



TWIN'S THEORY OF CHANGE

1. VISION

Twin's vision is a world where trade benefits everyone engaged in it; where business respects and supports the people and ecosystems it touches; where smallholder farmers have the power to shape their own business and community development.

2. MISSION

Our mission is to strengthen producer organisations and deliver economic development, social justice and environmental sustainability for smallholder farmers through trade, engaging actors throughout the value chain to balance producer support with market demand and building partnerships that deliver sustainable, scalable and meaningful change.

3. GOALS

Twin aims to achieve three development goals:

- **Economic Development.** Twin's pathway to economic development for smallholder farmers is access to fair commodity prices. For producer organisations, it is the ability to understand market dynamics, make informed decisions, and move up the value chain to attain more value.
- **Social Justice.** Twin's pathway to social justice begins with the recognition of smallholder farmers in the value chain. Twin defines social justice for men and women as equal access to assets and income and active, meaningful involvement in decision-making processes, both at the household and producer organisation (PO) levels.
- **Environmental Sustainability.** Twin defines environmental sustainability for smallholder farmers as the ability to manage and adapt to climate change and increase productivity while preventing environmental degradation (e.g. soil erosion) and promoting agro forestry and sustainable natural resource management.

4. TWIN'S MODEL OF CHANGE

Twin believes that trade can contribute significantly towards these goals if smallholder farmers are organised in POs (fig 1), and if these POs are able to return increasing 'value' to their members over time. The increase in value to members can take the following forms:

- Members receive a higher income resulting from economies of scale, the establishment of high-value trading partnerships through certification (Fairtrade, Organic, Rainforest Alliance), and/or through improved quality and increased productivity resulting from investments in sustainable agriculture;
- Members benefit from strategic interventions/investments, for instance when POs invest in marketing or processing infrastructure, which in turn benefit all smallholder farmers.

Producer organisations are also strengthened by the value they deliver to their members and can achieve significant growth through improvements to product quality and an increase in member loyalty (Fig 2).

Twin also believes that all value chain actors benefit from economic development, social justice and environmental sustainability for smallholder farmers and producer organisations through higher quality commodities and more secure value chains.

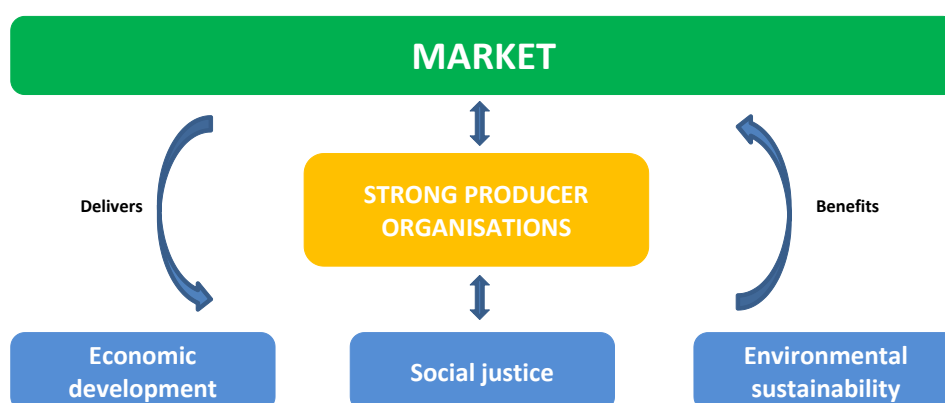


Figure 1: Twin's model of change



Figure 2: The relationship between Producer Organisations and smallholder farmers

5. APPROACH

Twin takes a holistic approach to building capacity that employs six development pillars in combination to support producer organisations in becoming self-reliant.



- Pillar 1: Gender justice

In East Africa, female farmers are responsible for around 70% of agricultural labour, yet have access to just 15% of the income generated. Women not only deliver most of the work, they are widely responsible for key tasks related to productivity and quality. On average, women in Africa also own just 20% of land, which results in limited female membership of producer organisations. As female farmers are largely invisible within value chains, they have limited access to extension services, such as training on good agricultural practices.

