in 18 a, b, and c.

18. a. Please complete this table at **work program inclusion for each sector** that is a primary or a secondary focus of the project.
Please answer YES or NO to each statement under the sectors that are a focus of the project.

Sector Statement: Please answer YES or NO for each sector that is a focus of the project.	Agriculture	Fisheries	Forestry	Tourism	Other (please specify)	Other (please specify)
Biodiversity considerations are mentioned in sector policy	Yes		Yes			
Biodiversity considerations are mentioned in sector policy through specific legislation	No		Yes			
Regulations are in place to implement the legislation	No		No			
The regulations are under implementation	No		No			
The implementation of regulations is enforced	No		No			
Enforcement of regulations is monitored	No		No			

18. b . Please complete this table at **the project mid-term for each sector** that is a primary or a secondary focus of the project. Please answer YES or NO to each statement under the sectors that are a focus of the project.

Sector **Statement: Please answer YES or NO for each sector that is a focus of the project.**	**Agriculture**	**Fisheries**	**Forestry**	**Tourism**	**Other (please specify)**	**Other (please specify)**
Biodiversity considerations are mentioned in sector policy						
Biodiversity considerations are mentioned in sector policy through specific legislation						
Regulations are in place to implement the legislation						
The regulations are under implementation						
The implementation of regulations is enforced						
Enforcement of regulations is monitored						

18. c. Please complete this table at **project closure for each sector** that is a primary or a secondary focus of the project. Please answer YES or NO to each statement under the sectors that are a focus of the project.

Sector **Statement: Please answer YES or NO for each sector that is a focus of the project.**	**Agriculture**	**Fisheries**	**Forestry**	**Tourism**	**Other (please specify)**	**Other (please specify)**
Biodiversity considerations are mentioned in sector policy						
Biodiversity considerations are mentioned in sector policy through specific legislation						
Regulations are in place to implement the legislation						
The regulations are under implementation						
The implementation of regulations is enforced						
Enforcement of regulations is monitored						

All projects please complete this question at the project mid-term evaluation and at the final evaluation, if relevant:

18. d. Within the scope and objectives of the project, has the private sector undertaken voluntary measures to incorporate biodiversity considerations in production? If yes, please provide brief explanation and specifically mention the sectors involved.

An *example* of this could be a mining company minimizing the impacts on biodiversity by using low-impact exploration techniques and by developing plans for restoration of biodiversity after exploration as part of the site management plan.

VIII. Mainstreaming biodiversity into the GEF Implementing Agencies' Programs

19. At each time juncture of the project (work program inclusion, mid-term evaluation, and final evaluation), please check the box that depicts the status of mainstreaming biodiversity through the implementation of this project with on-going GEF Implementing Agencies' development assistance, sector, lending, or other technical assistance programs.

Time Frame Status of Mainstreaming	Work Program Inclusion	Mid-Term Evaluation	Final Evaluation
The project is not linked to IA development assistance, sector, lending programs, or other technical assistance programs.			
The project is indirectly linked to IAs development assistance, sector, lending programs or other technical assistance programs.	x		
The project has direct links to IAs development assistance, sector, lending programs or other technical assistance programs.			
The project is demonstrating strong and sustained complementarity with on-going planned programs.			

IX. Other Impacts

20. Please briefly summarize other impacts that the project has had on mainstreaming biodiversity that have not been recorded above.

Part (Annex) XVII: Response to Reviews

A. GUIDANCE FROM THE CBD SECRETARIAT

Response to CBD Secretariat comments		
CBD Comment	Response to comment	Reference to change in project document
The Secretariat has reviewed the proposal and finds it weak in terms of COP guidance. Although this is an important initiative we suggest more attention is given to the guidance provided by the COP.	The Project Document's section of Policy Conformity now better explain how the project has used COP guidance in the project design. This includes a reference to the Addis Ababa Principles and Guidelines for the Sustainable Use of Biological Diversity. The project is in close harmony with the decisions VII/12 and VII/18 of the last Conference of the Parties, and generally contributes to the key principles of the Convention's Article 10 on Sustainable Use.	See paragraphs 207-210 of the UNDP Project Document and paragraph 69 of the Executive Summary

B. STAP REVIEW

The project team would like to thank the STAP reviewer for very constructive and useful reviews. This STAP review replaces a first review of an earlier draft proposal, which was subsequently revised substantially in accordance with the STAP reviewer's comments. The earlier review is no longer relevant and is superseded by this second review.

STAP REVIEW BASED ON REVISED DOCUMENT

1. Baseline Analysis - The planned activities in paras 178 and onward need to be identified more clearly. As they stand, the document continues to identify barriers and opportunities. This is not the same as stating specifically what activities will be undertaken to overcome those barriers and achieve stated outcomes. This does happen later in the text, but the structure of the Strategy and later components needs to be clarified. Paras 181-194 are really just further details on barriers and problem analyses.
2. Part II Strategy- Further work is required to strengthen the management arrangements for implementation of the project. It is clear that major revisions have been made to the earlier project documents. However, my original comments about the need for a more robust explanation of how planned activities will deliver stated outputs and hoped for outcomes still need further consideration. Please reconsider the use of terms such as outputs and outcomes. These are sometimes confused which detracts from the integrity of the project strategy ad the design of the implementation arrangements. Some suggestions follow:
    a. It may be better to give details of the Project Conformity after you have set out the Goal, Objectives, Activities, Outputs and Outcomes
    b. The Outcomes set out in Para 213 repeat what has been said in Para 176.

c. Para 215- Change "barrier" to challenge (Increasing the market demand for certified coffee on international coffee markets is the single most important *challenge* in expanding certification activities in producer countries and thereby expanding coffee production area under sustainable management.
d. Many of the Outputs still need to be re-worded as they tend to describe Outcomes. Examples: Para 218- the way the Output is expressed it describes an outcome (*Output 1.1 Existing markets and market segments expanded- this is really an outcome) The same is true for outputs 1.2 and 1.3*

