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# Fairtrade Pilots

# Standard Operating Procedure

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**Version 1.1**

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Approved by the Oversight Committee on March 22 2022



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# 1 Introduction

## 1.1 Purpose of the Fairtrade Pilots SOP

The Fairtrade Pilot Standards Operating Procedure (PSOP) defines Fairtrade International's approach to testing and innovating within the scope of the Fairtrade Scheme. To foster innovation, Fairtrade International intends to enable pilot projects building on established rules and procedures. Pilots play a critical role in enabling growth. They provide opportunities for innovation and testing in a controlled environment while providing a strategy of risk mitigation. Also, they contribute to adequate development of standards and allow Fairtrade to stay flexible enough for specific production and trading realities. The aim of this document is therefore to enable Fairtrade to test ideas in a transparent and meaningful way and to outline the key steps, processes and procedures that stakeholders need to follow when conducting Fairtrade pilot projects.

The PSOP operates within and as part of already established Fairtrade procedures and guidance materials.

## 1.2 Scope of the Fairtrade Pilots SOP

**Definition of Pilot:** For the purpose of this PSOP, a pilot is an idea that is tested *within or affecting the scope of standards and certification*. Thus, in many cases, the outcome of the pilot will raise the need to review standards, pricing or certification requirements. For the avoidance of doubt, any project that is testing an idea outside or beyond the standards and certification, and with no intention of having any changes in these requirements is not considered a pilot as per this PSOP. However, it is considered beneficial and it is recommended to apply this procedure to other types of pilots (e.g. labeling requirements, capacity building, offers to business, etc.).

This Pilot Standard Operating Procedure (PSOP) outlines the steps to be followed, specific procedures and documentation within each step, and the assessment criteria to be applied to objectively measure the success and compliance at each step. Specifically, the PSOP provides the following:

- Outline and description of steps to be followed in a pilot project
- Pilot compliance requirements for the different pilot project steps
- Template for the pilot project appraisal criteria
- Pilot project performance evaluation matrix
- Pilot project stakeholder engagement processes

## 1.3 Responsibility for this procedure

Fairtrade International's Oversight Committee (OC) has responsibility for this document and will periodically review it according to the OC ToR and the Oversight Procedure.

### Change history

Version number	Date of publication	Changes
1.0	March 2022	First version approved by Fairtrade International Oversight Committee.
1.1	December 2023	Minor changes approved by acting interim Standards Unit Director (i.e. the Executive Direction). Main change: Pilot terms and conditions and need for confirmed acceptance thereof added (in section 2.3).

## 1.4 Definition of key roles in the PSOP

This PSOP relies on four key roles and responsibilities as outlined in the table below:

Role	Summary of responsibilities in the PSOP
<b>Pilot Development Facilitator</b>	<ul style="list-style-type: none"> <li>- Procedural Oversight of the pilots</li> <li>- Central focal point for pilots work</li> <li>- Planning and resource oversight for pilots</li> <li>- Central system-wide coordinator for all pilot stakeholders and processes</li> <li>- Technical review of the pilot application and performance evaluation</li> <li>- Conducts stakeholder engagement on pilots as needed</li> <li>- Oversees the monitoring and documentation of the pilot project during implementation</li> <li>- Manages communication through various channels</li> <li>- General risk analysis and management</li> <li>- Compiles and prepares documents for Oversight Committee</li> <li>- Archives all pilot documentation and materials</li> <li>- Shares learning across the system</li> </ul>
<b>Pilot Project Manager</b>	<ul style="list-style-type: none"> <li>- Takes the technical leadership of the pilot project process from the research, consultation and planning stage, through to the completion of the project (the Pilot Development Facilitator retains procedural oversight responsibilities)</li> <li>- Coordinates closely with the Pilot Development Facilitator</li> <li>- Engages relevant stakeholders</li> <li>- Identifies risks and risk mitigation strategies</li> <li>- Ensures the pilot project remains within scope, timelines, and budgets</li> <li>- Supports the Pilot Development Facilitator in preparing periodic updates reports for the Oversight Committee</li> <li>- Leads the pilot research and/or oversees a consultant through the process</li> </ul>
<b>Oversight Committee</b>	<ul style="list-style-type: none"> <li>- Review the technical recommendations by the Pilot Development Facilitator and make decisions for approval</li> <li>- On exceptional basis escalate any pilots with strategic significance to the Fairtrade Board</li> <li>- Give high-level strategic guidance to the Pilot Development Facilitator</li> </ul>
<b>Director Standards &amp; Pricing</b>	<ul style="list-style-type: none"> <li>- Administrative oversight of the pilot e.g. budgets approval and staff allocation</li> <li>- Receives the final pilot report at exit stage for implementation (or learning if it is terminated)</li> </ul>

