



RSPO Smallholder Support Fund (RSSF) Governance Policy

This is the Fund Governance Policy of RSPO Smallholder Support Fund. The policy was endorsed by the RSPO Board of Governors on 25 April 2013.

Revised version on 1st April 2015 based on recommendations from RSPO Board of Governors, 21 November 2014.

There is a need to review and revise the current RSSF Governance Policy to be aligned with the newly endorsed RSPO Smallholder Strategy by the Board of Governors in June 2017. Once endorsed, this revised version will be titled RSSF Governance Policy (June 2022)

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Abbreviation

CSPO	Certified Sustainable Palm Oil
BoG	Board of Governors
E	Eligibility
MS A	Milestone A
MS B	Milestone B
RSPO	Roundtable on Sustainable Palm Oil
RSSF	RSPO Smallholder Support Fund
ISH	Independent Smallholders
ISH Standard	RSPO Independent Smallholder Standard
SFP	Smallholder Fund Panel
SFS	Smallholder Fund Support
SHSC	Smallholder Standing Committee
SH Strategy	RSPO Smallholder Strategy
SPO	Sustainable Palm oil

Definition

The endorsed RSPO Independent Smallholder Standard (ISH Standard) provides a definition of smallholder as described below.

Definition of smallholders:

[Definition from: RSPO Independent Smallholder Standard 2019].

The total size of their oil palm production area is smaller than or equal to 50 hectares (ha) if no threshold is defined in a National Interpretation; OR smaller than or equal to the maximum size defined in a National Interpretation (e.g., for Indonesia this implies threshold size is 25 ha or below and for Ecuador 75 ha or below).

Scheme smallholders:

[Definition from: RSPO Independent Smallholder Standard 2019].

Smallholder farmers, landowners or their delegates that do not have the:

- enforceable decision-making power on the operation of the land and production practices; and/or
- freedom to choose how they utilise their lands, type of crops to plant, and how they manage them (how they organise, manage and finance the land).

Independent smallholders:

[Definition from: RSPO Independent Smallholder Standard 2019].

All smallholder farmers that are not considered to be Scheme Smallholders [see definition for Scheme Smallholders above] are considered Independent Smallholder farmers.

1. Introduction

1.1 Background

- a. The RSPO Board of Governors (BoG) approved the formation of the RSPO Smallholder Support Fund (RSSF) and seek to maintain the highest standards for fund governance and control.
- b. The purpose of this document is to:
 - i. outline the process of fund governance for the RSSF; and
 - ii. provide a description of the structures in place to ensure a high level of oversight.
- c. There are two objectives of the fund:
 - a. In line with Objective 1 of the Smallholder Strategy, namely, Livelihood - RSSF provides inclusion for oil palm smallholders globally to strengthen their sustainable practices, reduce negative impacts of oil palm cultivation and improve livelihoods.
 - b. In line with Objective 2 of the Smallholder Strategy, namely, Certification - RSSF acts as an enabler for oil palm smallholders globally to achieve RSPO certification by providing access to small-scale financial support. The added incentive to be part of the RSPO certification system is for the smallholders to benefit from improved yields, receive premium pricing for CSPOs and widen their market access opportunities.
- d. A good governance policy for the fund, therefore, is required to provide strong control mechanisms that encourage good decision-making, accurate and timely execution of decisions, clear and effective accountability, regular review and assessment of governance policies and procedures and transparency.
- e. This RSSF Governance Policy is revised to ensure its contents are aligned to the RSPO Smallholder Strategy document endorsed by BoG in July 2017. Upon endorsement by the BoG, this revised version will automatically supersede any previous versions.
- f. The RSPO Smallholder Support Fund was created by RSPO to support the oil palm smallholders as the sole beneficiaries. From 2015, RSPO BoG approved the allocation of 10% of the revenues generated through the sales of CSPO to the RSSF annually. The allocation was discontinued in 2018 to allow for the RSSF to be integrated into the implementation of the new Smallholder Strategy with a new proposal for future funding in place.
- g. The RSPO BoG will review the fund status annually and allocate funds as required.
- h. In 2017, the RSPO BoG adopted the RSPO Smallholder Strategy with three main objectives,
 - i. supporting smallholders in improving their livelihood (Objective 1)
 - ii. increasing number of certified smallholders by simplifying the certification approach (Objective 2)
 - iii. increasing smallholder market access support to the global market (Objective 3)
- i. The objectives of the RSPO smallholder fund have been reviewed and revised to align with the objectives of the Smallholder Strategy.
- j. The fund strategy and fund focus shall be reviewed every 5 years after its implementation.
- k. The scope of the fund is primarily for Independent Smallholder Groups.

