TERMS OF REFERENCE

Fairtrade Climate Standard Impact Assessment

30 March 2021

1. CONTEXT AND BACKGROUND

Fairtrade is an alternative approach to conventional trade and is based on a partnership between farmers and consumers. When farmers can sell on Fairtrade terms, it provides them with a better deal and improved terms of trade. Fairtrade's vision is a world in which all farmers can enjoy secure and sustainable livelihoods, fulfil their potential and decide on their future. Fairtrade therefore works to provide farmers from developing countries with fairer trade conditions that allow them to combat poverty, strengthen their position and take control over their lives.

There are three major approaches Fairtrade employs:

1. A set of **standards and tools** including environmental & climate change criteria which make up the 'rules' for (mostly) agricultural[1] production, biodiversity protection, fair trading practices, as well as organisational development as key to functional smallholder organisations.
2. Fairtrade engagement on the ground – e.g. producer **programs, capacity building** and projects – strengthens application of better natural resources' management, environmental & climate-friendly agricultural practices, adaptation to and mitigation of climate change, etc.
3. A unique pricing model based on **Fairtrade minimum prices** - set for most Fairtrade products -, and the additional sum of money called **Fairtrade Premium**. Fairtrade Premium moneys enables producer organisations (POs) to implement social, agricultural and environmental/climate change projects.

While external research as well as Fairtrade commissioned monitoring and evaluative research studies have covered many aspects of Fairtrade's impact, no research has focused on the impact of projects after having been certified under the Fairtrade's Climate Standard[2]; https://www.fairtrade.net/standard/climate.

Climate change and its consequences are being felt across the planet, especially in developing countries. Climate change impacts threaten and in some cases wipe away the very source of livelihood of smallholder farmers; as it deprives farmers of the mere possibility to produce some products in some region that have historically been dedicated to specific cultures. This phenomenon is affecting both the producers and the whole supply chains, from producer countries to consumers. Meanwhile, Fairtrade is engaged in building their resilience and adaptation strategies for climate change.

In recent years, Fairtrade is increasingly implementing climate change projects that support Fairtrade farmers in adapting to climate change and reduce their own impacts, whilst promoting sustainable agricultural practices and providing support through mechanisms and services. Most

[1] With some exceptions such as Fairtrade gold, emission certificates, sports balls or textiles

[2] Most projects have already been certified and operational under the Gold Standard from the Gold Standard Foundation, www.goldstandard.org, so far the only carbon standard accepted as underlying the Fairtrade Climate Standard. Only later on these projects were also certified against the Fairtrade Climate Standard

climate change projects are organized around two components: **adaptation and mitigation**, so far with a strong focus on climate change adaptation projects.

Much less attention has been given to the **mitigation component** implementable through the Fairtrade Climate Standard, where only few projects have been certified. The Fairtrade Climate Standard has a wider scope than all other Fairtrade standards, as also non-Fairtrade producer organisations (aka: community based organizations) can be certified against it. POs certified against the Fairtrade Climate Standard are usually supported by project facilitators and/or authorized suppliers of Fairtrade Carbon Credits (FCCs), in implementing carbon reduction projects, and in generating FCCs (https://www.fairtrade.net/product/carbon-credits).

Unlike other carbon credits schemes, FCCs are owned by the producers, and the production and sale of FCCs is based on minimum prices and premiums, as most other Fairtrade products. FCCs are geared towards shifting significantly bigger margins of the supply chain value to producer level, where the premium generated by selling FCCs is supposed to be **invested in climate change adaptation measures**, thereby **addressing both adaptation and mitigation** in order to strengthen climate change resilience at the production origin of agricultural supply chains, in particular Fairtrade supply chains. Furthermore, in FCC, the Emission Reduction factor lies with producers and hence, increases the power to determine and lead the projects - contrary to other schemes where usually NGOS and project developers decide about such projects.