## 1.5 Timelines for the pilots

It is envisaged that different pilots will have different duration needs at various stages. Timelines have been proposed at the end of each stage. However, these are strictly indicative. Each pilot should clearly indicate its own timelines during the design and planning stage which care to be assessed and validated through the technical peer review and advisory.

## 2 Stages in pilot projects

### Introduction

This PSOP outlines a stage-gate process for pilots. The pilot follows a step-wise process with go or no-go decisions being applied at the various stages.

## 2.1 Stage 1: Pilot application

In this stage, an applicant proposes a pilot project to Fairtrade. The applicant should be a stakeholder in the Fairtrade system (Producer Network (PN), National Fairtrade Organisation (NFO), FLOCERT or Fairtrade International).

- The applicant submits a completed proposal (Pilot Application Form in Annex 1) to the Pilot Development Facilitator.
- The proposal is sent via email addressed to the Pilot Development Facilitator before the closing date for submission (dates to be set to allow synchrony with Oversight Committee meetings).
- The Pilot Development Facilitator must acknowledge receipt of proposal via email.
- The Pilot Development Facilitator reviews the proposal and accompanying documents for completeness. If need be, the Pilot Development Facilitator requests and guides the applicant to submit any pending documents or additional information.
- All proposals must be received at least two months before the scheduled Oversight Committee meetings. This is to allow at least a two-month preparatory window before the next Oversight Committee meeting. The dates of the Oversight Committee meetings can be found on FI's website, under section [Assuring Integrity in Checking Compliance](#).

## 2.2 Stage 2: Request review and peer consultation

- The Pilot Development Facilitator undertakes a full proposal appraisal using the Appraisal Criteria in Annex 2.
- The Pilot Development Facilitator must share the proposal and accompanying notes and documents for peer review with the following teams:
  - FLOCERT
  - Legal department
  - Standards & Pricing Unit (S&P)
  - Brand Integrity
  - Global Product Managers (where relevant)
  - Global Impact Unit
  - Fairtrade Executive Team (where relevant, e.g. for high risk or complex pilots)
- The Pilot Development Facilitator has discretion to consult other internal or external experts for review and advisory.
- The peer reviewers undertake a review with specific reference to their technical areas of interest and offer written advice to the Pilot Development Facilitator.
- The Pilot Development Facilitator compiles the feedback from the peer reviewers and prepares an appraisal report with clear recommendations (either proceed to next stage, refer back for amendment, or reject).
- The written appraisal recommendations are shared with the Oversight Committee (through the established channels), at least 14 days before the Oversight Committee meeting to provide the Oversight Committee time for review.
- During the Oversight Committee meeting, the Pilot Development Facilitator presents the findings and recommendations of the appraisal process.
- The Oversight Committee has the decision-making authority on the pilots and thus endorses the recommendations. In case the Oversight Committee disagrees with the Pilot Development Facilitator recommendations, the Oversight Committee refers back the recommendations to the Pilot Development Facilitator with proposed actions.
- On exceptional basis, the Oversight Committee has discretion to refer a decision to the Fairtrade Board should the pilot have potential significant strategic impact or strategic risks.
- The Pilot Development Facilitator drafts a formal notification to the pilot project applicant on the Oversight Committee decision (approval, referred for amendments, or rejection).