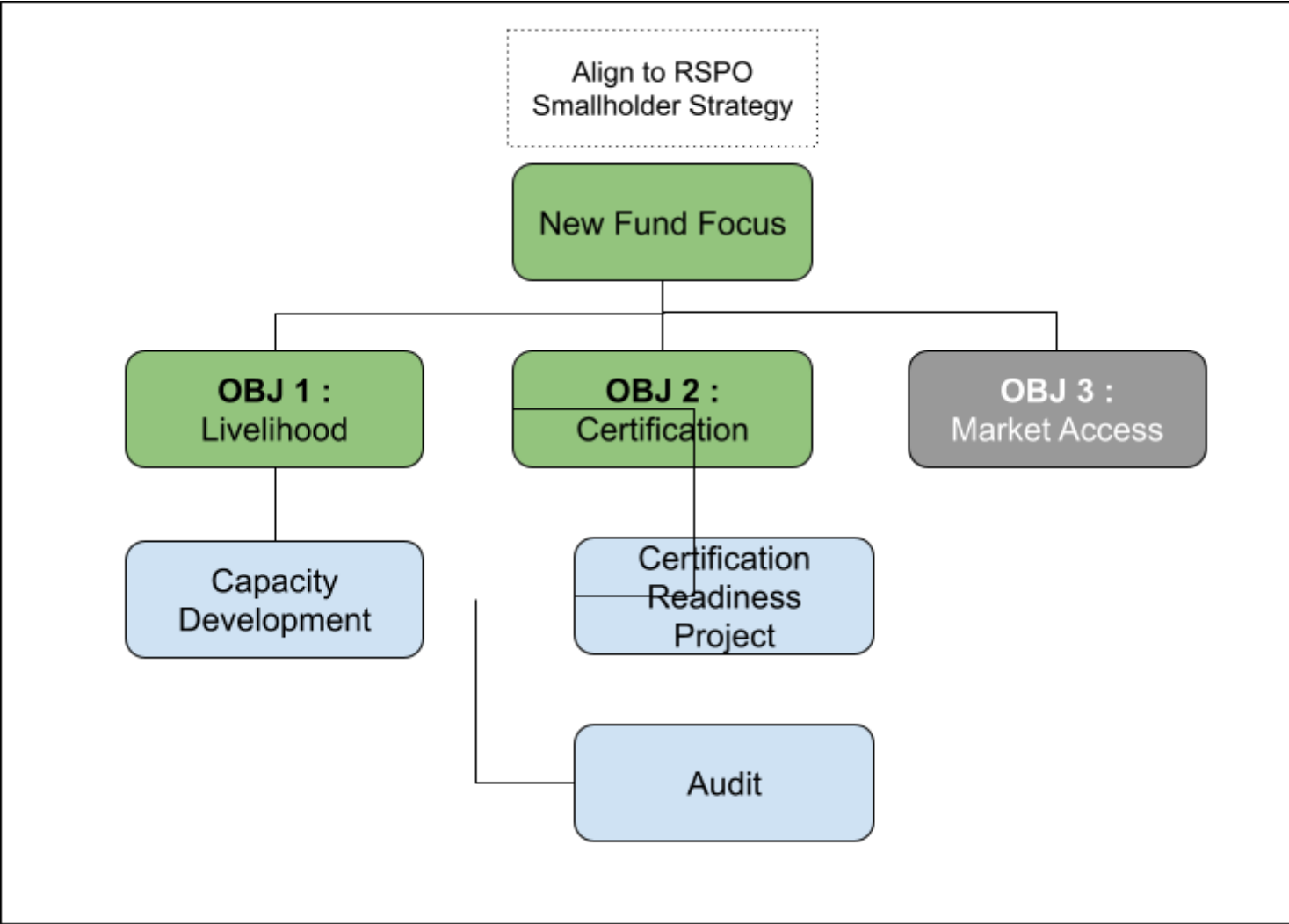
1.2 Fund Objectives

- a. The objectives of the fund are aimed at meeting the objectives of the RSPO Smallholder Strategy, (specifically on Objective 1 and Objective 2):
 - i. Objective 1 of SH Strategy:
 - i. Improve livelihood of smallholder farmers through appropriate programs aimed at increasing productivity, farmer group strengthening and increasing their financial stability
 - ii. improve sustainable production practices of independent oil palm producing smallholders
 - ii. Objective 2 of SH Strategy:
 - i. facilitate access to RSPO certification for independent oil palm producing smallholders
 - ii. increase the production of RSPO certified sustainable palm oil
- b. The social mission of the fund is to ensure that independent smallholders improve their livelihoods by benefiting from becoming part of the RSPO ecosystem and implementing best practices. environmental, economic and social impacts are intrinsic aspects of RSPO's livelihood and certification program.

2. Project Typology

- a. In line with Objective 1 and 2 of the Smallholder Strategy, the fund may include financing funds in 3 priority areas namely Capacity Development, Assessment and Audit. The scope is broadened to include funds to improve smallholders' productivity, group strengthening and legality.
- b. The size (fund needed) of the different projects in the pipeline will differ depending on the size (number of farmers included), the complexity (e.g., organised versus unorganised) and the farm size (size in hectares).
- c. The priority for the certification programme is to target projects that are achieving certification (quick-wins) and will continue to become a success story that will inspire others to follow.

Table 1: New revised fund focus for RSSF for year 2022 - 2026 (subject to revision by SHSC)



Detailed explanation of Table 1 referred below:

Smallholder Strategy	Fund Type	Priority Area	Activities	Indicator
Objective 1: Livelihood	Livelihood Programme	Capacity Development	<p>Either:</p> <ul style="list-style-type: none"> • Group Formation and Group Strengthening: Establishment of Cooperatives and systems to manage the groups (e.g.ICS/IMS) • Training: on Best Management Practices including GAP; Social; Environmental practices • Business skills – negotiation, communication, marketing, finance; Leadership • Land Legality: Mapping; Mediator; Documentation 	<ul style="list-style-type: none"> • Number of smallholders and land size benefitted by the programme • Number of smallholders trained • Number of women smallholders trained • Number of smallholders groups established • Number of self-managed smallholder’s groups without third party support • Increase in total FFB production per hectare per Year (MT/year/ha) • Type of government interventions to alleviate land issues • Number of SH achieved legality or initiated to getting legality • Number of partnerships or engagement with stakeholders supporting SHs
Objective 2: Certification	Certification Programme	Certification Readiness Project	<ul style="list-style-type: none"> • Capacity Development: same activities to Objective 1 point a,b,d and/or e • Assessment: relating to RSPO certification: HCV-HCS Assessment; Gap Assessment • RSPO Certification Audit: Internal Audit (done by the group and not CB); External Audit; Corrective Action 	<ul style="list-style-type: none"> • RSPO Membership status • Number of smallholders certified • Total hectarage certified (ha) • Total CSPO Production per Year (MT/year)
		Certification Audit Cost	<ul style="list-style-type: none"> • One-off Certification Audit Cost - External audit including costs incurred for closure of Non-Conformance Report (NCR) 	
Objective 3:	<i>Objective 3 is beyond RSSF and will not be included as RSSF Fund Focus. The objective is to build</i>			

Market Access	<i>partnerships with stakeholders to SHs..</i>
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d. In the fund application process, thorough due diligence should be done in order to mitigate the reputational risks of RSPO particularly in cases where there is limited knowledge about its history and reliability. This is secured through the processes as described in Chapters 2-6 of this document.

3. Criteria for Eligibility

The criteria for fund eligibility consist of the following requirements referred in Table 3 below:

Table 3: An overview RSSF Criteria Eligibility Assessment according to fund type and priority area

Fund Type and Priority Area	Livelihood Programme	Certification Programme	
Criteria Eligibility Assessment	Capacity Development	Certification Audit Cost	Certification Readiness Project
Eligibility to the Fund	<ul style="list-style-type: none"> ○ Legality ○ Experience / Human Resource Capacity ○ Baseline assessment ○ Aiming for SH livelihood Improvement through implementation of sustainable practices ○ Timeframe ○ Co-funding is required if fund request >USD 25,000.00 	<ul style="list-style-type: none"> ○ RSPO Membership ID ○ Legality ○ Experience / Human Resource Capacity ○ Baseline assessment (optional) ○ Aiming for RSPO Certification 	<ul style="list-style-type: none"> ○ Legality ○ Experience / Human Resource Capacity ○ Baseline assessment ○ Aiming for RSPO Certification ○ Timeframe ○ Co-funding ○ Plan to ensure ISH groups become self-managed at the end of the project and upon certification
Relevance to Fund Objectives	<ul style="list-style-type: none"> ○ 100% of the fund applied are used for activities that found to be relevant in improving SH livelihoods through implementation of sustainable practices 	<ul style="list-style-type: none"> ○ 100% of the fund applied are used for activities that found to be relevant in preparing SH towards RSPO certification 	<ul style="list-style-type: none"> ○ Up to 50% of the fund applied are used for activities that found to be relevant in preparing SH towards RSPO certification ○ Use of existing RSPO simplified tools
Impacts	<ul style="list-style-type: none"> ○ What are project targets covering ○ Geographical scope ○ Yield improvement ○ Benefit no. of smallholders, total farm size and % of women SH (where relevant) ○ Annual income of SH increase 	<ul style="list-style-type: none"> ○ Number of smallholders certified ○ Total farm area size certified (Ha) ○ Total CSPO Production per Year (MT/year) 	<ul style="list-style-type: none"> ○ Benefit how many numbers of smallholders and area size ○ Geographical scope ○ Yield improvement ○ Annual income of smallholders increases
Sustainability	<ul style="list-style-type: none"> ○ What is the future plan beyond the project period ○ What is the socio-political situation of the area ○ If fund request > USD 25,000.00, does the project have credible partners 	<ul style="list-style-type: none"> ○ What is the future business plan beyond the project period in order to sustain certification status 	<ul style="list-style-type: none"> ○ What is the future business plan beyond the project period ○ Does the project have credible partners ○ What is the socio-political situation of the area
Risk Level	<ul style="list-style-type: none"> ○ High ○ Low 	n/a	<ul style="list-style-type: none"> ○ High ○ Low

- i. From table 3, the overview RSSF Criteria Eligibility Assessment is derived according to the fund type and priority area.

- ii. The applicant must be able to meet the 5 scopes of assessment namely Eligibility to Fund, Relevance to Fund Objectives, Impacts, Sustainability and Risk Level.
- iii. The applicant must be a or supported by a legal entity that is recognised by RSPO e.g., an organisation, either a group manager or supporting agency (private or non-profit) and not be involved in illegal practices or land right conflicts.
- iv. The applicant has sufficient experience or knowledge in working with smallholders and/or in the oil palm sector, or be an independent smallholder, OR be an RSPO Working Group, Task Force, or an RSPO recognised initiative
- v. The project should concern activities which are directly related to achieving either livelihood improvement or RSPO certification and the promotion of sustainable production practices of independent smallholders
 - For Certification Audit Cost application criteria, eligibility would require the applicant to comply in submitting the application as stated in the checklist of the application. Incomplete applications will not be processed.
 - Should the applicant have applied and received funds through RSSF before, the applicant will need to disclose the information and the assessment of the application will be assessed based on funding eligibility priorities with conditions.
- vi. The fund eligibility criteria could be reviewed, added and/or amended as deemed necessary by the SFP.

Table 4: Scenario-based FAQ for funding eligibility priorities

Scenario	Eligibility to Apply	Condition
1. Have never applied for RSSF	Eligible	Follow the current criteria of eligibility to apply fund support according to fund type
2. Have applied and received for Certification Audit Cost application before. And plans to apply Certification Audit Cost application again	Eligible	Meet criteria: <ul style="list-style-type: none"> • Must have clear plan and commitment to achieve which milestone (if against ISH Standard 2019) • Clear expansion plan minimum 50% additional new members already identified
3. Have applied and received for Certification Audit Cost application more than 2 times and plans to apply Certification Audit Cost application again	Eligible	Before agreeing to approve this application, the recommendation will need to be discussed and assessed internally with all relevant Regional Team together with Fund Manager. Must meet criteria: <ul style="list-style-type: none"> • Must have clear plan and commitment to achieve which milestone (if against ISH Standard 2019) • Clear expansion plan minimum 50% additional new members already identified
4. Have applied and received for Certification Readiness Project application and plans to apply for Certification Audit Cost application again	Ineligible	<ul style="list-style-type: none"> • Should the group received fund for activities for Certification Readiness Project and does not include audit cost (at least for initial), they can consider applying. The group must disclose this upon applying. • The group is expected to already have been able to sustain their financial and business plan. Unless they are expanding the group. The criteria is as per scenario 2
5. Have applied and received for Certification Audit Cost application more than 2 times and plans to apply Certification Readiness Project application	Ineligible	The group is expected to already have a long-term sustainability plan in place to sustain and maintain certification status
6. If you are an ex-beneficiary and want to apply for Livelihood project. E.g. a group have received fund for audit project more than 2 times, and now are applying for Business Skill and/or Land legality.	Eligible	<ul style="list-style-type: none"> • The group must express proactiveness and provide clear objectives in meeting Eligibility • Clear expansion plan minimum 50% additional new members already identified
7. If an organisation or Smallholder Group was a RSSF beneficiary but are applying for RSSF on behalf of another potential group (not a legal entity yet) to seek fund for Livelihood e.g. forming ICS		Open for discussion

4. Funding Contribution

- The table 2 below provides an overview of the fund type, fund cap size and percentage of funds to be covered by RSPO, and co-funding requirements.

Table 2: Fund Size and % of coverage of fund by RSPO

Smallholder Strategy	Fund Type	Priority Area	Fund Cap Size	% covered by RSPO / require co-funding						
Objective 1: Livelihood	Livelihood Programme	Capacity Development	<p>Region specific cap:</p> <table border="1"> <thead> <tr> <th>Region</th> <th>Cap (in USD)/project</th> </tr> </thead> <tbody> <tr> <td>ASEAN (Malaysia, Indonesia, India, Thailand)</td> <td>25,000.00</td> </tr> <tr> <td>Africa, Latin America and Rest of the World (RoW)</td> <td>40,000.00</td> </tr> </tbody> </table> <p>Should the amount exceed > USD 25,000.00, the fund application will be required to have 50% co-funding.</p> <p>The project duration can be 3 to 24 months.</p>	Region	Cap (in USD)/project	ASEAN (Malaysia, Indonesia, India, Thailand)	25,000.00	Africa, Latin America and Rest of the World (RoW)	40,000.00	<ul style="list-style-type: none"> 50% coverage for Capacity Development application (limited to fund cap) Co-funding is required if amount exceed > USD 25,000.00
		Region	Cap (in USD)/project							
ASEAN (Malaysia, Indonesia, India, Thailand)	25,000.00									
Africa, Latin America and Rest of the World (RoW)	40,000.00									
Objective 2: Certification	Certification Programme	Certification Readiness Project	<ul style="list-style-type: none"> Up to USD 25,000.00 /year / project The project duration can be 1 to 3 years. Region specific cap: <table border="1"> <thead> <tr> <th>Region</th> <th>Cap/year/project (in USD)</th> </tr> </thead> <tbody> <tr> <td>ASEAN (Malaysia, Indonesia, India, Thailand)</td> <td>25,000.00</td> </tr> <tr> <td>Africa, Latin America and Rest of the World (RoW)</td> <td>45,000.00</td> </tr> </tbody> </table>	Region	Cap/year/project (in USD)	ASEAN (Malaysia, Indonesia, India, Thailand)	25,000.00	Africa, Latin America and Rest of the World (RoW)	45,000.00	<ul style="list-style-type: none"> 50% coverage for Certification Readiness Project application (limited to fund cap) Co-funding is required
Region		Cap/year/project (in USD)								
ASEAN (Malaysia, Indonesia, India, Thailand)	25,000.00									
Africa, Latin America and Rest of the World (RoW)	45,000.00									
		Certification Audit Cost	100% of actual audit cost and audit activity expenses	100% coverage for one-off Audit Cost application (limited to fund cap)						

2. **Livelihood Programme:** Grant can be provided at a certain percentage of the cost of activities for **Capacity Development** as stated in Table 1 and 2. Grants can be provided to an applicant once every 2 years.

3. **Certification Programme:** Grants can be approved for a percentage of the cost of activities with co-funding limited to three (3) priority areas as stated in Table 2 and further derived as per below:
 - a. The activities under the **Certification Support Project** can be considered for grant up to 40% of the project with co-funding requirements to activities that contribute commitments towards RSPO certification as referred to in Table 1.
The Fund excludes consultation fee, staff salary, per diem, building/upgrading infrastructure and purchasing of stationeries and assets such as computers, storage etc.

 - b. 100% of the activities under **Certification Audit Cost** can be approved
The Fund excludes pre-audit cost.
 - i. The application must be submitted prior to the audit.
 - ii. The application must be done prior to the engagement of the Certification Body for the audit activity.
 - iii. Applications from certified groups can only be considered if there is a 50% increase in the number of farmers in the groups. The ISH group must have a long-term sustainability plan which demonstrates the ISH group can be financially independent of RSSF.
 - iv. Should an application be approved, the reimbursement will only be done once the group is able to provide the relevant supporting documents stated in the Grant Agreement. A case-to-case basis of tranche reimbursements can be considered if the applicant provides sufficient and clear justification of the request.

4. In line with ISH Standard, the Certification Programme additional scenarios will be considered and is further derived from 3 scenarios as the basis of the 3 milestones, as per the table below:

	Eligibility (E)	Milestone A (MS A)	Milestone B (MS B)
Certification Audit Cost	<p><u>Timeline:</u></p> <ul style="list-style-type: none"> ●1 time only <p><u>Condition</u></p> <ul style="list-style-type: none"> ●Must have clear plan and commitment to achieve MS A or MS B ●Assess against Criteria for Eligibility Assessment for Certification Programme <p><u>Outcome:</u></p> <ul style="list-style-type: none"> ●Achieved Eligibility - ISH Standard ●Progress to MS A or MS 	<p><u>Timeline:</u></p> <ul style="list-style-type: none"> ●1 time only <p><u>Condition:</u></p> <ul style="list-style-type: none"> ●Must have clear plan and commitment to achieve MS B ●Can be reconsidered for expansion minimum 50% additional new members ●Assess against Criteria for Eligibility Assessment for Certification Programme <p><u>Outcome:</u></p> <ul style="list-style-type: none"> ●Achieved MS A of ISH Standard ●Progress to MS B of ISH 	<p><u>Timeline:</u></p> <ul style="list-style-type: none"> ●1 time only <p><u>Condition:</u></p> <ul style="list-style-type: none"> ●can be reconsidered for expansion minimum 50% additional new members ●Assess against Criteria for Eligibility Assessment for Certification Programme <p><u>Outcome</u></p> <ul style="list-style-type: none"> ●Achieved MS B of ISH Standard ●Achieved MS B and have

	B of ISH Standard	Standard	long term sustainability plan to maintain certification
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5. RSPO Smallholder Support Fund Management

5.1 Introduction

- a. The RSPO Smallholder Support Fund Management shall involve:
 - i. Smallholder Fund Panel
 - ii. RSPO Secretariat management:
 - Smallholder Support Fund Manager (Fund Manager)
 - Regional Representative
 - iii. The primary goal of RSPO Smallholder Support Fund Management is to operationalise the RSSF in the interests of oil palm smallholders, globally, in order to promote the increased production of certified sustainable Palm Oil.
- b. The SFP shall report progress and specific project approval and monitoring to the Smallholder Standing Committee and the RSPO Board of Governors.

5.2 RSPO Board of Governors (BOG)

- a. The BOG is responsible for RSPO policies and strategy and as such shall approve any changes to this Governance Policy.
- b. The BOG shall be updated with the progress of the fund in supporting smallholders i.e., in promoting the increased production of certified sustainable palm oil by smallholders globally.

5.3 Smallholder Standing Committee (SHSC)

- a. The Smallholder Standing Committee (SHSC) was formed in 2019 to ensure successful implementation of the SH Strategy.

5.4 The Smallholder Fund Panel (SFP) composition and role

- a. The SFP will assess and approve project fund decisions and monitor progress and implementation of this Governance Policy, and the SFP will be working closely with the Smallholder Fund Manager. This is mainly to approve four (4) types of project applications.
- b. With the change of fund focus and governance structure, the membership of the SFP will be elected as described under the Item 5.1(a) of this document, as follows:

External Advisors (when required only)	Member of SHSC Representing any of the Region (LatAm, Africa, Malaysia, Indonesia, Thailand and Oceania)	1 person for each region
Internal (Secretariat)	Chief Operating Officer (COO)	1 person
	Representative from Finance Team - CFO	1 person
	Representative from Smallholder Team - Technical Director	1 person
	Representative from Assurance Team - Assurance	1 person

	Director	
	Representative of Regional offices - Market Transformation Director	1 person
TOTAL		5 persons

- c. The appointed Director(s) can delegate to their representative to sit in the SFP where necessary. It is encouraged that Smallholder team representatives from each region take part.
- d. Refer to chart 1 below to show the overview of RSSF Governance structure.

5.4.1 Smallholder Fund Panel Role

- a. A report must be prepared by the SFP to the SHSC and BoG every 6 months.
- b. The SFP will review and approve all fund applications based on region.
- c. The SFP will set the Fund strategy, and this includes any portioning funds for identified specific needs when the Governance Policy is reviewed every 5 years.
- d. The SFP will need to make a final decision on approval of funding based on recommendations by the Fund Manager and the Regional Representative(s), where present at each SFP meeting.
- e. The SFP must be sure not to enter a conflict of interest. SFP members must declare any conflict of interest prior to the discussion of each proposal. Where a conflict of interest has been declared the SFP member shall not be involved in any deliberation or decision making for that particular proposal.
- f. The SFP members’ attendances to meetings are monitored and recorded by the Fund Manager. All meetings must have a full quorum, which can include attendance via electronic communications.
- g. The decision by the SFP shall be based on consensus.
- h. Should there be external advisors required, representatives from the Smallholder Standing Committee will be consulted.

5.5 Smallholder Fund Manager

- a. The Smallholder Fund Manager (Fund Manager) is the staff of the RSPO Secretariat and works in collaboration with SFP and the Regional Representatives.
- b. The Fund Manager is responsible for managing the Fund in accordance with the strategic objectives and policies that have been endorsed by the RSPO.
- c. The Fund Manager will collaborate with the Regional Representatives of the RSPO to process the applications and monitor the implementation of the projects that have been approved. The role of the Fund Manager is as follows:
 - i. Development of RSSF systems and protocol, including documentation, reporting, monitoring and communicating impact. Once verified according to eligibility criteria by the respective Regional Manager, Fund Manager will review and assess all applications received for funding by the RSSF, and provide recommendations for approvals from the SFP. Approve applications on behalf of the SFP where fund request is up to USD 12,000.00. Ensure timely reports to the SFP on the performance of the Fund.

Communicate and ensure adherence to RSPO’s mission, acting as the main representative for the Fund, and prepare updates and promote the Fund. Recommend to SFP and/or RSPO Secretariat to ensure appropriate written agreements are in place with all fund recipients. Make final review and verification of on-going projects as part of the pre-approval process of fund disbursement in complying with the Grant Agreement. Prepare final closure report for projects due for closing in complying with the Grant Agreement.

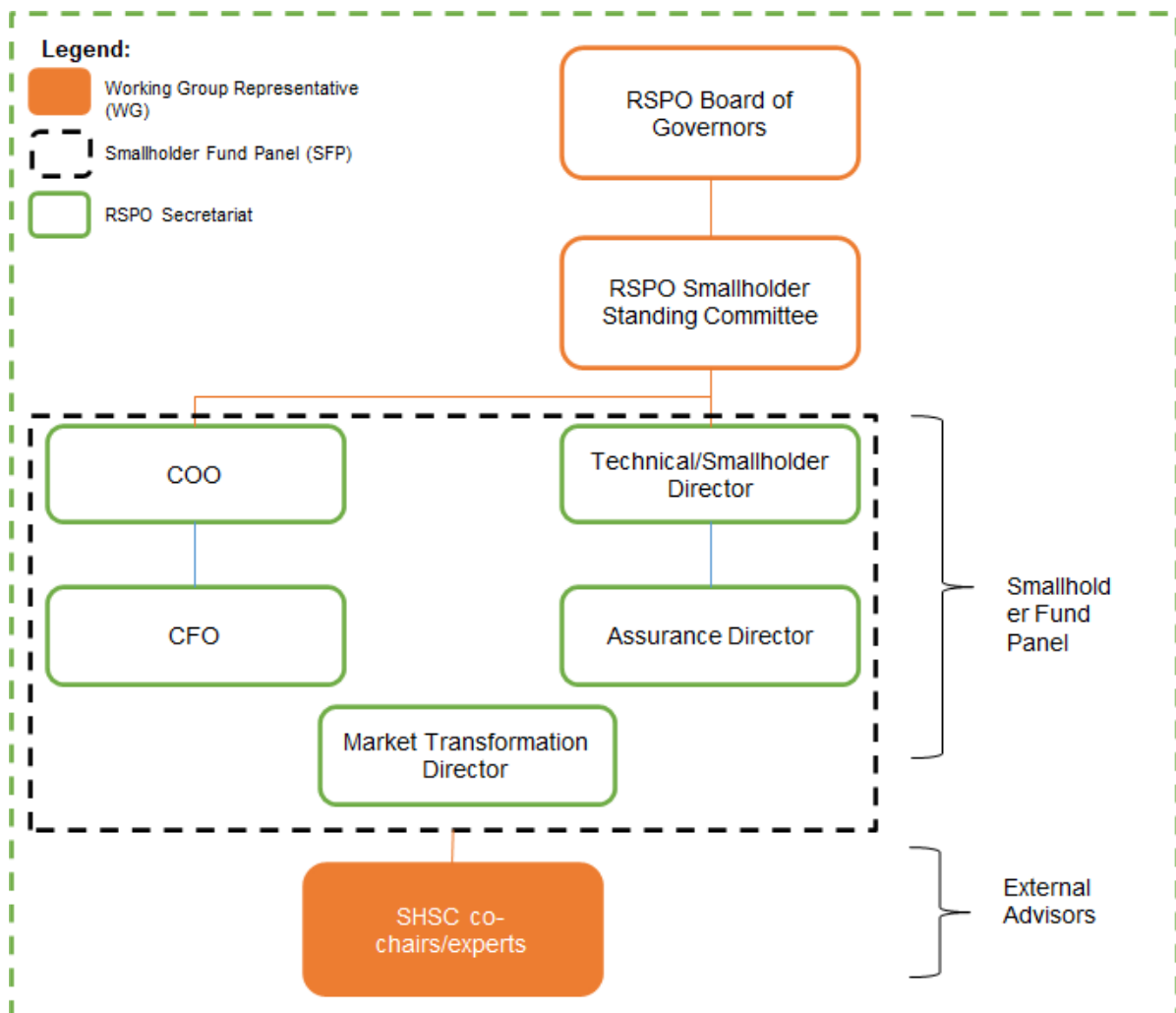
- ii. Ensure the RSPO Secretariat report(s) to the SFP on the performance and timely disbursement of the Fund

