

IMPACT ASSESSMENT OF FAIR TRADE AND ETHICAL ENTERPRISE DEVELOPMENT

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SUMMARY:

This paper focuses on Fair Trade (FT) as an important area of support at the cutting edge of ethical enterprise development. The paper begins with discussion of the underlying aims of Fair Trade and criteria for assessment, the different types of intervention to be assessed, and the stakeholders involved. It then goes on to review some recent impact assessments of Fair Trade, the methodologies used, and findings and challenges faced which have implications for future impact assessments. There follows a framework for impact assessment in the light of this experience. This includes a summary of the practical questions to which impact assessment could make a contribution and outlines the ways in which different methodologies could be used. The final section discusses some of the broader implications for comparative impact assessment of Fair Trade interventions, ethical trade, socially-responsible business development and mainstream private sector interventions.

The focus is on impact assessment which can generate credible practical recommendations for improvement and innovation in programmes and donor support rather than on assessments which aim only to 'prove impact'.

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INTRODUCTION

Ethical concerns are now at the heart of DFID's enterprise development strategy for pro-poor growth. DFID's Target Strategy Paper (TSP) entitled "[Halving world poverty by 2015: economic growth, equity and security](#)" (link to summary of DFID TSP on their site, emphasises the need to make markets work for the poor. DFID's second White Paper on globalisation (link to White Paper on DFID site talks of helping poor people to trade. In line with DFID's broader development objectives [DFID's Enterprise Development policy document](#) states:

'The private sector must take responsibility for business codes of conduct, gender equality, environmental protection and human rights. This applies to all levels of business, from transnational corporations down to micro-enterprises, foreign and domestic firms. Enterprises need encouragement to invest and operate responsibly towards their community and its environment. ([Gender, Environment, Urban, Government and Human Rights TSPs.](#)), and to EDIAIS TSPs on these topics.

Ethical enterprise development is central to ensuring that enterprise development conforms to the principles of both the [human rights approach and sustainable livelihoods approach in DFID's development policy](#). Ethical enterprise development is also justified in terms of its contribution to economic growth and is increasingly seen as an integral part of sound business practice. Employees who have job satisfaction and a good working environment have higher levels of productivity and creativity². Social investment in local communities widens a business's understanding of local market conditions. This places them at an advantage in production for the local market and employee recruitment. Environmental and social awareness opens up many new enterprise possibilities in both production and services. Enterprises seen as operating in the interests of producers, consumers and the environment increasingly have a market advantage, particularly in Northern export markets, because of growing consumer concern with ethical issues.

DFID is currently supporting a number of complementary types of enterprise intervention which explicitly promote ethical principles:

- ***Support for Fair Trade Organisations***
- ***Ethical Trade***
- ***Socially-responsible Business***
- ***Ethical Consumerism***
- ***Ethical Investment***

² For example textile businesses in Bangladesh which have good relations with their employees have higher levels of productivity, lower staff turnover and absenteeism enabling them to better fulfil orders and reduce the costs of training new staff.

These initiatives are not mutually exclusive. There are however important questions to be asked about what form support for ethical enterprise should take (See Appendix 1 and further resources for definitions and overviews of debates). Impact assessment has a key role to play in:

- **identifying the most effective ethical strategies** to promote pro-poor growth, human rights and sustainable development and the best ways in which DFID can support them.
- **comparing poverty reduction contributions** of ethical enterprise interventions and support for the mainstream private sector in the context of sector-wide approaches and country strategic plans.
- **identifying innovative ways of mainstreaming** ethical concerns in DFID enterprise policy.

This paper focuses on Fair Trade as an important area of support at the cutting edge of ethical enterprise development. Fair Trade is defined as:

" an alternative approach to conventional international trade. It is a trading partnership which aims at sustainable development for excluded and disadvantaged producers. It seeks to do this by providing better trading conditions, by awareness raising and by campaigning."

(Definition agreed by FINE³)

DFID is currently producing a Strategy Paper on Fair Trade and supports a number of Fair Trade initiatives (See Box 1).

The structure of the paper is as follows:

- **Section 1** discusses the underlying aims of Fair Trade and hence criteria for assessment, the different types of intervention to be assessed, and the stakeholders involved.
- **Section 2** gives an overview of existing impact assessments of Fair Trade, the methodologies used, findings and challenges faced which have implications for future impact assessments.
- **Section 3** provides a framework for impact assessment in the light of this experience, summarises the practical questions to which impact assessment could make a contribution and outlines the ways in which different methodologies could be used.

