

## PROJECT DESCRIPTION

### 1. Developmental background

The Philippines farming economy has been the steady driver in increased economic activity in the communities, contributing around 45 % of the GDP. In terms of employment generation and livelihood, almost 45% of the populace established dependency on agriculture. The majority of current government support to agriculture, however, is focused on staple food crops such as rice, corn, coconut, sugarcane as well as high-value export crops such as banana, mango and pineapple. Due to limited government funds, other crops, vegetables and fruits are relegated to the background with very minimal support.

Therefore, up to 85% of various food items are imported from Europe, Asia and Australia. Considering the accessible size of developed and undeveloped agricultural land the Philippines have proper pre-condition to reduce import and to increase the yields and income of farmers from the agricultural sector. The quality of the soil, the amount of precipitation, even considering climate change, is appropriate for sustainable agriculture. In areas like Negros, one of the food baskets of the country, a pool of knowledgeable organizations and key farmers is able to expand their sustainable production. Pre-condition is the access to the market nearby. 100 million Filipinos need food in good quality and sufficient quantity. This can only be assured if farmers get a reasonable price for their products. Fair pricing is the main incentive to sustain agriculture. An independent, defined, and common system is needed to assure fairly traded fresh food and processed food sourced in the Philippines for the local market.

FLO-CERT GmbH (FLO-Cert) and its partner organization Fairtrade Labelling Organizations International e.V. (FLO)<sup>1</sup> have declared the Philippines apart from India and Hong Kong as the Asian market that has most potential in the fairtrade sector as the consumer nation replies positively to fairly traded products. Since the early 80s non-government organizations in the country have started to promote fairtrade, but they have never achieved to become united which is representative for the local culture. Philippine labels are mostly not recognized and accepted by the local society, especially not within the retail sector. Despite of that, there is no Philippine data as to the number of firms directly engaged in fairtrade and only a small percentage of fairtrade products were certified by international certification bodies.

### 2. Brief description of the developPP.de-Project

The main goal of the project is to establish a locally funded Fairtrade Marketing Organization (FMO) as a legal entity in the Philippines. This organization will ensure the sustainability of promoting fairtrade in the country. Specifically the target objectives of the project are to (1) raise awareness among the farmers, retailers and consumers on fairtrade; (2) solicit institutional support for the observation of fairtrade; (3) build local capability of producers (farmers/food processors) to implement fairtrade activities in cooperation with FLO.

~~FLO-Cert will lead the entire project and will implement the project in close cooperation with the German AFOS Foundation for Entrepreneurial Development Cooperation and the Filipino organization~~

<sup>1</sup>FLO is a non-profit, multi stakeholder body that is responsible for the strategic direction of Fairtrade, sets fairtrade standards and supports producers. FLO-CERT is an independent certification company, owned by FLO. FLO-CERT inspects producers and traders to ensure they comply with fairtrade standards. The Fairtrade Labelling operates an independent, transparent and globally consistent certification system that follows the requirements of ISO 65. By checking compliance with fairtrade standards, FLO-CERT ensures that relevant social and environmental standards are met and that producers receive the Fairtrade Minimum Price (this price aims to ensure that producers can cover their average costs of sustainable production) and Premium (communal fund for workers and farmers they use to improve their social, economic and environmental conditions- decided upon democratically by producers within the farmers' organization, or by workers on a plantation).

ASSIST. AFOS<sup>2</sup> leads a BMZ-funded and Sequa-administrated project on qualification and training along the entire supply chain of agricultural production. ASSIST is heavily involved in awareness and capacity building on a wide range of standards (quality, environment, social) in Asia and Africa. Both partners will mainly implement the project on site according to the guidance of FLO-Cert.

The implementation process of the PPP-project includes the following activities, illustrated in the flow chart below:



### Awareness Raising Activities

#### **1. Project Launch**

The project will be launched through a half day Project Launching in at least two locations (Cebu, Manila). Around 60 participants will be invited to join the forum that will serve as the formal kick-off of the project. Participants will be farmers and companies already producing for fairtrade or interested in and potential applicants, offering products in the range of fairtrade product specifications. The primary objective of the launch is to introduce fairtrade and its principles to the targeted groups and to initially solicit the support of the group towards the establishment of a Fairtrade Marketing Organization.