If female farmers have an increased access to production assets, they are then likely to increase their proceeds from commodity sales. Women controlling a higher proportion of the income are more likely to prioritise expenditures related to nutrition, education and health.

By increasing women access to assets, including land, we increase the opportunity for female farmer to formalise their membership in producer organisations and, as a consequence, increase their access to extension services. This positively affects both quality and productivity since female farmers deliver most of the agricultural labour. This, in turn, directly benefits producer organisations with higher volumes and high quality product supplied to their organisation.

Twin works to increase the visibility of female farmers along the value chain, enhance women's decision-making powers, improve women's control over assets, and ensure equal access to income and extension services for women and men.

Our gender justice approach is a combination of multi-level interventions:

- **Household and community level.** We facilitate participatory workshops that promote joint decision-making; support women's income-generating activities through women's committees; and promote women's equal access to agricultural extension services.



- **Producer organisation level.** We facilitate the development of gender policies and strategies and deliver programmes that encourage female leadership both at executive and non-executive levels.
- **Market level.** We make the business case for gender intervention as the most efficient approach to securing value chains, improving quality, and increasing productivity for the long term. For example, we have developed a concept for “Women’s coffee”, fully traceable to female farmers, which includes a premium for women’s development. Women’s coffee is also a mechanism to increase incomes for female farmers, who are often marginalised within the value chain. These resources are intended to support a combination of ‘practical gender needs’ (enhanced income for women) and ‘strategic gender needs’ (involvement in leadership activities, reduced gender-based violence etc.). These types of products are tailor-made and meet buyer and consumer demand for a deeper engagement with product provenance and specific thematic issues and challenges at origin.
- **National and international level.** We work to raise awareness of the valuable role played by women in agricultural value chains and influence government or private sector actors to create an enabling environment for women’s empowerment. The interventions carried out at this level will be based on our business advocacy strategy and will aim at convincing key food industry actors to duplicate and scale up our approach.

- **Pillar 2: Sustainable agriculture**

Over cultivation and poor management practices, including extensive deforestation, have led to severe erosion and loss of soil fertility, leaving crops exposed and vulnerable to adverse weather conditions. In the future, these challenges are likely to be further compounded by climate change. Smallholder farmers are particularly vulnerable due to a lack of resources to invest in adaptation, as well as limited access to information and technology.

Twin believes that building the capacity and skills of PO field staff and facilitating access to knowledge and external expertise will enhance the adaptive capacity of smallholder farmers and their communities to practice sustainable agriculture and increase productivity.

Our sustainable agriculture approach is a combination of multi-level interventions:

- **Farm level.** We deliver initiatives that increase the adoption of climate-smart agricultural practices. This is achieved through locally specific climate change projects designed following specific risk assessments. Emphasis is placed on training for members by PO extension staff; provision of inputs and tools (e.g.



shade tree seedlings); demonstration plots to disseminate best practice; and access to external expertise, where required. Extension programmes are shaped to ensure that women, who do the majority of farm work, are the primary beneficiaries.

- **Producer organisation level.** We engage PO staff, particularly field staff with day-to-day contact with members that enable change at farm-level, to foster innovation by harnessing the knowledge and skills of field staff and through a process of participatory action and learning with farmers.
- **Market level.** We provide more accurate, evidence-based information about climate change impacts and adaptation options to businesses. Twin works with companies and cooperatives to identify shared priorities and implement projects, financed by private sector resources, which enhance climate resilience across the value chain.

- **Pillar 3: Quality**

Twin believes that working on quality is the most effective way to make smallholder farmers less vulnerable to commodity market volatility. Producing consistently high-quality products generates significant price differentials (sometimes earning much higher price premiums than Fairtrade or organic certified products), which create resilience to potential market shocks. Quality is also the main driver of buyers' loyalty to producer organisations and represents a key element of building strong, long-term commercial partnerships.