Equally unique, at the other end of Fairtrade supply chains, Fairtrade expects a formal commitment from buyers of FCCs to reduce GHG. Interested buyers of more than 1000 FCCs/year **must** set up an emission reduction plan by end of year 1 after having been licensed to buy FCCs[3]. Thereby, the climate standard creates an incentive for companies to not only compensate for carbon emissions, but to **also reduce** them.

2. OBJECTIVES AND GOALS

The objectives of this impact assessment are to analyse the following:

- *Implementation of the Fairtrade Climate Standard:* whether, how and to which extent the generation of FCC-sales supports producer organisations to become more resilient and adapt to climate change; which outputs/outcomes have been achieved/reported, the volume of FCCs produced, as well as evaluating the benefits for Fairtrade and non-Fairtrade FCC-producing POs, their members and workers, and/or their communities.
- *Strengthening of organisational development and resilience:* whether, how and to which extent the implementation of the Fairtrade Climate Standard and FCC-sales are supporting FCC-producing POs in strengthening their organisational development and economic resilience.
- *Gold Standard vs. Fairtrade Climate Standard:* If and to what extent dual-certified projects under the Gold Standard and the Fairtrade Climate Standard create comparatively more benefits to FCC-producing POs, their members, workers and/or their communities, than Gold Standard-only certified projects.
- *At household level:* to what extent has the Fairtrade Climate Standard resulted in climate intervention that would otherwise not have been funded. What is the impact on household level and on climate change carbon reduction and climate awareness?
- *Expectations of carbon sector organisations:* whether, how and to which extent the Fairtrade Climate Standard corresponds to the expectations of carbon sector

[3] End buyers which source less than 1000 credits don't need to make this formal reduction commitment.

organisations; how they see their multiple roles vis-à-vis Fairtrade, and how they see Fairtrade carbon labelling?

- Demand by commercial partners/other organisations: whether, how and to which extent the purchase of FCCs as a meaningful option to offset their remaining carbon emissions. How the "emission reduction obligation" has been enforced by Fairtrade Organizations and to what extent is has motivated companies to reduce emissions?

Using desk review, interviews and surveys, the assessment will seek to identify best practices as well as areas of weakness where the performance of the Fairtrade Climate Standard can be improved. The results of this impact assessment will be used to inform the upcoming review of the Fairtrade Climate Standard in 2022; i.e. help to define the Standard Review Project Assignment.

The goals of this project at FCC-producing POs and producer households are level are:

- To analyse the data available in the Fairtrade system on the application and impact of the Fairtrade Climate Standard from all 7 projects under the Fairtrade Climate Standard[4].
- To evaluate which of the accepted carbon methodologies (energy efficiency, reforestation/afforestation, renewable energies) of the Fairtrade Climate Standard are working well at FCC-producing POs, and which conditions determine success.
- To assess the need for and acceptance of soil carbon methodologies as an additional carbon methodology.
- To analyse whether implementation of the Fairtrade Climate Standard requires a minimum size of the PO and its implementing members/households (e.g. at least 2000) for the cookstoves/biogas/afforestation-reforestation projects, respectively, in order to be efficient.
- To evaluate the role of brokers/re-sellers/project facilitators of FCC-authorized suppliers[5] ref. to projects under the Fairtrade Climate Standard and their long-term engagement/co-operation with the implementing FCC-producing POs.
- To evaluate if the Fairtrade Producer Networks have a role to play in projects under the Fairtrade Climate Standard and their long-term engagement/co-operation with the FCC-producing POs.
- To collect and analyse information on and capture opinions from project facilitators and/or members of FCC-producing POs.
- To assess if additional income (or reduced expenses/savings) was created through the Fairtrade Minimum Price (FMP), and which relevance the FMP actually has.
- To analyse how and to which extent Fairtrade Premium money (FP) coming from FCC-sale has been invested in climate change adaptation measures or other ends, and which relevance the FP actually has.
- To evaluate if there are differences in implementation and impact of the Fairtrade Climate Standard at Fairtrade- and non-Fairtrade-FCC-producing POs related to organizational development level of FCC-producing POs, and which ones?

