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MULTILATERAL INVESTMENT FUND**

**REGIONAL**

**SAFE**

**SUSTAINABLE AGRICULTURE, FOOD AND THE ENVIRONMENT PLATFORM**

**(RG-M1269)**

**DONORS MEMORANDUM**

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## **PROJECT SUMMARY**

### **SUSTAINABLE AGRICULTURE, FOOD AND THE ENVIRONMENT (SAFE)**

#### **(RG-M1269)**

More than half of the food produced in LAC comes from 14 million smallholder producers across the region, 35% of which rely solely on agricultural activities for their livelihood and many of which live in high-poverty rural areas. Despite the key role small producers play in the overarching food value chain, they continue to face a number of challenges hindering them from capturing greater value from supply chains including: low farm productivity; lack of access to key market information; weak links to local, regional, and global markets; insufficient business and financial management skills to implement more sustainable climate smart production systems and lack of access to long-term finance. To address these complex challenges, systematic collaboration among key public, private, and civil society actors is essential.

Industry players typically engage in bilateral agreements with their suppliers in order to achieve acceptable certifications and harmonized standards. These agreements have been successful at addressing the technical constraints that small farmers face in satisfying each purchaser's demand, and as such have been important to incrementally build inclusive supply chains. However, they lack the integrated and strategic approach required to address the broad range of industry-wide issues affecting supply chain farmers. Given that individual industry actors lack the incentives to take on problems that would benefit smallholders industry-wide, a strategic, multi-stakeholder approach is required to achieve the level of coordination and lever the resources required to benefit farmers industry-wide, and achieve scale.

To this end, the multi-stakeholder Sustainable Agriculture, Food, and Environment (SAFE) platform aims to bring together key value chain actors who share a common vision for meeting the challenges of sustainable agriculture and the inclusion of smallholder farmers in global value chains.

The platform will initially focus on coffee and cocoa sectors, where the MIF and its partners have experience and proven good practice, and will endeavor to include additional crops in the future where there is potential for replication. SAFE seeks to reach 150,000 small-scale farmers, and significantly increase the amount of farmers in LAC who are linked to the coffee and cocoa value chains and the companies that market them. Over time, the SAFE platform will become a reference for sustainable agriculture in the LAC region and will achieve financial sustainability through the participation of its partners. As is the case with other platforms of this nature, an initial "big push" is required to achieve the minimum level of scale required to demonstrate the platform's value to individual industry players, and thus generate the traction required for sustainability.

The SAFE platform is the result of an important collaboration that the MIF has been facilitating for the past few years. Through MIF's convening capacity, SAFE has assembled a strong group of partners – among them, some of the largest food companies, cocoa and coffee traders in the world – to become active partners of SAFE. To guarantee its success, key projects with these partners have been pre identified based on potential areas of intervention that include value chain development, financial access and literacy and climate smart agriculture. The results are initiatives that often combine these areas and offer potential for scale and replicability as is the case of Keurig Green Mountain in Central America and Starbucks in Colombia (both upcoming projects under the SAFE umbrella).

Through SAFE, the MIF aims to fill a collaboration void at the nexus of sustainable supply chains and smallholder agriculture. SAFE will provide catalytic funding for testing approaches

that make smallholder value chains resilient. The benefits of this experimentation will accrue to all industry actors, who will be in a position to replicate and scale them throughout their value chains, benefiting thousands of smallholders. SAFE's platform and membership structure also encourages the participation of key public actors, which will be required to address resource, research and policy bottlenecks limiting scale and will seek collaboration with both the private and public sector to adopt these approaches and scale them up throughout the region. The MIF funding will leverage additional investments from private sector partners who are seeking a trusted partner with whom they can pool their resources to deepen impact. These types of interventions are costly and risky for private sector firms to undertake individually. SAFE provides a platform where like-minded companies, technical institutes, public agricultural extension services, and civil society organizations can pool resources, invest strategically, take a multidimensional approach, and achieve impact on a larger scale. Knowledge generation is also at the center of SAFE's value proposition as new resources and tools will be documented, disseminated, and ultimately used to deepen impact of sustainable supply chains on a larger scale. SAFE will incorporate world class monitoring and evaluation mechanisms by partnering with COSA (Committee for Sustainable Assessment), the global leader in corporate and public monitoring and evaluation (M&E) system integration into sustainable agricultural projects.

In all projects, SAFE will seek out opportunities for collaboration with other Bank initiatives, from both the private sector (potential loans and investments) and public sector (research and development, public goods, etc.) that are directly operating in the region in sustainable agriculture. It is also maintaining close collaboration and interaction with the Bank's AgroLAC 2025 Initiative, which is seeking to leverage significant resources to support sustainable agriculture and could be a partner and source of financing for SAFE.

## ANNEXES

ANNEX I	Logical Framework <a href="http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=39685254">http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=39685254</a>
ANNEX II	Budget Summary <a href="http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=39685281">http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=39685281</a>
ANNEX III	Quality for Effectiveness in Development (QED) <a href="http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=39685232">http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=39685232</a>

## APPENDICES

Draft Resolution

### INFORMATION AVAILABLE IN THE TECHNICAL DOCUMENTS SECTION OF MIF PROJECT INFORMATION SYSTEM

ANNEX IV	Detailed Budget <a href="http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=39685294">http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=39685294</a>
ANNEX V	Preliminary List of Milestones <a href="http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=39684031">http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=39684031</a>
ANNEX VI	Diagnostic of Needs of the Executing Agency (DNA) <a href="http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=39685155">http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=39685155</a>
ANNEX VII	Project Status Reports (PSR), Compliance with Milestones, Fiduciary Arrangements and Integrity Due Diligence <a href="http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=39693140">http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=39693140</a>
ANNEX VIII	Procurement and Contracting Plan <a href="http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=39684162">http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=39684162</a>
ANNEX IX	Project Activities Schedule
ANNEX X	Operating Regulations <a href="http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=39685092">http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=39685092</a>
ANNEX XI	Terms of Reference of the Project Coordinator
ANNEX XII	Monitoring and Evaluation Plan for Impact Evaluations <a href="http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=39685359">http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=39685359</a>
ANNEX XIII	Initial Mapping of SAFE Projects <a href="http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=39684537">http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=39684537</a>

## **ACRONYMS AND ABBREVIATIONS**

<b>AOP</b>	Annual Operating Plan
<b>CATIE</b>	Centro Agronómico Tropical de Investigación y Enseñanza
<b>COSA</b>	Committee on Sustainable Assessment
<b>CRS</b>	Catholic Relief Services
<b>DANIDA</b>	Danish International Development Agency
<b>DNA</b>	Diagnostic of Executing Agency Needs
<b>FAO</b>	Food and Agriculture Organization (of the United Nations)
<b>FIDA</b>	Fondo Internacional de Desarrollo Agrícola
<b>FONTAGRO</b>	Fondo Regional de Tecnología Agropecuaria
<b>HIVOS</b>	Instituto Humanista para la Cooperación con los Países en Desarrollo
<b>HVM</b>	High Value Markets
<b>IADB</b>	Inter-American Development Bank
<b>LAC</b>	Latin America and Caribbean
<b>MIF</b>	Multilateral Investment Fund
<b>MOU</b>	Memorando of Understanding
<b>OR</b>	Operating Regulations
<b>PCU</b>	Project Coordination Unit
<b>PROADAPT</b>	
<b>QED</b>	Quality for Effectiveness in Development
<b>SAFE</b>	Sustainable Agriculture Food and the Environment
<b>INE/RND</b>	Environment, Rural Development Disaster Risk Management Division
<b>SCAN</b>	Sustainable Commodity Assistance Network
<b>SCF</b>	Structured and Corporate Finance
<b>SEP</b>	Social Entrepreneurship Program
<b>SIDA</b>	Swedish International Development Agency
<b>TOR</b>	Terms of Reference

