Regulations for the “Building resilience through value-addition projects” fund.

I. Foreword

Since the middle of March 2020, the smallholder producer organizations in Latin America and the Caribbean have had to face two simultaneous crises: the arrival of an unprecedented pandemic, and an economic crisis. The producers began to note an increase in costs of production, as well as market barriers. The uncertainty around sales, the increase in the costs of production, disruptions in supply chains and the economic recession have translated to a drop in income for those organizations.

In this context, CLAC and their partners had initially established five specific funds which corresponded to the resolution of immediate issues, and following that, three additional funds for economic recovery on a more long-term basis. However, though these funds have been able to provide vital help for the small producer organizations, a certain continuity is required. For this reason, Fairtrade International, CLAC and the Inter-American Foundation (IAF) have decided to join forces and provide the producer organizations with a new fund comprised of subgrants.

This new fund, named Building resilience through value-addition projects, answers a call to add value to the products which are produced by organizations, which will entail the generation of additional income for producers, and provide healthy food to consumers.

II. Objective

This document provides the guidelines and pre-requisites for the granting of sub donation funds as a means to foster resilience, through setting up value-addition projects in producer families, as a response to the economic crisis caused by the COVID-19 pandemic.

III. What is value-addition?

The amount by which the value of a product incrementally increases in each stage of its production, excluding initial costs.

IV. Initiatives for financing through subgrant funds.

a) . Value added through the packaging and display of main products and by-products which are prioritised in the value chains of small-holder producer organizations, for example: as payment

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Approved by: IAF Fund official
Revised by: Operations Director, Programas and Projects Management Coordination
Approved by: Executive Director

1 The subgrant cannot be used for the Fairtrade certification payment.
for the use of the Fairtrade mark in the packaging and display of products; adoption of sustainable packaging, size adjustment in the display of products, among others.

b) Value added through improvement in quality of main products and by-products in the major value-chains of small producer organizations, for example: complying with quality standards; health and safety documentation for the access of the product in new national and regional markets, among others.

c) Purchase of equipment and infrastructure for productivity improvements in main product and by-product processing, in the major value chain of small-holder producer organizations, for example: production, packaging, cleaning, processing, among others.

V. Countries eligible for subgrants
Mexico, Guatemala, Honduras, El Salvador, Jamaica, Nicaragua, Costa Rica, Panama, Dominican Republic, Haiti, Belize, Colombia, Ecuador, Peru, Bolivia, Brazil, Paraguay, Uruguay, Chile and Argentina.

VI. Conditions for the subgrant fund

a) The subgrant funds will be provided to the small producer organizations whose proposals have been evaluated as satisfactory by the fund’s evaluation committee, starting at a minimum amount of five thousand US dollars ($5,000), up to a maximum amount of ten thousand US dollars ($10,000), all in USA currency. This will be paid out in two sub-payments:
   • 80% on the signing of the subgrant contract
   • 20% at the end of the subgrant project timeline, and on the completion of quarterly reports.

b) The applying organization shall contribute a counterpart payment to the amount requested, which is at least 25% of the budget proposed. Half of the mentioned counterpart must be in cash, (12.5%), and the other half in-kind, (12.5%).

c) The fund will serve to cover project costs related with the generation of added-value products.

d) The organization can only apply for the fund once. In the case of having received support from the Relief Fund, Climate Fund, or Economic Recovery fund, the organization must have submitted their final narrative-financial report, and this must be revised by CLAC, in order for them to receive the said funding.

e) The organization will establish a system to identify and save files of all records related with the implementations of their projects and the associated funds for a three-year (3) period.

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1 The subgrant cannot be used for the payment of Fairtrade certification.

2 The subgrant cannot be used for the Fairtrade certification payment.
from the submission date of their final financial-narrative report. These records are subject to revision and inspection by CLAC and the IAF, and their auditors, consultants and supervisory bodies upon request.

f) The subgrant funds will be granted for a minimum period of 6 months, and a maximum period of 9 months.

g) During and/or after the execution period of the project, the organization agrees to being visited by the CLAC-IAF team, to participating in virtual meetings and to attending training, learning and auditing processes.

h) The organization agrees to sending quarterly reports in compliance with dates that are established by CLAC in the subgrant agreement. Meeting the report deadlines and the quantity of reports that are required consist as a condition for the organization to be able to receive the second transfer, corresponding to the 20% of the approved sum. The organization will send financial proof for the use of funds and its counterparts payments in cash and in-kind.