The goals of this project at the level of carbon sector organisations in their various roles (project developers/buyers and re-sellers of FCCs) are:

[4] This will be based use data gathered via the FLOCERT audits of the so far 6 projects under the Fairtrade Climate Standard, but also from other data sources within the Fairtrade system such as responsible PN and NFOs staff. These projects are: (1) Lesotho – Efficient stoves cooking-sets; (2) India - Clean cooking with biogas; (3) India - Improve cookstoves for women; (4) Ethiopia - Cookstoves for coffee farmers; (5) Burkina Faso - Birds, bees & business; (6) Peru - Reforestation for coffee farmers.

[5] Such as Fair Climate Fund, AtmosFair, ClimatePartner, MyClimate, CO_2logic, etc

- To evaluate why companies, collaborate with carbon sector organisations. Such organizations are sometimes carbon project developers as well as distributers/sellers of carbon credits in their markets, and sometimes only re-sellers/distributors.
- To determine how carbon sector organisations, see their role in developing Fairtrade carbon projects, following Fairtrade Standard criteria, selling FCCs, and handling the administrative procedures for clients, distributors and authorized suppliers, as well as other obstacles with commercial partners when selling FCCs?
- Assess to what extent do carbon sector organisations see Fairtrade carbon labelling as a competition; while at the same time Fairtrade depends on them to get projects certified, to buy FCCs and to sell FCCs in the respective markets.

<u>The goals of this project at the level of buyers/commercial partners are</u>:

- To assess the demand of former/existing buyers/commercial partners (e.g. DHL, Breitsamer Honig) in Fairtrade and non-Fairtrade supply chains and the role they see for Fairtrade Carbon Credits to achieve carbon-neutral or carbon-friendly supply chains.
- To document best practice proposals and recommendations as well as expectations of buyers/commercial partners ref. a revised Fairtrade Climate Standard.
- To evaluate the opinions of former/existing buyers/commercial partners on the preconditions for buyers/commercial partners to access Fairtrade Carbon Credits, namely criteria 5.7 End Buyer Engagement[6] of the Fairtrade Climate Standard and, understand how buyers/commercial partners set their emission reduction targets.
- To assess market potential of FCCs on the existing and future carbon credit markets, e.g. contacting Fairtrade-certified and non-FT certified commercial partners that have purchased FCCs.[7]

3. GUIDING QUESTIONS

The key guiding questions that the impact assessment should consider include the following:

<u>At the level of producers:</u>

- *Motivation & Expectation of FCC-producing PO and their members:*
    a. What has been/is the most important motivation to implement the Fairtrade Climate Standard? Have the expectations been met? If so, explain why; if not, why not?

- *FCC*-producers:
    a. FCC-producers: Is there a significant involvement of FCC producers (e.g. users of cookstoves or mini-biogas plants) in decision making processes as regards the FCC-project?
    b. Which specific challenges occur in planning and implementing stage of projects certified under the Fairtrade Climate Standard (i.e. are unrelated/not caused by the implementation of the underlying Gold Standard project)?
    c. How the specific costs of implementing FCC-projects (i.e. costs unrelated/not caused by the implementation of the underlying Gold Standard project) for FCC-producing POs compare to the specific benefits received (PO- and household level)?
    d. Who exactly produces the FCCs? Are these all members/households of a given PO, or only part, and why?

[6] See https://files.fairtrade.net/standards/Climate-Standard_EN.pdf, page 57 ff.

[7] E.g. DHL, Breitsamer Honig

e. Which are the specific FCC-benefits for producers[8]? Who exactly benefits from the FCC premium-funded projects? Are there different beneficiaries in the different project set-ups under the Fairtrade Climate Standard (cookstoves, reforestation/afforestation, biogas)?