We provide technical assistance to producer organisations to enable them to establish rigorous Quality Management Systems, achieve certification, and improve and maintain processing facilities.

- **Pillar 4: Market Access**

Smallholder farmers typically have limited access to export markets and limited knowledge of consumer requirements. Producer organisations are often at the bottom of the value chain with little insight about the end-product.

Twin supports producer organisations in negotiating contracts through the provision of market intelligence. We also mentor marketing managers; facilitate collaborative, long-term buyer relationships; and coordinate the value chain to align the development timeframe of a producer organisation with the timeframe of developing demand. As a result, producer organisations are able to make better informed decisions concerning price, trading and managing buyer relationships.



- **Pillar 5: Business Management**

Producer organisations operate in extremely volatile markets, with a business model built on low margins and limited access to working capital. The combination of volatility, restricted working capital, and low margins makes good financial management vital for success and sustainability. Twin works with POs on business basics and equips managers with the expertise to run their organisations successfully.

To support producer organisation on financial management, we deliver trainings on designing and monitoring business plans; facilitate access to working capital through our network of ethical lenders; and build management capacity in price risk management.

- **Pillar 6: Governance**

Producer organisations, which are owned by their members, have to maintain the right balance between maximising impact for members and investing in the business. This balance requires a great deal of trust, transparency and accountability to ensure that all strategic decisions are endorsed by both the management and members. Twin believes that good governance is essential to constantly maintaining this balance.

To promote good governance, we deliver training programmes to board members and executive managers on their respective rights, responsibilities and limitations and build the capacity of farmer leaders to ensure that they are equipped to represent the best interests of smallholder farmers.

6. DEVELOPMENT FRAMEWORK

Twin has developed a framework (Fig 3) characterising the development and growth of producer organisations over a period of time. Each stage has a number of key indicators or characteristics that, while not simply sequential (in reality the pathway will always be far more complex), describe the broad stages in the development of a producer organisation and the basis on which it is able to strengthen its business and return more value to its members.