#### **2. First Fairtrade Forum**

One day awareness forums in at least 3 locations (Cebu, rest to be confirmed with AFOS) will be conducted. A total of 100 representatives from all relevant stakeholders such as food processors, retailers, Non Governmental Organization (NGO) and Governmental organization (GO) will be invited to facilitate awareness raising about the strategy. The following local organisations (ATOs)<sup>3</sup> already engaged in fairtrade, will be invited to join the consultation phase to seek for possible collaboration and their input to the Philippine context:

1. APFI- Advocate of Philippine Fair Trade, Inc.
2. Preda Fair Trade Philippines
3. Community Crafts Association of the Philippines
4. OXFAM
5. Social Action Foundation for Urban-Rural Development, Inc, (SAFRUDI)
6. Altertrade (AFTI)
7. Philippine Fair Trade Forum (PFTF) - the umbrella organization composed of 19 fairtrade organizations (incl. the mentioned above).

The project team will evaluate the results of the forum building the structure of the future FMO as organization/association with country- or region-wide outreach.

#### **3. Fairtrade Workshop**

One day workshops will be conducted along with farmers, NGO and GO in at least 3 locations to delve more on the implementation of the strategy. A total of 60 farmers will be invited to participate. One of the fairtrade main objectives is to get the voices of the producers heard and to learn

<sup>2</sup> AFOS is a non-profit organization founded by the members of the Federation of Catholic Entrepreneurs (BKU) as their contribution - out of Christian inspiration and responsibility - towards self-help, self-employment and entrepreneurship.

<sup>3</sup> The organization was founded in the 1992 from joint microfinance projects with Kolping International and Miscoor and is based in Cologne, Germany. The AFOS network consists of the 1,500 members of BKU, other German business organizations, other international associations of Christian entrepreneurs (UNIPAC), the German development cooperation agencies and various German political foundations. AFOS supports capacity building of business associations and chambers, microfinance, diffusion of Catholic social teachings and building free and just societies oriented to the German concept of "social market economy". Aside from the Philippines, it currently has an ongoing BMZ-project in Nigeria and one in Ghana, Africa.

AFOS provides also technical assistance for a further DEG PPP project on dried fruits (E3308, Erbacher).

<sup>3</sup> ATO- alternative trading organizations

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their needs and issues. The results of the workshop will be incorporated into the project follow-up by the project team and external partners.

The pilot area for farmers should be Negros, Central Visayas and Mindanao, while for food processors it should be Central Visayas and Mindanao. Metro Gaisano<sup>4</sup> as one of the major retailers in this region is already identified as one of the trading partners. Institutional buyers such as hotels and resorts, NGOs and GOs will be added to the group.

### **Capability Building**

#### **4. Multi-stakeholder Forum for establishing an FMO**

A half day multi stakeholder forum in Cebu involving a total of 50 participants for the campaign development will be conducted, where the local fairtrade organizations will be invited to participate. One important objective of the forum will be to illustrate the governance structures needed for an FMO, which takes into account the needs of various stakeholders, ensures decision making processes and is independent of specific stakeholder interests point. Second point will be to build relations with domestic licensees, the retail sector, domestic civil society organizations active in fair trade. Based on the findings a curriculum including training material will be developed for three major target groups: farmers and processors, trade partners and government institutions. The scope of the forum is to select partners and to reach an agreement to participation in the establishment of a legal entity on fairtrade in the Philippines.

#### **5. Training Program on Fairtrade Principles and Agricultural Practices according to the Fairtrade Standards**

Six-day Technical Training Programs will be established by blended learning, field training at the spot of farmers and processors. At the same time pilot areas of farmers and processors as well as traders will be identified. At the end of the training program, 60 participants are equipped with respective tools. The entire approach implies also two-day trainers training for multipliers on the field. Ten trainers will be qualified to facilitate local capability in conducting fairtrade related trainings. Moreover, an e-learning kit, including the training and marketing material, will be designed and structured to facilitate an online learning on fairtrade activities

### **Pre-Certification Assistance**

#### **6. Gap analysis**

After assessment of the local agricultural practices and market analysis a local approach matching the conditions in the Philippines will be developed and integrated. First set of product lines for farmers (e.g. high value vegetables, herbs and spices) and processors (e.g. dried fruits, juice) for easier access to certification and markets will be defined in collaboration with the business partners and certifiers (FLO-Cert local office in India). Pre-certification assistance will be provided to the producers. They will be trained and monitored in this stage to learn how to comply with the complex set of requirements to become certified. The certification process will be executed by FLO-Cert after the project duration.