- The Pilot Development Facilitator must include reasons for rejection if the application was declined. A declined pilot can only be re-submitted as early as the next submission window, if the proposer can demonstrate it has addressed all the issues that led to rejection.
- If an application was referred back to the applicant for amendment, the Pilot Development Facilitator outlines the areas where amendments are required. The application can be re-submitted to the Pilot Development Facilitator who reviews whether all amendments have been sufficiently addressed. The application then progresses to the next stage.

### **Pilots outside or beyond the scope of standards and certification**

- Pilots that do not affect Fairtrade Standards or certification (pilots either beyond or outside the scope of standards/certification) can bypass the full PSOP. However, the pilot lead must submit bi-annual update reports to the Pilot Development Facilitator. The Pilot Development Facilitator maintains an updated database of these pilots and includes them in the Oversight Committee updates as well as in communications to members.

*Proposed stage duration: 2 months*

## **2.3 Stage 3: Desk research, consultation and planning**

The aim of the desk research, consultation and planning stage is to objectively validate the information provided at the pilot application stage, gather additional information if needed, engage relevant stakeholders and prepare any needed documents including developing a thorough workplan and budget.

- Once an application has been approved by the Oversight Committee, a notification is shared with the Director Standards & Pricing.
- The pilot applicant organisation appoints a Pilot Project Manager. This Project Manager can be drawn from any of the Fairtrade members or units, with strong preference going to the applicant organisation.
- The Pilot Project Manager assumes the technical coordination responsibilities of the pilot, while the Pilot Development Facilitator oversees procedural compliance. To enable a clear separation of duties, the Pilot Development Facilitator is to develop generic Terms of Reference for Pilot Project Managers to be modified depending on specific pilot needs.
- The Pilot Project Manager develops the pilot project Scope of Work. If need be and depending on availability of resources, an external consultant can be contracted to assist the Project Manager in desk research, design and preparation of the pilot project documentation. The decision to contract a consultant, and to cover the costs associated is with the applicant organisation initiating the pilot.
- The Pilot Project Manager uses the Research, Consultation and Planning Checklist in Annex 3.
- Thorough stakeholder engagement is undertaken to ensure broad-based inclusion at this stage. See a sample Stakeholder Engagement Plan in Annex 4.
- The Pilot Project Manager compiles all the required documents and shares the summary of the feasibility recommendations with the Pilot Development Facilitator for review.
- The Pilot Development Facilitator undertakes a review of the recommendations and advises the Pilot Project Manager on any gaps.
- The Pilot Development Facilitator is to consult technical peers from various Fairtrade institutions for advise on specific technical areas (e.g. Legal, Brand Integrity, FLOCERT, PNs, Global Impact etc.) if needed to support the Pilot Project Manager.

- Project Manager compiles the final draft pilot terms and conditions (based on the available template<sup>1</sup>) and sends it to the Pilot Development Facilitator for approval.
- The Pilot Development Facilitator approves the pilot terms and conditions (or refers it back if it still has gaps).
- Once approved, the Pilot Project Manager shares the pilot terms and conditions with all identified stakeholders.
- For each pilot participant, implementation of the pilot conditions cannot start before the Pilot Development Facilitator has received a written confirmation of the participant's acceptance of the pilot terms and conditions and the Pilot Facilitator has confirmed participation of that pilot participant by email.
- The workplan is submitted to the Director Standards & Pricing for an estimation of operational costs that can be expected if the pilot would later transition to usual Fairtrade standards work.
- The Project Manager coordinates with FLOCERT the identified and required adaptations to the assurance approach.

*Proposed duration: 2 months to 6 months (depending on scope of work and complexity of the pilot).*

## **2.4 Stage 4: Implementation and monitoring**

In this stage, the implementation plan developed in the research and planning stage is implemented and results are closely tracked and documented.

