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Enabling poor rural people  
to overcome poverty

## **President's report on a proposed grant under the global/regional grants window to a non- CGIAR-supported international centre**

### **Note to Executive Board representatives**

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For: **Approval**

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## Abbreviations and acronyms

COSA	Committee on Sustainability Assessment
FT	fairtrade
ICEA	Ethical and Environmental Certification Institute
M&E	monitoring and evaluation
OA	organic agriculture
SAMCERT	Strengthening Smallholders' Access to Markets for Certified Sustainable Products

## Recommendation for approval

The Executive Board is invited to approve the recommendation for a grant under the global/regional grants window to a non-CGIAR-supported international centre as contained in paragraph 7.

## President's report on a proposed grant under the global/regional grants window to a non-CGIAR-supported international centre

I submit the following report and recommendation on a proposed grant for agricultural research and training to a non-Consultative Group on International Agricultural Research (CGIAR)-supported international centre in the amount of US\$800,000.

### Part I – Introduction

1. This report recommends the provision of IFAD support to the research and training programme of the following non-CGIAR-supported international centre: Ethical and Environmental Certification Institute (ICEA).
2. The document of the grant for approval by the Executive Board is contained in the annex to this report:
 

Ethical and Environmental Certification Institute (ICEA): Strengthening Smallholders' Access to Markets for Certified Sustainable Products (SAMCERT).
3. The objectives and content of this applied research programme is in line with the evolving strategic objectives of IFAD and the Fund's policy for grant financing.
4. The overarching strategic goal that drives the revised IFAD Policy for Grant Financing, which was approved by the Executive Board in December 2009, is to promote successful and/or innovative approaches and technologies, together with enabling policies and institutions, that will support agricultural and rural development, empowering poor rural women and men in developing countries to achieve higher incomes and improved food security.
5. The policy aims to achieve the following outputs: (a) innovative activities promoted and innovative technologies and approaches developed in support of IFAD's target group; (b) awareness, advocacy and policy dialogue on issues of importance to poor rural people promoted by, and on behalf of, this target group; (c) capacity of partner institutions strengthened to deliver a range of services in support of poor rural people; and (d) lesson learning, knowledge management and dissemination of information on issues related to rural poverty reduction promoted among stakeholders within and across regions.
6. The proposed programme is in line with the goal and outputs of the revised IFAD grant policy.

The proposed programme for Strengthening Smallholders' Access to Markets for Certified Sustainable Products contributes directly to outputs (a), (c) and (d) of the grants policy. It will: (i) build knowledge of Fairtrade, Organic and other sustainability certification programmes to identify, promote and develop supply chain partnerships in these value chains in support of smallholder farmers; and (ii) establish ten additional, certification-based supply chain partnerships to increase

market access for smallholder rural producers participating in IFAD projects in West and Central Africa. The programme directly contributes to the goal of the IFAD Strategic Framework 2011–2015, and in particular it supports the thematic area of integrating poor rural people into value chains.

## **Part II – Recommendation**

7. I recommend that the Executive Board approve the proposed grant in terms of the following resolution:

RESOLVED: that the Fund, in order to finance Strengthening Smallholders' Access to Markets for Certified Sustainable Products shall make a grant not exceeding eight hundred thousand United States dollars (US\$800,000) to the Ethical and Environmental Certification Institute for a three-year programme upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented to the Executive Board herein.

Kanayo F. Nwanze  
President

# **Ethical and Environmental Certification Institute (ICEA): Strengthening Smallholders' Access to Markets for Certified Sustainable Products (SAMCERT)**