### **Sustainability Measures**

Condition of the project is the accomplishment of a local Fairtrade Marketing Organization, legally registered and established as a non-profit organization under relevant national laws to promote trade under fair conditions as an instrument of sustainable development with respective authorisation from FLO. ~~The new legal entity will set up an own office, accessible to the public, develop a business plan for the next 3-5 years and provide a strategic working plan for the same period.~~

<sup>4</sup> ~~Vicraft Development Corporation (VIGSAL), is a private family corporation primarily engaged in the retail business. It owns and operates a chain of department stores and supermarkets popularly known as Metro (incorporated in 1981). Metro's business operations are shaped and influenced by the combined experiences of the Gaisano family with the mission to provide quality environment, quality service, and to be responsive to customers' needs in the highest current standard. Today, Metro is known for its comfortable and friendly outlets that offer a wide assortment of fresh and quality products at reasonable prices. Their retail activities typically range from supermarket operations, department store operations, appliances, fine jewelry, pharmacy, fast food outlets, bakeshops, coffee shops, photocopying, framing, embroidery and gift wrapping services.~~

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### **7. Consumer Awareness Event**

Half day events with local fair trade movers and local press will be organized in at least 3 locations as a kick off event of the FMO. The consumer awareness raising campaigns will be done in partnership with Metro Gaisano considering the 13 supermarkets that they have in Luzon, Visayas and Mindanao. This is to assure a solicit support from the consumers on fairtrade certified products and to generate impact on farmers and local communities.

### **8. Closing Ceremony**

50 individuals will be invited to attend the half day closing ceremony in Cebu which will highlight the fairtrade practices initiated by the producers and trade partners involved in the project. Project findings and impact stories will be presented to the public as result of the collaborative approach in the work with businesses and grass root movement.

### **3. Significance of develop PPP de cooperation for the partner company**

FLO-Cert has a skill set that spans the sustainability spectrum from providing assurance about compliance with social and economic standards (such as Fairtrade Certification), to measuring the Product Carbon Footprint of products sold to consumers. This broad set of abilities makes FLO-Cert an advanced partner in developing truly sustainable supply chains based on shared values. FLO-Cert is driven by its mission to provide solutions to sustainability and has conducted initial research and assessment, through its local partners, on the agriculture sector of the Philippines. The company has been actively involved in advocating this need but the current lack of awareness among stakeholders on the potential of local agricultural sector development, as well as minimal government intervention and primary focus on staple food crops and high-value export crops, has made it financially and operationally difficult for FLO-Cert to sustain initiatives for the said industry in the Philippines. Therefore the company will not realize this project without the PPP support, because the awareness and acknowledgement of sustainable fairtrade certification is still very small in the Philippines and the co-operatives are difficult to convince on the benefits of sustainable farming.

### **4. Project effects which are important for development**

#### **Target groups and their benefit**

The project targets at least 60 farmers and processors and 10 trainers in Negros, Central Visayas and Mindanao. These participants and their families will directly benefit from the project through implementation of fairtrade practices. Apart from the compliance with environment and quality criteria, farmers and processors will consider incorporation of the certification of fair pricing in order to increase their income. Next to farmers and processors also trade partners and consumers will benefit from the project.

#### **Technology and know-how transfer, sustainability approach**

Currently, organic and Fairtrade certified fruits/crops receive a 30 % premium (conservative estimate) against conventional products. The premium earned will boost income of the individual farmers and households, while the technical assistance provided will result in higher yields and better quality – increasing production volumes and selling margins.

The establishment of the FMO guarantees that after project implementation the access to fairtrade support for further interested farmers is sustained. The project will initiate an independent fairtrade movement that is internationally recognized and accepted. Fairtrade standards are designed to support the sustainable development of small producer organizations and agricultural workers. Fairtrade facilitates long-term trading partnerships and enables greater producer control over the trading process and it sets clear core and development criteria to ensure that the conditions of production and trade of all fairtrade certified products are socially, economically fair and environmentally responsible.