³ 'FINE' is the acronym for a loose network of umbrella bodies and is comprised of the first letters of the 4 network members: FLO (Fair Trade Labelling Organizations) International, IFAT (International Federation for Alternative Trade), NEW (Network of European World Shops), and EFTA (European Fair Trade Association).

- **Section 4** discusses some of the broader implications for comparative impact assessment of Fair Trade interventions, Ethical Trade, socially-responsible business development and mainstream private sector interventions.
- **Appendix 1** gives an overview of history of different types of ethical enterprise development, definitions and summary details of the main organisations involved in the Fair Trade movement.
- **Appendix 2** gives details of the main international agreements on criteria for Fair Trade.
- **Appendix 3** gives some suggestions for possible future impact assessments of DFID-funded programmes.

The paper is supplemented by five case studies of different approaches to impact assessment and Fair Trade: ECOTA Forum in Bangladesh, Just-X in South Africa, AMKA in Tanzania, TEEM in Malawi, Kuapa Koko in Ghana and Oxfam

BOX 1: SOME CURRENT OR RECENTLY-FUNDED PROJECTS

Traidcraft - Support to partners in Bangladesh Malawi, South Africa, Tanzania , India, Zambia, Pakistan, and the Phillipines see [Case Studies](#)

- TWIN - Divine Chocolate Guarantee and Impact Assessment, Credit Union for farmers co-op
- Tropical Wholefoods – EDF project to develop exporters of dried fruit products in Guyana and Zanzibar.
- Investigating chains and mainstream – Feasibility study into providing fair trade coffee into own label supermarket brands and food outlets.
- Mars cocoa sustainability – investigating possibilities of working with small producers in cocoa planting and sustainability.
- EDF project with Oxfam on Fair trade tea.

Source: DFID Fair Trade Strategy draft paper (forthcoming)

1: WHAT IS FAIR TRADE? AIMS, TYPES OF INTERVENTION AND STAKEHOLDERS

Impact assessment of Fair Trade is potentially more contentious than many other areas of enterprise development. A summary of commonly agreed aims, types of intervention and stakeholders is given in Box 2. The commitment to ethical aims raises a number of difficult and inherent challenges:

- The very breadth of the aims, the range of different levels of project and policy intervention and the number of different stakeholders involved make any blueprint for impact assessment inevitably problematic.
- As with impact assessments of other types of intervention there are inevitably sensitivities about the implications of findings for funding, and hence the danger of IAs being seen as a policing rather than a learning function.
- In Fair Trade there are also commercial implications in view of the increasing competition between Fair Trade organizations and the private commercial sector on ethical credentials and market share.
- Given the aims of Fair Trade, stakeholder participation is an essential part of all stages of the impact assessment.

It is particularly crucial that impact assessments are well planned in relation to the aims, activities and capacities of the organisations concerned. It is also essential that the findings are analysed in relation to contextual opportunities and constraints offered by the relevant markets, economic and social and political environments.

1.1 AIMS OF FAIR TRADE

The most widely agreed definition of Fair Trade is that of the umbrella organization FINE (See above, Footnote 3 and Box 1). FINE has agreed six underlying principles to which Fair Trade Organisations should aspire. IFAT (International Federation for Alternative Trade) has also established broad principles for its members and FLO (Fair Trade Labelling Organisations International) stipulates precise benefits and prices to producers for those wishing to qualify for Fair Trade labels in specific commodities (See Appendix 2).

The underlying understanding in Fair Trade is that the ways in which international, national and local markets are structured has critical implications for people's livelihoods. This means that economic growth in itself is not necessarily sufficient for poverty reduction. Fair Trade is not a critique of private sector enterprises *per se*, some of which may already be operating ethically or attempting to do so. Rather it is a critique of the structures and systems governing market relations which may increase poverty, social injustice and harm the environment. It is based on

convincing critiques of free market theory which have demonstrated that markets as they currently operate are frequently either:

- 'unfair' in that the pre-existing poverty and disadvantage of particular groups of producers (entrepreneurs or workers) leads to inequalities in the market distribution of costs and benefits

and/or

- 'imperfect' because particular groups of disadvantaged producers lack information, skills, networks or resources to fully participate in existing markets or develop new ones.