VII. Requirements

The applying organizations must comply with the following requirements:

a) must be legally recognised small-holder producer organization and have been running for a minimum of two years.

b) Organizations must have a bank account for the funds to be paid into.

c) The organization must be in one of the following 20 countries: Mexico, Guatemala, Honduras, El Salvador, Jamaica, Nicaragua, Costa Rica, Panama, The Dominican Republic, Haiti, Belize, Colombia, Ecuador, Perú, Bolivia, Paraguay, Uruguay, Chile and Argentina.

d) It is encouraged that the proposal for the use of funds encourages the participation of women and young people in their governing bodies, and/or that women and young people are target groups.

e) Organizations must explain how their economic situation has been affected (in full or in part,) by the COVID-19 pandemic, considering the following aspects:
   - Members in vulnerable groups who lack the support needed to face the decline in sales and incomes (according to age and gender,)
   - Missing opportunities for the set-up of value-addition projects on products through new processing, packaging, and production initiatives.

f) For a demand to exist for the main products and sub-products that are produced by the organization, in the value chains of local and regional markets.

\[\text{The subgrant cannot be used for the Fairtrade certification payment.}\]
g) The organization must send the following forms, completed and signed, (PDF) along with an editable version (Word)
  • Submission of application: APPLICATION FORM FOR FUND
  • Budget for fund use: ANNEXE I: BUDGET FOR USE OF FUNDS
  • Budget for counterpart payment in cash and in-kind ANNEXE II BUDGET FOR COUNTERPART PAYMENTS, IN CASH AND IN-KIND.

VIII. Approval process for fund application

The approval process for fund requests will take place in three different phases:

a) Submission of applications: the application documents will be sent by email to: fondovaloragregado@clac-comerciojusto.org

b) All documents will be sent duly signed by the applying organization and in an editable format.

The deadline for the submission of applications is the 15th of July 2022. If the available funds, from the budget of $700,000 (USD) are not all spent, the producer groups will be informed through CLAC’s official communication channels, during which the regulations outlined in this report will continue in effect.

c) Assessment of applications by the Fund’s Evaluation committee.

A committee, staffed by members of the Regional, Commercial and Operations teams, will oversee assessing applications in weekly meetings.

The moderator of the committee will announce the availability of subgrant funds to the rest of the committee before the beginning of application assessment.

The selection criteria will have a maximum score of 70 points, where the following marks will be awarded for each question:

<table>
<thead>
<tr>
<th>Categories</th>
<th>Maximum mark per category</th>
<th>Corresponding section of the application</th>
<th>Suggested mark</th>
</tr>
</thead>
</table>

1 The subgrant cannot be used for the Fairtrade certification payment.
### Is the information in the application fully completed?

<table>
<thead>
<tr>
<th>Score</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>10</td>
<td>Entire application (fields in the colour green)</td>
</tr>
</tbody>
</table>

Between 0-3 – Proposal needs to be improved; it’s incomplete 
Between 3-6 – The information is satisfactory, but we need complimentary information. 
Between 6-10 – The information provided is satisfactory and clear.

### Degree of economic impact caused by the COVID-19 pandemic, reported by the applicant, which demonstrates the effect on vulnerable groups

<table>
<thead>
<tr>
<th>Score</th>
<th>Description</th>
</tr>
</thead>
</table>
| 10    | 6. CONTEXT OF THE ORGANIZATION  
a. How did the COVID-19 situation affect your organization and your membership?  
b. What has changed in your organization since the beginning of the pandemic? How did you adapt to the pandemic?  
c. How do you think the “Building resilience through value-addition projects” fund will help your organization and the beneficiary group? Please describe this briefly. |

They can be assigned:  
A maximum of 3 points per country criterion  
A maximum of 7 points per impact story in line with what is described in the application:  
- Between 0-2 if the story is of ‘low’ impact  
- Between 3-5 if the story reflects a ‘medium’ impact  
- Between 5 -7 if the story reflects a ‘high’ impact.