Response to STAP review comments		
STAP review comment	Response to comment	Reference to change in project document
Baseline Analysis - The planned activities in paras 178 and onward need to be identified more clearly. As they stand, the document continues to identify barriers and opportunities. This is not the same as stating specifically what activities will be undertaken to overcome those barriers and achieve stated outcomes. This does happen later in the text, but the structure of the Strategy and later components needs to be clarified. Paras 181-194 are really just further details on barriers and problem analyses.	The activities mentioned in the baseline analysis are not planned as a part of the project intervention, but are activities which are already done by a series of actors to promote sustainability in coffee. We have sought to explain this better in paragraphs 177-204. It is concluded in par. 204 that baseline activities are not sufficient to overcome the barriers to scaling up sustainable coffee production. The gap between what is needed and what is currently being done is what justifies the GEF intervention. The outcomes of the project intervention each address on of the six major barriers to increase sustainable production. The planned activities and outputs are explained under each outcome.	Rewritten paragraphs 177-204 in Project Document
Part II Strategy- Further work is required to strengthen the management arrangements for implementation of the project. It is clear that major revisions have been made to the earlier project documents. However, my original comments about the need for a more robust explanation of how planned activities will deliver stated outputs and hoped for outcomes still need further consideration.	Management Arrangements are described under Part III, and not under Part II: Strategy. We have sought to explain better how the planned activities will deliver stated outputs in the Strategy section. Management arrangements have been rewritten and substantially strengthened in the Management Arrangement section.	See Project Goal, Objective Outcomes and Outputs/Activities section in Part II: Strategy. Part III: Management Arrangements has been rewritten.
Please reconsider the use of terms such as outputs and outcomes. These are sometimes confused which detracts from the integrity of	The document has generally been prepared with the terminology prescribed by UNDP for GEF projects. We have, however,	

the project strategy ad the design of the implementation arrangements. Some suggestions follow:	followed several of the concrete suggestions below.	
It may be better to give details of the Project Conformity after you have set out the Goal, Objectives, Activities, Outputs and Outcomes	The order of the sections follow the format prescribed by UNDP and the GEF	
The Outcomes set out in Para 213 repeat what has been said in Para 176.	This has been addressed so it doesn't seem repetitive. The review of baseline activities is now divided according to which barrier they help overcome, instead of which project outcome they contribute to.	Revised text par. 177-204
Para 215- Change "barrier" to challenge (Increasing the market demand for certified coffee on international coffee markets is the single most important *challenge in* expanding certification activities in producer countries and thereby expanding coffee production area under sustainable management.	This is done as suggested	See current paragraph no. 216
Many of the Outputs still need to be re-worded as they tend to describe Outcomes. Examples: Para 218- the way the Output is expressed it describes an outcome (*Output 1.1 Existing markets and market segments expanded- this is really an outcome) The same is true for outputs 1.2 and 1.3*	We have reformulated outputs as suggested	Ouput formulations have been adjusted throughout Project Strategy and logical framework matrix.

C. RESPONSE TO GEF SECRETARIAT COMMENTS

Response to GEF Secretariat review comments		
GEFSEC review comment	Response to comment	Reference to change in project document
Please note total project financing is now $73.6 M and the GEF contribution totals 12.64 M. Of note is the co-financing of $50.5 M from companies which represents 68% of total funding. To avoid confusion, please explain in para. 27 why the co-financing figure of the PS will reach $360M	The total project financing has been increased to a total of 122.1 M upon receipt of additional co-financing commitments. Company co-financing is now 84.0 M representing 69% of total funding. Formulation in para. 27 was erroneous. Numbers referred to leveraged financing, not co-financing.	Numbers have been adjusted throughout the project document
Please note that the pages in the Annex section do not correspond to the TOC	Annex numbers have been adjusted	Please see adjusted Table of Contents p. 5 of the Project Document

Expected at CEO Endorsement		
Please include the lessons learned from the Chemonics review on coffee certification in the project design	The Chemonics review on coffee certification systems was one of many documents and studies examined as part of the project preparation process and the lessons from all of these have been fully incorporated in project design	Please see reference in par. 79 of the Project Document
It would be useful to identify the source of co-financing provided for each outcome	Source of co-financing for each outcome has been provided in the project budget	Please refer to the project budget

D. RESPONSE TO GEF COUNCIL MEMBERS' COMMENTS

The Council Members' comments and suggestions have led to a number of revisions of the main proposal. Additional clarifications on several issues have been provided in the table below. Unfortunately it seems that the extensive set of annexes submitted to the GEF Secretariat on 29 September, 2005 has not found its way to the council members (as noted in the comments from Switzerland). In the responses to comments, clarification has been provided on issues that might not have appeared clear without the annexes, and the annexes are resent for the consideration of the Council Members.

Council members' comments	**Response to comments**	**Reference to section/ adjustment**
Comments from France		
Expected outputs are huge [...] If outputs can be reached, the project is excellent. Then GEF Secretariat should monitor quantitative output indicators	The project will rigorously monitor the impacts of the project and duly report on them to the GEF Secretariat	
Comments from Germany		
[...] it may be discussed whether certification of coffee that has been produced according to the Rainforest Alliance standard on such a broad level as suggested in the proposal is the right approach. Certification is not an objective as such, but only a tool to proof that certain conditions which are claimed in marketing are verifiable. [...] Certification as such has no impact on the environmental and	To become certified by Rainforest Alliance, a farm must comply with rigorous standards which ensure that production is contributing to conservation of species and local ecosystems. For most farmers, living up to the standards means implementing multiple improvements on their farms. RAC obliges farmers to increase tree cover with native tree species; reduce the use of pesticides and implement Integrated Pest Management practices; implement water conservation measures, including protection zones around water bodies and waste water treatment systems; regenerate habitats by reforestation of areas with poor soils and steep slopes; and reduce pressure on wildlife through environmental education programs and curbing of extraction of plants and animals. As a result, sustainable coffee farms form habitat for a large number of species, and serve as buffer zones, biological corridors, or "ecological stepping stones" between natural	Please refer to Annex IX: Typical on-farm changes and benefits of Rainforest Alliance coffee certification, and Annex XI: Global Biodiversity Value of Project Coffee Regions ("The Role of