The aim is therefore to address these inequalities and imperfections through intervening at different points of the supply and marketing chain and promoting an enabling environment within which all enterprises can operate according to ethical principles⁴.

However merely labelling an intervention 'Fair Trade' or 'ethical' does not guarantee that it is fulfilling its stated aims.

- The ethical claims of Fair Trade Organisations (FTOs) are now increasingly contested by their market competitors.
- The types of intervention which have greatest impact in some market or social contexts may not be the most effective in others.
- Interventions will affect different stakeholders in different ways and there may be conflicts of interest.
- Despite potential benefits of ethical practice to business growth, there may in some cases be trade-offs between different aims e.g. between poverty reach and financial sustainability or significant increases in profits, between environmental concerns and producer incomes.

There are therefore many strategic and practical issues to be addressed in improving current support.

It is inherent in the aims of Fair Trade that interventions should be assessed by social, political and environmental criteria as well as economic criteria. As discussed in more detail below, this implies combining the criteria of both the sustainable livelihoods approach and human rights approach. However although the broad aims of Fair Trade are generally agreed, priorities and precisely how some of the aims are to be translated into practice are somewhat contested. In particular some Southern producers see some of the criteria as Northern impositions by the

⁴ For an interesting discussion of the wider context of pro-poor market development see DFID 2000.

Fair Trade movement and exclusionary and unrealistic for many Southern producers. Other Southern organisations, particularly those which originated as grassroots organisations of informal sector or rural workers, are suspicious of any attempts to dilute their underlying objectives. These debates about aims and priorities mean that the criteria and indicators for impact assessment and the ways in which different impacts are to be analysed are inevitably highly sensitive and likely to require careful negotiation.

BOX 2: WHAT IS FAIR TRADE? AIMS, TYPES OF ORGANIZATION AND LEVELS OF INTERVENTION

FINE⁵ DEFINITION:

Fair Trade is an alternative approach to conventional international trade. It is a trading partnership which aims at sustainable development for excluded and disadvantaged producers. It seeks to do this by providing better trading conditions, by awareness raising and by campaigning.

AIMS: The FINE principles:

1. To improve the **livelihoods and well-being of producers** by improving market access, strengthening producer organisations, paying a better price and providing continuity in the trading relationship.
2. To promote development opportunities for **disadvantaged producers**, especially women and indigenous people and to protect children from exploitation in the production process.
3. To raise **awareness** among consumers of the negative effects on producers of international trade so that they exercise their purchasing power positively.
4. To set an example of **partnership** in trade through dialogue, transparency and respect.
5. To campaign for **changes in the rules and practice** of conventional international trade.
6. To protect **human rights** by providing social justice, sound environmental practices and economic security.

TYPES OF ORGANIZATION

- **Grassroots producer organizations**
- **Fair/Alternative Trade Organizations**
- **Fair Trade labelling and regulatory organizations**

LEVELS OF FAIR TRADE INTERVENTION

⁵ See Note 2.

- **Direct support for producer/employee organizations:** technical support and BDS, price support, finance, organizational support, gender and environmental planning
- **Community level activities:** awareness-raising and provision of facilities
- **Work with marketing chains:** facilitation of market linkages, setting up of alternative marketing chains, consultancy on ethical issues, advocacy, networking and consumer-awareness
- **Work at the macro-level:** advocacy, networking and development education

STAKEHOLDERS

- **micro-level:** producers and employees of Fair Trade suppliers and members of their households
- **meso-level:** other producers and employees in the same local markets, other members of the same communities
- **macro-level:** other producers and employees in the same national and international markets, consumers and others affected by regulatory and policy changes brought about by Fair Trade advocacy
- **secondary stakeholders:** other grassroots organisations and movements, entrepreneurs in the private sector, government administrators, donor agencies

1.2 TYPES OF ORGANIZATION

Fair Trade frequently involves linkages, partnerships and/or networks between a number of different types of organization:

- **Grassroots producer organizations** of entrepreneurs and/or workers. These are usually membership based, including associations of small agricultural producers, small and micro-entrepreneurs, entrepreneurs of differing scale of operation but all complying with fair trade principles, producer-managed co-operatives and Unions of informal sector and home-based workers. These are often linked in federations and networks and may or may not themselves be registered NGOs, co-operatives or other types of legally recognized association.
- **Fair/Alternative Trade Organizations⁶** (FTOs) and networks: includes Southern FTOs, Northern FTOs and international partnerships and networks between them, many of which may be registered as one or more named NGOs.