## **I. Background**

1. Over the past 20 years, voluntary sustainability certification programmes have been developed as important tools to build producers' capacities to manage their production systems and businesses more sustainably and gain greater access to international markets, in many cases at more remunerative prices. These programmes have shown impressive growth in the market and have demonstrated their potential value to smallholder farmers.
2. Organic agriculture (OA) and fairtrade (FT) certifications have been at the forefront of this process. OA and FT have been increasingly adopted by smallholder farmers in developing countries over the last decade as viable options for reducing price volatility at the producer level, increasing farm gate prices, and guaranteeing a more stable demand in both the medium and the longer term. More recently, other sustainability certification programmes such as Rainforest Alliance, Global G.A.P. and UTZ CERTIFIED have been introduced and are expanding rapidly. Sales growth for all of the leading certifications has been consistently strong for the past eight years – far outpacing the growth rates of conventional products. Until recently, certified sustainable products were limited to niche markets. This has meant that although these programmes are voluntary in nature, their rapid growth and expansion have arguably made them de facto market requirements. Moreover, by influencing regional sourcing requirements, they are also beginning to have an impact on South-South trade.
3. However, these programmes also bring challenges. Compliance can be difficult and costly – in particular for poor smallholders. To benefit from such programmes, producers and agencies using these tools must properly understand and manage them. It is critical to identify the investment required and weigh this up against the market benefits. Furthermore, the potential environmental and social improvements and increased access to services (such as training, affordable finance, improved management skills and commercial relationships) must be clearly evaluated.
4. The SAMCERT project was designed in response to the conclusions and recommendations of the Workshop on Organic Agriculture and Fairtrade, organized by IFAD in Rome on 15 October 2009. As noted in a study undertaken for the workshop,<sup>1</sup> IFAD has developed several initiatives over the last decade promoting market access through FT and/or OA. Nevertheless, these programmes have been developed on an ad hoc basis, without explicitly demonstrating how they contribute to the achievement of IFAD strategic objectives in terms of integrating poor rural people into value chains. At the same time, IFAD has achieved excellent success utilizing certification in projects such as the Sao Tome and Principe cocoa/coffee/pepper project,<sup>2</sup> which took a comprehensive approach to building supply capacity and establishing market linkages.
5. Sustainability certification programmes require active farmer learning and support systems to be most effective. Although the private sector is a vital partner in the success of OA and FT, there is clearly a role for government and the public sector to provide missing information and services and thereby ensure more equitable development. The dynamic growth of these programmes poses substantial challenges for producers in developing countries (such as the need for appropriate agricultural practices, organizational development, financial management and

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<sup>1</sup> Background paper IFAD: Organic and Fairtrade, D. Giovannucci and M. Maccari, October 2009.

<sup>2</sup> Under the Participatory Smallholder Agriculture and Artisanal Fisheries Development Programme.

quality management systems), but also offers considerable opportunities for improved competitiveness and more sustainable systems. The complexity of these challenges call for comprehensive approaches and solid partnerships with a wide range of private and public stakeholders, encompassing service providers, industry, NGOs, certification bodies and government agencies.

6. By initiating the process of understanding certification requirements, preparing producers to meet those standards and developing supply chain relationships focused on tangibly increasing market access, agencies such as IFAD can play a vital role in empowering rural producers – and in particular poor smallholders – to participate in tomorrow’s demanding global trade, and to do so in a more sustainable manner.

## **II. Rationale and relevance to IFAD**

7. The programme will build knowledge and constructive partnerships in an area of increasing relevance for smallholder producers. The rapid growth in the importance and number of sustainability certification programmes has made it critical to have a better understanding of these programmes and more constructive and proactive partnerships with supply chain actors. With the knowledge and capacity to understand and effectively utilize these programmes, and through the development of proactive partnerships to support their implementation, producers can achieve important sustainable development objectives. Conversely, without such knowledge and partnerships, rural producers risk being marginalized by export markets or embarking upon certification without knowing whether the required investment can render the benefits sought.
8. This knowledge-building process will allow organizations willing to support certified supply chains, such as IFAD, to better understand the benefits and risks of involvement in sustainability certification programmes and, specifically, the best-suited strategies and potential benefits for poor smallholder producers. The programme will share and exchange knowledge generated by in-depth case studies, programme/sector analyses and active engagement with leading institutions and experts. At the same time, SAMCERT will support the development of 10 additional, certification-based supply chain partnerships to increase market access for smallholder producers participating in IFAD projects.
9. The grant proposal supports the goal of the IFAD Strategic Framework 2011–2015: to enable poor rural people to raise their incomes and strengthen their resilience, particularly in support of the thematic area of integrating poor rural people into value chains. It is also closely aligned with the following aims of the IFAD Policy on Grant Financing: (i) promoting innovative activities and approaches to support IFAD’s target group; (ii) strengthening the capacity of partner institutions to deliver a range of services to support poor rural people; and (iii) increasing lesson learning, knowledge management and dissemination of information on issues related to rural poverty reduction. The rationale for financing the proposed grant is based on IFAD’s commitment to empower poor rural farmers to increase their incomes through access to remunerative markets. The grant will build the knowledge and capacity of IFAD’s partners and create market linkages through sustainable certification programmes.

## **III. The proposed programme**

10. The overall goal of the programme is for poor rural producers to be able to utilize sustainable certification programmes to improve their economic, environmental and social situation. The programme’s objectives are to: (i) build knowledge of FT, OA and other sustainability certification programmes to identify, promote and develop supply chain partnerships in these value chains in support of smallholder farmers; and (ii) establish 10 additional, certification-based supply chain partnerships to

increase market access for smallholder producers supported by IFAD projects in West and Central Africa.

11. The smallholder farmers targeted by the programme will be involved in country-level value chain partnerships related to sustainable certified products in seven target countries (five in the West and Central Africa region, one in Asia and the Pacific and one in Latin America and the Caribbean). In addition, the programme will broaden the knowledge base on how to develop country-level partnerships for sustainable certified products and work with aspects of sustainable agriculture and exports (market-based approaches).
12. The programme will have a duration of three years and two main components:
  - **Rural smallholder knowledge and institution building.** SAMCERT will increase the knowledge that target smallholder producers, related institutions and IFAD staff have of OA, FT and other sustainability standard programmes in order to identify, promote and develop supply chain partnerships in these value chains, in support of smallholder farmers.
  - **Developing partnerships with key market actors.** This component will be an iterative process, working with IFAD staff to identify key relationships (based on the needs of relevant IFAD projects) with the aim of developing certification-based supply chain partnerships to increase market access for smallholder rural producers. Fieldwork will be undertaken to facilitate the development of such partnerships.

#### IV. Expected outputs and benefits

13. The benefits expected are the following:
  - Targeted smallholder producer groups, staff in the IFAD divisions of West and Central Africa, Asia and the Pacific, and Latin America and the Caribbean, enhance their skills in using sustainable certification.
  - Ten new certification-based supply chain partnerships are established between IFAD-funded projects supporting smallholders and buyers in five countries in West and Central Africa.
14. Concrete outputs include:
  - Eight background studies (case studies, country-sector analysis).
  - Six thematic information and knowledge-sharing events (including reports on the events).
  - A study of IFAD projects on the theme of certification.
  - Ten memorandums of understanding (MoUs) between private-sector buyers and IFAD projects supporting smallholders in certified supply chains in West and Central Africa.
  - One diagnostic cost-benefit tool related to sustainability certification (designed and tested).
  - One gap analysis tool related to sustainable certification (designed and tested).
  - One needs assessment tool related to sustainable certification (designed and tested).
  - One guidance tool to support sustainable partnerships among smallholders and buyers.
  - One pilot information portal on sustainability certification for smallholders.

- One summary report of characteristics and lessons learned from developing certification-based partnerships in West and Central Africa.

## V. Implementation arrangements

15. The programme will be administered by ICEA, which will be IFAD's counterpart with respect to the submission of annual workplans and budgets (AWPBs), and technical and financial reports. The implementing agency of the Sustainable Commodity Initiative, Agrofuturo, will lead the technical management of the programme. Agrofuturo Global will be responsible for technical aspects and will undertake technical reporting for IFAD. A MoU between ICEA and Agrofuturo governing the roles and responsibilities for technical implementation and reporting will be drawn up and cleared by IFAD before signature. Any revision of the MoU will be subject to IFAD's prior clearance.
16. **Supervision.** IFAD will be responsible for programme supervision.

## VI. Indicative programme costs and financing

17. IFAD will provide grant funding of US\$800,000.

### Summary of budget and financing plan (Thousands of United States dollars)

Number	Type of expenditure	IFAD
1	Professional services/consultancies	535
2	Travel costs, DSA	190
3	Administrative costs, overhead	75
	<b>Total</b>	<b>800</b>

18. The table below shows the indicative workplan for SAMCERT.

### SAMCERT indicative workplan:

Components and activities	2012				2013				2014			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
<b>Component 1</b>												
1.1 Priority-setting and target identification												
1.2 Background studies and reports												
1.3 Thematic information sessions												
<b>Component 2</b>												
2.1 Identification of potential partnerships												
2.2 Developing country-level partnerships												
2.3 Facilitated meetings with market actors												
2.4 Communication activities												
Reporting												



