

## TERMS OF REFERENCE (ToR)

### Global Study on Certification Cost Structures and Inclusive Scaling Pathways for Independent Smallholders (ISH)

**Commissioning Body:** RSPO

**Geographic Scope:** Global (multi-country, multi-region)

**Target Group:** Independent Oil Palm Smallholders (ISH)

**Duration:** 6–8 months (indicative)

#### 1. Background and Rationale

The collective global effort to address deforestation, environmental degradation, and social risks in agricultural supply chains continues to face challenges in achieving impact at scale. Sustainability certification has played a central role in promoting improved practices and governance across commodity sectors. A substantial body of research has demonstrated the environmental and social relevance of certification, as well as its potential to support improved farm management and market access.

Despite these efforts, certification uptake among independent smallholders remains limited, uneven, and highly dependent on external facilitation. This is particularly concerning given that independent smallholders account for 40% share of production and land use in major producing countries and represent a largely untapped asset for achieving sustainability transitions at scale.

Over the past decade, numerous studies have examined the costs and benefits of certification for smallholders, often focusing on project-level interventions, short-term profitability, or specific environmental and social outcomes. While this research has generated important insights, it has also revealed persistent challenges related to financial resources requirements that are often beyond the capacity of smallholders, delayed economic returns, and reliance on donor or buyer support.

A key limitation of existing research is that certification costs have largely been analysed as **stand-alone financial burdens**, rather than as **structural features of certification systems that shape inclusion, growth, and scalability at the country level**. Much of the literature documents how much certification costs, but does not sufficiently address how cost structures influence who can enter certification, who can remain certified, and whether certification can expand beyond project-based initiatives to reach a significant share of independent smallholders nationally.

At the same time, certification costs are incurred in the short term, while many benefits, particularly indirect and non-monetary ones, materialise over the medium to long term. For independent smallholders, whose decision-making is often driven by immediate economic considerations, this temporal mismatch represents a critical barrier to participation and

persistence. As a result, certification for independent smallholders increasingly exhibits characteristics of a collective action problem, where multiple actors benefit from improved sustainability outcomes, yet no single actor is incentivised to bear the full cost of certification.

There is growing recognition that independent smallholders should not be viewed as marginal beneficiaries of sustainability certification, but as **strategic contributors to achieving sustainability outcomes at scale**. Unlocking this potential requires moving beyond the question of whether certification is profitable for individual farmers, towards a deeper understanding of **how certification systems can be designed, financed, and governed so that smallholders are not required to subsidise global sustainability transitions**.

This study responds to that need by placing certification costs at the centre of analysis, not as a static technical requirement, but as a system-design variable with direct implications for inclusion, scalability, and long-term growth of certified independent smallholders at the country level.

## 2. Purpose of the Study

The purpose of this study is to generate globally relevant, evidence-based insights on how certification cost structures affect the ability to scale independent smallholder inclusion, and to identify strategic options for redesigning certification systems so that independent smallholders can participate at scale without being structurally excluded by cost.

The study is intended to inform:

- RSPO strategic and policy decisions
- Market incentive design and signalling
- Donor, buyer, and government investment strategies
- Long-term approaches to inclusive certification growth

## 3. Core Framing and Value Addition

This study deliberately shifts the framing from the dominant question:

*“Is certification profitable for smallholders?”*

to the system-level question:

**“How must certification systems be designed and financed so that independent smallholders can participate at scale without being structurally excluded by cost?”**

In doing so, the study adds value to past research by:

- Moving beyond project-level cost analysis to country- and system-level scalability
- Treating certification cost as a design and governance issue
- Linking cost structures to growth dynamics, break-even logic, and exclusion risks
- Positioning independent smallholders as strategic contributors to sustainability outcomes, rather than marginal beneficiaries

#### **4. Objectives of the Study**

##### **Objective 1**

**To analyse certification cost structures as a barrier or enabler to scaling independent smallholder inclusion**

- Identify and analyse upfront and recurrent certification costs across regions and contexts
- Examine how costs vary by group size, organisation, geography, and facilitation model
- Assess how cost structures influence entry, retention, and expansion of certified ISH at country level

##### **Objective 2**

**To understand prevailing business models of independent smallholder certification from a cost and viability perspective**

- Analyse how certification costs have historically been financed
- Examine cost-bearing arrangements among smallholders, facilitators, buyers, and other actors
- Assess dependency on external financing and implications for long-term growth and replication

##### **Objective 3**

**To assess how certification cost structures contribute to inclusion and exclusion among independent smallholders**

- Identify which ISH categories can realistically enter and remain certified
- Analyse which segments are systematically excluded due to cost-related constraints
- Assess implications for national ambitions to reach large proportions of ISH

##### **Objective 4**

**To examine the relationship between certification costs, incentives, and break-even dynamics**

- Analyse how certification costs relate to income streams linked to certification
- Apply **cost–benefit analysis** to assess financial feasibility over time under different certification and scaling scenarios
- Identify break-even points for independent smallholders under varying cost structures, incentive mechanisms, and group configurations
- Assess how cost–benefit dynamics influence participation, persistence, and inclusion outcomes

## **Objective 5**

**To identify strategic options for reducing certification costs while maintaining system credibility**

- Identify dominant cost drivers during certification and post-certification phases
- Explore alternative approaches to managing and reducing costs
- Assess trade-offs between cost reduction, credibility, and scalability

## **Objective 6**

**Establish a standardised set of data and reporting frequency necessary to track and assess the costs of RSPO Certification borne by ISH groups.**

- Define data types: Identify and categorise the specific cost components related to RSPO Certification incurred by ISH groups (e.g., audit fees, internal management costs, compliance investments).
- Determine reporting frequency: Establish appropriate intervals for data collection and reporting (e.g., quarterly, annually) to ensure timely and accurate cost monitoring.
- Ensure consistency and usability: Develop standardised data definitions and reporting formats to enable consistent tracking, comparison across ISH groups, and informed decision-making.

## **5. Scope of Work**

Global (multi-country, multi-region)

## **6. Methodology**

The research consultant is expected to provide a detailed methodology in the research proposal, adopting a mixed-methods approach, combining global desk research, empirical data collection,

and system-level analysis. The research consultant will prioritise comparability, scalability, and policy relevance, rather than project-level evaluation.

Where appropriate, the methodology may apply common analytical structures or reference frameworks to support comparison and synthesis across contexts. Any such frameworks should be treated as analytical instruments to support system-level understanding and learning, rather than as prescriptive or standalone outputs.

Key components include:

- Global literature and evidence review (RSPO and non-RSPO systems), including academic literature, international journals, and past project-based studies, to identify common cost components, analytical approaches, and lessons relevant for scaling inclusion.
- Structured data and interview collection from:
  - Independent smallholder facilitators and group managers
  - Certification bodies and auditors
  - RSPO units and relevant working groups
  - Supply chain actors, including mills, traders, buyers, and credit purchasers
- Business model and cost structure analysis, focusing on upfront and recurrent certification costs, cost-sharing arrangements, and implications for long-term viability and inclusive scaling.
- Scenario-based analysis of inclusive scaling pathways at country level, to assess how different system configurations affect costs, inclusion outcomes, and growth trajectories.

The RSPO will assist in providing access to its network of stakeholders across the producing countries

**Cost–benefit analysis** will be applied as an analytical tool to support scenario-based assessment of certification cost structures, incentive mechanisms, and break-even dynamics. The use of cost–benefit analysis will focus on financial feasibility and inclusion implications, rather than project-level profitability.

## 7. Key Outputs and Deliverables

Upon review and discussion with the RSPO team, the following shall be delivered:

1. Inception Note and analytical framework, outlining the final scope, methodology, and analytical approach. Any analytical frameworks developed at this stage shall serve as

working reference tools to support comparability and synthesis across contexts, and may be refined through the course of the study.

2. Interim Report providing an overview of findings from the literature review and initial stakeholder interviews.
3. Global Certification Cost Reference Framework for ISH, synthesising certification cost components and structural patterns across regions. This reference framework is intended to support system-level understanding and comparison, rather than to prescribe a single uniform cost model.
4. Standardised data collection templates and guidance notes specifying data collection frequency.
5. Business Model Typology for ISH Certification
6. Inclusion–Exclusion Analysis based on certification cost structures
7. Scenario-based analysis for inclusive scaling pathways, supported by cost-benefit analysis
8. Strategic recommendations for RSPO and market actors. Enable RSPO to strategise its portfolio engagement to meet the minimum economic scale for positive certification impact.
9. Final Report incorporating feedback from stakeholders on the draft report with actionable recommendations for the RSPO
10. PowerPoint presentation highlighting key findings and recommendations.
11. Compilation of data and information collected through the research in Excel format, along with a list of key performance indicators and metrics used for the study.

The consultant is expected to deliver all reports in English and to work with the RSPO Secretariat on communication plans to disseminate the research findings.

## **8. Consultant Qualifications**

The selected consultant(s) shall demonstrate evidence of the following technical and professional knowledge and skills:

- Strong expertise in economic, financial, or systems-level analysis of the palm oil industry relevant to this project
- Experience with sustainability certification and independent smallholder contexts
- Knowledge of RSPO Standards and certification system

- Ability to analyse cost structures, incentives, and collective action dynamics
- Experience working across multiple producing countries or regions
- Strong stakeholder engagement and communication skills

Multidisciplinary teams are strongly encouraged. Applicants must avoid and disclose to RSPO of any real, perceived or potential conflict of interest that they may have with RSPO or any entities in the research project. An apparent or actual conflict of interest may exist where an individual or entity has different, and potentially conflict, duties or relationships with respect to other individuals or entities within the research project and RSPO.

## **9. Proposal Submission Guideline**

The proposal should take into consideration the following elements:

- Technical proposal shall not exceed 10 pages in length.
- The proposal is expected to be in English.
- Detailed approach and methodology, including data analysis methods and tools to be employed, for the study.
- Detailed timeline outlining key milestones and deadlines for the study.
- Proposed budget (in Malaysian Ringgit) for the study, broken down into deliverables and timeline. The prices quoted should be inclusive of all taxes and delivery costs, and shall remain valid for 120 days from the closing date of the tender. Where appropriate, any costs of travel and subsistence must be clearly indicated and budgeted in the proposal.
- Detailed curriculum vitae of the consultant(s) and each member of the team.

## **10. Proposal Evaluation Criteria**

Proposals will be evaluated based on:

1. Understanding of the assignment and strategic framing (25%)
2. Methodological soundness and analytical approach (30%)
3. Experience and capability of the team (25%)
4. Quality and feasibility of workplan and timeline (10%)
5. Budget and value for money (10%)

## **11. General Instructions**

Proposals should be submitted as PDF documents, strictly via email to Guntur Cahyo Prabowo, RSPO Head of Smallholders at [gprabowo@rspo.org](mailto:gprabowo@rspo.org) and Cheryl Ong, RSPO Senior Manager, Research and Knowledge Management at [cheryl.ong@rspo.org](mailto:cheryl.ong@rspo.org) and CC: [tender@rspo.org](mailto:tender@rspo.org).

Any enquiries in connection with this ToR shall be submitted to [gprabowo@rspo.org](mailto:gprabowo@rspo.org) and [cheryl.ong@rspo.org](mailto:cheryl.ong@rspo.org).

**Deadline for submission of the proposal is on or before 6:00 PM MYT (UTC + 8) on 16 March 2026.**