• ⁶ Fair Trade Organizations (FTOs) are called Alternative Trade Organizations (ATOs) in US and some other countries. FTOs are also known as the 'brand model' whereby fair trade products are promoted on the basis of broad principles and a recognizable name rather than the labeling model where goods have to comply with specific requirements. A key difference between brands and labels is that brands are involved in the trading of the commodities sold on a fair trade basis but labelling organisations are not – they just monitor the trading of others.
(see discussion in Tallontire 2001).

- **Fair Trade labelling and regulatory organizations** formed of FTO representatives to agree and monitor precise standards to be adhered to by FT products.

Within each of these categories are organisations with different priorities and governance structures as discussed in more detail in the [Case Studies](#) and Appendix 1. Some are aiming mainly at increasing the export profits from enterprises in disadvantaged areas and communities, others have much broader commitments to poverty targeting and empowerment. Some are service organizations with relatively low client participation in decision-making. Others are democratic, member-owned and member-run organizations. Some organizations are composite organizations with different parts performing different functions and with complementary but different priorities as in the case of Traidcraft plc and Traidcraft Exchange, or Oxfam and Oxfam Fair Trade (See Appendix 1).

Impact assessments will need to analyse carefully the organizational structures and inter-organizational relationships in identifying the reasons for different types of impact and in drawing practical conclusions. This is even more important with Fair Trade because one of the aims is the strengthening of organizations and improvement of relations between enterprises (See Box 1). In addition many organizations have an explicit commitment to member participation and this is likely therefore to also be one of the criteria for impact assessment.

1.3 LEVELS OF FAIR TRADE INTERVENTION

Although the focus is on trade, Fair Trade interventions may take place at different levels of the supply and marketing chain. It is necessary to examine the different impacts of these various types of activity before any generalisable conclusions about 'the impact of Fair Trade' can be drawn.

FTOs generally combine a number of different types of activity:

- **Direct support for producer/employee organizations**
 - technical support and skills training
 - provision of price support against market fluctuations and/or payment of a premium
 - Business development services (BDS): advice, training and information for product development and marketing, including brand development
 - managerial/organizational assistance and training including development of innovative forms of organization and partnerships between producers
 - provision of finance to producers or workers for productive investment or to decrease vulnerability and increase their bargaining power
-
- **Work at community level**
 - use of part of profits for community level activities e.g. schools, health centres

- local-level awareness raising campaigns around issues like child labour, health and safety, environment
- ***Intervention in marketing chains***
- facilitation of market linkages between small-scale producers, wholesale and export markets and/or consumers through BDS or direct purchase and incubating newcomers to international trade.
- setting up of alternative marketing chains and/or creation of shared ownership of Fair Trade marketing companies and brands involving ethical investors and traders in developed countries and southern producer organisations.
 - consultancy on ethical issues for large and medium scale enterprises
- advocacy or campaigning for better prices, conditions, trade relations, tariffs etc for producers
 - networking to develop ethical Codes of Conduct and labelling conditions
 - promotion of fair trade consumer markets.
- ***Work at the macro-level***
- advocacy for legislation in areas like human rights, child labour, gender equality, rights for informal sector workers
- networking to promote fair trade and ethical principles and develop alternative models for the mainstream
 - development education to raise public awareness of poverty and global inequality

Different Fair Trade organisations have different emphases. Although many organisations started out from a charitable perspective working with small groups of producers in handicrafts, most are now involved in many different sectors including commodities. Many Southern organizations like SEWA in India and Kuapa Kokoo in Ghana are also involved in grassroots organization of producers into co-operatives and Unions involving thousands of members. Some FTOs aim primarily to link producer groups with existing local and export markets and focus on training and organisational development. Others focus more on setting up alternative marketing structures either to reach niche export markets or to challenge power relations within existing markets. Some organisations only deal with groups and cooperatives with social as well as economic objectives. Others aim primarily to increase sales, employment and incomes through setting up marketing and supply networks between socially-conscious but for-profit intermediaries and larger businesses and small producers.

Many FTOs or their associated NGOs are now engaged in networking and advocacy to influence macro-level policy (See Appendix 1). Some have been involved in national and international networks, policy advocacy and increasingly now also in development education. Issues have included child labour, equal rights for women, bonded labour and environment. Recently many Southern FTOs are looking at how they can increase the Southern market for Fair Trade products through national and/or regional networking. Fair Trade organisations are also

increasingly engaged with the private sector in the context of Ethical Trade and Socially-Responsible Business initiatives either as consultants to enterprises or as participants in multi-stakeholder negotiations. As discussed below, these macro level activities present new challenges for impact assessment.

The nature of donor support has also varied. It is likely that DFID will be concerned not only with the impacts of interventions which it supports, but the relative effectiveness of the different types of support it can give. As can be seen from Box 1 above and the Case Studies, this has included general core funding for UK-based FTOs and their partners, support for resource centres, networks and information exchange (ECOTA Forum), loan guarantees for marketing organizations (Kuapa Kokoo), microfinance programmes for FTO partners (Kuapa Kokoo), research and awareness raising. The DFID Fair Trade Strategy Draft Paper outlines a range of other possible types of support which would merit investigation.

An important recent donor concern has been the development of markets for [Business Development Services](#) and how these can increase outreach and financial sustainability⁷. There are many ways in which FTOs could contribute to improving the quality and promote the integration of ethical principles in mainstream BDS markets. There is a key role here for donors to support development of innovative types of training and support which integrate ethical concerns and which could then provide a source of consultancy income for FTOs.

Impact assessment will need to examine carefully the activities involved in the particular intervention being assessed in order to understand why particular impacts are occurring and draw practical conclusions. This is particularly the case where the aim is to compare the relative effectiveness of different types of Fair Trade strategy and/or propose innovations.

1.4 [STAKEHOLDERS](#)

Stakeholder analysis is particularly important in impact assessment of Fair Trade. The potential range of stakeholders is very wide given the broad aims of Fair Trade to benefit not only poor producers but also their communities and consumers. In addition the attempt to address power inequalities in marketing chains and macro-level policy involves a second set of stakeholders in the same markets and national and international economies who are likely to be affected or influenced but not necessarily benefited. At all levels there is likely to be differentiation by, for example, gender, ethnic group, types of asset ownership, age, education etc.

Stakeholders who may be expected to benefit include:

⁷ See in particular the paper Business Development Services for Small Enterprises: Guiding Principles for Donor Intervention produced by the Committee of Donor Agencies for Small Enterprise Development 2001.

- **Grassroots producers (entrepreneurs and workers)** : Grassroots producers are the most evident direct beneficiaries and primary stakeholders. But distinctions must be made between different types of entrepreneur and different types of labour contract. Impacts may differ significantly between entrepreneurs and employees, small and micro-entrepreneurs, permanent and casual employees, between women and men and so on. Some producers in the production and marketing chain may be completely marginalized by FT interventions, particularly those who are already very disadvantaged (See Section 2).
- **Other members of the same households:** differentiated by gender, age, access to assets and ownership, role in decision-making. Inclusion of other household members in assessments is important in the context of concerns with interlinkages between poverty, gender inequality and child labour. Impact on intra-household inequalities cannot be inferred from impacts on direct participants in Fair Trade interventions.
- **Other members of the same local community:** including direct beneficiaries of investment from fair trade profits in the form of investment of Fair Trade premiums or awareness campaigns and/or those indirectly affected by economic, social and environmental changes brought about by Fair Trade operations.
- **Other entrepreneurs and workers in same markets:** affected by e.g. changes in wage levels, improved terms of trade with intermediaries, increased accountability of local businesses. Some may be disbenefited through increased competition from Fair Trade organisations in the same markets.
- **Consumers:** benefited by greater information about product quality, health benefits and Fair Trade issues
- **Others affected by macro-level policy changes:** including those affected by, for example, greater awareness of the problems of informal sector workers, gender inequality

Other secondary stakeholders who may affect the outcomes of and/or be affected by Fair Trade interventions and who may need to be consulted in impact assessments include:

- **Grassroots organisations and movements** like trade unions, business associations, women's organisations and environmental organisations
- **Entrepreneurs in the private sector**, particularly large and medium scale enterprises
- **Government administrators** in enterprise development
- **Donor agencies** funding other linked interventions

Each of these stakeholders may have very different interests in both Fair Trade interventions themselves and in the outcomes of impact assessment. Serving the interests of existing employees and small-scale producers may take resources from reaching out to new more disadvantaged groups who need more support. Women and men may have very different priorities. Investment in environmental improvements may be expensive in terms of resources and/or decrease profits and be opposed by primary stakeholders. Fairness to consumers may detract from incomes for employees and so on.

These problems are not unique to Fair Trade, but it is particularly important to address them in FT Impact Assessment because of the commitment of FT to social justice and human rights. Given the firm and inherent commitment of Fair Trade to increasing the benefits for the most disadvantaged of the bottom of the chain, their views and interests must be given at least equal weight in terms of selection criteria for assessment, representation in the impact assessment process and analysis of the types of impact and the practical implications. Any assessment of Fair Trade will therefore inevitably involve a participatory process which will need to be carefully managed and negotiated. Given the potential conflicts of interest and need for accountability, this participatory process will need to be paralleled by external and independent assessment. At the same time, the stated commitment of all stakeholders to fairness and participation provides a good framework for linking impact assessment with sustainable and participatory monitoring and evaluation systems.

2 EXPERIENCE OF EXISTING IMPACT ASSESSMENTS: METHODOLOGIES, FINDINGS AND LIMITATIONS

There are a number of existing impact assessments of Fair Trade:

- OPM's study of Kuapa Kokoo in Ghana and cooperative unions involved in Fair Trade coffee in Tanzania (Jones and Bayley 2000)
- A feasibility study of Kuapa Kokoo (Twin/Kuapa Kokoo 2000)
- Evaluations of Traidcraft partners AMKA (Tanzania), Just X (South Africa), Zambili (Zambia) and ARFT (Philippines)
- Oxfam's study of 18 partner organizations (Hopkins 2000)
- NRET⁸ evaluation of Fruits of the Nile, Suntrade and Farmers Fair Trade (Uganda) Ltd in Uganda (Malins and Nelson 2000; Malins and Blowfield 2000), Ghana fair trade bananas (Blowfield and Gallett 2000), Quintana Roo community forests in Mexico (Maynard and Robinson 2000), Maquita cocoa producers in Ecuador (Nelson and Galvez 2000; Collinson and Leon 2000) and Candela Brazil nut producers in Peru (Nelson and Galvez 2000 and Collinson and Leon 2000) .

The following discussion is based on the findings of these studies and also exploratory interviews with FT participants in India (SEWA-Lucknow, PRADAN, Tara project and Sasha) and Bangladesh (ECOTA-Forum) in January 2001. It also draws on earlier work by the author and others on SEWA and government-sponsored Fair Trade interventions in India.

At the time of writing many Fair Trade Organisations, including Oxfam and Traidcraft partners are in the process of introducing internal Monitoring and Evaluation systems. A more rigorous DFID-funded impact assessment of Kuapa Koko is in its initial stages with a key aim to set up an ongoing participatory monitoring and evaluation system. Although there are no findings as yet, the discussion also draws on some of the debates taking place about their design.

2.1 FRAMEWORKS AND METHODOLOGIES

The different IAs and M and E systems have used different frameworks and methodologies: [Case Studies](#)

The ***OPM KK study and the evaluations of Just X and AMKA*** focused on quantitative economic indicators of increased incomes and profits based on organization records and selected interviews with entrepreneurs and producers. In

⁸ Natural Resources and Ethical Trade Programme managed by Natural Resources Institute, UK. The documents referred to here can be found on the NRI website www.nri.org.

the OPM study there is also some discussion of impact on markets but this is not detailed and there is no comparison between Fair Trade producers and others

The *Twin/Kuapa Kokoo and Oxfam* are more extensive, combining participatory, qualitative and quantitative methods with qualitative as well as quantitative analysis. They also cover social, organizational and environmental as well as economic impacts. The TWIN/Kuapa Kokoo and Oxfam studies give very detailed accounts of sampling methods and questionnaires

The *NRET studies* use the Sustainable Livelihoods framework of natural, social, financial, human and physical capital and make extensive use of qualitative and economic analysis of both private sector markets, contexts and institutions as well as impacts. Unfortunately they do not give a detailed account of the methodologies used.

The *frameworks for Monitoring and Evaluation* proposed by Oxfam and Loraine Ronchi cover economic, social and environmental criteria and point to questions to be asked of members in the initial stages of partnership and to be periodically updated, including an exit questionnaire. There are also evaluation questionnaires for events like trade fairs and training.

For detailed discussion the reader is referred to the frameworks, methodologies and questionnaires given in Case Studies of Just X, AMKA, Oxfam, and KK, and the NRET Studies (see their website <http://www.nri.org/> What follows here is a summary overview of issues relevant to the proposals for future IAs outlined in Section 3 of this paper.

It must also be stressed that as different frameworks have been used what follows cannot be a systematic comparison of impacts of different programmes. Neither the positive or negative impacts listed are necessarily confined to the particular programmes cited.

2.2 FINDINGS

Despite the shortcomings in existing assessments discussed below, it is clear that there have been many positive impacts of Fair Trade interventions:

- **Incomes:** in general there has been a positive impact on incomes of entrepreneurs and levels of employment and wages.
- Some businesses have been saved, others have been introduced to exports for the first time, or export sales have increased (AMKA). Fair Trade employment may be the only source of income in areas of high unemployment or for certain types of worker e.g. women, the disabled (ECOTA Forum).
- Fair Trade employment, particularly in handicrafts complements other activities like agriculture through giving work in the off-season when alternative employment would not be available (Oxfam). Organic production provides a good source of

livelihood in some ex-conflict areas where pesticides and chemicals are not available (Blowfield et al 2000).

- Both prices and wages are generally higher than in the private sector (Oxfam, SEWA-Lucknow, PRADAN, Maquita). For small-scale commodity producers the income benefits may be small when commodity prices are buoyant, but are significant in difficult times when commodity prices slump (comments from Twin on Kuapa Kokoo and other partners).

- **Well-being:** there have often been improvements in children's education (Oxfam). Premiums are often used for building social amenities leading to improvements in health and education (Kuapa Kokoo). Many NGOs also run separately-funded health and education services for producers and communities (ECOTA Forum, Tara project, PRADAN).

- **Social and political empowerment:**

- Fair trade has generally contributed to development of new skills and greater access to international markets (created by fair trade organisations) (Oxfam and Tara project, India).

- In some cases, e.g. Kuapa Kokoo producers have a great sense of empowerment through controlling the production and marketing chain and great pride in the strength of their organisation. Producers may have a great sense of pride in running their own co-operative enterprises (Tara Project).

- In some groups the development of fair trade activities led to impressive results in terms of the leadership role taken by women in their communities and at a regional level (Oxfam, Kuapa Kokoo, SEWA-Lucknow, ECOTA Forum).

- **Broader market environment:**

- The OPM study concludes that a significant impact of FT market participation was in improving information and market transparency. In the coffee sector in Tanzania FT contributed to increasing the capacity of the cooperatives to understand, and engage in, international trade and to act as a benchmark in setting standards and providing information.

- Interviews by the author with SEWA-Lucknow and PRADAN in India also indicate significant impacts of Fair Trade wages and product prices on market wages and prices in embroidery and silk production though more in-depth study is needed to verify the extent of this and the mechanisms by which it is occurring.

On the other hand the assessments also highlight a number of continuing challenges for Fair Trade:

- Producer organisations may face **trade-offs** between selecting products that provide high levels of financial returns (e.g. electronics assembly) and production activities that can be easily co-ordinated by alternative producer organisations (e.g.

the production of baskets) (Oxfam). Also between support for more profitable producers who are easier to service on a cost-recovery basis and poverty reach to those who need more costly and ongoing support.

- **Alternative management structures** Developing the decision-making skills and knowledge of disadvantaged producers is crucial to reducing continuing dependence and to sustainable poverty reduction. However cooperatives or producer groups often have internal disputes over what constitutes fair wages and may not necessarily make efficient market decisions. (Swallows Thanapara, Sasha).

- **Continued inequalities:**

- Many FTOs are not dealing with the poorest producers and may be disadvantaging them in markets (Blowfeld et al 2000, Candela).
- The scale of impact has generally been greater for producers and enterprises which were initially less disadvantaged e.g. male handicraft workers in skilled specialist occupations (Oxfam study), businesses which were already ready for export (Just X, Zambili and AMKA⁹).
- Income increases for women workers in more crowded industries (Oxfam study) and businesses in more remote areas run by poorer entrepreneurs (Just X, Zambili and AMKA) are less marked.

- **Gender:** gender inequalities persist in many organisations.