### Is the existing relationship between sales of the primary product in 2021, and the expected sales volumes for 2022 and 2023 after the use of the fund, considered satisfactory? Is the variation in price of a satisfactory nature?

<table>
<thead>
<tr>
<th>Score</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>10</td>
<td>7. PROPOSAL: BUILDING RESISTENCE THROUGH VALUE-ADDITION PROJECTS: a. Description of the product to which a value-addition project will be applied.</td>
</tr>
</tbody>
</table>

Between 0-3 – Proposal needs to be improved 
Between 3-6 – The proposal is on average, satisfactory. 
Between 6-10 – The proposal is satisfactory and clear.

### Is the way in which the organization foresees the improvement of their product processing and the addition of value, considered feasible?

<table>
<thead>
<tr>
<th>Score</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>10</td>
<td>7. PROPOSAL: BUILDING RESISTENCE THROUGH VALUE-ADDITION PROJECTS: b. Description of how the use of the funds will improve the productive process for the product.</td>
</tr>
</tbody>
</table>

Between 0-3 – Proposal needs to be improved 
Between 3-6 – The proposal is on average, satisfactory. 
Between 6-10 – The proposal is satisfactory and clear.

### Is the explanation for how the use of the fund will contribute to solving the situation faced in the organization, and with membership, of a satisfactory nature? Is it a potential solution for the priority product? Is this within timeframe?

<table>
<thead>
<tr>
<th>Score</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>10</td>
<td>7. PROPOSAL: BUILDING RESISTENCE THROUGH VALUE-ADDITION PROJECTS: c. Describe how the use of the fund would help to improve the conditions of participants and direct beneficiaries.</td>
</tr>
</tbody>
</table>

Between 0-3 – Proposal needs to be improved 
Between 3-6 – The proposal is on average, satisfactory. 
Between 6-10 – The proposal is satisfactory and clear.

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2 The subgrant cannot be used for the Fairtrade certification payment.
Is the action plan for the implementation of the project clear and feasible? | 10 | ANNEXE I: BUDGET FOR USE OF “BUILDING RESILIENCE” FUND | Between 0-3 – Proposal needs to be improved Between 3-6 – The proposal is on average, satisfactory Between 6-10 – The proposal is satisfactory and clear.

Does the proposal for the use of the fund appear to be coherent, and is it relevant to what is described in the value-addition proposal? Does the proposal presented keep in mind costs, timeframe and quality? Is it sustainable on a mid-term and long-term basis? | 10 | 7. PROPOSAL: BUILDING RESILIENCE THROUGH VALUE-ADDITION PROJECTS ANNEXE I: BUDGET and ANNEXE II: BUDGET FOR COUNTERPART PAYMENTS, IN CASH AND IN-KIND. | A maximum of 3 points, if it keeps costs, timeframe and quality in mind. A maximum of 3 points, if it is sustainable on a mid-term basis. A maximum of 4 points, if it is sustainable on a long-term basis.

Average sum | 70 | | |

After the budget is reviewed, the committee will inform the organization if the application is successful:

<table>
<thead>
<tr>
<th>Status of the funding application</th>
<th>Average obtained mark</th>
</tr>
</thead>
<tbody>
<tr>
<td>Not Approved</td>
<td>Less than or equal to 22.</td>
</tr>
<tr>
<td>Pre-approved with comments</td>
<td>23 to 46</td>
</tr>
<tr>
<td>Pre-approved to satisfaction</td>
<td>47 to 70.</td>
</tr>
</tbody>
</table>

They will be notified the results of the committee’s assessment via email from fondovaloragregado@clac-comerçiojusto.org. If required by the committee, they will request additional information, (pre-approved requests, with comments).

In the event that the application is pre-approved to satisfaction, the results of the assessment will be sent to the IAF, who will review the groups and check due diligence in a period of 30 days. Once this process is finalised, the subgrant contract will be sent, indicating the period for which it is approved, the approved sum for the sub-grant, the deadlines for quarterly reports, and a verification page with bank account information.