- The Pilot Development Facilitator announces the commencement of the pilot to all stakeholders. In the announcement, the project shares a high-level workplan and highlights channels for stakeholder feedback.
- The Pilot Project Manager regularly updates progress on a project tracker.
- The Pilot Development Facilitator and Project Manager have monthly meetings to track progress and raise any challenges.
- The Pilot Development Facilitator prepares updates on the pilot progress for the Oversight Committee meetings (with reference to the project workplan) as well as updates the monitoring indicators.
- Any extension to the timelines or departure from the approved project workplan has to be approved by the Director Standards & Pricing. Without this approval, the pilot project runs its course as per the project workplan.
- The Project Manager notifies all stakeholders of the completion of the pilot project implementation and invites any feedback.
- Assurance according to adapted approach is conducted in case audits of pilot participants take place.

*Proposed duration: 6 months to 2 years depending on the nature of the pilot.*

## **2.5 Stage 5: Performance approval and appraisal**

This stage enables the Pilot Development Facilitator to compile the pilot project results and make recommendations to the Oversight Committee.

- The Pilot Project Manager ensures all relevant data has been updated in the project tracker and project monitoring matrix (see an example of a Performance Evaluation Matrix in Annex 5).

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<sup>1</sup> The pilot terms and conditions template is available on request from [pilots@fairtrade.net](mailto:pilots@fairtrade.net). The pilot terms and conditions must at a minimum contain the following elements: pilot scope, timelines, other agreed specific conditions, the approved claim, communication for transparency on the pilot, monitoring requirements and a reference to Pilots SOP. Each pilot participant must confirm in writing that they accept the pilot terms and conditions in order to join the pilot.

- The achievements in the monitoring matrix are compared with the targets set at the planning stage.
- The Project Manager compiles a concise project report capturing all key outcomes, challenges, lessons and recommendations.
- The report may propose any of the following:
  - *Successful pilot to proceed to scaling up phase.* The report outlines the next steps towards scaling up e.g. new standards formulation, existing standards/price review, new approach to certification process, etc.
  - *Termination and retirement of a failed pilot.* In this case, the report clearly outlines the factors that led to the pilot failure and lessons learnt, and a phase out plan for the termination of the pilot.
  - *Pause until new information can be gathered.* In this case, the pilot is neither a success nor a failure. It just requires additional information before it can move to the next phase.
- The Pilot Project Manager outlines a high-level plan of action clearly indicating the key steps to be undertaken (e.g. standards or pricing review process).
- The Project Manager submits the report to the Pilot Development Facilitator. The Pilot Development Facilitator reviews the report and guides the Pilot Project Manager should it need additional inputs.
- The Pilot Development Facilitator submits the report to the Oversight Committee for review and endorsement of the findings.
- The Oversight Committee reviews the pilot project recommendations and endorses or rejects the recommendations clearly giving reasons for such rejection.
- Once endorsed by the Oversight Committee, the report is circulated to all stakeholders. Equally, in the case of a rejection, the reasons for the rejection are circulated to the stakeholders.

*Proposed duration: 2 months*

## **2.6 Stage 6: Pilot exit**

This stage enables exit from the pilot phase to implementation of the pilot recommendations.

- The Pilot Development Facilitator submits the pilot project report as approved by the Oversight Committee to the Director Standards & Pricing.
- The Director Standards & Pricing is obligated to give guidance on the implementation of the report recommendations. In doing so, the Director Standards & Pricing may delegate the development of the implementation plan to the Standards & Pricing Unit (S&P) or any other Fairtrade International team or coordination with FLOCERT as may be relevant.

*Proposed duration (implementation plan development): 2 months*

## 3 Annexes

### 3.1 Annex 1: Pilot application form

This pilot application form needs to be filled by the organisation applying to commence a pilot. The filled form needs to be sent to the Fairtrade Pilot Development Facilitator (pilots@fairtrade.net). Pilot application windows close two months before the scheduled Oversight Committee meetings. The dates of the Oversight Committee meetings can be found on FI's website, under section [Assuring Integrity in Checking Compliance](#).