**PROJECT PLAN**

**Project aim**

Smallholders in Negros, Central Visayas and Mindanao obtain higher incomes through the implementation of agricultural practices according to the Fairtrade Standards

**Results, Indicators**

Result I			
Awareness and theoretical knowledge on Fairtrade principles is shared with concerned stakeholders			
Indicators	Evidence to be proved by (date)	Evidence to be proved by (e. g. copy Agreement, list of attendants, Copy material)	
1	Awareness material is developed.	3 month	Training set including all learning and information materials
2	Multi stakeholder partners are identified.	2 month	List of partners
3	Two half day Launching Workshops are conducted in Manila and Cebu targeting 60 participants from multistakeholder group.	3 month	Agenda, list of participants, photos, press release
4	1-day awareness forums in at least 3 locations are conducted in order to orient a total of 100 local stakeholders regarding the project.	4 month	Agenda, list of participants, photos, press release
5	1-day Fairtrade workshops in at least 3 locations are conducted targeting 60 farmers.	4 month	Agenda, list of participants, photos, press release
Result II			
Farmers and processors are trained in Fairtrade principles and agricultural practices according to the Fairtrade standards			
Indicators	Evidence to be proved by (date)	Evidence to be proved by (e. g. copy Agreement, list of attendants, Copy material)	
1	Fairtrade standards for the different crops existing in the Philippines are defined.	2 - 10 month	Standard documentation after harmonization and verification
2	Training materials including rules and regulations according to Fairtrade are developed, introduced and distributed by the consortium.	4-5 month	Booklet with materials including rules and regulations, launch of website, e-learning kit
3	<del>Technical trainings are conducted to at least 60 farmers and processors according to Fairtrade criteria.</del>	<del>6 - 24 month</del>	<del>Regular reporting (6 month term) and updating about training activities</del>
4	<del>Train the trainers workshops are conducted and 10 trainers are qualified to facilitate local capability.</del>		List of trainers
5	Trainers have conducted implementation and monitoring in the field for farmers, processors, traders and retailers.	7- 24 month	Proof by contract and terms of reference for staff. Regular reports.

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6	A marketing strategy for consumers in cooperation with retailers that are pushing the idea of Fairtrade is developed by ASSIST to conduct marketing activities for consumers.	8 – 14 month	Samples of marketing material and website.
7	Regular evaluation of all activities for continuous improvement of action are on the agenda.	6 – 24 month	Quarterly reports

**Result III**

System on Pre-Certification Assistance is developed and first set of product lines for farmers and processors is defined

Indicators	Evidence to be proved by (date)	Evidence to be proved by (e.g. copy Agreement, list of attendants, Copy material)	
1	Assessment of requirements of Fairtrade Standards for producers and traders according to the Philippine local conditions are tailored.	3 month	Assessment report
2	Compliance requirements according to Fairtrade Standards for producers and traders and the purpose of the Philippine Fair Trade Market Organization related also to the specific products are defined.	20 month	Document on procedure and requirements
3	Training tools for certification preparation are adopted and developed.	20 month	Document of the tools
4	Trainings on certification for trainers, associations, and farmers to prepare certification are conducted.	24 month	Documentation and assessment reports

**Result IV**

A legally registered Fair Trade Marketing Organization is established to promote trade under fair conditions as an instrument of sustainable development

Indicators	Evidence to be proved by (date)	Evidence to be proved by (e.g. copy Agreement, list of attendants, Copy material)	
1	Multi-stakeholder Forum for establishing the FMO is conducted in Cebu targeting 50 participants	10 month	Agenda, list of participants, photos, press release
2	Focused Group Discussion (FGD) among the different target groups are organized in three – four areas in the Visayas and Mindanao for the different target groups.	3 month	Agenda, list of participants
4	A steering committee to constitute FMO located in Cebu is set up. The steering committee is converted into a board in order to set up jointly the constitution of the market organization according to Fairtrade principles and standards, but modified to local law and standards.	4 – 10 month	SEC-Registration, constitution
5	An office is set up in Cebu to manage and coordinate further activities. Staff is identified and will be also located there as central hub of action.	10 month	Photos, list of FMO staff

<b>Result V</b>			
The benefits of the implementation of the Fair Trade Marketing Organization approach is promoted nationwide and policy makers/markets are influenced through results and public showcasing activities			
Indicators			
1	Documentation about the entire process is disseminated on target market and among target groups.	Evidence to be provided by (date)	Evidence to be provided by ( e. g. copy Agreement, list of attendants, Copy material)
2	Food events such as fairs and conferences are joined regularly to address the message of Fairtrade.	24 month	Documentation
3	Media is provided with project results and benefits regularly.	24 month	Samples

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