Approved by: IAF Fund official
Revised by: Operations Director
Approved by: Executive Director

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The funds will be transferred within 8 business days after the completion of the approval processes.

IX. Commitment from the beneficiary organizations

a) The organization with use funds exclusively for CLAC-approved activities. In the event of changes, the organization will apply to CLAC for a review of the said changes via email, prior to their implementation. CLAC reserves the right to reject changes requested by the organization. In any case, the organization will return to CLAC any unused funds to carry out CLAC-approved activities. The sub-donation organization will be responsible for any costs applied by their local bank for the reception of funds via bank transfer.

b) The organization will inform CLAC through email, within a period of seven (7) days, any change in management, their name, their legal status, their address, or their telephone number.

c) The beneficiary organization will be responsible for respecting deadlines for fund use stipulated in the subgrant contract.

d) The purchase and management will be carried out centrally by the beneficiary organization.

e) The organization will carry out the procurement of goods and the contracting of services for their project, based on their own administrative procedures. Additionally, they will need to provide 3 quotes if the procurement and services are above four hundred ($400) US dollars, or its equivalent in local currency.

f) Proposals will be favoured if they procure local goods and services.

g) The organization will appoint a responsible person for the execution of the project and the sending of final quarterly (narrative-financial) reports. This person will be considered as the main contact from the organization.

h) The organization will establish a (separate) file-saving system for the documentation of subgrants, saving all records related to the implementation of the project and the funds (funds received from CLAC, their contributions in cash and in-kind, products, quarterly reports,) for a period of three (3) years from the submission of the last quarterly report. These records are subject to review and audit by CLAC and the IAF, and consultant and supervisory bodies upon request.

i) All employees and staff members connected to the organization and the administrative staff of the funds agree to comply with the applicable laws for the subgrant agreement.

3 The subgrant cannot be used for the Fairtrade certification payment.
Adherence to the principles of Fairtrade

- Inclusive economic development
- Gender equity
- Food security
- Sustainable lifestyles
- Ecological balance
- Prosperous communities
- “People First” trade policies
- Decent work

Adherence to the applicable laws for the IAF-CLAC LA-208 agreement

- V. Conflicts of interest
  Conflicts of interest can be real or perceived and can arise on both personal and organizational levels. A personal conflict of interest is a situation in which a member of a board of directors, a trustee, a manager, employee, contractor or agent (“covered person”), has a financial interest, a personal commitment, or another relationship which could negatively affect the ability of the Covered Person to act in an impartial way in the terms of the subgrant agreement. It’s understood that the interests of the following people would be attributed to the Covered Person: a spouse, children, father, mother, brother, sister, members of the household, or any general partner; an organization in which they act as an executive, director, trustee, general member or employee, and any person or organization with which they may be negotiating, or may have an agreement concerning a possible job.

XXIII. Lobbying or political activities
The grant beneficiaries will not use funds from the Cooperation Agreement: (1) to try to influence any legislation through communication with any government officer, government employee, or member of a legislative body, nor (2) through any attempt to change public opinion in general, or to directly or indirectly organise voter registration campaigns.

XXIV. The Drug-Free Workplace Act
The grant beneficiaries agree to comply with the laws and regulations of the country of the beneficiaries. The requirements of the Drug-Free Workplaces law are included in Annexe G.

Approved by: IAF Fund official
Revised by: Operations Director
Approved by: Executive Director

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XXV. Purchase of alcoholic drinks
The grant beneficiaries will not use funds from the subgrant for the purchase of alcoholic drinks.

XXVI. Compliance with local laws
The beneficiary ensures that they have considered the legal rules in distinguishing between employees, contractors and volunteers, and that they have correctly assigned the benefits and classified the staff that work in any approved activity by the current Cooperation Agreement, according to what is reflected in the budget, in line with these rules. If the beneficiary needs support to assess the legal rules, they should inform CLAC. CLAC will neither defend nor condemn the beneficiary in relation to any lawsuit or sentence, and the beneficiary explicitly resigns CLAC of any lawsuit or sentence, which may arise from these legal rules.

XXVII. Compliance with public policies
The beneficiary ensures that all funds from the subgrant will be spent in line with the prerequisites of the public policies of the USA, including, among others, those relating to equal access to work opportunities (Article VII of the Civil Rights Act of 1964,) environmental protection (the Clean Air Act and the Clean Water Act,) illicit drugs (The Drug-Free Workplace Act,) and human trafficking (The Trafficking Victims Protection Act, 2000.) The beneficiary will also guarantee religious liberty and will not restrict funding from individuals due to their religious identity.

XXVIII. Fighting human trafficking
The beneficiary shall not: (1) participate in human trafficking; (2) procure sexual services; (3) use forced labour; (4) destroy, hide, confiscate or in any other way, deny an employee their identity or migration documents, such as passports or driving licenses, regardless of the authorities which issued them; (5) use deceitful or fraudulent practices during the recruitment of employees or as part of job offers; (6) charge employees for recruitment costs; (7) if applicable, deny the provision of return transport upon the termination of their contract; (8) if applicable, provide or offer housing which fails to comply with the housing and safety regulations of the host country; and (9) deny the provision of a written contract, if that is what the laws or contracts of that country require. The beneficiary should notify CLAC if they receive credible information about human trafficking, or violations of the forbidden practices related to human trafficking, and shall give notice to the parties involved that CLAC will take action, including the cancellation of payments, for the breach of these requirements. If the beneficiary has any questions with respect to this prohibition, they can contact CLAC to request training before carrying out any activity which could be

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prohibited. The terms pertinent to this clause shall be defined in accordance with FAR 52.222-50.

XXIX. Prohibition of the acquisition of products produced using forced child labour or through indebtedness.

The beneficiary shall consult the “List of Goods Produced with Child or Forced Labour” from the US Department of Labour (https://www.dol.gov/agencies/ilab/reports/childlabor/list-of-products) upon issuing a bid for the procurement of supplies. If the product appears on the list, the beneficiary is obligated to ensure that they will not supply any final products from countries, (with certain exceptions,) that appear on the list; or to assure that they have made efforts in good-faith to identify if forced labour, or indebtedness, was used for the extraction, production, or manufacturing of any final product which is supplied in the terms of the contract.

XXX. Prohibition of affiliating with terrorists

The beneficiary will neither participate in transactions, provide any resources, nor will support any individual or organization associated with terrorism, including any person or group that is:

- Included as having an active exclusion on the Award Management System (SAM.) See: https://sam.gov/SAM/pages/public/searchRecords/search.jsf;
- Catalogued as a Foreign Terrorist Organization in line with the Immigration and Nationality law and 18 U.S.C., §§ 2339A and 2339B. See https://www.state.gov/j/ct/rls/other/des/123085.htm;
- Included in the Sanctions list of the Office of Foreign Asset control in the US treasury department. See: https://sanctionsssearch.ofac.treas.gov/; or
- Included in the Sanctions List of the UN Security Council. See: https://scsanctions.un.org/search/

X. CLAC’s commitment

a) To provide assistance for any questions, and support the participating organizations through all stages of the process in their use of the “Building resilience through value-addition projects” fund.

b) To transfer subgrant funds upon the approval of the application and assume responsibility of the costs relating to the international transfer of funds to the beneficiaries.

c) To generate spaces for exchange, learning, and comptrollership where organizations can be

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d) To inform members of the progress with subgrants, and save records for a minimum of three years after the completion of the LAC-208 agreement.

e) To present the progress and results reported by the participating organizations to partners.

f) In the event of applying organizations not complying with the established terms in the subgrant contract, CLAC will communicate the formal termination of the subgrant contract via email: fondovaloragregado@clac-comerciojusto.org

XI. Validity and approval

This fund, as well as its regulations, are open to applications from the publication date of this document, until the available amount of subgrants, in total of $700,000 USD, is spent, and before the 15th July, 2022. In the event that the timeframe for proposal submissions is extended, this will be communicated through CLAC’s official communications channels, during which time this regulation shall remain in place.

The regulation of funds for subgrants will enter in force with the approval of CLAC and the IAF, and its continuity depends on the willingness and agreement of the partners.

Approved by the Executive Director of CLAC, on the 28th of February, two-thousand twenty-two.