social conditions in coffee areas.	areas, thus facilitating species migration and gene flow. The project will help farmers in their work to implement the improvements necessary to attain the standards. The environmental benefits of forested coffee farms managed according to certification guidelines have been well studied, as summarized in the appendices. The importance of coffee farmers implementing sustainable, biodiversity-friendly practices cannot be overstated. Virtually all the world's coffee is grown in biodiversity-rich, critically endangered eco-regions. All this project's selected coffee regions lie within some of the most endangered and biodiversity-rich hotspots on the Planet (Mesoamerica, Tropical Andes, Brazilian Cerrado and Brazilian Atlantic Forest). Certification is not intended as a substitute for conservation of remaining natural areas in these regions, but Rainforest Alliance's standards ensure sustainable coffee farming in biodiversity rich production landscapes is an important complement to other conservation work. In addition to guaranteeing on-farm change, the seal awarded to certified farmers follows the sustainable product from the farm and through the supply-chain to the consumer. The seal allows the consumer to show preference for a product grown under sustainable conditions. By linking consumer preference for sustainable products with sustainable coffee production practices, Rainforest Alliance certification creates powerful and lasting incentives for farmers to conserve ecosystems and create social improvements for workers.	Sustainable Coffee Plantations in Preserving Globally-important Biodiversity")
So far, the global market for certified coffee is limited to a niche of about 3%, though demand is increasing continuously	The Netherlands-based Green Development Foundation, which supports the four major certification organizations, estimates that currently 7-8% of the world's coffee production is now certified. The market demand for RAC is increasing rapidly, as pointed out in annex VII-A, which appears not to have been made available for the reviewer. To cover increasing demand, total RAC certified area has increased from 93,000 ha at the time of submission to currently 110,000 ha. Given the enormous size of the global coffee market, even relatively minor shifts towards sustainable, biodiversity-friendly production represent huge values compared to other funding available for global conservation efforts. To illustrate, each additional percent of the world's coffee production, which is certified according to RAC standards, means 100,000 hectares of biodiversity friendly agriculture in critically endangered biodiversity hotspots. Each additional percent of the coffee on international coffee markets that is sold as Rainforest Alliance Certified represents a yearly value of more than USD 100,000,000 paid directly to farmers. This project will protect ecosystems on coffee farms totaling an	Please refer to Annex VII-A

	area larger than Costa Rica's system of protected areas.	
3 of the 6 suggested outcomes are in direct interest of buyers of sustainable coffee, rather than in the interest of supplyers of sustainable coffee. It is in the interest of coffee roasters to increase demand for sustainable coffee, to raise consumer's interest to purchase certified coffee and to increase capacity to engage policy makers in coffee-producing and consuming countries in promoting sustainable coffee practices. All these three outcomes are primarily in the commercial interest of the selling companies than in the interest of the environment or coffee growers. It must be stressed that the impact of the project focusses on protection of the environment and benefits for coffee growers	Coffee companies are demand driven and have incentive to meet existing demand for sustainable coffee in the market place, but as consumer demand for sustainable coffee is still relatively low, many companies do not necessarily have a marked interest in working on their own to change consumer preferences. However, by helping companies with understanding sustainability issues and understanding how sustainability can become a part of their business model – which this project aims to do – it is oftentimes possible to catalyze remarkable shifts in companies' attitudes and investment priorities. An example from Rainforest Alliance's banana certification program can illustrate this. Chiquita Brands has worked for more than a decade to implement rigorous Rainforest Alliance standards on all the company's banana plantations. For many company employees, this has been a process where initial skepticism has been replaced with acceptance and later with enthusiasm for sustainability concepts. As a result, Chiquita now sells Rainforest Alliance certified bananas and launched a 30 million dollar marketing campaign in nine European countries in which they explain to consumers why Chiquita has been working intensively with sustainability and with the Rainforest Alliance. The campaign is in Chiquita's own interest but the company's change process is not likely to have occurred without the support of the Rainforest Alliance. This project will not in any way subsidize what is in the direct interest of coffee companies, but it will help strengthen a certification system that is able to catalyze large shifts in company investments and buying patterns. While companies' ventures into sustainability can be driven by a mix of business interest, risk mitigation, image improvement and genuine belief in the need to promote a common good, the resulting change in coffee companies' behavior will benefit farmers, workers, and the environment.	
Certification schemes are business and demand driven mechanisms. The implementation of standards and certification of the compliance with those standards must be in the interest of the buyers and the sellers. The **scope of the project** should, therefore, reflect the **competition between existing standards and the competitive interest of companies purchasing certified coffee**. Activities with direct relation to the commercial interest of companies may create market	The question of free competition between companies is important. Rainforest Alliance's certification program has been designed so it capitalizes on market forces, rather than restricting them. Rather than fixing prices in the market place, or encouraging charity as a solution to problems in the coffee world, the Rainforest Alliance Certified seal guarantees that any company can obtain recognition in the market place by sourcing a product which is produced under sustainable conditions. Hence, sustainability becomes yet another competitive parameter for coffee companies, along with other parameters like price and quality. In order to ensure true mainstreaming of biodiversity concerns into private-sector activities, environmental externalities must be internalized into regular business practices	See discussion of design principles and strategic considerations (par. 206). Also, sections on cost effectiveness (par. 335-342), and co-financing and leveraging potential in section III

conditions that are not based on free competition of companies.	The project will not support activities that are in the direct commercial interest of any company. Rather, the project will remove barriers to allow any company to address environmental and social concerns as a part of their business model. The shift from business-as-usual without particular emphasis on sustainability to sustainable sourcing is difficult for many companies. Prior to investing significant amounts in changing sourcing policies and launching certified brands in the marketplace, companies need to understand how sustainability can be part of a commercially viable business model, how to communicate a sustainability message, that there is a market for certified products, what is the supply situation for the particular coffees in their blends, how they can get their staff trained to manage sustainability issues, just to mention some of the issues at stake. This project will work with coffee companies to convince them that sustainability works commercially. The project will seek to work with all companies that have an interest in environmental and social sustainability. Understanding the issues, the companies will then themselves undertake the investments necessary to promote what is in their commercial interest.	
It seems as if the private contribution is partly building on premiums paid by buyers of certified coffee. This premium is estimated to be on a constant level of 10 cts/lb. Currently a grower of certified coffee in Latin America receives in average a price for RAC coffee of 46 cts/lb, whereas for bird friendly he receives 52 cts/lb and for organic 50 cts/lb (in dry parchment coffee) (source: CIMS 2005). This includes a premium for RAC between 5-10 cts/lb in a constant under-supply situation of RAC coffee through the buying commitments of some big roasting companies. However, it is **fully hypothetical to estimate a growing demand of RAC coffee during the next 7 years with the current growing rates**, as done in the proposal. Though this market has grown enormously, it is still questionable if constant premiums will be paid to coffee growers. The Rainforest Alliance does not provide fixed price	The growth scenarios in the proposal are not based on current RAC growth rates, but rather on demand increase scenarios that came out of a survey of 70 coffee companies. The growth rates estimated in the proposal are substantially lower than the average RAC growth rates over the last 3 years. Furthermore, the market price for coffee has increased dramatically during 2005. The International Coffee Organization's average "Composite Price" for 2005 was 89.36 US cents per pound, and the average price for January 2006 was slightly over one dollar per pound. During the PDF B, the project team had CIMS survey the average premium paid to farmers for RAC coffee. Average premiums amounted to 12 US cents per pound. The size of the premium is likely to fluctuate over time, and will depend on supply in relation to demand, as well as several other factors. CIMS found that a majority of coffee companies expected the premiums to continue. This project will help increase demand for RAC coffee, thus – *ceteris paribus* – increasing the likelihood of a high premium. For project planning purposes, to estimate a value of the premiums that will be paid during the project's lifetime, was set at 10 US cents per pound, lower than the current premium levels. It should be emphasized, though, that the premium should not be regarded as the most important benefit of certification.	Please refer to Annex VIII-A for information regarding growth projections