<b>Name of applying organisation</b>	
<b>Name and email of contact person</b>	
<b>Date</b>	
<b>Title of the proposed pilot</b>	
<b>Product category</b>	
<b>Relevant Fairtrade Standards</b>	
<b>Proposed pilot problem statement (250 words)</b>	
<b>Proposed solution description (250 words)</b>	
<b>Goal of the proposed pilot</b>	
<b>Specific and focused objectives of the proposed pilot (what does the proposed pilot aim to prove through testing)</b>	1. 2. 3.
<b>Proposed target scope description – market, supply chain, POs, timelines (100 words)</b>	
<b>Estimated pilot cost (Euros)</b>	
<b>Are the estimated pilot resources available and from where?</b>	
<b>How does the proposed pilot contribute to the Fairtrade strategy? (250 words)</b>	
<b>Expected outputs (quote numbers where relevant) e.g. sales, brand visibility, strategic positioning, efficiency etc.</b>	1. 2. 3.
<b>What is the expected Impact to producers (100 words)</b>	
<b>Does the proposed pilot require any standards deviations or exceptions during the piloting</b>	

phase? Please explain (100 words)	
If successful, would the pilot require standards amendments or new standards formulations? Please explain (100 words)	
What are the expected risks of the proposed pilot and how will they be mitigated? (250 words)	
Can you describe the forecasted medium term (5 years) market projections from the pilot to market scale up (if applicable)? This can be included as an attachment where relevant (250 words)	
List and contacts of stakeholders who have been involved in preparing this application	1. 2. 3. 4. 5.
List of Licensees and/or Traders who have expressed interest in the proposed pilot	1. 2. 3.
List of Producer Organisations that have expressed interest to be part of the proposed pilot	1. 2. 3.
Proposed duration / timeframe	
Affected sourcing countries and markets	
Does the pilot involve use of the Fairtrade certification mark on pack?	
Are there any additional legal or statutory requirements that may apply to the pilot in source or destination markets?	
Any other general comments (250 words)	
Attachments	1. Forecasted 5-year market projections 2. Any other supportive market study reports/literature 3. Support letters from Licensees / Traders for the pilot 4. Support letters from Producer Organisations 5. Any other support materials

## Annex 2: Pilot appraisal criteria

Criteria	Guidance/Evaluation Questions	Rank 1 to 5 (1 is lowest 5 is highest)	Assessment Comments
<b>Objective of the pilot</b>	The pilot objective is clearly defined, relevant and likely to add value		
<b>Quality and completeness of the application</b>	Did the applicant provide all relevant support documents and information as per the application form?		
<b>Alignment to Fairtrade Strategy</b>	How well aligned is the proposed pilot to the Fairtrade strategy (impact for producers, geography, type of products, innovation, system efficiency)?		
<b>Social and environmental impact</b>	What is the potential impact of the proposed pilot (livelihood improvement for producers/workers, number of people, special interest groups, climate resilience, biodiversity, high value ecosystems, etc.)?		
<b>Commercial viability</b>	What is the potential commercial viability of the proposed pilot (scalability, replication to other markets, volumes, turnover, traders reach...)?		
<b>Scope of work</b>	Do we have existing standards for similar or related products/supply chain (existing certified traders, producers)?		
<b>Cost and cost-benefit analysis (score low if cost is high)</b>	What is the cost for the pilot, and do we have available resources? How does the cost compare to the expected revenues/benefits?		
<b>Brand and reputation risks (score low if risk is high)</b>	Does the pilot pose any risks to Fairtrade (reputation, brand, business risks, cross-border market sales)? Does the pilot involve use of Fairtrade Certification Mark on pack?		
<b>Legal compliance risks (score low if risk is high)</b>	Does the pilot pose any statutory compliance risks (e.g. EU use of certification mark regulation)? Does the pilot pose any other legal compliance challenges at source or in the market?		
<b>Total Score</b>			