**PROJECT INFORMATION**

**SUSTAINABLE AGRICULTURE, FOOD AND THE ENVIRONMENT PLATFORM**

**(RG-M1269)**

<b>Country and Geographic Location:</b>	Regional. Initial concentration in the Central American and Andean countries.		
<b>Executing Agency:</b>	Instituto Humanista para la Cooperación con los Países en Desarrollo (HIVOS)		
<b>Access Area:</b>	Access to Markets and Capabilities (AMC)		
<b>Agenda:</b>	Linking Small-Scale Producers to High Value Agricultural Markets (NAM)		
<b>Coordination with Other Donors/Bank Operations:</b>	Potential collaboration will be sought with the SEP (Social Entrepreneurship Program) and PROADAPT programs and with the Structured Corporate Finance (SCF) and the Environment, Rural Development, Disaster Risk Management (INE/RND) Units.		
<b>Direct Beneficiaries:</b>	150,000 Producers		
<b>Indirect Beneficiaries:</b>	600,000 people (indirect farmer beneficiaries and direct on farm workers)		
<b>SAFE Financing:</b>	Technical Cooperation Platform Management <sup>1</sup> :	US\$ 2,641,500	68%
	<b>TOTAL MIF FUNDING:</b>	<b>US\$ 2,641,500</b>	
	Counterpart <sup>2</sup> :	US\$ 309,600	8%
	Co-financing SAFE Partners	US\$ 913,000	24%
	<b>TOTAL PLATFORM (A)</b>	<b>US\$ 3,864,100</b>	100%
<b>Individual Projects</b>	MIF Technical Assistance	US\$ 6,000,000	
	MIF SEP Loans and TCs	US\$ 2,000,000	
	<b>TOTAL MIF FUNDING (For Projects)</b>	<b>US\$ 8,000,000</b>	
	Financing SAFE Partners	US\$ 16,000,000	
	<b>TOTAL INDIVIDUAL PROJECTS (B)</b>	<b>US\$24,000,000</b>	
	<b>Total SAFE and Projects (A) + (B)</b>	<b>US\$ 27,864,100</b>	
<b>TOTAL FINANCING SAFE + Individual Projects</b>	<b>GRAND TOTAL</b>	<b>US\$ 37,864,100</b>	
<b>Execution and Disbursement Period:</b>	60 months of execution and 66 months of disbursement.		
<b>Special Contractual Conditions:</b>	Conditions prior to first disbursement will be: (i) the identification of the SAFE Project Manager; and (ii) the signed MOUs between the SAFE Platform members and the MIF and HIVOS.		
<b>Environmental and Social Impact Review:</b>	This operation was screened and classified as required by the IDB's safeguard policy (OP-703). Given the limited impacts and risks, the proposed category for the project is C.		
<b>Unit with Disbursement Responsibility:</b>	Both IDB Headquarters and COF/CCR.		

<sup>1</sup> Approval is requested from the Donors Committee for the amount of US\$ 2,641,500. The remaining value detailed as MIF Funding for Individual Projects (US\$8 Million) corresponds to future projects that will be submitted to the Donors Committee individually for approval.

<sup>2</sup> This counterpart will be provided by HIVOS as Executing Agency for the Platform.

## 1. BACKGROUND AND JUSTIFICATION

### A. Diagnosis of the Problem to be addressed by the Project

- 1.1. Between 2012 and 2013, over 50% of the coffee growing areas in Central America, including El Salvador, Honduras, Guatemala and Nicaragua were affected by the roya fungus. This one agricultural event had a significant and lasting impact in both the economic and social aspects of these countries. It is estimated that losses in coffee production alone for that period in the region were about \$500 million. Over 351,000 growers were directly affected and over 400,000 of the close to 2 million people, whose livelihoods depend on the crop, lost their jobs<sup>3</sup>. While the spread of the roya fungus and its socio economic effects was well documented by the global media, the reaction that followed from several actors in the coffee industry was not. Food companies, retailers, traders, governments, non-profits and donor agencies have started to work together to address roya in the realization that some of the issues that caused it, and the effects themselves, are challenges that need to be addressed in close collaboration and coordination, if any initiatives are to have a positive impact. Given its experience and work in coffee and cocoa projects in the region in the past and present, the MIF took the lead in a multi-stakeholder project with Green Mountain Coffee and ROOT Capital in 2013, to extend a loan program for small farmers for replantation and renovation of coffee<sup>4</sup>. The implementation of the program has been successful, but it was evident to the MIF and to coffee industry actors that roya was just a symptom of the extensive problems faced by small rural families in Central America. Further more extensive work needs to be done in these countries and regions where such vulnerable parts of society depend on agriculture for their livelihoods.
- 1.2. The Sustainable Agriculture, Food, and Environment (SAFE) initiative is a multi-stakeholder platform which aims to bring together key value chain actors who share a common vision for meeting the challenges of sustainable agriculture and the inclusion of smallholder farmers in global value chains. The central problem that SAFE aims to address is the key limitations which hinder male and female smallholder farmers from capturing greater value from supply chains and becoming more resilient to climate change and other external factors. These limitations include low farm productivity; lack of access to key market information; weak links to local, regional, and global markets; insufficient business and financial management skills to implement more sustainable climate smart production systems; and lack of access to long-term finance<sup>5</sup>.
- 1.3. The key contribution of the SAFE platform will be to take on key industry-wide issues impacting smallholders that require broad industry collaboration, collective action, and cannot be addressed through bilateral agreements, and one-off projects. SAFE will fill a collaboration void that exists among the different actors working to strengthen smallholder supply chains throughout LAC. These coordination and collaboration failures are at the pre-competitive stage, as some of the SAFE members will be commercial competitors in specific value chains. Its establishment is based on: (i) MIF's leading the initiative because of the need for leadership from a third party organization

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<sup>3</sup> International Coffee Organization (ICO) report March 2013.

<sup>4</sup> RG-M1153 Financing for High Value Agricultural Markets in Central America. Special mention of the MIF project and the issue of coffee rust and poverty on FORBES: Coffee and the Press of Migration. Willy Foote, August 16, 2014. <http://www.forbes.com/sites/willyfoote/2014/08/16/coffee-and-the-press-of-migration/>

<sup>5</sup> A recent study by the MIF reveals that short term working capital is increasingly accessible to small farmers and farmer associations (in the form of advances, pre export finance and microfinance), but long term finance needed for investment in productivity is still rarely available. See Financing Agricultural Value Chains in Latin America, April 2014.

with credibility, neutrality and expertise to convene public and private stakeholders, (ii) the absence of a structured partnership to set out strategic goals and areas for collaboration, and (iii) lack of catalytic funding to establish the partnership and generate solutions.

- 1.4. At the operational level, the SAFE platform will focus on generating multi stakeholder solutions to key challenges that could unlock smallholder farmers' potential in the region. The two sub-regions that the project will initially focus on are Central America and the Andean region. These regions have been selected for the following reasons: (i) the poverty incidence in the rural areas of these regions is the highest in Latin America<sup>6</sup>; (ii) these regions have a large percentage of the rural population working in coffee and cocoa, which are crops grown by small farmers which are the target of SAFE; and (iii) these are also the regions where the SAFE partners and the MIF believe they can have their greatest impact on poverty reduction with their interventions.
- 1.5. **Some challenges that small farmers and anchor companies are confronting require a collective action approach.** Issues around water resources and water shed management, diseases and pests which affect farms across countries and regions, the promotion and adoption of standards by farmer cooperatives and their members; the ability to influence policy makers for the good of agricultural production and productivity; and common ways to measure sustainability and impact are just some examples of challenges that affect small farmers and other actors in the value chain and that cannot be solved by individual isolated initiatives. These challenges require collective action; SAFE partners have agreed to come together and work on these issues with a very concrete goal to learn from each other, collaborate, and maximize resources to reach scale and impact. The experiences and knowledge that is acquired through SAFE will be shared and disseminated broadly through a variety of channels.
- 1.6. **Weak linkages to local, regional and global markets:** For smallholders to successfully access and benefit from high value markets (HVM), they must have clear information about buyers' requirements and have the production and management capacity to respond to them. In addition, buyers must understand and work with the capacities of their suppliers in order to secure long term, sustainable supply. Fulfillment of quality and traceability requirements (often through certifications) can result in significant smallholder participation in large value chains as is the case of Fair Trade markets for banana, coffee, fresh fruits and vegetables where the LAC region accounts for two thirds or more of the certified producers in the world. By focusing on partners such as traders and service providers who work directly with both producers and buyers, SAFE can strengthen these value chains, facilitate transparency and improve communication to address both producers' needs and the demands of HVMs, creating long term market linkages for smallholders.
- 1.7. **Inadequate levels of long term finance to address the needs of small holder farmers and their associations:** While there are various sources of short term capital for pre export, and harvest needs, long-term capital is still scarce to put in place productivity enhancing investments, including: renovation, diversification, and implementation of new techniques and technologies. In many instances, technical assistance and training are not sufficient and need to be complemented by investments and loans tailored to the agricultural sector and aimed at reaching sustainable agriculture goals in a country or region. In this regard, the SAFE platform will work with

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<sup>6</sup> FIDA: "Determinantes de la Pobreza Rural en Centroamérica", Mayo 2012.

the Bank, specifically the AgroLAC 2025 Initiative<sup>7</sup>, and SCF which has an interest to reach farmers with long term lending products. A good example of collaboration in this area is the recent loan from SCF/CFI to ECOM, a member of the SAFE Platform, for long term lending to coffee producers in Nicaragua<sup>8</sup>. Where possible, SAFE will also partner with other financial entities to provide adequate financing for sustainable agricultural practices of small farmers.

- 1.8. **Low levels of farm productivity:** One of the pervasive challenges faced by small farmers in the region is achieving higher yields and productivity gains. Experts suggest that access to improved seed varieties alone is not the solution. Improved agricultural practices, adequate extension services, and access to information, across commodities, when combined with quality inputs (among them, good seed varieties), do in effect have a higher level of impact on productivity gain. Coffee in Peru and Honduras, cassava in Jamaica and Nicaragua, cocoa in Belize and Haiti, are all commodities in which small farmers are heavily involved; in all of them, the right mix of inputs and knowledge could help these farmers improve their incomes by around 20%.
- 1.9. **Weak management capacity to meet technical demands of sustainable practices:** While climate adaptation and risk mitigation methodologies are being rolled out in farm settings across the region, these are still limited and lack the corporate and public commitment to reach any level of scale. Likewise, strong business and financial management skills are essential for small holders to successfully access not only higher-value markets, but also the technical tools that will enable them to implement climate smart production systems. An increasing number of food and agricultural companies are seeking methods and initiatives to balance market and consumer demands while building resilience in farm production systems. This also means internalizing environmental and social costs into value-chains. The SAFE partners, through their comprehensive work and by assuming a direct, needs-based approach, will not only identify and address these capacity-building needs, but will work to integrate environmental and social costs into these value chains so they can be sustainable overtime.
- 1.10. **Role of Women in Agriculture.** Women play an important and wide ranging role in the rural economy, not only as heads of household and managers of farms, but also as farmers, workers, and leaders in various value chains. Despite their importance, women represent the majority of the rural poor in LAC and often face greater constraints to accessing land, finance, and training and tend to have less experience in farming than men. On average, rural women cultivate smaller plots, raise fewer animals, and are less likely to purchase inputs such as fertilizers, improved seeds and mechanical equipment. They also tend to have less representation at the management level of producer organizations<sup>9</sup>. SAFE will take into account these aspects by (i) incorporating a gender strategy in its projects that ensures women farmers have equal access to training, finance, inputs, and that promotes the inclusion of women in association management structures, and (ii) using the SAFE platform to encourage the replication of models with demonstrated success at narrowing gender gaps in smallholder value chains.

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<sup>7</sup> AgroLAC is a new multi-donor thematic funding platform created by the Inter-American Development Bank to support sustainable agricultural practices focusing in three areas: Trade and access to markets, Increased productivity through sustainable intensification and Agri/Environmental Planning. AgroLAC 2025 will provide funding to finance both IDB and third-party projects. More information can be found at <http://agrolac2025.org/>

<sup>8</sup> SCF's operation (NI-L1088) is being complemented with a MIF technical assistance project (NI-M1038)

<sup>9</sup> These challenges are based on the findings from a joint study undertaken by MIF and Root Capital "Improving Rural Livelihoods: A Study of Four Guatemalan Coffee Cooperatives"

## **B. Project Beneficiaries**

- 1.11. SAFE will target 150,000 small-scale producers, primarily those with less than 5 hectares, and who depend largely on farm income for their sustenance. The majority of farmer beneficiaries will already be organized into producer organizations and will be linked to supply chains, either through intermediaries or through more direct links with exporters and buyers. SAFE will facilitate access to buyers that reward improvements in farmer's yields and production practices with better prices or stronger relationships with high value markets.. It is expected that 40% of SAFE beneficiaries will be women and 25% will be youth. In addition, 20 anchor companies will benefit by increasing the number of small producers linked to their value chains.
- 1.12. The SAFE initiative, in addition to the individual projects, will also benefit producer organizations/cooperatives, small-scale agricultural business, intermediaries and exporters that are linked to the targeted supply chains in those countries where SAFE approaches are adopted and scaled up by private and public sector actors. In addition, SAFE will indirectly impact farm laborers who will be more productive and who will have more opportunities for longer term employment in sustainable farms.

## **C. Contribution to MIF Mandate, Access Framework and IDB Strategy**

- 1.13. This platform will contribute to poverty reduction and private sector development by increasing market participation of small-scale producers in agricultural supply chains, specifically for cocoa and coffee, and expanding to additional crops through diversification approaches (such as: quinoa, amaranth, stevia, sugar cane, palm oil, fruits and vegetables). It will also reduce vulnerability for thousands of families living in rural poverty by increasing their resilience and adaptation capacities, increasing production for local markets, and improving incomes through agribusiness activities.
- 1.14. SAFE will address the knowledge gaps in building sustainable smallholder agricultural supply chains, reducing risk and vulnerabilities for small holder farmers, and promoting climate resilience in agriculture supply chains. Particularly it will help identify and define which business models, financial schemes and stakeholders need to be put in place so that small scale farmers are successfully and sustainably integrated into global value chains. It will undertake a value chain approach to measure and track farmer organization participation with high potential for replication in other countries of the region. At an industry level, SAFE will convene the financial and non-financial resources of stakeholders to test new approaches that will build sustainable supply chains. The knowledge and tools produced by SAFE will use be used to influence key industry players, particularly public sector institutions, in order to facilitate uptake and expansion of these approaches throughout the region
- 1.15. Collaboration with the Bank Group. The SAFE platform also draws its mandate from the Bank's Climate Change Strategy, which identifies agriculture as one of the most important sectors to address. More specifically, the strategy calls for the establishment of "networks, partnerships and platforms to address climate mitigation and adaptation challenges"<sup>10</sup>, which is precisely what SAFE is set out to do. In some cases SAFE will seek to collaborate or serve as a pilot project after which other Bank windows can scale and expand. In other cases, SAFE may seek to partner with a loan from the private sector (SCF) that is directed to a corporate client that has supply chain relations with small farmers and has sustainable agricultural practices as part of its strategy. Within this context, SAFE projects will actively seek to collaborate and engage with other Bank initiatives, such as projects of the INE/RND and INE/WAS Divisions, grants and

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<sup>10</sup> Section 4.2 of the IDB's Integrated Strategy for Climate Change Adaptation, 2011.

initiatives of the FONTAGRO<sup>11</sup> platform, and future financing possibilities that could arise from the establishment of the AgroLAC 2025 Initiative. To this end, a communications strategy will be developed upon approval, to disseminate among the Bank Country offices and the relevant departments, what SAFE intends to do, so to identify the specific areas of possible collaboration and coordination.

## 2. PROJECT DESCRIPTION

### A. Objectives

- 2.1. The impact objective of SAFE is to address the productive constraints of smallholder farmers and improve their living conditions from participation in agricultural supply chains. The objective at the results level is to establish a platform to enable collective collaboration, catalytic funding, strategic co-investments, and knowledge sharing among the different actors working to strengthen smallholder supply chains throughout LAC.

### B. Description of Model/Solution/Intervention

- 2.2. The SAFE platform is a multi-stakeholder alliance initiated by the MIF and co-founded by private sector participants from the food and agricultural sector, as well as donors and practitioner organizations who share a common vision on how to address the challenges of sustainable agriculture and the inclusion of small holder farmers in global value chains. The platform will leverage existing knowledge, expertise and resources from all members, to implement a series of projects to scale up interventions in climate smart agriculture strategies, farm diversification and adaptation methods, financing of long term investments for adaptation, and farm level productivity and quality enhancement. The value added of SAFE and the MIF in this platform will be to structure a partnership that addresses these pre competitive challenges as a concerted effort, in a collaborative manner, influencing public policy, leveraging private funding, public resources, and convening resources for critical research and development. While SAFE interventions and projects will initially focus on coffee and cocoa farmers, where most of the collaborative experience exists among the SAFE members, it plans to implement projects with farmers in other commodities as well, replicating specific lessons learned and good practice from the coffee and cocoa sectors.
- 2.3. In order to adequately manage and supervise the SAFE Platform, an agreement has been established with HIVOS, an organization with experience and resources invested in the agriculture sector in the region and offices in San Jose, Costa Rica. HIVOS will be the “implementing partner” of SAFE and will also contribute with resources to the overall project. A clear definition of its role and an explanation of its capacity are described in section 5 – Executing Agency.
- 2.4. **Platform Participants:** The three types of SAFE partners include (i) food and agricultural companies working in LAC who have a corporate mandate to include small holder farmers in their supply chains in a sustainable, inclusive manner; (ii) practitioner organizations who have experience in running and funding sustainable agriculture projects (NGOs, foundations); and (iii) knowledge or expertise organizations such as

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<sup>11</sup> Fontagro is an alliance of Latin American and Caribbean countries that supports research and innovation in agriculture. The Fund aims at reducing poverty, promoting competitiveness of agri-food chains and sustainably managing natural resources. FONTAGRO is sponsored by the Bank and has important strategic alliances with the International Food Policy Research Institute (IFPRI), the Consultative Group for International Agricultural Research (CGIAR) and the Food and Agriculture Organization of the United Nations (FAO). More information can be found at <http://www.fao.org/home/en/>

consortiums or academia which will contribute with validation of tested concepts and technical neutrality. SAFE partners represent a number of organizations and corporations some of whom the MIF has ongoing projects or initiatives in small holder value chains. The four key common elements that brought these actors together at the initial stages of forming SAFE were: (i) their commitment to, and experience with sustainable production of coffee and cocoa, as demonstrated by investments and on-the-ground technical work; (ii) their commitment to implementing standards, certifications and other methods and tools to measure sustainability; (iii) their knowledge and interest for using indicators to measure the results and impact of their technical work with farmers and agriculture; and (iv) their willingness to be transparent and open to sharing knowledge around pre competitive issues around these crops. The founding SAFE members are, Keurig Green Mountain, Sustainable Commodity Assistance Network (SCAN), the Committee on Sustainable Assessment (COSA), Neumann Foundation (part of the Neumann Kaffe Group), ROOT Capital, Catholic Relief Services, Solidaridad, ECOM, Starbucks, Rainforest Alliance, S&D Coffee, Farmers Brothers, HIVOS, and the Coffee Coalition. All of the members will be able to contribute with resources, novel ideas and innovative solutions to the SAFE platform.

- 2.5. **Benefits of SAFE for participants:** Participating in SAFE will have several key advantages for companies and organizations including: (i) access to information from experimental approaches that they can adopt and scale up in their own value chains; (ii) exposure to a broad range of public and private audiences regarding the work and progress towards sustainable goals and objectives; (iii) strengthened collaboration and partnerships across Bank departments engaged in sustainable agriculture; (iv) strong linkages with other donor initiatives in the area of sustainable agriculture; (v) cross marketing and co-branding opportunities with other donors, companies and associations; (vi) case study development on best practice and dissemination of best practice; and (vii) dissemination of efforts and projects across peer networks and organizations as well as public and private venues across the region.
- 2.6. **Strategic Intervention Areas for the platform:** Projects will fall within three areas and can focus on one or more of the following: (i) value chain development, which will focus on providing farmers greater access to market information, specifically as it relates to achieving standards, complying with quality controls for markets, diversification techniques, programs for renovation or replantation, traceability techniques and new crop development; (ii) financial access and literacy, which will focus on projects which build financial management capacity of producers and facilitate access to financial products and services that respond to their needs; and (iii) climate smart agriculture, which will focus on projects that develop innovate tools to adapt to and mitigate the effect of climate change, as well as strengthening the capacity of farmers and their organizations to adopt and implement these tools and techniques. The link of these technical assistance projects with higher-value markets will be guaranteed by the participation of companies who will be providing co financing and the end market for these commodities.
- 2.7. **SAFE Operations.** SAFE will have two levels of intervention. (i) First, SAFE will fund individual projects which will be implemented by local partners with technical expertise and strong local networks. These projects will go through regular funding approval and execution mechanisms of the MIF and the Bank and are the main content for Component II of this project. (ii) The other level of intervention, aside from the individual projects mentioned above, is the actual SAFE Platform, which will manage, implement and monitor a series of common knowledge and communications initiatives, as well as a number of small interventions to disseminate and share good practice and lessons learned. This level will also provide the key technical support and guidance to the individual projects, in collaboration and coordination with MIF.

- 2.8. SAFE as a platform has been under development for a couple of years and is the culmination of prior collaborations, exchanges among peers and the ensuing emergence of a common vision for what sustainable agriculture should look like in the future. In this regard, SAFE is proposing to launch operations with two pre-identified projects which will provide a needed testing ground for what can happen through collaboration, and a common vision. These projects capture well what is intended for SAFE, addressing the various challenges with different approaches from which all platform members can learn. (i) The first project, called the Blue Harvest Initiative, will be implemented in partnership with CRS and Keurig Green Mountain. This project will be implemented initially in Nicaragua, El Salvador and Honduras, and will examine strategies to address water supply and watershed management along coffee growing regions as a means for achieving long-term resilience. (ii) The second project will be implemented in partnership with Starbucks and Cooperativa Los Andes in Colombia. The project is a farmer financing initiative that will pilot a long-term credit program for 1,500 women farmers, all of whom are part of the cooperative's long-term plan to renovate and upgrade women-owned coffee farms. The project will be financed with funds from the Social Entrepreneurship Program (SEP).

### C. Components

The fact that most of the SAFE members such as HIVOS, the companies and the MIF have a regional presence, will ensure cross collaboration and feedback mechanisms to enhance the implementation of project components. Even if projects are implemented in a singular country, lessons learned and practices can be replicated from one country to another, ensuring that the activities and methodologies promoted are adapted to local needs and context. The SAFE Platform is structured on four key components.

**Component I: Technical Assistance in Smart Agriculture, Resiliency and Innovation in Value Chain Strengthening (MIF: US\$1,508,600 and Counterpart: US\$625,500).**

- 2.9. The objective of this component is to ensure strategic management, support and guidance of the SAFE platform and its projects. The activities and the products of this component include the following: (i) Technical Management and Supervision of Projects, which will be responsibility of the implementing partner HIVOS for the five years of the SAFE platform (including field visits); (ii) Technical guidance to the projects in the areas of gender, communications, smart agriculture methods, compliance with M&E systems, and farmer access to market and strategic information in sustainable agriculture practices; (iii) Membership Meetings, which are annual face-to-face meetings where SAFE members will assess strategic issues regarding technical or financial matters, develop and agree on the marketing and communications strategy, and review the progress on monitoring and evaluation aspects; and (iv) Financing of 6 complementary small initiatives, with a total budget of approximately US\$140,000 each, co-financed on a 50% basis with private sector partners.
- 2.10. **Small Interventions.** The SAFE platform will allocate US\$840,000 for strategic, small pilot interventions brought forth by members of the Platform (approximate average budget of US\$140,000 each). These interventions will be in the form of consultancies, trainings, studies, development of tools and methodologies, all in areas such as price risk management, value chain governance, strengthening of local farmer organizations, use of GIS for improved quality and traceability, mobile technology for service delivery (financial and technical); and others. The key criteria to fund these initiatives will be: (i) pilot interventions must have a corporate sponsorship from a value chain actor or company to guarantee its demand and sustainability; (ii) they must include local small farmers or their organizations; (iii) they must demonstrate a clear aspect of innovation

that is not being currently covered or addressed by one of the individual projects that are part of SAFE; (iv) they must have at least 50% counterpart co financing; and (v) they must be agreed upon by the SAFE partners during one of the various meetings to be held throughout the year. The final and more detail criteria for selecting these interventions will be set by the SAFE members.

- 2.11. As part of this component the Value Chains Development Officer will formally map and produce an inventory of the individual projects to be developed in the future with SAFE partners. The purpose of this consultancy is to have a broad and clear understanding of the current stage of initiatives and assist in the process of defining key risks and assumptions for implementing projects going forward.
- 2.12. The expected outputs of this component are: (i) Technical support and management of the SAFE platform and 8 individual SAFE projects by HIVOS; (ii) organization of 4 annual SAFE membership meetings; and (iii) approval and implementation of 6 small interventions that will contribute to the overall learning and knowledge dissemination of the platform.

### **Component II: SAFE Individual Projects. (MIF:US\$0 and Counterpart: US\$0).**

- 2.13. This Component is made up of the individual projects to be co-financed with SAFE partners and members over the next five years which address smallholder constraints in the following three areas: (i) market/value chain development; (ii) financial access, financial literacy and business management<sup>12</sup>; and (iii) climate smart agriculture. These projects will be developed and financed in partnership with private sector and implementing partners, funded with MIF resources and matching counterpart on a 2 to 1 basis. The projects will still have to comply with ongoing MIF requirements, eligibility criteria, bank procedures and go through the regular Bank approval cycle.
- 2.14. Based on preliminary assessments and mappings carried out by MIF in 2014<sup>13</sup>, there is an existing pipeline of projects and initiatives totaling \$24 million, most of which are being discussed with platform members and could be developed in the two years following the approval of SAFE as a Platform. Approximately \$8 million will be
- 2.15. The individual projects will be developed se projects will draw upon lessons learned through initiatives and studies carried out by MIF and the SAFE partners and will reflect good practice and trends in climate smart agriculture and processing, which include but are not limited to: diversification strategies, reduced use of agro-chemicals, watershed management, and enhanced systems of processing with less waste and environmental spill overs<sup>14</sup>.
- 2.16. **Criteria for projects under the SAFE platform:** The proposed broad criteria for projects to be funded under SAFE include: (i) Focus on small farmers and also on the inclusion of small farmer organizations as a conduit to reach large numbers and target appropriate developmental opportunities; (ii) Implementation of a common set of indicators for measurement and reporting that are COSA-compliant and that will be used to standardize and facilitate M&E reports and Impact Assessment; (iii) Clear funding and financing commitments from the main actors of any given value chain, i.e.

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<sup>12</sup> In the area of finance, projects will be a combination of loans and technical cooperation depending on the needs and the context, SAFE will collaborate with ECOMICRO (RG-M1205) to match relevant agricultural producers with microfinance organizations implementing green loan products in the areas where such programs are available and to enable farmers to implement changes to their productive systems.

<sup>13</sup> See Annex XIII for initial mapping and assessments.

<sup>14</sup> Studies carried out and developed by the MIF include: "Greening Supply Chains", Trucost and MIF, 2015, "Agricultural Value Chain Finance", Chemonics and MIF, 2014, and "Sustainable Inclusive Business Interventions in High Value Agro Food Markets", Duke University and MIF, 2012.

global traders, global food companies or other actors; (iv) Participation of a diverse range of local stakeholders (national and local government, financial institutions, research agencies etc.) in project execution; and (v) a clear environmentally sustainable strategy. A sub set of more specific criteria for project selection includes: the total cost of the project as it relates to the scope and impact, the contribution of the projects to the results expected from Bank and MIF projects as expressed in the Bank's Corporate Results Framework; the best practice taken into account from other Bank funded projects, its collaboration or coordination with other Bank funded projects; the capacity of the local organization proposing the project and its relation to the specific value chain; and the identification of the participation of women in the project.

- 2.17. All projects under the SAFE platform will take into consideration best practice in gender inclusion and the role of women in agriculture. SAFE will develop an internal strategy to guide all the projects so that each initiative can incorporate good practice, following established principles set out in documents such as Gender in Agriculture Sourcebook, to ensure increased women's control over income and agricultural products. The strategy will include among other things: (i) communications tools to adequately explain the role of women to farmers and farm technicians; (ii) training and communications tools for farm extension workers; (iii) flexible training arrangements to accommodate the participation of women within each context of country and project; and (iv) performance and monitoring tools to evaluate and measure the role and participation of women in SAFE initiatives.
- 2.18. The expected outputs of this component are: (i) the actual implementation of the approximately 8 technical assistance projects developed under the SAFE platform; (ii) 150,000 farms receiving training (CRF 130100) disaggregated by sex (male/female headed farms).

**Component III: Monitoring and Evaluation and Advisory for Impact. (MIF: US\$328,000; Counterpart: US\$128,000).**

- 2.19. One of the key functions and purposes for developing SAFE is for the MIF and the other SAFE stakeholders to understand and demonstrate impact in order to strategically scale up useful interventions. SAFE members share the belief that judicious and effective use of data is a critical investment in order to achieve scale and enhance effectiveness in vital areas such as, the improvement of livelihoods, the participation of women in agriculture, and the impact of agriculture on the environment. Therefore, the objective of this component is to develop optimal M&E systems for assessing performance of individual projects as well as for the platform as a whole. Accordingly, in each project, COSA's engagement will ensure the integration of a world-class sustainability information system. Putting a coherent and data-driven metrics system in place will move SAFE and its strategic partners into the forefront of understanding and communicating the key sustainability factors that make their joint work successful.
- 2.20. In order to achieve this objective, the following key activities will be funded: (i) the development of a core framework that includes the optimal indicators and M&E models to coherently and efficiently measure the results of SAFE funded investments; (ii) the design of a system for M&E that features a decision tree for identifying and selecting either the basic core approaches or other and superior levels of M&E for firms and partners that are more committed to knowledge management; (iii) the design and development of indicators, survey instruments, and impact assessment models as modular systems that will be rolled out with each SAFE project; and (iv) the design of a SAFE platform decision matrix tool to facilitate the selection of projects that contain optimal knowledge management approaches and incentivize smart metrics that support

SAFE to understand and demonstrate its impact. The M&E systems in each of the 8 projects will also be assessed; collaboration will be formed among projects to apply the most appropriate M&E approaches. The specifics of the deliverables and activities of this Component are outlined in the Annex entitled *The Role of COSA in the SAFE platform*.

- 2.21. To achieve the objectives and activities for this Component, the SAFE Platform members and the MIF have agreed to engage the Committee on Sustainable Assessment (COSA), the global leader in impact assessment and monitoring of agricultural projects. COSA currently has engagements with corporate actors working in sustainable supply from small farmers, such as Mondelez and Mars. COSA has been participating in preliminary meetings of SAFE partners who have agreed that COSA could play an important role in the implementation of the M&E strategy. COSA will also be part of the Steering Committee of the SAFE Platform, described below.
- 2.22. The expected outputs of this component are: (i) a core M&E system for SAFE (which includes a M&E decision tree tool; a package of impact assessment tools; and a SAFE platform project validation tool) and (ii) 8 M&E systems designed for SAFE executing agencies.

**Component IV: Knowledge Management and Communications Strategy. (MIF US\$433,000 and Counterpart US\$227,000).**

- 2.23. As in the case of the M&E Component, the Knowledge Management and Communications strategy part of SAFE is the other area in which all SAFE platform members agree there has to be a forceful and coherent voice and message: actively including and working with small holder farmers in global value chains is a win-win proposition. The farmers benefit from sustained markets and conditions for their products, the environment benefits from technical assistance practices that are proven to be smart and efficient, and companies benefit from a continued supply of high quality product. However, the right mechanisms need to be developed to transmit and deliver the message. The objective of this component is to capture and systematize knowledge on building sustainable smallholder agricultural supply chains, reducing risk and vulnerabilities for small holder farmers, and promoting climate resilience in agriculture supply chains. The platform will develop a set of knowledge products, such as events, thematic studies, how-to-guides, and infographics, on topics such as: (i) climate resilience and toolkits for smart agriculture and smart water management; (ii) innovation in financing farmer enterprises; (iii) risk assessment and training tools for farmer organizations; (iv) innovative mechanisms to increase the participation of women farmers; and (v) innovation in traceability methods and quantification of resource use; among others. These knowledge products will be reviewed as necessary throughout the program implementation to ensure that they satisfy and meet the knowledge needs of the strategic audiences.
- 2.24. This knowledge will be packaged and disseminated so that successful projects and models can be replicated and scaled up. Audiences with the potential to scale these models include founding members of the platform, as well as other potential members and other private sector companies working in the food and agricultural sectors. Similarly, other strategic audiences include: (i) the SAFE Platform members; (ii) other corporate actors who are seeking to replicate experiences in sustainable sourcing; (iii) public sector institutions that are building and working on policies to achieve resiliency in the rural and agricultural sectors; (iv) other donors who are seeking ways to have a positive impact on these populations, (v) farmer organizations that are mature and developed enough to take in some of these learnings and disseminate the knowledge

generated among its membership; and (vi) financial intermediaries wishing to expand their markets to serve small farmers.

- 2.25. This component will also be developed and managed by HIVOS with input and coordination support from the Steering Committee of the project described in section D (Project Governance and Execution Mechanism). HIVOS will also be responsible for developing and internal and external communications strategy for the platform.
- 2.26. Each individual project of the platform will have its own communications products and messages to disseminate, often aligned with the key innovation being tested or implemented. For these, there will be a set of standard products which include at a minimum: (i) a project fact sheet; (ii) a local communication event with key stakeholders and local audiences; (iii) and a regional learning and dissemination event.
- 2.27. The expected outputs of this component are: (i) thematic studies, how-to guides, infographics and events on topics of interest to SAFE audiences; (ii) technical, financial and business management tools and (iii) 50 institutions with access to knowledge products or activities.

#### **D. Project Governance and Execution Mechanism**

- 2.28. The governance structure of SAFE is comprised of three levels: **SAFE Platform Membership**. The SAFE members, identified above, are the founding members and key partners who will contribute to the operation of SAFE which will help cover the costs associated with the strategic aspects of knowledge management and monitoring and evaluation activities. The SAFE platform is not meant to be an “exclusive” membership organization, and new members who share the same vision and commitment would be able to join, as long as all the existing members agree to it. The basic parameters to join SAFE which were developed with the members are to have: (i) a clear and proven track record in sustainable supply initiatives with small farmers in specific value chains; (ii) a measureable amount of financial resources allocated to these initiatives; (iii) a willingness to share all related data and information that could emanate from SAFE activities and participation; (iv) a clear commitment to sustainable agriculture and small farmers, as printed in an institutional document; (v) a willingness to adopt or incorporate at their own cost, M&E systems to measure the impact of their interventions; (vi) and a legal presence or subsidiary establishment in the region and countries of operation.
- 2.29. The fact that SAFE has established the startup membership, does not limit its capacity to receive advisory services from organizations such as CIAT (Centro de Investigación de Agricultura Tropical) based in Colombia, and CATIE based in Costa Rica, which are key agricultural partners that can provide insight and knowledge around the technical aspects of coffee, cocoa and other crops and technical systems, and other organizations which will be assessed on a case by case basis. Other Donors (non-corporate including bi-lateral agencies) will also be able to join SAFE based on the fulfilment of the project criteria mentioned in Component 1; their membership will be considered on a case by case basis. The roles and responsibilities of the members include among others: (i) providing strategic leadership and guidance to SAFE; (ii) providing strategic feedback and agreement on projects both individual large and pilot projects; (iii) approve communications strategies and initiatives of SAFE as well as identify additional audiences to direct such initiatives; among others. Their specific roles and responsibilities are laid out in the Operation Manual found in the Annexes of this document.
- 2.30. **The SAFE Platform Manager**. HIVOS will be the organization leading the management of the SAFE Platform. Strategically located in Costa Rica, the regional office of HIVOS

in San Jose will be the managerial base for SAFE, and will work closely with MIF to ensure proper project implementation and supervision. Among the key functions and responsibilities of HIVOS are: (i) overall guidance and leadership in the day to day management of the SAFE Platform; (ii) internal and external communication; (iii) technical support and advisory services to individual projects under SAFE; (iv) coordination of the communications and M&E components of the project; (v) reporting to stakeholders and the MIF on progress across projects and financial expenditures; (vi) contracting of third party services to be provided to SAFE platform members; and (vii) convening of the various meetings and communications among and with SAFE platform members. A more detailed description of the executing mechanism and roles and responsibilities of HIVOS are described in the Operations Manual found in the Annexes of this document.

- 2.31. **The Steering Committee.** The SAFE Steering Committee is made up of a representative of MIF, HIVOS, and COSA. HIVOS as the SAFE platform manager will have the responsibility to coordinate and lead the Steering Committee. HIVOS will also be responsible for convening and leading meetings at least once each quarter, which could be face to face or virtual. The purpose of these meetings will be to provide strategic guidance and decisions, such as: (i) approval of small pilot projects, (ii) agreements on specific knowledge products to benefit all platform members, (iii) approval of M&E systems; and (iv) approval of analysis reports. The management committee members will inform the founders committee on progress of the several initiatives taking place within the platform.

#### **E. Sustainability**

- 2.32. Sustainability of the SAFE platform will be achieved by the sustainability of each project. And this will be achieved by incorporating lead companies into the projects from the very beginning. While each project intervention is time-specific, the participation of these firms will guarantee that the innovation, the new best practice, or the adoption of new production techniques be maintained over time. Sustainability is also achieved by the incorporation of learnings and practice, into the value chain operations of not just the project actors themselves, but of all the participants in the platform. What is learned and implemented in value chain A with company X, will be adopted and replicated in value chain B and companies Y and Z.
- 2.33. One of the main reasons the SAFE Platform requests that corporations or market leaders be involved in the design and funding of the projects, is also to guarantee the long term maintenance of services and products. From the formation, SAFE members have agreed to look at how the platform itself can be sustainable in the long run, either under the continued guidance of MIF and HIVOS, or by some other mechanism.

One year before the project ends, a **sustainability workshop** will be held with all key stakeholders to identify specific actions needed to ensure the continuity of SAFE, its direction, and if further financial commitments are necessary.

#### **F. Experience and Lessons Learned from MIF or other Institutions**

- 2.34. MIF has years of experience in small holder projects in the region. Since the incorporation of the Access Framework alone, there have been more than 15 projects working on linking small holder farmers to higher value markets. Some of these projects have been implemented with some of the existing SAFE partners; in other cases, different organizations such as exporter associations, NGOs, and technical service providers have participated. For the MIF and the other SAFE partners, some of the key lessons learned in developing these kinds of projects with small farmers include the following: (i) There is a greater uptake by farmers of technical assistance packages

provided by projects when they are implemented in coordination with or by the value chain actors themselves (food companies, traders or processors); (ii) It is necessary to include key market actors such as food companies and traders in the projects in order to guarantee that farmers have access to markets once they implement technical assistance packages; (iii) Projects and programs must have a clear value chain approach so that the technical assistance activities implemented remain with these actors after the funding ends, whether they are cooperatives, farmer associations, processors or traders; and (iv) Financing to small farmers has the best results when training and technical assistance are targeted to increase farmer yields and productivity.

- 2.35. From another perspective, lessons learned have been taken into account from other “platform” type programs such as NEO (RG-M1210) and the Regional Initiative on Recyclers (RG-M1179). Both these projects include the participation of private sector actors, and some of the lessons learned include: (i) It is important to have a clear vision and common understanding of the objectives of the platform among all stakeholders; (ii) the roles and responsibilities of each stakeholder should be clearly laid out early on in the process of creating the platform; and (iii) Define and map from the beginning all the communications needs, differentiating those that are internal to the platform from those directed to external audiences.
- 2.36. To date, 50% of these projects have been completed successfully and many others are in the process of completion, with multiple lessons learned and thousands of small holder farmers accessing new markets. The SAFE platform is the result of the knowledge and experience that MIF and other organizations have accumulated from these types of projects. Through Component IV, SAFE will incorporate these experiences in a systematic manner.

#### **G. MIF Additionality**

- 2.37. **Non-Financial Additionality.** While there are networks that bring together food and agricultural companies, and also networks that convene donors and NGOs, none exist that can bring together all the different actors under one umbrella and one commitment. The MIF brings its leadership and visibility to play in the formation of SAFE; in fact, in the preceding months building up to the presentation of the SAFE platform, the MIF convened all the various actors together to agree on the potential outcomes that could be achieved through this platform. One-on-one conversations have also been held with each of the key partners. The outcomes and financial commitments that have been agreed to through these convening exercises are captured in the present document. In addition, the MIF has been able to convene both public and private sectors of the Bank to participate in SAFE, at both the platform level as well as interest in specific collaborations in projects.
- 2.38. The MIF will lead this effort and will also bring to the platform a commitment to monitoring, evaluating and disseminating good practices, and creating knowledge in a unified, strategic manner, which has not been done previously. Moreover, MIF is looking to develop SAFE on a regional level to increase the impact of all of its agricultural interventions. In addition, the MIF will continue to play a catalytic role in engaging the other windows of the Bank both from the private and public sectors, to contribute to the overall mandate of sustainable agriculture.
- 2.39. **Financial Additionality.** Many of the initiatives pre-identified for the platform could be implemented on a one-off basis, either with or without MIF financial support. However, the MIF’s support and leadership will provide an initial “big push” for the platform to achieve the breakthrough adhesion required for sustainability. In competitive markets, common good problems of this nature typically require an agent to promote the

development of the conditions necessary for collaboration. The MIF fulfills this role. Our financial leverage also increases the capacity to scale the interventions, not only with our contributions, but through our approach to working with other donors and companies in an integrated way. Having MIF lead this initiative brings neutrality and also a non-commercial interest to the projects, which in turn translates into better willingness to share resources and co finance.

## H. Project Results

2.40. The project will result in an increased awareness and action on the part of value chain actors, on how to work with small farmers. These actors will be both private and public. In the case of private entities, these include companies, traders, retailers, processors, and also financial intermediaries working in sustainable supply chains with farmers. In the case of public entities, these will be rural municipalities and jurisdictions that work with small farmers and have programs focused on agriculture and natural resource management. Other organizations include: agricultural research institutions, universities, agricultural organizations, and sector associations (such as coffee and cocoa farmers associations and groups). All of these actors working in sustainable agricultural supply will have models on which to replicate different approaches to develop more inclusive supply chains. The specific results of the project will be:

- 150,000 farms linked to strategic businesses which are a part of strategic value chains [CRF 230200]
- 80,000 farms have adopted new technologies and practices which are climate smart [CRF 230100]
- 80,000 farms have access to long term or medium term credit, that enables them to make changes and adopt new practices at the farm level [CRF 230500]
- 80,000 farms have adopted sustainable agricultural practices as measured by the certifications they acquire [CRF 230600]
- 250,000 hectares are managed sustainably by small farmers [CRF 240100]
- \$50 Million of financing is provided by financial intermediaries for new long term and medium term financing for farmers [CRF 230700]
- At least 50 institutions (both public and private) access the learnings and knowledge generated by the project [CRF 150100]

## I. Project Impact

2.41. At the impact level, the project is aimed at enhancing and improving the lives of rural families involved in agriculture. The project aims to increase productivity without having a negative impact on the environment. In other words, enabling farmers to do more with less. The benefits extend not only to the direct 150,000 direct beneficiaries of the project, but to the communities and farmers across the coffee, cocoa landscapes as well as other sub regions, where specialty crops are raised, such as the *Corredor Seco* of Central America. These increases will in turn have a positive impact on the trade and local economies where the farmers and the other actors of the value chain are located. In terms of impact indicators, the following are being proposed disaggregated by sex:

- Annual farm's sales growth of 50% by the end of the project [CRF 330100]
- Average annual sales to new domestic or export markets of \$15 Million [CRF 330600]

- Number of farmers selling to new domestic or export markets [CRF 330601]
- Number of farmers that increase productivity by at least 25% is about 150,000
- Number of models scaled up by SAFE of other industry actors at least 8.
- Number of actors changing behavior.

## J. Systemic Impact

- 2.42. By bringing together leading private and public partners and, where appropriate, linking them with networks and platforms, SAFE will broadly disseminate its findings and can replicate models and best practices not only in LAC but also in other regions, since many of the partners are internationally based. Furthermore, by building on these partnerships, the scale of SAFE's implementation and impact will be greatly enhanced. Finally, SAFE will engage the public sector programs of the Bank, and work with and help to inform national and international public institutions, which will have a direct impact on policy developments.
- 2.43. The indicator related to systemic impact will be CRF 450300 - Number of key public or private actors or institutions changing or applying new practices based on MIF-sponsored projects or knowledge.

## 3. MONITORING AND EVALUATION STRATEGY

- 3.1. **Baseline:** All of the SAFE initial partners have existing mechanisms to capture baseline data and are implementing M&E systems which SAFE will utilize to measure the situation at start up and at the end of SAFE.
- 3.2. **Monitoring:** Internal project M&E will be developed for each individual project under the umbrella of one common M&E system. This will allow for monitoring project progress and reporting at the aggregate level to both MIF and SAFE members. In addition, cross-cutting impact assessments will be provided by the Committee on Sustainability Assessment (COSA) to understand the individual and collective impact of SAFE and its framework of projects, as well as providing fundamental information for a continuous improvement process.
- 3.3. **Evaluation:** Each individual project will be closely monitored to ensure continuous learning exchange to either replicate their effectiveness, or inform the development of immediate alternate solutions. Individual assessments may be conducted for each project. SAFE will determine what type of assessment will be a better fit for the project based on its scope and targeted sector. SAFE projects will be evaluated as a group (once there is a critical mass of projects under implementation). Potential evaluation questions include: (i) To what extent did SAFE's stakeholder collaboration efforts ensure that project outcomes were achieved? (ii) Did smallholder farmers achieve stronger and lasting links with lead buying companies?; (iii) To what extent did the adoption of innovative productive techniques increase yields, and crop quality, and resilience to climate impacts?; (iv) Were decision making, project resources, and project services achieved equally by women and men?; (v) To what extent did the projects contribute to youth insertion in the value chains?
- 3.4. **Closing Workshop.** The executing agency will organize a closing workshop at the appropriate time to assess along with other key stakeholder the outcomes achieved, identify additional tasks to guarantee sustainability and identify and disseminate lessons learned and best practices.
- 3.5. **The Committee on Sustainable Assessment (COSA)** is the leading global organization working on metrics and evaluations mechanisms for projects with small

holder farmers. Having worked at a global level with organizations such as the World Bank, the UN, FAO and Unilever, COSA is recognized by both practitioners and global food companies, as an expert in agricultural impact assessment. COSA has developed easy to use simple procedures to capture, evaluate and use data for these types of projects. Recent global agreements with companies like Mondelez (the second largest coffee buyer in the world), to monitor their coffee initiatives globally, give COSA a unique position in this space and will provide SAFE with valuable contributions to the attainment and use of M&E information.

- 3.6. For the above mentioned reasons, COSA will be directly contracted to provide services for Component 3 under the Monitoring and Evaluation aspects of SAFE. This consultancy will be managed by the MIF from headquarters.