premiums, but premiums that are freely floating with the market's demand and supply. As in the current market situation there is a constant demand for RAC coffee, price premiums are stable and high. Market analysts expect that this situation is not long lasting.		
It is important to stress that currently certified producers sell only a range of between 30 to 50% of the certified coffee into certified markets, where they receive the full price premium. All other coffee goes basically into conventional markets, where only quality components of coffee are remunerated. It must be noted, that the **project gives the impression that all certified coffee goes into certification markets**, which is not the case.	It is fully correct that not all coffee certified will be sold to buyers who will apply the certification seal or that all certified coffee will command a premium price. This has been further clarified in the project document. It is worth noting, however, that even if the farmer does not sell all his coffee as RAC, certification still brings a series of benefits, such as bringing farms to the attention of markets, increasing the farmers' negotiating power at time of sale, generally increasing coffee quality and reducing farm production costs. Rainforest Alliance is investigating the best ways to measure the direct as well as the indirect economic benefits of certification. Finally, it should be noted that some of the RAC coffee that will not be sold as RAC, is very likely to be sold under other sustainability programs, such as Organic, or Starbuck's C.A.F.E. practices, because many RA certified producers hold other certifications as well.	Clarification added in par. 229 and 339 of the project document
Certification of coffee shall be in an interest of market participants. Therefore, such a **significant support from public actors for one certification scheme may also distort the competition of certification schemes in Latin America**, which should be fully market driven	One must distinguish between market competition between coffee companies, and what some perceive as competition between certification schemes. No certification scheme will distort the competition between companies, as all companies are free to enter the schemes they find will best help them address sustainability issues. The coffee sector largely perceives sustainability in coffee production as a "pre-competitive" issue, and the coffee industry is already working together with stakeholders to address sustainability, e.g. through the Common Code for the Coffee Community (www.sustainable-coffee.net). Contrary to popular belief, coffee companies do not prefer excessively low market prices, but rather stable supplies and stable prices of the types and qualities of coffee they need. The recent severe coffee crisis not only hurt producers, but also caused serious problems in the coffee companies' supply chains when long-time suppliers went out of business or left the coffee beans un-harvested because production costs exceeded market prices. The coffee crisis also hurt coffee companies' public image as consumer groups accused companies of benefiting from human tragedy in coffee producing communities. Consequently, most coffee companies have realized that it is in their common interest to address sustainability issues at an industry level. As to the perceived competition between certification schemes, the main certification schemes are complementary. They emphasize different aspects of sustainability, apply to	Multiple sustainability benefits by RAC certification are explained in Annex IX. Please see par. 79 for additional description of the different nature of certification schemes.

	different farms, and appeal to different consumer groups. But the main certification schemes do not place equal emphasis on biodiversity conservation. The rationale for the GEF in using RAC as an intervention strategy in this project is because its standards best help protect wildlife habitat and conserve biodiversity in coffee landscapes, while it also brings social and economic benefits to workers and producers. The GEF has clearly stated its commitment to mainstreaming of biodiversity concerns into productive sectors, and it is appropriate that it supports the only certification system which produces tangible GEF-eligible benefits in coffee landscapes. Other certification schemes have other priorities and strategies, which are not GEF-eligible. Fairtrade, for example, attempts to protect small producers from fluctuations on international coffee markets by guaranteeing a minimum price paid to the producer, and does not emphasize wildlife protection. Organic certification emphasizes the elimination of synthetic agrochemicals in farming and soil protection measures, which does produce environmental benefits but is not tantamount to biodiversity conservation. Other certification systems, such as Utz Kapeh, are entry-level standards mainly concerned with food safety and product traceability issues, arguably with limited impact for wildlife in coffee landscapes. All these certification schemes depend on donor funding (see response below).	
"Coffee certification, where the production and processing practices meet diverse social and environmental standards, is considered by many people in Latin America as a good strategy to ensure better process and marketing options. When the reality of the international market and the region's industry is analyzed in detail, what may be concluded is that the economic benefit of sustainability certification, measured in terms of its positive impact on coffee prices, increasingly tends to be less." (Andrés Villalobos, "Prices and premiums for certified coffee", by: Sustainable Markets Intelligence Center CIMS, 2005).	With regard to the economic benefit of sustainability certification, in terms of its positive impact on coffee prices, the merits of certification schemes should not only be seen in terms of an increased market price for certified coffee, but also in terms of better access to markets and increased demand for certified coffee. Many farmers obtain substantial efficiency gains because the certification process lead to better business practices as farmers start to systematize production and document production costs. Often worker productivity increases and turnover decreases as workers' livelihoods improve. Not least, many of the sustainability benefits derived from Rainforest Alliance certification are either intangible or difficult to measure in strictly economic terms. This applies to the value of conserving wildlife and the value of a clean potable water supply, for example.	
We suggest that the GEF should be **cautious about the committed contribution of the private partners as it is questionable that price premiums for RAC will stay on**	All co-financing figures provided in the proposal are based on written letters of commitment from respected coffee companies. The partner companies have done formal and intensive internal planning processes and the co-financing amounts are based on the price premiums companies plan to pay and the amount of coffee they plan to purchase. The	