## 3.2 Annex 3: Research, consultation and planning checklist

Checklist topics for research and compilation	What to check	Responsibility	Comments
Clarity of pilot hypothesis/objective	Is the pilot hypothesis and objective clear and focused? Does it align with Fairtrade strategy?	Pilot Project Manager	
Comments from appraisal stage and Oversight Committee	Were there any specific concerns raised at technical appraisal or Oversight Committee that need to be addressed?	Pilot Project Manager and Pilot Development Facilitator	
Stakeholder consultation plan	Has a stakeholder engagement plan been developed? Have consultations been done and fully documented? What were the key areas of concerns? Are they being addressed?	Pilot Development Facilitator and Pilot Project Manager	
Budget	Has a budget been prepared? Are funds available? Who is paying for the pilot? What is the shortfall and how will it be covered? Has allocation been done for all relevant institutions? (FI, FLOCERT, PNs, NFOs, etc)	Pilot Project Manager	
Legal risks assessment	Has the legal department undertaken a legal risk assessment?	Legal Pilot Project Manager	
Claims	Have off-pack and on-pack communications been addressed?	Brand Integrity Pilot Project Manager	
Social, economic and environmental safeguards	What are the social, economic and environmental risks? What are the mitigation measures in place? Any special interest groups?	Pilot Project Manager	
Standards compliance and exceptions	Has the Standards & Pricing Unit (S&P) done a standards compliance assessment? Has the Exceptions Committee given the necessary exceptions?	S&P, Pilot Project Manager	
Current market leaders consultation	Who is the market leader for the product under pilot? Have they received a specific pilot brief?	Pilot Project Manager	
Market demand assessment	Which market(s) have a demand for the pilot? What is the potential scale-up pathway for the pilot if successful? What is the volume/value growth forecast?	Pilot Project Manager	

<b>Performance evaluation criteria</b>	Has the pilot performance criteria been identified?	GI Team Pilot Project Manager	
<b>Detailed implementation plan</b>	Has a detailed implementation plan been prepared? Are there clear roles and responsibilities? Are the timelines well defined?	Pilot Project Manager	
<b>Project communications plan</b>	Does the project have a communications plan? Who, when and how will the communications be done?	Pilot Project Manager	
<b>General feasibility recommendations</b>	Considering all the items above, is this pilot project feasible or not? Are there other aspects that require additional piloting? (E.g.--new claims, new labelling, new business model, new capacity building efforts)?	Project Manager	

### 3.3 Annex 4: Sample stakeholders engagement plan

Name of Stakeholder	Role and Interest in Pilot	Influence level on pilot (1. Critical, 2. Important, 3. Moderate)	Stage of pilot to engage in	Expected engagement output	Channels of engagement	Name and email of focal person(s)
Standards & Pricing Unit (S&P)	Standards lead compliance checks, exceptions approval	1	All stages	Standards compliance checks	Technical team participation	
Fairtrade Germany	Lead market for XXX product	1	All stages	Market information	Technical team participation, email	
FLOCERT	certification	1	Stage 2, 4	Certification compliance	Technical team	
Producer Organisation X	Participating PO in pilot	1	Stage 1,4	Producer based information	email	
Fairtrade Africa	Representing producer interests	2	Stage 2 and 4	Outreach to producers	email	
NFO X	Has a growing market for X	3	Stage 2, 3	Provide market info	email	
Legal department	Legal compliance review	1	Stage 1	EU legal requirements review	Technical Committee	

## Annex 5: Pilot performance monitoring matrix

Example of Monitoring Matrix (Introducing pre-peeled avocados from East Africa into the German market)

Objective	Indicator	Units of measurement	Target	Baseline	Achieved	Comments
Increase in Fairtrade sales for 5 Fairtrade certified avocado POs in East Africa	Increase in Fairtrade sales value	% increase in Fairtrade sales (\$\$\$)	XXX%	\$\$\$		
Increase in Fairtrade certified avocado sales in Germany (participating retailers)	Increase in Fairtrade sales volumes of avocado	% Increase in sales volume of avocado in Germany (XX retailers)	Xxx%	XX tonnes		
Pre-peeled avocado sales pose no new brand/business or legal risks to Fairtrade	Zero new risks to Fairtrade	No risk reported on the existing avocado Fairtrade market	0	0		
Reduction in net certification costs compared to Fairtrade sales for the POs selling pre-peeled avocados	Decreased ratio of cost of certification vs Fairtrade sales value	Cost of certification vs total Fairtrade sales	1:25	1:20		

### 3.4 Annex 6: Process flowchart

The diagram below presents a schematic outline of the pilot process:

