



## TERMS OF REFERENCE

### The Effects of Fairtrade on Deforestation

#### Analysis of the Effects of Fairtrade's Financial Regulations and other Fairtrade Interventions on Deforestation at Producer Level

February 2023

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#### 1. BACKGROUND

Fairtrade is an alternative approach to conventional trade and is based on a partnership between producers and consumers. When farmers can sell on Fairtrade terms, it provides them with a better deal and improved terms of trade. To achieve its goals and bring about change Fairtrade has several types of interventions:

- Set of standards and tools which make up the 'rules' for fair trading practices and Fairtrade engagement (inside the scope of this research).
- Fairtrade engagement on the ground – e.g. producer programs, capacity building and projects (inside the scope of this research)
- Set of strategies and policies which enable engagement with Fairtrade (outside the scope of this research)

However, there are various limitations:

Fairtrade's new and yet unpublished Theory of Change assumes that Fairtrade's interventions - standard requirements and tools, producer support including climate academies – and data and intelligence gathered through deforestation monitoring in the future will contribute to building climate resilient practices of the producer organizations to enhancing the environmental rights of the producers thereby contributing to impact on environment sustainability. Currently, there are only two recently introduced criteria on deforestation in the new Theory of Change, which have not yet yielded relevant data.

There is also Insufficient data availability, as deforestation-related have been added to Fairtrade standards since 2019 only (entering into force in 2021); since then Covid-19-imposed restrictions on audits on the ground during the last two years have strongly limited in-situ audits on deforestation. For the same reason, there have also been fewer trainings and capacity building for producer organisations between 2020-22.

Because of this, looking for answers in Fairtrade's generic impact by means of standard requirements and tools, or producer support including climate academies and data and intelligence, will not help a lot in this case. This means that this study will have to look for **qualitative anecdotal information** on the matter of deforestation at Fairtrade producer level ("collect untold stories"). This requires interviews, focus group discussions or other data collection tools on the ground targeting Fairtrade producer organisations and their farmers/ members, independent local deforestation experts and staff of Fairtrade producer networks.

Against this background, and in light of the upcoming EU Deforestation Regulation and its potential consequences for Fairtrade coffee and cocoa producers, urgent questions ref. to deforestation need to be answered (see below)



## 2. CONTEXT

Fairtrade Germany (on behalf of Fairtrade International) is seeking expressions of interest from qualified research teams to undertake research (study including sampling of interviews) on the potential of Fairtrade Pricing & Premium Regulations and other Fairtrade interventions to drive or curb illegal deforestation at producer level. More specifically, in this case “producers” refer to Fairtrade certified small-scale producer organizations (SPOs) of coffee and cocoa as well as their members.

The Fairtrade approach seeks to improve trade justice and empowerment. This will be achieved by strengthening producers economic, social, financial and ecologic resources. One central instrument to achieve this are the regulations on Fairtrade pricing (minimum price, organic differential) and premium payments. Usually, the part of earned income through the sale of Fairtrade products that is not spent to cover the costs of production and living, will be invested into the producer organisations (mostly cooperatives) themselves, and – to a lesser extent – into their communities. Unsurprisingly and in line with the Fairtrade narrative, so far the focus of these investments has been on economic and social projects.

For various reasons, this is expected to change towards more investments into ecologic projects, driven by external and internal factors:

- The climate and biodiversity crisis affects ever more small-scale farmers and needs urgent action.
- Companies are expected to demonstrate climate action, including on their scope 3 emissions<sup>1</sup>, which includes Fairtrade production - e.g. coffee or cocoa - at the beginning of the supply chain.
- Ever more national and international legislations address the crisis' mentioned above, including the matter of deforestation and food systems as drivers of the climate and biodiversity crisis, see e.g. the EU Green Deal<sup>2</sup>.
- The recently passed EU Deforestation Regulation<sup>3</sup> (EU DR) is only one such example, and will profoundly affect agricultural commodities within its scope, including the crops most important for FT producers, cocoa and coffee from small-scale producer organisations.
- Fairtrade standards include more & ambitious environmental criteria that have to follow the legislative evolution<sup>4</sup> that generally sows trend to stricter environmental protection and HREDD (e.g. EU regulation, national member states regulations, regional regulations).

This automatically directs a lot of attention to environmental impacts of agricultural production systems, including small-scale agricultural production; here: does smallholder-based Fairtrade production of cocoa and coffee cause or curb deforestation?

As the EU DR includes the possibility of excluding beef, palm oil, soy beans, wood, rubber, **cocoa and coffee** from non-deforestation-free supply chains from import into the EU, and as most of the Fairtrade-certified cocoa and coffee are sold in EU-markets, a so far unresearched question needs to be answered urgently:

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<sup>1</sup> Greenhouse gas emissions are categorized into three groups or 'Scopes' by the most widely-used international accounting tool, the Greenhouse Gas (GHG) Protocol. Scope 3 includes all other indirect emissions that occur in a company's value chains.

<sup>2</sup> [A European Green Deal \(europa.eu\)](https://european-council.europa.eu/media/en/press-room/asset-detail/european-green-deal)

<sup>3</sup> See “EU agrees law to fight global deforestation and forest degradation driven by EU production and consumption”, Dec 2022 - <https://www.consilium.europa.eu/en/press/press-releases/2022/06/28/council-agrees-on-new-rules-to-drive-down-deforestation-and-forest-degradation/>

<sup>4</sup> Fairtrade is obliged that its standards respect every legislation and must not undercut it.



**Whether and if so, to what extent does Fairtrade production in the cocoa and coffee sectors provide incentives or disincentives for deforestation?** This is the central question of this research.

Using a mixed methods approach, the study will analyse if and how Fairtrade through its Pricing & Premium Regulations de- or incentivizes deforestation. The findings will be used to inform Fairtrade's itself and its key stakeholders to generate valuable learning on effective ways (update of standards, economic tools, of better protecting forests, biodiversity and climate.

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### **3. GEOGRAPHIC AND COMMODITY-SPECIFIC SCOPE OF THE STUDY**

At the end of 2022 there were about 1000 coffee and cocoa producer organizations holding a Fairtrade certification in more than 70 countries across Latin America and the Caribbean, Africa and the Middle East, and Asia and the Pacific. Research for the study should provide an analysis of generally available data on reasons for small-scale farmers to maintain forests or to deforest them, and relate it to the specific situation and conditions of Fairtrade small scale producer organisations - SPOs and their members from these regions.

The geographic focus of this research will initially be limited to countries with a high number of Fairtrade producer organisations engaged in cocoa and/or coffee production (e.g. Ghana, Ivory Coast; Colombia, Peru, Honduras). A more specific selection will be done on completion of the desk-based research and in consultation with Fairtrade members and stakeholders. This will involve considerations with regards to producer that sell into particular supply chains with high relevance for certain markets, e.g. France, Germany or the United Kingdom.

The available budget also permits for field work at cooperatives in selected countries to collect information on the ground and interview small-scale farmers (gender-segregated), which will have to be identified based on available data and information from the Fairtrade Producer Networks and selected cocoa or coffee producer organisations.

### **4. HYPOTHESIS, OBJECTIVE AND GOALS**

The **hypothesis of this research** is as follows: *“Fairtrade, through its financial regulations and other interventions, does have an effect on deforestation who’s dimension is big enough to limit deforestation caused by Fairtrade small-scale coffee and cocoa producers to a generally low level, in particular in comparison with non-Fairtrade coffee & cocoa producers and other local drivers of deforestation/other land uses competing with forestry”.*

The **objective of this study** is to assess if and how Fairtrade incentivizes or de-incentivizes deforestation by means of its standards and tools including the Fairtrade Pricing & Premium Regulations its engagement on the ground with producer organisations and farmers.

The **goals** of this research project are:

- i. To make recommendations on how Fairtrade can facilitate the development of effective ways to protect forests in the context of small-scale cocoa and coffee production.
- ii. To identify where and under which conditions the Fairtrade pricing regulations have an influence on deforestation practices from smallholder farmers, especially on the cocoa and coffee sectors.
- iii. To compare the potential impact of FT pricing tools on deforestation with the impact of price fluctuations on the commodities markets for coffee and cocoa on deforestation.

- iv. To look for and analyze various types of data on deforestation issues ref. to the context of cocoa and coffee production by small-scale farmers in general
- v. To look for and analyze various types of data on deforestation issues ref. to the context of cocoa and coffee production within the Fairtrade context, including
  - a. potentially available data form two ongoing deforestation monitoring projects Fairtrade is currently running.
  - b. data available in the Fairtrade system on investments of Fairtrade Premium into forestry/afforestation/re-afforestation/agroforestry projects.
- vi. To assess whether there is a possible causation between the payment of minimum price/organic differential (if applicable)/premium payments, and deforestation.
- vii. To assess the impact of standard criteria prohibiting deforestation/oblige to forest (and biodiversity) protection.
- viii. To assess the impact of producer programs, capacity building and projects on implementing measures to protect forests (and biodiversity) and establish agroforestry in cocoa and coffee protection.
- ix. To assess any other influence of Fairtrade on farmers' practices related to forest protection or usage.

## 5. GUIDING QUESTIONS AND PROPOSED INDICATORS

Guiding questions that the study and the cases should consider are the following:

1. What are the factors driving deforestation at Fairtrade producer level? Why do farmers decide to clear forested land, and why not?
2. Does Fairtrade - by means of its economic incentives and other factors - drive or curb deforestation? If Fairtrade does curb deforestation, what exactly is the role of
  - a. standards criteria on deforestation
  - b. standards criteria on Fairtrade's Pricing & Premium Regulations
  - c. Fairtrade engagement on the ground addressing deforestation by means of training, capacity building, projects and programs (e.g. climate academy, tree planting project etc.)
3. How do farmers perceive the new Fairtrade criteria on deforestation? What role does Fairtrade/Fairtrade certification play in enabling farmers to feel prepared for these changes and ability to adapt?
4. What is the role of co-operatives in enabling knowledge strengthening on deforestation that can drive good practice? What activities do cooperatives do to curb deforestation? How does Fairtrade enable and support these activities?
5. Which role plays the fact that Fairtrade producers can usually only sell a part of their Fairtrade-certified produce under Fairtrade terms? If producers can't sell all their products, why would they clear more land...
  - a. for more Fairtrade crops, i.e. FT certified coffee or cocoa, which they would have difficulties to sell?
  - b. ...for non-FT-crops they might be able to sell locally (Mandioca/Yams? Any other non-FT-crop?)
6. How do Fairtrade certified producers perform in forest conservation compared to non-certified / alternatively certified producers within a specific geography and timeline?

7. What type of forestry/agroforestry-related activities and projects are most common in SPO setups? How do they differ from similar projects developed outside of the Fairtrade system?
8. How and under which conditions does premium investment at SPO-situations support forestry/agroforestry-related projects within producer organizations, in cocoa and coffee?
9. How and under which conditions does premium investment at SPO-situations support forestry/agroforestry-related projects within producer organizations, in cocoa and coffee, and how are conformity (i.e. transition to zero deforestation) costs funded?
10. What are the most important forestry-/agroforestry-related challenges or barriers from the point of view of male and female producers (producer organizations, farmers and workers; as the case may be), both in the professional as in the societal/cultural contest?

## 6. METHODOLOGY

The study will use desk-based research to analyse pre-existing data available within Fairtrade as well as literature review. Key informant interviews with the Fairtrade staff may be undertaken as necessary for understanding the context, in particular with staff from the Fairtrade Producer Networks, and the Fairtrade Center of Excellence Climate & Environment. The selected subset of producer organizations will be sampled for fieldwork by the research team on the ground at the respective producer organisations for more data collection and in-depth analysis.

The study should adopt a mixed methods approach, integrating quantitative and qualitative methods to ensure that data collected can be communicated, explained and contextualized. It is expected that the research team in collaboration with producer networks will combine household surveys with in-depth interviews and focus-group discussions. Priority will be given to research teams using innovative methods to collect and analyse either qualitative or quantitative data.

*Note 1: Principally, Fairtrade tries to incorporate a counterfactual approach in its research. However, in this case, the research question of whether FT Pricing & Premium regulations rather drive or rather curb deforestation can probably not be researched at non-FT-Producer organisations, as FT Pricing & Premium regulations are applicable to the members of the FT System only. However, applying parties are invited to share their suggestions on this matter.*

*Note 2: If data form an ongoing pilot project on the applicability of remote sensing-based deforestation monitoring within the Fairtrade System can provide insights as regards reasons for and evidence of different deforestation levels at FT-certified small-scale famers and non-Fairtrade farmers, then such data can be considered as additional information for this research.*



## 7. RESEARCH TEAM SELECTION CRITERIA

The project will be awarded to a research institution which can propose a research team meeting the following criteria:

Essential:

- Fluency in Spanish, English and French both written and spoken. Hence, the research institution should have networks of local researchers in West Africa (mainly Ghana, Côte d'Ivoire) and Latin America (mainly Colombia, Peru, Honduras).
- Existing research experience, research networks and partnerships in the indicated regions.
- Proven experience of conducting impact assessments or other types of research preferably related to production of cocoa and coffee in developing countries
- Proven research experience within a relevant thematic contexts like tropical forestry/deforestation, agroforestry, natural resource management and the effects of commodity prices on the prior; or comparable
- Focus on evaluation techniques and participatory research methods
- Experience of using innovative data collection methodology, in particular as regards using online tools
- Ability to present data concisely and clearly
- Demonstrable policy on research ethics
- Understanding of Fairtrade principles, key tools and approaches, including the Fairtrade theory of Change, pricing & premium regulations, standards and producer support, and Fairtrade structures
- Prior experience in researching in West Africa and Andean countries regions are highly advantageous

## 8. PROJECT BUDGET

The total budget allocated for this project is 72.000 €. Please note that all costs invoiced must be below this amount, including a mandatory 19% VAT payable in Germany (as this is where Fairtrade Germany is headquartered).

The commissioning parties of this study are Fairtrade International, Fairtrade Germany, the Fairtrade Foundation UK, Max Havelaar France and Fairtrade Ireland.

## 9. EXPECTED OUTPUTS

The expected project outputs to be submitted to Fairtrade International are:

1. Inception report including suggested methodology, data analysis tools, a time table for implementation and suggestions on how to address potential counterfactuals.
2. [Research ethics](#) and protocols followed.
3. Detailed narrative report that is a good balance of narrative explanation and data representation through clear graphs and tables; innovative representation of qualitative data.  
The report should follow a structure agreed between the research team and Fairtrade International such that it meets the objectives of the research and answers some of the guiding questions that have been articulated in this ToR.
4. A range of photographs and/or video footage from the research (with signed consent forms) suitable to illustrate the findings (e.g. appropriate resolution for online publication).
5. Validation workshops and workshop report from the field where the data collection takes place.
6. Back to office report after fieldwork so that some preliminary information can go back to the producer organizations from whom the data has been collected.



7. At least 2 learning workshops for research participants and key stakeholders and a webinar/online workshop for Fairtrade system staff, including summarizing the main findings and key recommendations and offering room for discussion.
8. All raw and cleaned data collected through the research process.

## 10. APPLICATION PROCESS

If you are interested in being considered for this tender, please send a short proposal (5-10 pages max) to the email-address below, detailing (1) how your research team meets the selection criteria (including links to past relevant work) (2) describing the approach you would take to the research, (3) a project timeline, and (4) a budget. Please include your team's CVs as an appendix (not counted towards the page limit).

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We aim to have this research started by **May 2023**. Early findings should be available at beginning of Q4 2023. All deliverables for the project should be finalized by end of **Q1 2024**.

The contact person at Fairtrade for this project is Martin Schüller; Advisor Development Policies, Climate & Environment at Fairtrade Germany: [m.schueller@fairtrade-deutschland.de](mailto:m.schueller@fairtrade-deutschland.de)