today's level.	participating companies have not taken it lightly to provide these sensitive data for a publicly available document, and the projections represent the best available estimate of sustainability premiums. It should also be pointed out that sustainability premiums registered in the co-financing letters are just a small share of the total amount of sustainability premiums that companies will pay for RAC coffee during the project's lifetime.	
Comments from Switzerland		
Increase of the demand for RAC coffee The sustainability of the project depends to a high degree on the broad recognition, acceptance and financial validation of the RAC seal and certification system by the coffee industry and consumers. Around 43 % of GEF funds will be allocated in this area (Outcome 1 and Outcome 2). We regret that the information provided is not more explicit about the assumptions of increasing RAC certification and subsequently the export to a total amount of 10 % of the total global coffee market. We further regret the missing Annex VIII-A, where these issues are discussed. However, it is acknowledged that these issues are taken into consideration as possible barriers to sustainable production.	It is regrettable that the annexes, which were submitted to the GEFSEC on 29 September, have not been made available to the council members. The current project document contains the original information to which is made reference. The growth targets were determined after a comprehensive study undertaken during the project's design phase, in which a total of 70 coffee companies were surveyed about their current and projected needs for RAC coffee.	Annex VIII-A is re-submitted as documentation of the deliberations behind the project targets.
Synergies with existing certifications and brands for sustainable coffee Coffee markets do not yet recognise a clear and transparent certification scheme of 'sustainable' coffee. Recent studies [Giovannucci 2001 & 2003] show that mainly the organic, fair trade and eco-friendly certified coffees are considered 'sustainable'. An important increase in double or triple certification during the last years can be observed. We regret that the existence of other certification schemes, of possible	Coffee sustainability and certification is a fast-moving world, and 3-5 years ago the size of Rainforest Alliance's certification program was still limited. At the time Mr. Giovannucci grouped several schemes in a 'sustainability' category. This has changed. At the April 2006 Specialty Coffee Association of America conference (the biggest annual event in the coffee world), Mr. Giovannucci held a presentation of the main sustainability certification systems, where he prominently featured Rainforest Alliance. Despite the suggestions of confusion in the marketplace, there is no evidence that consumers or markets are inhibited by the various seals. On the contrary it is often argued that the existence of several systems have actually helped expand the total amount of sustainability certified coffee available to consumers. While more choice might seem confusing to some, many will appreciate the existence of programs that let	Further clarification on certification schemes is provided in paragraph 79 of the project proposal. New activity is added under Output 2.3

synergies, or competing strategies are not further discussed. The studies mentioned observe that alternative certifications have a considerable risk of causing confusion for the coffee industry and consumers.	consumers show preference for the issues they are most concerned with. This is essentially a question of market segmentation: while there are still many mainstream consumers who are not overly concerned with sustainability issues, the segments of consumers who care and who are conscious of the influence they exercise through their product preference is undoubtedly growing fast. Sustainability consists of a series of complex issues that cannot be boiled down to one "fit-all" solution. The project will work with companies and media in consumer countries to clarify for consumers the meaning behind the different seals (see outputs 2.1 and 2.2). Of key importance that major news media have begun writing about sustainability principles and certification schemes. RA and SAN staff work continually with the managers of other certification programs, both in the field and in the marketplace. Rainforest Alliance collaborates with both Fairtrade, Organic and a number of other certification and accreditation organizations in the International Social and Environmental Accreditation and Labelling (ISEAL) alliance. To exploit synergy benefits to the maximum and avoid duplicity between certification schemes, formal activities to facilitate dialogue and coordination between certification organizations have been included under output 2.3	
Furthermore, with the current project and the proposed GEF support, the RAC system will get an important advantage, touching in some degree the competition rules among the coffee certification systems. In this sense, GEF should pay further attention to avoid distortions in the market competition of the private sector, by creating privileges for some of them	Certification systems such as Fairtrade, Organic, Utz Kapeh and Rainforest Alliance Certified should be regarded as public, civil society driven initiatives, and are not competing the way that private companies compete in the marketplace. RAC is chosen for this project for its ability to catalyze conservation of biological diversity, and it is the only certification scheme to produce GEF-eligible benefits. It is important to recognize that the different coffee certification programs all offer instruments which allow the private sector to receive recognition for efforts invested in favour of the 'global commons.' Whether they work to eliminate pesticide use, improve conditions for farm workers, guarantee better prices for poor farmers or protect wildlife, the certification programs let companies get recognition for the extra effort which lies over and above what they are required to do. It should be recognized that certification systems are valuable instruments that promote voluntary activities for the larger public good. Therefore, it is appropriate that the certification systems receive support from private and public donors concerned with the public good, and – in fact – all certification organizations do receive substantial contributions for their programs. To illustrate this is provided a few examples from publicly available annual reports: • In 2004, IFOAM – the Organic umbrella organization – received EUR 639,000 worth of donations for projects,	

	including from several European governments • FLO, the worldwide Fairtrade organization received USD 864,616 in external grants for projects in 2004. During the same year, Transfair, the national Fairtrade organization in the US, received USD 531,000 in grants from a variety of donors • The certification organization of Utz Kapeh received EUR 790,000 in subsidies from public and private donors in 2004, and EUR 1,146,016 for 2005	
We miss the discussion of converting or adapting alternative certified producers (organic, fair trade, eco-friendly) into the RAC scheme. One may ask if this causes significant trade-offs between certification schemes instead of increasing the amount of producers benefiting from value adding certification systems	Multiple certification of the same farm is already a reality, but it is not necessarily a goal for all farmers, as it is likely to increase cost of production. Rather, each farmer should select the certification scheme that best fits his situation. While Rainforest Alliance will work to increase collaboration between certification schemes, full convergence of the existing schemes into one is not realistic, or desirable. For example: Fairtrade aims exclusively at small farmers, while other schemes are also concerned with sustainability on larger farms. Organic production is possible for some farmers, but many others find that yields diminish to the point where farms are not profitable. Some farmers find that Rainforest Alliance's shade requirements do not fit with their mechanized and intensive production methods. Utz Kapeh appeals to producers and coffee companies who operate in mainstream markets with razor-thin margins and selling to consumers who are not willing to pay the higher premiums of other certification schemes. The presence of different certification schemes gives both farmers and consumers a choice. The possibility for farmers and consumers to choose a certification scheme that fits his or her situation and beliefs is likely to engage more people in sustainable coffee production. For farmers who do want to hold multiple certifications, the project will seek to bring down cost by harmonizing standards and audit procedures, where possible, between different certification schemes. The number of farmers who can benefit from a value-added from certification is determined more by market demand for certified products than by collaboration between certification schemes.	See revised text par. 79 and 82 of the project document. New activity is added under Output 2.3
<u>Technical and financial assistance for coffee producers</u> Adapting RAC-conform production methods implicates for coffee producers not only the need for access to knowledge and information, but also access to training, communication, financial and other non-financial business services. The project description concentrates mainly	The RAC standards do require certain good practices to be implemented on farms. Therefore, a RAC certification will typically not only bring about ecological and social benefits, but also help make the farm more efficient. However, most of the issues mentioned in Outcome 4 are not prerequisites for RAC certification. For example, the RAC standards do not require farmers to improve their coffee quality, or become better businessmen when selling their coffee to buyers. But the broad majority of the coffee community believes the farmers need access to technical assistance to make them more robust to weather a future coffee crisis. This applies to all	

on certification issues, describes. the changes in farm management and adapting new production practices as a logical consequence of the certification activities. Especially for small producers, this cause-effect link will most probably not apply	farmers, but particularly to small farmers who tend to be more vulnerable. Small farmers – often organized into cooperatives or producer associations – can potentially reap great benefits by establishing or strengthening internal control systems and help members improve productive practices. Motivation to join a certification program can be a driver of such a change, as can technical assistance broadly speaking. While RAC is for all farmers, technical assistance through this project will be focused particularly on small producers. The project will focus on building partnerships with microfinance institutions to provide credit to farmers and other donor projects which will build farmer capacity in business management. It will be the combined capacity building efforts which will lead to farmer sustainability.	
Financial support for small producers is mainly planned through partnerships with existing financial institutes (such as credit institutes). We would not recommend mixing the services of technical advice and supply of credits within the project	The idea to team up with existing credit providers is that – in most cases – credit is already available but due to a series of barriers, credit does not flow freely to the farmers. The project will not engage directly in provision of credit to farmers or technical advice on credit as such, but rather on facilitating contact between credit institutions and producers. Access to credit is an absolutely essential element for enhancing farmers' economic sustainability.	
<u>The level of commitment of the governments of the beneficiary countries is not yet sufficient</u> On the one hand we recognize the importance of the great commitment and degree of co-financing by the coffee private sector in the project proposal, but on the other hand we regret the small financial participation of the governments of the beneficiary countries, and in the case of Brazil, the complete lack of a financial commitment (the latter one is one of the most important coffee exporting countries of the world). Furthermore, the rather small amounts of governmental co-financing are still awaiting confirmation (totalling for all countries: 840.000 USD). Although we recognize that for project sustainability the commitments of the private sector might be more decisive than governmental co-financing, we thoroughly regret the lack so far	Government support to the project and to sustainability is considerable. Co-financing contributions to the project from government institutions amount to more than USD 900,000. Of this total, the government of Brazil provides a co-financing contribution of USD 600,000. While the coffee sectors of the project countries are indeed of key importance in national economies, the public budgets being channeled through government ministries and agencies in support of sustainability in the coffee sector are quite limited. It should be emphasized, though, that government support to the coffee sector is oftentimes channeled through national, semi-public coffee organizations such as ANACAFE of Guatemala and the National Coffee Federation of Colombia. These institutions have contributed co-financing letters amounting to USD 13 million showing robust national ownership and support of the project.	Please refer to co-financing letters from participating governments and national coffee institutions

of financial commitment of the governments of the beneficiary countries, considering particularly that the host countries are direct beneficiaries of the project, in terms of biodiversity conservation impacts as well as of economic and social benefits.		
Possible incompatibilities of the project's biodiversity database information system with the biodiversity information systems of the competent authorities of the recipient countries The project will be mainly executed by the private sector. Thus, there is a considerable risk that the valuable information on biodiversity which will be generated by the project will not be sufficiently compatible and well incorporated in the official information systems of the recipient countries' institutions. Although the project proponents seem to have the good intention of collaborating with the governmental institutions concerned, there is a need for strategy and for clear agreements on the cooperation between project and governmental institutions	The RAC certification system is a public, NGO-driven system, and the information derived from project activities and monitoring will be valuable for project country governments, and will be widely shared. The project has a healthy budget for information sharing activities. Identifying the best ways for this project to support the countries' biodiversity information systems, and establishing protocols for compatibility is a lengthy process and will be addressed in conjunction with the development of biodiversity data management systems as a part of the project's biodiversity impact monitoring. The agreements with the project country governments detailing collaboration will be established during the project's inception phase.	Please see additional comments par. 305

Conclusions and Recommendations We recognise the efforts made in the preparation of the project, support the project proposal, and recommend its approval by the GEF. The market-oriented project approach is very promising and includes all important themes and issues concerning sustainable coffee production, certification and commercialization. A main asset is the inclusion of important actors along the coffee value chain. We particularly appreciate the efforts to conglomerate the private coffee industry, government entities, and NGOs in this field. However, we would recommend considering alternative measures for project implementation with regard to the declared barriers, assumptions and risks. The challenges faced by the coffee industry do not depend on a new certification scheme Overproduction and subsequent low prices for most farmers remain at the top of the list. We would also recommend a clear strategy to cope with external factors such as market fluctuations or regional socio-economic changes in producing or consuming countries that could jeopardize the outcome of the project.	RAC – which is one of the leading and oldest coffee certification schemes – is a credible alternative with the potential to help hundreds of thousands, perhaps even millions of farmers and farm workers. But as the Swiss council member points out, it does not pretend to solve a series of fundamental problems and issues in the coffee world, such as overproduction or price fluctuations on world coffee markets. It is outside the powers of most – if not all – organizations (including governments, coffee companies, and certification systems) to control the market fluctuations of commodity markets. Since the breakdown of the International Coffee Organization's quota system, all actors have been subject to the conditions of the raw market forces. The project will work at the policy level in both producer and consumer countries to garner support for policy measures that will increase sustainability in the coffee sector. The project's strategy is to bolster coffee producers by reducing their vulnerability to the fluctuations of the market and changes in their socio-economic context. This will be achieved by providing the farmers with the on-farm and market benefits brought about by RA certification, as well as empowering them through technical assistance to increase their access to tools, information and training. Better farm management techniques and increased efficiency will help the farmer survive under shifting market conditions, and support to crop diversification will help farmers depend less on one single commodity market.	
We regret that the study of the project document did not include the parts V – XVII. We consider that these annexes would have provided a deeper insight and some of the observations made above may thus have been superfluous	It is regrettable that the annexes have not reached the council members, because they would most likely have provided clarification of a number of issues. The clarifications provided here, though, have hopefully served to eliminate remaining doubts, and earlier documentation is resubmitted for consideration of the council members.	Please refer to resubmitted annexes

Part (Annex) XVIII: Capacity Assessment of Rainforest Alliance's capacities to act as Executing Agency

Introduction

UNDP's programming strategy is a logical and natural framework for the design of capacity assessment strategies. The programme approach, involving a country strategy, national programmes, programme support documents, and specific programme implementation arrangements provides the practical framework within which capacity assessment methodologies can be applied and practical results achieved. This capacity assessment was carried out by UNDP's country office in Guatemala to review the institutional competence of Rain Forest Alliance to execute projects under the NGO Execution modality.