The Fund Manager will collaborate with the regional representative(s), where present on all the points mentioned above.

The role of the regional representative:

1. Lead the proposal recommendation from the region together with the Fund Manager.
2. Prepare, assess and provide initial recommendation on the relevant applications received

Chart 1: Overview RSSF Governance Structure



5.5.1 Reporting

- a. Based on the RSPO Annual Financial Year, the SFP must confirm and report to the SHSC that they have acted within their approved terms of reference including delegations.

6. Structure of the Smallholder Fund Panel (SFP)

6.1 Members in the Smallholder Fund Panel

6.1.1 Selection of Smallholder Fund Panel Member

- a. Representatives from the RSPO Secretariat

The SFP will also include the RSPO Director and/or his/her alternate, the RSPO Finance Director and/or his/her alternate and RSPO Regional Director and/or his/her alternate.

6.1.2 Responsibility of the Smallholder Fund Panel

- a. The Terms of Reference sets out the SFP's responsibilities. These include to act legally, responsibly and ethically on all matters including:
 - i. approving RSPO Smallholder Support Fund strategic plan
 - ii. delegation of operational and financial responsibilities to Smallholder Fund Manager
 - iii. approving and monitoring:
 1. all fund proposals;
 2. all major capital expenditure and the annual budget;
 3. fund plans, objectives and performance of the Fund; and
 4. key compliance systems in place to manage risks, controls and code of conduct.
- b. SFP will receive notification from the BoG or SHSC, in April of the year, on the available budget for the Fund for the financial year which starts from July – June.
- c. SFP shall report to the SHSC quarterly (align to RSPO Financial Year) on the progress of the fund as well as recommendations for decisions as deemed necessary.

6.2 Smallholder Fund Panel Policy

- a. Members of the SFP shall ensure adherence of the following policies and procedures:
 - i. RSPO Anti-trust Guidelines
 - ii. Conflict of Interest Policy
 - iii. Code of Conduct Policy

6.2.1. RSPO Anti-Trust Guidelines

- a. There shall be no discussion of specific selling or buying of materials, pricing or any joint venture, future or collusive actions, such as excluding or choosing a supplier. All commentary is limited to current or historical activity. Any decision you reach from the information from Smallholder Standing Committee (SHSC) materials or discussed in the meeting is an individual decision based on your own investigation and judgement.
- b. The SHSC refers to the RSPO's Anti-Trust Guidelines for the conduct of our meetings and conference calls.

- c. RSPO Consensus is based on consensus decision making.
- d. Declaration of Conflict of Interest

6.2.2. Conflict of Interest Policy

- e. Members of the SFP are required to be well informed about the management of the Fund's investments, administration and compliance responsibilities, to avoid conflicts of interests and to comply with the RSPO Code of Conduct.
- f. SFP members are required to disclose at the beginning of every SFP meeting all interests or circumstances that may give rise to an actual or potential conflict of interest as well as to complete separate annual declarations.

6.2.3. Code of Conduct

- a. Members of the SFP are required to be well informed about the management of the Fund's investments, administration and compliance responsibilities, to avoid conflicts of interests and to comply with the RSPO Code of Conduct.

