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Investing in rural people

President's report on a proposed grant under
the global/regional window to the Rainforest
Alliance for the Programme for Using the Tool
of Certification to Integrate Smallholder
Farmers into Value Added Supply Chains

Note to Executive Board representatives

Focal points:

Technical questions:

Steven Jonckheere
Knowledge Management Officer
West and Central Africa Division
Tel.: +39 06 5459 2144
e-mail: s.jonckheere@ifad.org

Dispatch of documentation:

William Skinner
Chief
Governing Bodies Office
Tel.: +39 06 5459 2974
e-mail: gb_office@ifad.org

For: Approval

Recommendation for approval

The Executive Board is invited to approve the recommendation for the proposed grant as contained in paragraph 13.

President's report on a proposed grant under the global/regional window to the Rainforest Alliance for the Programme for Using the Tool of Certification to Integrate Smallholder Farmers into Value Added Supply Chains

I. Background and compliance with IFAD Policy for Grant Financing

1. Very limited negotiating power in market transactions, low application of important management practices and limited presence and weak management of producer groups – all these conditions create barriers to smallholders participating in or deriving full benefit from supply chains that buy and transform their commodities. Responsible sourcing by companies in the chain, accompanied by targeted initiatives to reduce the barriers, can enable smallholders to increase the value they receive from their commodities. Over the past 10 years, responsible sourcing has grown greatly, influenced by social and environmental risks, such as child labour in cocoa and deforestation in palm oil, and by concern for securing raw material supply in the face of threats from low productivity, land degradation, climate change and farmers switching commodities. With smallholders producing 95 per cent of cocoa and 40 per cent of palm oil, integrating them into supply chains – in a responsible way that delivers economic, social and environmental benefits – is now a business imperative.
2. Through decades of work in sustainable and certified value chains across Africa, Asia and Latin America, the Rainforest Alliance and its partners have learned that smallholder benefit from supply chains is not just a factor of company commitments to certification. It is only when certification is accompanied by targeted initiatives to empower smallholders in supply chains and support them in increasing their productivity, efficiency and access to services that livelihoods are improved through value chain upgrading. To be financially sustainable, such initiatives must be designed so that their costs can be embedded in the supply chain – where possible supported by national rural development budgets. The Rainforest Alliance, a not-for-profit entity, was selected following a competitive bidding process in which 16 of 22 pre-identified institutions confirmed their interest in applying to the programme.
3. The programme is in line with the goal and objectives of the IFAD Policy for Grant Financing (2015).¹ It will promote innovative, pro-poor approaches and technologies with the potential to be scaled up for greater impact and will generate and share knowledge for development impact. The programme will use the tool of certification and will deliver innovative, pro-poor, market-based approaches to increase the value that farmers and their communities derive from commodity markets. It will develop and disseminate knowledge generation tools, deploying the global reach of partners and the private sector across commodities and regions, with a specific focus on South-South exchanges. It will also create exchange opportunities with operational IFAD-supported projects to learn about successful

¹ Document EB 2015/114/R.2/Rev.1.

and innovative approaches to responsible smallholder inclusion in sustainable and certified value chains.

II. The proposed programme

4. The overall goal of the programme is to eliminate barriers to sustainable, certified supply chains to enable smallholder farming families to build prosperous and sustainable livelihoods. The objectives are to: (i) demonstrate replicable models of public-private-producer partnerships (4Ps) that maintain long-term, responsible smallholder integration into supply chains, applying socially inclusive, climate-smart practices; and (ii) generate, systematize and disseminate improved knowledge and understanding of successful strategies for overcoming barriers to integrating smallholders responsibly into supply chains.
5. The target group will be composed of 4,000 smallholders (approximately 1,750 in Indonesia, 1,000 in Brazil, 750 in Liberia and 500 in Sierra Leone). The programme will aim for 40 per cent involvement of women.
6. The three-year programme will have the following components: (i) partnership-building, (ii) knowledge generation and (iii) coordination/management. Under the first component, the following activities are foreseen: (a) select participating producer groups and build their organizational and business management capacity, including all social groups in decision-making roles; (b) facilitate agreements/memorandums of understanding between companies and smallholder groups; (c) build social inclusion and women's participation in producer groups; (d) develop a digital internal management system (IMS); (e) train, monitor and support group administrators and technicians/lead farmers in recording, transmitting and storing data; and (f) with each group administrator, review the value of improvements for group members. The second component foresees the following activities: (a) develop learning and knowledge products; (b) implement an outreach plan, including to IFAD-supported projects; and (c) mobilize partners to engage their national and regional networks in discussion forums on smallholder integration, based on learning from the programme.

III. Expected outcomes/outputs

7. The programme is expected to have the following outcomes: (i) formalized arrangements between trading and/or manufacturing companies and organized smallholders enable producers to access value added markets for sustainable cocoa and palm oil produced under a sustainable management system, including but not limited to certification; (ii) groups supported by the programme use new or enhanced IMS that improve their decision-making capacity; and (iii) enhanced regional and global learning on keys to successful approaches to eliminating barriers to sustainable supply chains – through production and dissemination of knowledge products – enables smallholder families to build prosperous, inclusive and sustainable livelihoods.
8. The main outputs will be: (i) eight arrangements formalized between trading and/or manufacturing companies and organized smallholders; (ii) operationalized new or enhanced IMS installed in the IT systems of four producer groups; (iii) 10 learning products, two case studies and one in-depth article published; and (iv) five learning events held to share experiences and draw conclusions on successful strategies for smallholder inclusion.

IV. Implementation arrangements

9. The Rainforest Alliance will lead implementation and be responsible for workplans, budgets, narrative and financial reporting. It will appoint a very experienced project manager and specialist in value chain development and private-sector partnerships from its existing staff, who will coordinate workplans and budgets with implementing partners in each country and prepare agreements where these are

not already in place. The Alliance has identified a number of partners with whom it would work: Instituto de Manejo e Certificação Florestal e Agrícola, Brazil; Serikat Petani Kelapa Sawit, Indonesia; Conservation International, Liberia; and the Royal Society for the Protection of Birds, Twin and Gola Rainforest Conservation Company, Sierra Leone.

10. A robust monitoring and evaluation (M&E) system will be designed jointly by the Rainforest Alliance and its partners in the four programme countries, and, together, they will ensure its seamless integration into the programme's day-to-day operations. User-friendly M&E tools and processes will support reliable, precise, relevant and timely data collection, and partner and Alliance staff will be trained in the use of these tools and their respective roles in the system. The system will be designed and implemented based on the following eight principles: evidence basis, transparency, additionality, stakeholder involvement, user-friendliness, skills-building, gender sensitivity and institutional learning.
11. There are no deviations from the standard procedures for financial reporting and audits.

V. Indicative programme costs and financing

12. The total grant budget is US\$2,058,638, with IFAD financing amounting to US\$1 million and cofinancing to US\$1,058,638 (cash contributions from the Rainforest Alliance, David & Lucille Packard Foundation, Sustainable Trade Initiative, Comic Relief and Mars, Inc.).

Table 1
Costs by component and financier
(Thousands of United States dollars)

<i>Components</i>	<i>IFAD</i>	<i>Cofinancing</i>	<i>Total</i>
1. Partnership-building	444	364	808
2. Knowledge generation	179	92	271
3. Coordination/management	377	603	980
Total	1 000	1 059	2 059

Table 2
Costs by expenditure category and financier
(Thousands of United States dollars)

<i>Expenditure category</i>	<i>IFAD</i>	<i>Cofinancing</i>	<i>Total</i>
1. Consultancies	278	289	567
2. Travel	139	41	180
3. Training	81	61	142
4. Goods, services and inputs	53	20	73
5. Workshops	72	45	117
6. Salaries and allowances	300	325	625
7. Overhead/management fees	77	278	355
Total	1 000	1 059	2 059

VI. Recommendation

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

RESOLVED: that the Fund, in order to finance, in part, the Programme for Using the Tool of Certification to Integrate Smallholder Farmers into Value Added Supply Chains, shall provide a grant of one million United States dollars (US\$1 million) to the Rainforest Alliance for a three-year period 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

Results-based logical framework

	Objectives hierarchy	Objectively verifiable indicators	Means of verification	Assumptions
Goal	Eliminate barriers to sustainable and certified supply chains to enable smallholder farming families to build prosperous and sustainable livelihoods	Number of smallholder farmers belonging to groups supported by the programme, claiming increased integration to sustainable and certified supply chains and disaggregated by gender (4 000)	Results of survey designed and applied by the programme at inception and at programme end	
Objectives	<p>Demonstrate replicable models of PPPPs that can maintain, over the long-term, responsible smallholder integration into supply chains applying socially inclusive, climate-smart practices</p> <p>Generate, systematize and disseminate improved knowledge and understanding on successful strategies for overcoming the barriers to integrating smallholders responsibly into supply chains</p>	<p>Number of new partnership agreements and MOUs between trading and/or manufacturing companies, and organized smallholders, signed and dated after programme inception (8)</p> <p>Grade given by participants in discussion fora, webinars and workshops, to knowledge products generated by the programme (80% level of satisfaction)</p>	<p>Partnership agreements and MOUs</p> <p>Results from evaluation tools designed and applied by the programme at programme-end</p>	<p>Cocoa and palm oil markets maintain growth</p> <p>Viable operations/ willing partners are identified in each of the four countries</p> <p>PPPPs promoted by the programme are scalable and replicable</p>
Outcomes/ Outputs	<p>Formalized arrangements between trading and/or manufacturing companies and organized smallholders enable producers to access value added markets for sustainable cocoa and palm oil produced under a sustainable management system, including but not limited to certification</p> <p>Groups supported by the programme use new or enhanced Internal Management Systems (IMS) that improve their decision-making capacity</p> <p>Enhanced regional and global learning about keys to successful approaches to eliminate barriers to sustainable supply chains to enable smallholder families to build prosperous, inclusive and sustainable livelihoods, through production and dissemination of knowledge products</p>	<p>Number of agreements made between organized cocoa and palm oil smallholders and companies, disaggregated by crop and export versus domestic (8)</p> <p>Number of groups supported by the programme, who have operationalized new or enhanced IMS installed in their computers (4)</p> <p>Number of knowledge products generated and published, disaggregated by type (10)</p> <p>Number of case studies providing in-depth analysis of smallholder integration, analyzing also the degree of gender and youth inclusiveness (2)</p> <p>Number of learning events held to share experiences and draw conclusions on successful strategies for smallholder inclusion (2 events/country; 1 global)</p>	<p>Contracts, agreement documents, or equivalent, specifying markets to which products will be sent</p> <p>Report describing new or enhanced IMS and perceived benefits by group</p> <p>Images, files and links to web-based platforms, and presentations for selected events</p> <p>Case study document</p> <p>Webinar recordings, and participants' lists</p>	<p>Viable operations/ partners are identified in each of the four countries</p> <p>Selected groups are willing to install and use new or enhanced IMS</p>

	Objectives hierarchy	Objectively verifiable indicators	Means of verification	Assumptions
Key activities by component	<p>Component 1: Partnership building</p> <p>Select participating producer groups and build their organizational and business management capacity, including all social groups in decision making roles.</p> <p>Facilitate agreements/MOUs between companies and smallholder groups.</p> <p>Build social inclusion and women participation in producer groups in Sierra Leone.</p> <p>Develop digital IMS in Indonesia.</p> <p>Train, monitor and support group administrators and technicians/lead farmers in recording, transmitting and storing data.</p> <p>Review with group administrator value of improvements for its members.</p> <p>Component 2: Knowledge generation</p> <p>Develop learning and knowledge products</p> <p>Implement an outreach plan, including IFAD grantees</p> <p>Mobilize partners to engage their national and regional networks in discussion forums on smallholder integration, based on learning from the programme</p>	<p>Training programs have taken place with targeted inclusion of minority groups (6)</p> <p>Number of agreements/ MOUs between companies and smallholder groups, aimed at smallholder integration into value chains (8)</p> <p>Number of participants in Sierra Leone in gender sensitization and social inclusion workshops (200)</p> <p>Design and test system in collaboration with software provider (1)</p> <p>System operational in producer group (4)</p> <p>Evaluation made with group administrator and selected farmer members to assess value of system (4 groups committed)</p> <p>Collection of key learnings systematized and documented (10 products; 2 case studies; 1 in-depth article)</p> <p>Number of participants in programme learning exchanges, disaggregated by gender (500)</p> <p>Number of events organized by programme partners with national and regional networks (4)</p>	<p>Records of training activities</p> <p>Agreements/ MOUs signed and dated after the programme's inception</p> <p>Workshops' minutes with signed participants' lists and agreements</p> <p>Report on analysis of systems with recommendation</p> <p>Producer group is using system</p> <p>Evaluation report</p> <p>Programme records</p> <p>List of participants</p> <p>Programme records</p>	<p>Partners have identified viable operations in each country</p> <p>Partners have identified companies</p> <p>Community leaders are identified</p> <p>Required software package refinements can be designed at realistic cost</p> <p>Group administrator competent to manage digital system</p> <p>Producer group is using system properly</p> <p>Networks are responsive to invitations</p>