# Results-based logical framework

	Objectives-hierarchy	Objectively verifiable indicators	Means of verification	Assumptions
<b>Goal</b>	Poor rural producers are able to utilize sustainable certification programmes to improve their economic, environmental and social situation.	Change in the economic, social and environmental situation of producers utilizing sustainable certification.	Annual programme reports M&E reports and results of Committee on Sustainability Assessment (COSA) analysis Final external evaluation	Countries do not undergo major political, economic or social crises that severely affect the normal trading processes. Commodity markets do not undergo extreme fluctuations that cannot be managed and disrupt international trade.
<b>Objectives</b>	(1) Build knowledge of fairtrade (FT), organic agriculture (OA) and other sustainability certification programmes to identify, promote and develop supply chain partnerships in these value chains in support of smallholder farmers.  (2) Establish ten additional, certification-based supply chain partnerships to increase market access for smallholder rural producers participating in IFAD projects in West and Central Africa (WCA).	Number of IFAD staff incorporating sustainable certification in their projects. Results and Impact Management System: Number of farms adopting sustainability technology recommended by the projects.  <ul style="list-style-type: none"> <li>Increase in market access of target producer groups</li> <li>Ten new public-private partnerships established in WCA</li> <li>Number of persons receiving project services related to improving market access</li> </ul>	Annual programme reports M&E reports and COSA results Annual surveys of programme participants included in M&E reports  Annual programme reports M&E reports and COSA results Annual surveys of programme participants included in M&E reports Annual surveys (2nd year) of supply chain partners	IFAD staff actively and constructively participate in project activities. Target groups are viable candidates for certification and are willing to adopt programmes. Private sector actors are willing and able to establish constructive partnerships. Political, economic, environmental or social upheaval does not prevent commercial relationships from being established and/or maintained.
<b>Outputs</b>	<b>Component 1: Rural smallholder knowledge and institution building.</b> SAMCERT will increase target smallholder producers' and key IFAD staff knowledge of FT, OA and other sustainability standard programmes.	<ul style="list-style-type: none"> <li>Change in target producers' knowledge and understanding of certification programmes</li> <li>WCA staff and 2 Asia and the Pacific and 2 Latin America and the Caribbean division staff competent in using sustainable certification</li> </ul>	Annual programme reports M&E reports and COSA results Annual surveys of programme participants included in M&E reports	Division mandates prevent staff from actively using sustainable certification in their projects.
	<b>Component 2: Building partnerships.</b> SAMCERT will develop relationships with key market actors and service providers (based on IFAD project needs in target countries).	<ul style="list-style-type: none"> <li>10 key private public partnerships with market actors in WCA</li> </ul>	Annual programme reports; M&E reports; Annual surveys of programme participants included in M&E reports	Political or social unrest or environmental disasters prevent partnerships from being implemented.
<b>Key activities</b>	<b>Component 1: Rural smallholder knowledge and institution building</b> 1.1 Priority setting and target identification (updated periodically) 1.2 Background studies and reports 1.3 Thematic knowledge-sharing sessions	1.1 Activity plan reflects staff needs/interests 1.2 Prioritized case-studies/country-sector analysis studies completed (8) 1.3 10 Thematic information and knowledge-sharing sessions organized (6)	Evaluation of activity plan Evaluation of background studies Evaluation of events Review of workshop reports	IFAD staff actively participate in process. Funds are made available in a timely manner.
	<b>Component 2: Partnership building</b> 2.1 Identification of potential partnerships 2.2 Development of country-level partnerships 2.3 Facilitation of contacts/meetings with key market actors, with certification programmes and service providers 2.4 Communication activities	2.1 Number of potential partners (including description of contact, relationship, next steps to develop relationship) 2.2-3 Number of MoUs signed between IFAD-supported smallholder projects, smallholders and private sector 2.4 Summary report of characteristics and lessons learned from developing certification-based partnerships in WCA	Evaluation of potential partners report Evaluation of cost/benefit diagnostic tool Evaluation of gap analysis tool Evaluation of needs assessment tool Evaluation of guidance tool Evaluation of portal Evaluation of value of MOU signed Evaluation of summary report on characteristics and lessons learned	Information made available on IFAD projects. Support requests match the resources provided by the project.