7. Application procedure

7.1 Process

- a. Table 4 shows the timeline to process the application, inform the applicant on the decision of proposal, contracting of Grant Agreement, reporting frequency and physical monitoring.
- b. The application procedure can be referred to table 5 and 6, which describes the steps of the fund process more in detail. The procedure should at least describe the following steps:
 - i. Proposals management: shortlist the proposal application and identify promising projects to support. This will be a continuous process without calls for proposals. Applicants must use the application template format provided by RSPO.
 - ii. Support application processes of applicants (which includes assisting applicants in writing proposals), assessment and negotiation
 - iii. Approval of proposals by SFP (as and when applications are received and processed)
 - iv. Contracting of Grant Agreement
 - v. A physical monitoring on-site will be assessed using RSSF Risk Monitoring Matrix, planned with fund recipient in accordance with the Grant Agreement

Table 4: Process flow and timeline required from processing application to monitoring

Process flow and timeline for processing application

Timeline from date of application	Week : 1 to 6	Week : 7 to 10	Week : 11 to 12
Steps	Appraisal Review and Assessment of application	Decision of application	Inform decision to fund applicant
Who is involved	Fund Manager and Regional Representative(s), where present	Fund Manager, Regional Representative(s), SFP, where present	Fund Manager and Regional Representative(s), where present

Should the application be successful, the process flow and timeline for finalising Grant Agreement and what is expected commitment from the fund recipient.

Timeline from date of application	Week : 13 to 20	Reporting Period	Reporting Period
Steps	Contracting Grant Agreement (applicable for successful applications)	Progress and Impact Reporting	Monitoring
Who is involved	Fund Manager and Regional Representative(s), where present	Fund Recipient	Fund Manager or Regional Representative(s)

8. Financial Integrity

- a. The RSPO Secretariat, and in particular the Chief Financial Officer, is responsible for the preparation and fair presentation of the annual audited financial statements of the RSPO, including the Smallholder Fund. Their responsibility includes establishing and maintaining internal controls relevant to the preparation of the financial statements that are free from

material misstatement, whether due to fraud or error and making accounting estimates that are reasonable.

- b. Including ensuring the timely performance of disbursement according to the governance process of the RSSF.

8.1 Financial Reporting

- a. The RSPO Secretariat (Finance Department) shall prepare financial reporting for the Smallholder Fund. Annual and quarterly financial reports are prepared for SFP who in turn will report to the Board of Governors.
- b. Expenditure is monitored by the RSPO Secretariat (Finance Department) throughout the year.
- c. SFP shall prepare an annual budget for consideration by the BoG.

8.2 Awarding Funding Support

- a. On behalf of RSPO Secretariat, the Fund Manager, together with Regional Representative, where necessary will enter into contracts and fund transactions with a party only where there is evidence that:
 - i. The proposal has been approved by the SFP.
 - ii. Decision letter has been issued and shared to fund applicant.
 - iii. Grant Agreement to be signed between RSPO and fund beneficiary, if application is successful.
- b. When RSPO have invested in or contracted with a related party, it must be ensured that the:
 - i. funding or contract with that entity is made in the best interests and aspirations of the smallholders and RSPO in general;
 - ii. appointment of the service provider or the funding in the related entity is at fair market price;
 - iii. benefits of the services provided are periodically assessed;
 - iv. right of RSPO to pursue its interests in the normal course of business is fully protected.

9. Languages and Documentation

9.1 Languages and documentation

- a. The RSPO Governance Policy and its related key documents such as application and reporting documents to be made available in Bahasa Indonesia, Bahasa Malaysia, Thai, Spanish and French, where necessary.
- b. The Regional Representative will provide facilitation in the language country of origin in order to support fund applicants or recipients, where necessary.
- c. Any final documents submitted to the Fund Manager, SFP and SHSC to be presented in English.
- d. RSPO Key Documents are:

- i. Communication Material - email correspondence and letter
- ii. RSSF Application Form
- iii. RSPO Grant Agreement
- iv. RSSF Guidance and Reporting document

10. Monitoring and Evaluation

10.1 Monitoring and Evaluation

- a. Responsibility to monitor and evaluate the project funded under RSSF and its impacts will be done by the Fund Manager, together with Regional Representative, where necessary.
- b. A standard format to use for monitoring and evaluating performance and impact developed will be used by Fund Manager and Regional Representative.
- c. Successful applicants are expected by default to provide a bi-yearly Progress Report, bi-yearly Financial Report, and Annual Progress & Impact Reports, Annual Audited Financial Statement of the funded project. This is determined by project fund-type within the RSSF context and will be guided by the Fund Manager or Regional Representative. (*bi-yearly is defined as 6-months*)
- d. SFP may request the funded project to submit an audited financial statement to RSPO, on a case-by-case basis.

10.1.1 Frequency of monitoring and evaluation

- a. Monitoring and evaluation of the project funded under RSSF shall be conducted as the following:
 1. Quarterly report on status pipeline (applications)
 2. Bi-yearly internal evaluation to capture overall RSSF impact report and fund spent on the performance portfolio
 3. Bi-yearly reports on financials utilisation of the fund
- b. Where possible with available resources, monitoring visits must be done. Annual assessment to determine the need for monitoring will be done using the Risk Monitoring Matrix for RSSF.