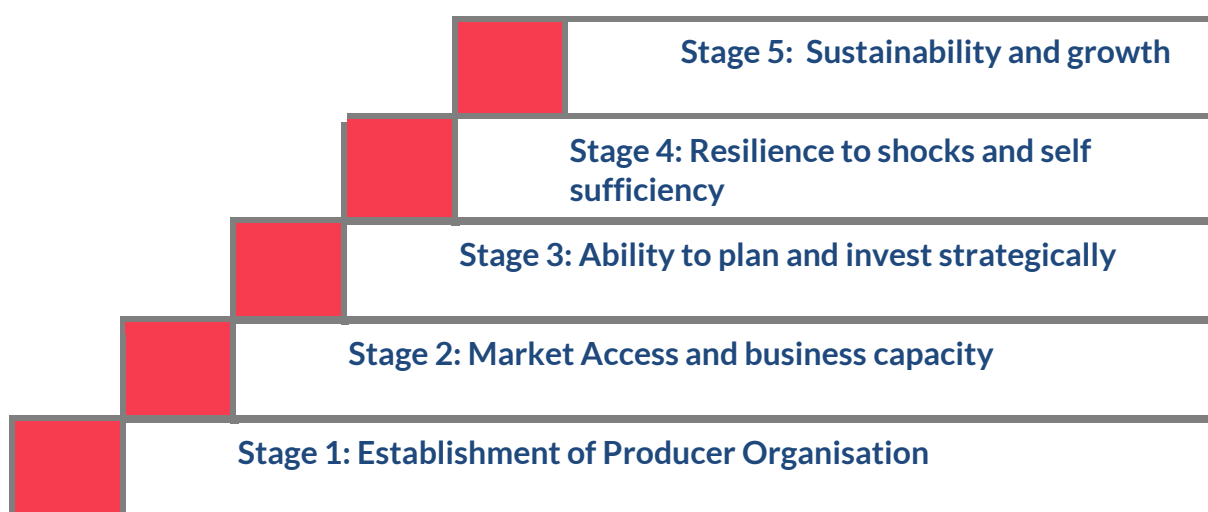


Figure 3: Producer organisations' development framework

- **Stage 1:** POs are fledgling organisations whose access to value-added markets is limited. They are usually just starting to export commodities and have developed relationships with only one or two buyers. The quality of their product is usually inconsistent, yields are relatively low, and the producer organisation is still relatively fragile. Financially, the producer organisation has minimal or no reserves and women have limited involvement in the decision making process.
- **Stage 2:** POs are experiencing a period of growth in which market demand for their product increases and smallholders external to the organisation observe the benefits of participation and want to supply the PO. They export between 2 and 10 containers, and have some reserves to pay members for their product. The quality score of their product is improving and the producer organisation is starting to meet quality requirements for speciality markets. Women's involvement at this level is still limited but growing.
- **Stage 3:** POs have relatively solid foundations and export 10 to 30 containers to an average of 10 buyers including regular customers. Yields are beginning to improve; they have acquired access to different market segments, including speciality markets. Their members are beginning to receive decent price for



their product. Female members are actively being targeted and/or differentiated women's products are being offered. The PO at this stage is becoming resilient to market volatility and other market shocks.

- **Stage 4:** POs are considered to be mature and engagement at this stage focuses on developing autonomy and resilience. POs are usually exporting between 30 and 50 containers of product to different market segments including a higher volume to speciality markets. Yields are higher as a result of investments in productivity and POs are providing members with competitive returns. Women members are being integrated, are likely to deliver higher volumes, and are more involved in the decision-making process, due to better representation in boards and staff.
- **Stage 5:** POs are considered to be sustainable and efficient businesses and no longer depend on grant funding. These producer organisations have more than fifteen customers, export more than 50 containers, and have high enough reserves to provide members with competitive returns. They have access to different market segments and are resilient to market volatility and other shocks. At this stage there is relatively equal representation of male and female farmers on both the board and within staff.

After assessing the level of progress of each Producer Organisation, Twin works in partnership with POs to identify priority areas for improvement in order to strengthen the organisation.

7. CRITICAL ASSUMPTIONS

Twin's theory of change is based on the following assumptions which will be assessed as part of Twin's Monitoring, Evaluation and Learning framework:

- We believe that trade can deliver economic development, social justice and environmental sustainability for smallholders that can also benefit all actors in the chain. In other words, smallholder farmers who benefit from development through trade are able to offer higher quality products, produce higher volumes, and are better equipped to address challenges within the value chain. As a consequence, we believe we can make the business case for our theory of change and that mainstream retailers and brands will adopt our model within their own value chains.
- We believe that strong producer organisations are the necessary vehicle for trade to deliver economic development, social justice and environmental sustainability to smallholder farmers. Therefore, delivering technical assistance to POs will result in economic, social and environmental impacts at household level.



- We believe that the relationship between producer organisations and smallholder farmers is a virtuous cycle. As producer organisations become stronger, members benefit from value addition and are able to deliver higher quality products and higher volumes to their producer organisations. POs are then able to strengthen their position and gain additional market share.
- We believe that the combination of our six areas of intervention (gender justice, sustainable agriculture, quality, market access, business management and governance) is the most effective approach to improve social, environmental and business performance of a producer organisation. We also believe that this combination of intervention has to be adjusted to the specific stage of development of the producer organisation.
- We believe that a gender approach combining interventions at household, producer organisation, market, and national / international levels is the most effective approach to give female farmers access to income, land, and decision-making and ensure they are fully visible and recognised along the value chain.