- *Fairtrade minimum price FMP and Fairtrade premium FP:*
  a. How has the income of the FCC-producing POs - through sales of FCCs - been invested at PO-level? Is it invested differently than the income for sales of Gold Standard carbon credits? Do parts of income from FCC-sales reach FCC-producers directly? If so, how? If not, why not? Without the carbon credit sales - climate interventions would have taken place?
  b. How was the FMP used? Was there already a predefined price per credits prior to the FT certification? Did the FMP led to additional income at PO- or even producer level, or was the FMP only used to cover project costs?
  c. What volume of FCC is produced per Euro/USD invested and how does this compare to the FMP and Fairtrade Premium?
  d. Does the FP create an added value compared to other carbon standards (e.g. Gold Standard)?
  e. Do FCC-producers have a voice in in decision making as regards investing the FP?

- *Importance of organizational development und understanding of Fairtrade principles:*
  a. Is the assumed higher organisational development level of Fairtrade-PO compared to non-Fairtrade-PO an advantage for implementing the Fairtrade Climate Standard?
  b. Is there a significant relation between level of organizational development and Fairtrade Climate Standard projects' success?

- *Intended environmental and societal impacts of implementing the Fairtrade Climate Standard*:
  a. What did the Fairtrade Climate Standard contribute/strengthen/improve beyond the benefits of the underlying Gold Standard Certification, and why?
  b. Did the implementation of the Fairtrade Climate Standard and its premium payments help to finance additional measures (beyond those implemented as per Gold Standard requirements) to increase resilience against & adaptation to climate change within producer organizations?
  c. In which way does the impact on the producers differ in a Fairtrade-certified vs in a non-FT certified PO?

- *Non-intended environmental and societal impacts of implementing the Fairtrade Climate Standard:*
  a. Are there co-occurring impacts related to the implementation of the Fairtrade Climate Standard, such as ecologic, economic or social impacts (either positive or negative) at the household or organizational level?

- *Gender:*
  - Which gender is represented the most in FCC project activities?

[8] It must be clear which benefits are related to the Fairtrade Climate Standard. In essence, these benefits are those arising from climate change adaptation measures financed from the Fairtrade Premium money generated by the sale of FCCs. Less smoke, less eye irritation, less time needed to collect firewood or cook a meal etc. are already benefits of the underlying Gold Standard projects and cannot be attributed to the Fairtrade Climate Standard.

- Do men or women perceive different benefits from the outcome of FCCs projects; namely cookstove's projects?
- Do activities under FCC projects lead to any change of women and men roles in projects or communities?

<u>At the level of carbon sector organisations in their various roles (project developers/buyers and re-sellers of FCCs)</u>

- *Pricing Model:*
  a. Do carbon sectors organisations value the Fairtrade Minimum Price/Premium model based on the costs of sustainable production?
  b. Do they have alternative suggestions to determine prices and premiums of FCCs?

- *Motivation of carbon sector organisations:*
  a. What are their motivations and expectations to work with the Fairtrade Climate Standard? What is their experience with the Fairtrade Climate Standard and FCCs?
  b. Given the dynamics of the voluntary carbon market, which prospects see carbon sector organisations to engage with Fairtrade?
  c. How does the Fairtrade Carbon Standard compare with other carbon standards? From their point of view, which standard criteria add value and which not?

- *Competing carbon labelling of Fairtrade with carbon sector organisations:*
  a. How do carbon sector organization see this conflict of interest? Do they have suggestions of how to resolve it? What is their preference as regards Fairtrade carbon labelling?
  b. What is their interest in supporting the Fair Climate Standard and its re-structuring?

<u>At the level of buyers/commercial partners:</u>

- *Motivation & Expectation of buyers/commercial partners purchasing FCCs:*
  a. What has been/is the most important motivation to buy FCCs?
  b. What is the added value of the FCCs in comparison to established carbon standards and providers?
  c. Have the expectations been met? If not, why not?

- *Communication of buyers/commercial partners' climate change-related engagement with Fairtrade:*
  a. Has the cooperation with Fairtrade been used by buyers/commercial partners to communicate their climate change-related engagement? If so, how? If not, why not?
  b. What should be changed to improve communication about climate-change-related cooperation with Fairtrade?