#### 4. COST AND FINANCING

- 4.1. The project has a total cost of US\$ 3,864,100, of which US\$ 2,641,500 (68%) will be provided by the MIF, and US\$ 1,222,600 (32%) by the counterpart. Of the counterpart total, Hivos will contribute with US\$ 309,600 and the co-financing from Platform Partners will be US\$ 913,000. The execution period will be of 60 months and the disbursement period will be of 66 months. It is important to mention that the platform will generate approximately 8 projects for a total of \$24 Million in financing. Of this total the MIF will seek about \$8 Million in Bank and MIF funding and an additional \$16 Million in counterpart funding from the SAFE partners. It is expected that the SAFE platform will be able to leverage an additional \$10 million from private sector windows of the Bank
- 4.2. Retroactive Recognition of Counterpart Funds. There are important aspects of communication that had to take place prior to approval. Positioning the SAFE platform among its members and keeping them engaged has been crucial. Therefore, the MIF will recognize up to US\$30,000 in retroactive expenses related to communications from May 1, 2015.

	FOMIN/BID	Counterpart		TOTAL	
		HIVOS	Platform Partners		
Component 1. Technical Assistance in Smart Agriculture	1,508,600	95,500	530,000	2,134,100	55.23%
Component 2. Individual Projects	0	0	0	0	0.00%
Componente 3. Monitoring & Evaluation Advisory for Impact (from COSA)	328,000	0	128,000	456,000	11.80%
Componente 4. Knowledge Management and Strategic Communication	433,000	47,000	180,000	660,000	17.08%
Execution and Supervision	296,900	167,100	75,000	539,000	13.95%
Evaluations and Audits (Evaluation Plan & Contingencies)	60,000	-	-	60,000	1.55%
Audits	10,000	0	0	10,000	
Evaluation Plan for the Platform	30,000	0	0	30,000	
Contingencies	20,000	0	0	20,000	
<b>Sub-total</b>	<b>2,626,500</b>	<b>309,600</b>	<b>913,000</b>	<b>3,849,100</b>	
Agenda Account	15,000	0	0	15,000	0.39%
<b>TOTAL</b>	<b>2,641,500</b>	<b>309,600</b>	<b>913,000</b>	<b>3,864,100</b>	
Percentages	<b>68.36%</b>	<b>8.01%</b>	<b>23.63%</b>	<b>100%</b>	

Component II SAFE Projects is made up of \$8 Million MIF contribution and \$16 Million counterpart for the specific projects to be approved individually by the Donors Committee.

## 5. EXECUTING AGENCY

- 5.1. **Instituto Humanista para la Cooperación con los Países en Desarrollo (HIVOS)** will be the Executing Agency of this project and will sign the agreement with the Bank. HIVOS is an international organization which aims to reduce poverty through innovative solutions and programs. Based in the Netherlands, it operates in 26 countries and has 6 regional offices, including one in San Jose, Costa Rica, where this project will be run from. HIVOS has a particular expertise in managing and developing global platforms in rural development, sustainable agriculture and other social issues. It is linked to a number of global food and agricultural networks and is recognized as a leader in these areas. The MIF had prior experience with HIVOS indirectly through a project in Peru with the National Coffee Association (Junta Nacional de Café) in which HIVOS funded the establishment of the Coffee Certification Platform, in partnership with the top global organic and fair trade certifiers and the local producers. While some of its core funding comes from the Ministry of Foreign Affairs of the Netherlands, HIVOS also receives financial support from private foundations and corporations as well as state development agencies such as the Danish International Development Agency (DANIDA) and the Swedish International Development Agency (SIDA). For purposes of SAFE, MIF will contract the HIVOS group that is working specifically in the theme of Sustainable Agriculture, Biodiversity and Climate Change, and this will be the department heading the management of the platform. HIVOS has a strong track record from both the public and private sector in the area of sustainable agriculture. It participates in a number of global networks and has consistently attracted funding from these stakeholders to pursue common goals and initiatives that require collective action. It has been the main funding agency behind the Coffee Barometer, the most important global market assessment publication of the actors and the industry players in the coffee sector. It is expected that through the SAFE Platform a similar instrument could be developed for cocoa or other crops.
- 5.2. It is for the above mentioned reasons that HIVOS was selected as the Executing Agency, and it will be responsible for program implementation, including: (i) technical and diagnostic support to fortify knowledge and information on beneficiary populations and on supply chain management, finance and operations. (ii) design and implementation of the communication strategy; (iii) day-to-day program management; (iv) quality control assurance for overall program and individual projects; and (v) and evaluation requirements. The specific roles and responsibilities of HIVOS will be laid out in the SAFE Management and Execution Manual.
- 5.3. **HIVOS** will establish an executing unit and the necessary structure to effectively and efficiently execute project activities and manage project resources. HIVOS will also be responsible for providing progress reports on project implementation. Details on the structure of the execution unit and reporting requirements are in Annex 7 in the project technical files.
- 5.4. **Project Status Reports.** The Executing Agency will be responsible for presenting Project Status Reports (PSRs) to the MIF within thirty (30) days after the end of each semester, or more frequently as determined by the MIF by providing at least sixty (60) days advance notice to the Executing Agency. Details can be found in Annex VII.
- 5.5. **Procurement and Contracting:** Given that the Diagnostic of Executing Agency Needs (DNA) generated a medium level of need/risk classification, the project team has determined as stipulated in Appendix 4 of the IDB Policies, the Executing Agency which belongs to the private sector, will use the private sector procurement methods specified in Annex 1 of the Operational Guidelines for Technical Cooperation Projects (OP-639). Details can be found in Annex VII.

- 5.6. **Financial Management and Supervision:** Given that the Diagnostic of Executing Agency Needs (DNA) generated a medium level of need/risk in financial management, the review of supporting documentation for disbursements will be conducted ex-post- and on a semi- annual basis. Details can be found in Annex VII.

## 6. PROJECT RISKS

- 6.1. **External risks** include those associated with climate and weather patterns which could affect the regions where the projects are executed. While the project aims to precisely mitigate or adapt to these changes, working in two crops that could suffer from adverse conditions could affect the overall goal of the project. Part of the mitigation of this risk is the important aspect of diversification of farm income, which is a part of the strategy of the climate smart agriculture aspect of the projects.
- 6.2. **Lack of alignment and commitment among SAFE partners.** While this is a clear risk, the MIF will work diligently to ensure clear governance structure and leadership.
- 6.3. **Reputational risks** are always to be considered when working with corporations who are often target of public investigations into their workings and their ways of doing business. This will be mitigated by the fact that SAFE will only work with entities that that have a commitment to inclusion, sustainability, and a clear shared-value approach to the way they do business.

## 7. ENVIRONMENTAL AND SOCIAL EFFECTS

- 7.1. The roya (coffee rust) outbreak has revealed some of the fundamental weaknesses of this industry, while at the same time showing the viability of aligning the interests of key stakeholders in improving productivity, building resilience and outlining long-term strategies to tackle social and environmental problems.
- 7.2. SAFE as a platform and the projects that will be implemented within its structure are expected to have positive external impacts. The coffee and cocoa industry are leaders in sustainable agriculture, from the production level to marketing. Many of the challenges facing agriculture are being played out in these sectors, and can provide valuable lessons for other sectors. As well, in many situations they are the leading export crop, which if properly managed and commercialized can bring significant income increases to communities and lead to broad development.

## 8. COMPLIANCE WITH MILESTONES AND SPECIAL FIDUCIARY ARRANGEMENTS

- 8.1. **Disbursement by Results and Fiduciary Arrangements.** The Executing Agency will adhere to the standard MIF disbursement by results, procurement and financial management arrangements specified in Annex 8. For the financing of the small pilot projects, the SAFE Platform will form an Eligibility Committee to review the proposals and make decisions on approval or not. Therefore HIVOS will not be approving these small pilot projects alone. The pilot projects will also adhere to the disbursement and fiduciary arrangements as any of the individual large projects.

## 9. INFORMATION DISCLOSURE AND INTELLECTUAL PROPERTY

- 9.1 **Information Disclosure.** The project presents no confidentiality regarding the information contained in the documents of the project.