8. MAANDA PROJECT AND OUTCOMES

Twin will work with seven producer organisations (Gumutindo, Bukonzo Organics, Bukonzo Joint, Sopacdi, Muungano, Mzuzu and Kopakama) in four countries (Uganda, DRC, Malawi and Rwanda) over a period of five years. The aim is to develop an alliance of organisations, which produce high-quality coffee placed in the specialty market. The project puts a strong emphasis on women empowerment and sustainable agriculture as the best way to build a strong alliance of POs.

In addition to working with producer organisations on the six pillars, Twin also seeks to demonstrate to other players in the value chain that a more people-centred approach based on partnership (more equitable distribution of risks and rewards & clear alignment of objectives) to trading relationships can have a positive impact for both PO and the buyer. By demonstrating this 'different way of working' we believe some of these practices will be more widely adopted and that our work can achieve impact at a significant scale. Annex 1: Shows how we will seek to influence different actors along the value chain.

The overarching project outcome is to ensure that every producer organisation moves up from its level of development at the start of the project to the next level. Two of the producer organisations are at stage 2 of our development framework, three are at stage 3 and two are at stage 4. Producer organisations will be assessed on their



business capacity¹, the quality of their product², gender equity³ and environmental performance⁴.

The remaining project outcomes are:

- Farmers income has increased by the end of the project as a result of better performance by POs
- Seven POs have increased access to international markets through the establishment of an African speciality coffee brand
- Female farmer members of the seven producer organisations have increased access to and control over income generated from coffee sales
- Female PO members are better represented in, and have greater influence over, decision-making in seven POs
- PO members have consistently higher yields as a result of adopting sustainable agricultural practices
- At least one coffee retailer has adopted a holistic model of development for POs in its value chain

9. POTENTIAL RISKS

In reality the trajectory of a producer organisation is often highly complex and uncertain, and can be influenced by external factors:

- **Market volatility:** The performance of producer organisations—and consequently their ability to increase prices paid to farmers—is constantly tested by market fluctuations. Through certification and higher quality, producer organisations are able to access additional price premiums which are less affected by market variations. However, commodity market volatility can devastate cooperatives if they do not manage market risk well. In addition, they need to ensure that they can buy produce from farmers at a competitive price (better or equal to that offered by competitors) and negotiate prices with buyers which will be enough to cover their fixed costs and enable them to return a premium to members. Twin works with POs to help them understand the market conditions and plays an advisory role in contract negotiations.

¹ Number of containers exported, number of buyers, level of reserves, export price returned to farmers, loyalty of members, robustness

² Cupping score of their coffee

³ Women's membership, volumes delivered by female farmers, women in leadership positions, policies on women's empowerment & implementation of policies, joint land agreements, women's influence on decision-making at the household level

⁴ Yield, variation of yield, environmental strategy & implementation of strategy, adoption of sustainable practices at farm level



Nevertheless, the decision about whether or not to fix a price is ultimately left up to the producer organisation.

- **Insecurity:** Implementing a trade initiative in an unstable country such as the DRC involves constant review of project activities and considerable flexibility.
- **Climate change:** Increasing concerns about climate change, and the fact that the African continent is likely to be the most affected, also puts smallholder farmers at risk. If climate change predictions are accurate, yields and ultimately smallholder livelihoods will be negatively impacted. Changes in public policy, particularly any changes to the means through which commodities are traded, could impact Twin's engagement activities.

Annex 1: How Twin seeks to influence different actors and prompt adoption of its practices?

Mainstream Companies

- Partner to deliver smallholders projects
- Develop professional relationships
- Leverage investment
- Establishing viable SH organisation models

Policy

- Influence trade & agricultural policies
- Making certification W4P
- Establishing scalable models

Consumers

- Beyond Fair Trade
- Traceability/relationship with producers
- Promote the human dimension/people centered approach
- Raise awareness of the importance of smallholder agriculture

Service Networks

- Nurturing trade associations
- Building service capacity