- *Obstacles in buying Fairtrade Carbon Credits:*
  a. Which challenges and/or obstacles did buyers/commercial partners purchasing FCCs have encountered? How should the criteria in end buyer engagement be improved/changed to facilitate better access of buyers/commercial partners to FCCs?
  b. What are the gaps in business operations that Fairtrade is not addressing in the Standard?

- *Long-term engagement:*
    a. Is there a willingness of buyers/commercial partners to engage in the long-term with Fairtrade on generating FCCs in larger projects; providing sufficient FCCs to offset supply chain related emissions?
    b. How urgent do buyers/commercial partners consider the need to transition to carbon-neutral supply chains?
    c. Do they see a role for Fairtrade in managing their risks and ensure sustainability of their supply chains?

4. SCOPE OF THE IMPACT ASSESSMENT

The scope of the impact assessment is limited to the all projects under the Fairtrade Climate Standard, implemented since 2015, namely:

- Lesotho – Efficient stoves cooking-sets *(project facilitator: Solar Lights, Michael Hönes; FCC supplier: AtmosFair)*
- India - Clean cooking with biogas *(SPO: Bagepalli Coolie Sangha, Contact via FairClimate Fund)*
- India - Improve cookstoves for women *(Contact via FairClimate Fund)*
- Ethiopia - Cookstoves for coffee farmers *(SPO: OCFCU, Contact via FairClimate Fund)*
- Burkina Faso - Birds, bees & business *(Contact via FairClimate Fund)*
- Peru - Reforestation for coffee farmers *(SPO: Norandino, Contact via CLAC & Fair Climate Fund)*

5. METHODOLOGY

This impact assessment will have four phases.

The first phase of the impact assessment will use desk-based research to analyse pre-existing data collected by Fairtrade (audit data, CODImpact[9] data, reports and other projects' documentation). At the end of phase 1 a short (max. 5 pages) inception report including methodologies and timeframe of implementing the impact assessment will be provided to Fairtrade.

The second phase of the impact assessment will involve contacting all organisations that have implemented projects under the Fairtrade Climate Standard, as well as the producer networks for Latin America CLAC[10]), Africa (FTA[11]) and Asia (NAPP[12]) and to request and agree upon interviews, data access and other methodologies with a view to collect crucial data on the impact of implementing projects under the Fairtrade Climate Standard. Furthermore, data/information will be requested from the Fair Climate Fund[13].

[9] CODImpact is a Fairtrade International database
[10] Latin American and Caribbean Network of Fair Trade Small Producers and Workers http://clac-comerciojusto.org
[11] Fairtrade Africa https://fairtradeafrica.net/
[12] Fairtrade Network of Asia and Pacific Producers https://www.fairtradenapp.org/
[13] Fair Climate Fund, https://www.fairclimatefund.nl/en

Due to the lack of similar studies and the incomplete data as regards to environmental aspects of Fairtrade, it is assumed that the researcher/s will in some cases have to rely on information from individual Fairtrade staff, in particular from POs that have/are implementing projects under the Fairtrade Climate Standard.
Data collection methods should generally be based on a mixed methods approach, if possible including focus group discussions among FCC-producers (e.g. cookstoves' users). Considering travel restrictions imposed by measures to control the ongoing COVID-19 pandemic, data collection in the field will not always be possible and will also have to be organized via online-meeting software.

The third phase will be the analysis of the data, and the compilation of findings, conclusions and recommendations into a draft report that will be shared with defined stakeholders for comments and feedback.

The fourth phase will be the elaboration of the final impact assessment report and the presentation of the findings via an online-seminar to a range of Fairtrade stakeholders, namely Fairtrade International (Standards Unit, Global Programs, Policies and Products Unit, Global Impact Unit), NFO (particularly those from Australia, France, Germany, Netherland, Switzerland, UK, among other), Fairtrade Producer Networks, and other involved parties including the Fair Climate Fund.