Capacity assessment study of Rain Forest Alliance

Rainforest Alliance, founded in 1986, is an international nonprofit conservation organization with a mission to protect ecosystems and the people and wildlife that live within them by implementing better land-use and business practices for biodiversity conservation and sustainability. Companies, cooperatives, and landowners that participate in programs meet rigorous standards for protecting the environment, wildlife, workers, and local communities.

The Rainforest Alliance (RA) is a leader in developing best management practices in agriculture, and certifies coffee and other crops according to strict environmental and social standards. Farms that meet certification requirements are awarded the *Rainforest Alliance Certified*™ seal. It is one of the first organizations in the world to utilize market forces to conserve tropical forests, launching its sustainable forestry division in 1989 and its sustainable agriculture division in 1991, the Rainforest Alliance pioneered a worldwide certification movement.

Relation to UNDP's focus areas

RA has clearly demonstrated its commitment to sustainable development, capacity development and poverty reduction. Its strategy is based on shaping market forces to recognize the added value of environmentally sound land use practices. Its main strategy and objectives are clearly related to UNDP's focus areas. In its Millennium Declaration UNDP has set a goal of eradicating extreme poverty and hunger. Rainforest Alliance actively works to improve living conditions for poor smallholders, and farm workers, as well of increasing sustainability of farms, thereby consolidating stable, economic activities that provide income and job opportunities to rural dwellers. Its certification program includes rigorous socially responsible standards for workers and communities contributing to improved livelihood conditions of the more vulnerable. UNDP's goal of guaranteeing environmental sustainability is fully congruent with RA's efforts towards ensuring environmental sustainability promoting sustainable land use practices and market demand for environmentally responsible commodities like coffee, bananas, cocoa, citrus, and timber. Rainforest Alliance's SmartWood program is the largest accredited certification body of the Forest Stewardship Council, having certified 27.5 million hectares of sustainable managed forests in 56 countries. ***Over 1,000 companies participate*** in this effort improving the quality of life of some ***65,000 farm families***. RA is strongly involved in promoting corporate social responsibility among powerful corporations like IKEA, Gibson Guitars, Amanco, Kraft Foods and Proter & Gamble and smaller yet important niche players among coffee roasters. RA's experience in these partnerships is of great relevance to UNDP's interest in partnering with the private sector in our efforts towards poverty eradication.

RA's Resource base

Technical Capacity:

1. *Undertake regular project visits and monitoring of progress benchmarks:* RA certification program requires a strong monitoring component which has ample experience with the definition of benchmarks through their development and work with environmental and social standards for their *Rainforest Alliance Certified*™ labeled products. Monitoring of these standards is the linchpin of their certification programs giving RA ample experience with it. The organization has a sophisticated and comprehensive means of measuring progress, evaluating through yearly audits all certified farms against their internationally accepted standards. Auditors write detailed reports and are subject to extensive peer review. RA is currently implementing even more sophisticated information management and accounting systems to support its monitoring and evaluation program.
2. *Ensure that periodic progress and technical reports are received and interpreted:* Progress and technical reports need to be received and interpreted but also elaborated with sound technical capacity. RA's technical capacity and ability to submit and interpret reports can be assessed by their accomplishments, such as the 27.5 million hectares of certified forests participating in their programs, its sustained leadership in promoting best management practices in agriculture, and reputable third-party certification program all of which have established a respectable name in sustainable forestry and agriculture for Rain Forest Alliance.
3. *Carry out project progress evaluations and define adaptive management needs:* RA's information management and accounting systems provide a valuable tool for progress evaluations and decisions regarding adaptive management needs. Also, Rainforest Alliance's Sustainable Agriculture Division is currently implementing structural changes to ensure adequate capacity for project execution. These include separation of certification functions from marketing, standards setting and capacity building, developing a solid, ISO65 accredited quality system for certification activities, expanding and strengthening information systems, and creating the structure for expanding the SAN in non-certification related support activities. Adaptive management principles are an integral part of this structure, and all units will periodically assess their performance and work plans according to results from the project monitoring program. The project's Steering Committee and project Management Unit is responsible for guaranteeing that this will be an ongoing process.
4. *Ensure regular consultations and when relevant partner with beneficiaries and contractors, including farmers, local government, and NGOs:* RA certification standards are created in a public consultation processes, involving multiple stakeholders that include communities, industry and specialized scientists. RA is **Secretariat of the Sustainable Agriculture Network** (SAN), a coalition of non-government organizations in Latin America, through which credible and internationally recognized models and guidelines for sustainable agriculture are created. The SAN partners currently have installed technical capacity in their existing certification teams, and work with local partners and beneficiaries, thus enabling RA to carry out regular consultations with beneficiaries and partner organizations. On the ground actions performed by this network include partnering with local farmers and local government agents and NGO's providing technical support.
5. *Ability to partner with companies and access the coffee market:* RA's already established partnerships with multinational roasters like Kraft Foods and Procter & Gamble and with small and medium players in the coffee world are examples of RA's ability to establish the partnerships and access the market that will help ensure project's success.
6. *Ability to partner with microfinancial institutions:* RA has not had substantial experience in working with financial institutions. Through project execution, Rainforest Alliance will establish working relationship with commercial banks, development banks and financial institutions in order to guarantee credit flows to farmers. Dialogue has begun with several institutions, and concrete partnerships will be developed through a Sustainable Farmers' Support Alliance. To further build and strengthen these alliances, Rainforest Alliance will retain an experienced manager for the Support Alliance.
7. *Ability to partner with government:* Rainforest Alliance and its partners in the SAN network have ample experience in working with specialized agencies and ministries of producer country governments that are responsible for sustainable agricultural, forestry, and environmental issues. The

project will ensure further strengthening of the on-going dialogue and partnership process with governments by retaining staff with capacity and experience with regard to establishing partnerships with governments. On the market side, Rainforest Alliance already has a senior policy specialist based in Brussels, who will assist Rainforest Alliance achieve its policy objectives in the European Union. All partners will receive training and orientation in working with government institutions. Opportunities for cross-training between partners with particular expertise and those with less experience will be explored.

