



Enabling poor rural people  
to overcome poverty



## Supporting Small-Scale Producers of Certified Sustainable Products

### Smallholders' Access to Markets for Certified Sustainable Products (SAMCERT)

SAMCERT, a partnership between IFAD, the Sustainable Commodity Initiative (SCI) and the Institute for Ethical and Environmental Certification (ICEA) was launched at the beginning of 2012.

The main activities supported by the partnership are:

- Undertaking scoping missions and analyses to determine potential and producer organization preparedness for sustainability certification (Fairtrade, Organic, Rainforest Alliance, Utz Certified, RSPO etc.)
- Providing information, training and support on sustainable production methods, business management and sustainability certification
- Identifying potential private sector partners and bringing parties together for the creation of PPPs
- Acting as intermediary in the initial stages of PPP development and implementation (between private sector partners, producers and IFAD)

The rapid growth in consumer demand for sustainable agricultural products represents an enormous opportunity for small-scale farmers and producers in developing countries. To help them seize this and other opportunities, the International Fund for Agricultural Development (IFAD) funds a range of projects in rural areas. A growing number of projects support smallholder production of commodities that are certified under programmes such as Fairtrade, Organic, UTZ Certified and Rainforest Alliance, including:

- Cocoa and coffee in Rwanda, Sao Tome and Principe, and Sierra Leone
- Fruits in the South Pacific and Madagascar
- Cosmetic and medicinal plants in India and Southern Africa.

Now, IFAD is building upon its project experience to expand partnerships with private-sector purchasers who have track records of social and environmental responsibility. This is in keeping with the organization's strategy of deepening its engagement with the private sector in order to expand market access and income-generating opportunities for smallholder farmers.

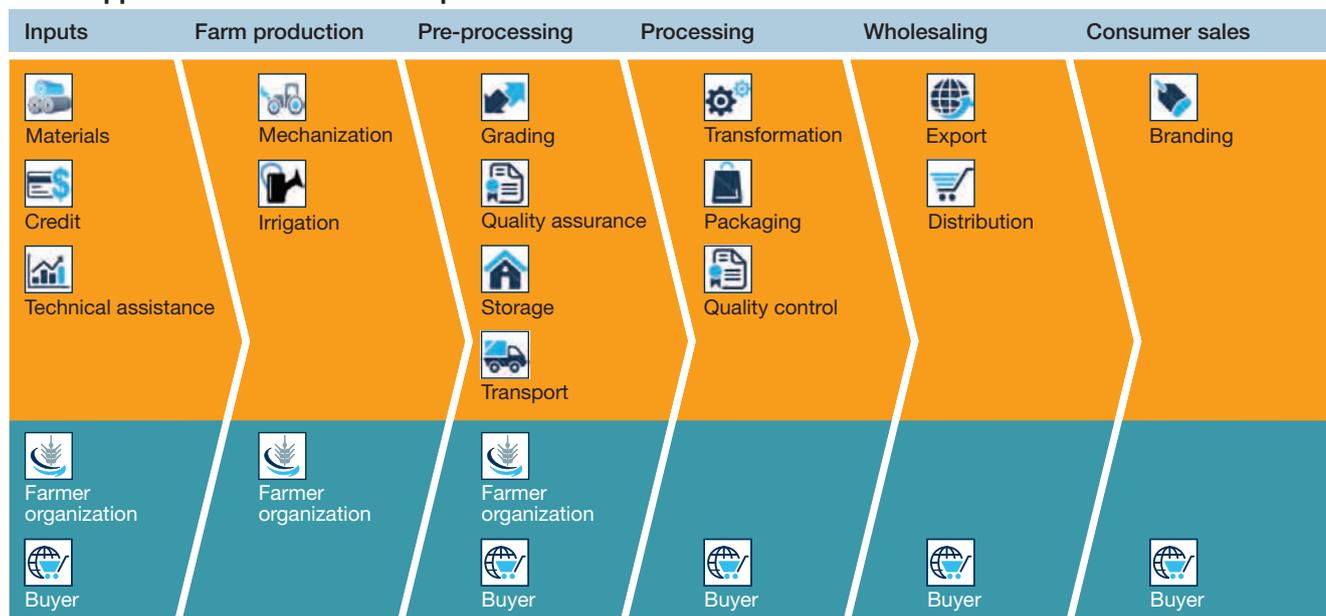
In order to support such an approach, a new partnership – Strengthening Smallholders' Access to Markets for Certified Sustainable Products (SAMCERT) – has been established between IFAD, the Sustainable Commodity Initiative (SCI) and the Institute for Ethical and Environmental Certification (ICEA). This partnership will increase IFAD's understanding of and access to companies working under social and environmental certification standards, and help facilitate the identification of new PPP opportunities that can benefit smallholder farmers in developing countries.

### Working with IFAD

#### How public-private partnerships (PPPs) help smallholder farmers sustainably escape poverty

IFAD believes that smallholder farmers can capitalize on the private sector's interest in expanding supply by partnering with companies that wish to source high-quality agricultural products – either for processing and marketing locally, or for export. By helping farmers gain better access to

### IFAD support to value-chain development



**IFAD-funded Project Support to Farmer Organizations through Government**

markets, IFAD and private sector partners can work towards enabling poor rural people to overcome poverty.