6. RESEARCH TEAM SELECTION CRITERIA

The project will be awarded to a research institution meeting the following criteria:

Selection Criteria

Essential

- Fluency in English and Spanish both written and spoken.
- Demonstrated understanding of project management and program/project assessment
- Research experience or strong understanding of producer livelihoods and/or certification systems and in the field of carbon compensations and the debates around this mechanism.
- Demonstrated understanding of climate change impacts and climate change adaptation/resilience strategies, as well as a familiarity with different types of climate change support interventions. In particular, smallholder empowerment and community-based resilience building and adaptation.
- Experience in conducting impact assessments or other types of assessment or research related to resilience against, adaptation to and mitigation of climate change in developing countries.
- Experience in assessment techniques and data collection/analysis methodologies relevant to this project (participatory and innovative research methods, quantitative and qualitative analysis skills, etc.).
- Experience in designing and conducting surveys, including proven expertise in techniques than can also be employed via online meeting-tools (given the ongoing travel restrictions imposed by measures to combat COVID-19).
- Ability to present data concisely and clearly
- Demonstrable policy on research ethics, and a willingness to adhere to Fairtrade research and ethics policies.
- Demonstrated understanding of Fairtrade principles, key tools and approaches, including the standards and producer support, and Fairtrade structures.

Highly Desirable

- As additional language requirements may emerge depending on the cases selected, fluency in German, French or Dutch would be advantageous.
- Existing research experience, research networks, and partnerships in Latin America (Peru), Africa (Kenya, Ethiopia, Zimbabwe, Lesotho, Burkina Faso) and Asia (India).
- Research experience with gender issues in the context of environmental issues.
- A network covering (ideally) carbon organizations and experts as well as certain commercial operators would be beneficial to reach out to for interviews

7. PROJECT BUDGET

The funding availability for this project is between €25.000 and €35.000, proposals should be budgeted in between this range. Please note that all costs invoiced must be below this amount, including a mandatory 19% VAT payable in Germany (as this is where Fairtrade is headquartered).

The commissioning parties of this impact assessment are Fairtrade International. TransFair e.V./Fairtrade Germany and Max Havelaar France.

8. EXPECTED OUTPUTS

The expected project outputs to be submitted to Fairtrade will be:

1. Inception report explaining methodology and data analysis tools.
2. Detailed narrative report that is a good balance of narrative explanation and data representation through clear graphs and tables. The report will follow a structure agreed between the research team and Fairtrade such that it meets the objectives of the research and answers the guiding questions that have been articulated in this ToR, to the extent possible; draw conclusions and make recommendations on:
   - 2.1 Whether the Fairtrade Climate Standard should be reviewed and continued, or terminated;
   - 2.2 whether the Fairtrade Climate Standard has a convincing USP, and whether there is a legitimacy for Fairtrade stay in the carbon market.
   - 2.3 Amending/improving existing criteria, incorporation of new criteria into and deletion of superfluous or non-implementable criteria from the Fairtrade Climate Standard,
   - 2.4 How to monitor and collecting proofs of impact of FCC-projects.
   - 2.5 Need to develop better guidance on Fairtrade Climate Standard Premium investment into climate change adaptation measures and improvement of respective capacity building efforts.
   - 2.6 Easier access to and communication about Fairtrade Carbon Credits
   - 2.7 Appropriateness of end buyer engagement criteria
3. A Power Point presentation summarizing the main findings and key recommendations, and presentation of the same to relevant Fairtrade stakeholders (likely remotely, but potentially in person, depending on the location of the event);
4. Any photographs and/or video footage from the research.
5. All raw data collected through the research process.

9. APPLICATION PROCESS

If you are interested in being considered for this tender, please send a short proposal (5-10 pages max) 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).

Call published: 10th **April 2021**
Tender Deadline: 30th **April 2021**
We aim to have this research started between May and June 2021 and ending, with all outputs delivered, no later than December 2021. The research project should begin in Q2 2021. Early findings should be available at beginning of Q4 2021. All deliverables for the project should be finalized by end of Q4 2021.

The contact persons at Fairtrade for this project Juan Pablo Solis at Fairtrade International, jp.solis@fairtrade.net; and Martin Schüller at Fairtrade Germany, m.schueller@fairtrade-deutschland.de