Managerial Capacity:

1. *Ensure that an annual project review meeting is held, and*
2. *Be able to develop and review an annual work plan*: RA already executes several large donor-financed projects, which are all managed strictly according to the donor's requirements. This includes work planning processes and periodic performance review meetings, monitoring, adaptive management etcetera. In collaboration with UNDP, RA executed a large, regional PDF B process on-time during a nine-month time-frame. RA will hire specific competent personnel to direct and manage the present project. The high personnel standards that must accompany the international recognition that RA has achieved apply to the project's personnel and therefore the project will have adequate managerial capacity to develop, carry out, and review annual work plans and hold the required annual review meetings. The Project's Steering Committee is responsible for approval of the annual work plan and supervision of project progress accompanying the Project's Management Unit as the team directly responsible for project's adequate and timely execution.
3. *Possess adequate logistical infrastructure: office facilities, space, basic equipment, utilities, communications:* RA has adequate logistical infrastructure in its principal regional office in Costa Rica where project headquarters will be located, its office in Guatemala, and partner organizations in all project countries with the exception of Peru. During the project inception phase RA will explore opportunities for partnering with a local NGO to implement activities versus setting up a small Rainforest Alliance office. All RA offices and SAN partner institutions have adequate communication and equipment, plus the project will acquire additional equipment as needed.

Administrative Capacity:

For the successful execution of a project the administrative capacity of RA must be able to provide adequate support to field and other project activities, especially in the following topics:

1. *Ability to procure goods, services and works on a transparent and competitive basis*
2. *Ability to prepare, authorize and adjust commitments and expenditures*
3. *Ability to manage and maintain equipment.*

   Their administrative capacity is reflected in their Finance and Operations team located in New York which provides support and guidance in key functions such as: budget management, financial reporting, contract administration and compliance, staff recruitment and training, procurement, and inventory management. In addition to the New York team, the Costa Rica and Guatemala offices both posses administrative staff who are trained and supported by New York in order to facilitate an efficient decentralization of duties in support of program implementation. The NY-based Finance and Administration office provides oversight to the CR office administration, and will provide support should any inefficiencies in project administration be found to occur.
4. *Ability to recruit and manage the best qualified personnel on a transparent and competitive basis:* RA has more than 15 years of work experience, headquarters in New York, major regional offices in Costa Rica and Vermont and experience managing a staff of 130. RA has received various awards recognizing its innovation and performance which are a result of its board and personnel capabilities and drive. For the project's success RA's ability to hire a sound team that can manage a large, multi-year and multi-country project is essential. RA has accrued a reputation as a sound and innovative organization, managing various large grants and with operations in more than 50 countries which

speak of the quality of its personnel and capacity to recruit strong, capable, driven, responsible individuals.

Financial Capacity:
RA manages an annual budget of US $ 15 million, four main offices, a network of 25,000 members and supporters and has had various major grants. These accomplishments speak of its financial capacity. Specifically, the following capabilities will permit adequate project execution:

1. *Ability to produce project budget,*
2. *Ability to ensure physical security of advances, cash and records,*
3. *Ability to disburse funds in a timely and effective manner*: RA is an NGO with experience in implementing large multi-year projects financed by agencies such as USAID and IDB. Due to RA's successful record in implementing such projects, government funding has steadily increased from 4% of total revenue in FY1999 to 28% in FY2005. Our largest government funded projects, the USAID-funded Certified Sustainable Products Alliance (CSPA) in Central America and Mexico, shows a steady record regarding disbursements vs the annual project workplans. Currently RA is entering the fourth and final year, and we have consistently been disbursing at between 80% and 90% of annual project plans. We maintain an open dialogue with the funding agency in order to address challenges that may periodically arise so that we ensure a timely achievement of intended project outcomes. RA also raises between $1.5 and $2 million dollars annually from foundations to support our program activities and we successfully disburse over 90% of those grants on a timely basis.

4. *Ability to ensure financial recording and reporting:* An annual budget of 15 million and activities in 50 countries require strong budget capabilities. Recently RA received major grants from USAID in 2004 (US $8.6 million for 3 years) and Inter-American Investment Bank in 2003 (US $3 million for 3 years), these grants are indicators of its reliable procedures for fund management including the security of funds received and their capacity to disburse and keep proper records and produce reports. RA's growth over the past several years and continued expanding donor base in all categories of donors—foundation, corporate, individual, government—is further testament to its ability to attract a variety of donors in support of its mission and to satisfy the unique requirements of those donors. RA converted over a year ago to a new accounting and reporting system, Microsoft Solomon. This product is widely recognized as a leading software in the United States, and benefits from regular upgrades and improvements as a result of being part of Microsoft. Solomon enables RA to set up each project in a manner that responds to the particular requirements on the donor as well as the specific features of a given project. Data can be tracked and reported by program, by activity, by outcome and by country based on the set-up at the initiation of the project. Financial reporting is achieved through a partnership between RA Finance in New York and project administrators in the field who are assigned to large efforts such as the one anticipated with UNDP/GEF. Financials progress is monitored on a monthly basis in detail so that quarterly financial reports can be prepared more efficiently.

Overall assessment and Comments
RA is a solid organization with a sound of record of project performance, innovative approaches to sustainable development and successful partnerships with powerful market forces. The nature of the project: *Biodiversity Conservation in Coffee: transforming productive practices in the coffee sector by increasing market demand for certified sustainable coffee* requires an organization with RA's profile and record; making it the natural and needed implementing agent. RA has experience with almost every aspect of the technical, administrative, managerial, and financial needs of the project and can focus on strengthening those where it is lacking. However a major challenge and one that needs to be thoroughly addressed is: its ability to takeover the project's goals and activities when the project and its funding finish. RA's capacity at the moment reflect an organization that can grow with the project and can secure

financial sustainability of its efforts with innovative approaches and partnerships with commercial and funding organizations. Yet, growth of the scale that RA is experiencing at the moment -various large grants awarded and diversification into new ventures, products and markets- could have a negative impact on its ability to continue with the commitment, quality and responsibility that have been its trademark.

Cognizant of the challenge of managing rapid growth, RA is undertaking a series of steps to strengthen the organizational structure of its Sustainable Agriculture Division, to enable it to effectively execute this major project, as well as handle a steep growth of its certification program. These steps include separation of certification functions from marketing, standards setting and capacity building, developing a solid, ISO65 accredited quality system for certification activities, expanding and strengthening information systems, and creating the structure for expanding the SAN in non-certification related support activities. The project will help Rainforest Alliance by building additional capacity in accordance with the new demand and supply of sustainable certified coffee on international coffee markets. As the certification system grows, it will be able to sustain new functions and capacity generated by the project through increased certification fees, the implementation of licensing fees, and other program income generation opportunities. New functions will be internalized into the RA certification program well before the project ends, thereby demonstrating sustainability and Rainforest Alliance's on-going commitment to overcome challenges, for the benefit of ecosystems and the people who live within them.