At the same time, IFAD recognizes that in many cases, mutually advantageous contracts between smallholders and buyers are affected by infrastructure constraints, which limit farmers' ability to ensure delivery of their products at competitive prices. IFAD's experience working with smallholder farmers, combined with its portfolio of financed development projects, provides an excellent means of overcoming these constraints and providing all parties with greater confidence in their ability to meet contract terms.

### Principles for PPPs supported by IFAD

Private-sector activities directly involve IFAD's target group, smallholder farmers, in order to provide them with strong business opportunities. Working with this target group, partner companies commit themselves to ethical principles:

- At the economic level, by ensuring farmers fair pricing for their products
- At the social level, by guaranteeing rights and social justice to farmers
- At the environmental level, by promoting biodiversity, protection of ecosystems and sustainable use of natural resources.

### What is IFAD looking for in a partner?

IFAD is looking for partners who have demonstrated adherence to the above principles, including companies that operate under sustainable certification programmes such as Fairtrade, Organic, UTZ Certified and Rainforest Alliance. These programmes ensure that companies are in full compliance with IFAD's core values and principles, and thus justify the institution's willingness to partner with private actors.

Such partnerships are advantageous for smallholder farmers because of increasing global demand for sustainable agricultural products. This demand provides new opportunities for smallholders by positioning them in a 'specialty products' segment of the market that can reward them with higher prices.

### IFAD's operations (1978-2012)

US\$ 13.9 billion financed

924 projects:

Africa: 38%

Near East, North Africa

and Central Europe: 16%

Asia & the Pacific: 32%

Latin America & the Caribbean: 14%

Cofinancing: US\$ 9.6 billion

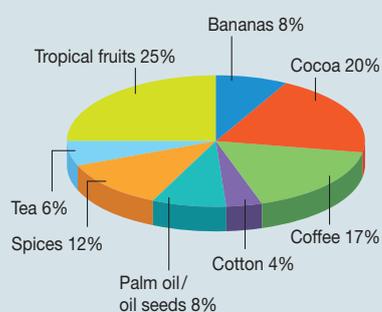
Domestic contribution:

US\$ 12.2 billion

Total project cost: US\$ 36 billion

Over the last ten years, IFAD has supported 62 operations on value chain development for commodities that are eligible for certification.

Percentage of operations on commodities that are eligible for certification (2002-2012)



### Structure of PPPs

Smallholder farmers, purchasers, governments and IFAD play complementary roles in PPPs as follows:

#### Role of the private sector

- Purchase farmers' products at fair prices
- Provide technical assistance and sharing of know-how
- Participate in providing required production inputs
- Apply social and environmental principles in terms of prices paid, product characteristics, production and processing systems
- Participate in producer financing via distribution and recovery of production credit

#### Role of governments (with IFAD financing)

- Finance technical assistance to collectively organize farmers
- Provide infrastructure to facilitate market access
- Ensure access to any required inputs, including credit, to maintain production standards
- Finance equipment and facilities for farmers' organizations

#### Role of farmers' organizations

- Mobilize producers in order to reduce transaction costs
- Provide technical support and access to production inputs
- Oversee production and post-production to ensure application of agreed quality, quantity and timing standards
- Manage any shared equipment or facilities
- Provide aggregation, sorting, processing, packaging and transport as contracted
- Support performance of members in accessing, using and repaying credit

#### Role of IFAD

- Ensure timely availability of financing
- Provide supervision and implementation support for increased project performance
- Verify that treatment of farmers' organizations by purchasers meets PPP principles
- Promote policy dialogue with public institutions for the development of enabling regulatory frameworks and legislation

### Legal framework

PPPs are carried under the framework of two key legal instruments: contracts between buyers and the relevant farmers' organizations or groups; and memoranda of understanding (MoU) between the buyer and the project that is receiving support from the government and IFAD.

IFAD is generally not a direct party to either the contract or the MoU. Instead, the presence of an IFAD-financed project, with implementation support, builds confidence about the ability of the farmers' organization and the government to meet their respective obligations.



## Frequently asked questions about IFAD

### What is IFAD?

IFAD is an international financial institution and specialized United Nations agency dedicated to reducing rural poverty. Based in Rome, with offices in developing countries around the world, IFAD focuses on country-specific solutions, which can involve increasing poor rural peoples' access to financial services, markets, technology, land and other natural resources. IFAD works with governments to develop and finance programmes and projects that enable rural poor people to overcome poverty themselves.

### How does IFAD support smallholder agriculture?

IFAD's main funding instrument is the provision of loans and grants to governments, which finance agricultural and rural development projects designed to reduce poverty. Most of these initiatives are managed by semi-autonomous Project Coordination Units established by governments. IFAD also provides smaller grants directly to NGOs, research institutions and some private partners, to increase knowledge sharing and technical support for smallholder farmers and rural poor people.

### What does IFAD finance in relation to value-chain development?

IFAD's financing generally supports improved agricultural inputs, equipment, training and capacity-building for farmers and their organizations. It focuses on microfinance, local infrastructure (including roads, water systems and small-scale irrigation), community services (including literacy programmes) and marketing facilities (such as warehouses and small processing plants). IFAD does not usually finance processors or exporters, though it increasingly works in the context of public-private partnerships to provide more comprehensive support along the supply chain.

Warehouse for Certified Organic Cocoa in Sao Tome and Principe  
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For more information on the partnership initiative – Strengthening Smallholders' Access to Markets for Certified Sustainable Products, or SAMCERT, please contact:

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