- within organizations and enterprises women are often assigned to traditional and low paid tasks although generally there is equal pay for equal work (Oxfam). Wages for women in handicrafts are often less than those for male agricultural labour (Swallows Thanapara embroidery workers).
- trade based on small-holder production generally means payment goes to men although women's role in production may increase (Blowfield et al 2000)
- low paid women workers in the same production and marketing chains may be by-passed (Candela)
- employment of women in fair trade activities does not necessarily mean an exemption from household work and their workload often increases. Impact on women's position and perceptions of gender roles and inequality may be marginal, even where there has been gender awareness training (Oxfam).

- **Environment:** in some organizations concerns were raised about possible negative environmental effects of their activities (Oxfam).

- **Problems of sustainability and continuing dependence:** intense effort in capacity building has not always increased access to the mainstream international market. Diversification in terms of customers is happening but *within* the fair trade sector and many partners do not want to be independent (Oxfam and Traidcraft

⁹ Although in these latter cases the data is rather unclear as there are discrepancies between the organizations who tend to overestimate impact and producers themselves who tend to underestimate ([See AMKA Case Study in particular](#))

partners).

2.3 CHALLENGES FOR FUTURE IMPACT ASSESSMENTS

What these existing studies and proposals for monitoring and evaluation systems show is that:

- it is possible to design questionnaires for impact assessment and monitoring and evaluation which incorporate social and organisational as well as economic criteria.
- external impact assessments can and should provide clear indications of ways in which ongoing systems of monitoring and evaluation could be set up.

There are however a number of limitations faced by existing assessments and difficult challenges for work in the future:

- selection of **criteria** for assessment have generally been determined a priori. There is little indication of the priorities of those whom Fair Trade is aiming to benefit, for example: are income increases more important than working conditions or social and political changes? This is often assumed in some of the economic evaluations but is not completely borne out by anecdotal evidence from qualitative studies. The anecdotal evidence from the Oxfam study also indicates different priorities between women and men. The analysis of differences in priorities for different stakeholders (and ideally quantified as part of a survey or through participatory voting) is crucial to identify ways in which support for Fair Trade can be improved to increase benefits to disadvantaged producers.
- the **indicators** used to assess both economic and social impact are frequently inadequate. This is partly because of inherent problems in measuring criteria like 'fair wages' and partly because of inadequacies in analysis of context. Without going into the niceties of definition, assessments of 'fairness' in wages or prices depend on prevailing markets for goods and labour and the perceptions of different actors supply and marketing chains. The former are often complex with a range of different prices negotiated on the basis of a delicate balance between quality/skill, supply and demand in particular localities and/or particular seasons. Importantly power relations between different actors influence or determine perceptions and the processes of negotiation. Definitions are therefore inevitably subjective and highly contentious. In some cases interpretation of indicators is inaccurate¹⁰.

¹⁰ The Oxfam studies compare Fair Trade wages with legal minimum wages but without any indication of where legal minimum wages were fixed, impacts of inflation and whether or not they are higher or lower than market wages. In some industries legal minimum wages agreements may be at least a decade old and be much lower than current market rates. The OPM study fails to distinguish clearly between support prices to farmers and premiums used for community activities.

- there are inherent problems of **attribution** which are particularly difficult with Fair Trade. For example it is very difficult to definitively attribute increases in mainstream sales of existing producers with ongoing market contacts to Fair Trade interventions. Given the fact that many FTOs are often involved in a range of different activities including not only Fair Trade interventions but also microfinance, welfare interventions etc it is often difficult to identify which types of impact are due to Fair Trade *per se* and which are due to other activities. It is also often difficult to distinguish the relative impacts of Fair Trade and other activities of the FTO or associated NGO eg in provision of micro-finance and other services.
- in many of the studies **stakeholder analysis** is very superficial. For example even at the broadest level there is often insufficient distinction between different types of producer e.g. entrepreneurs and employees. There is very little attempt to go beyond this broad distinction at all. Gender analysis is generally weak and there is little analysis of impact on other producers in the same markets. Notable exceptions are the NRET studies.
- analysis of the **practical implications** of impact assessment findings is generally rather weak and generally an add-on by team leaders and researchers rather than an integral part of the questions asked.
- many of the studies give insufficient attention to **context**, notable exceptions being the TWIN/Kuapa Kokoo and NRET studies
- there is very little **comparison of Fair Trade with the private sector**: only the TWIN/Kuapa Kokoo study uses credible control groups.
- impact assessment methodologies for **campaigning, advocacy and other macro level activities** are still to be developed and are currently limited to evaluations of trade fairs.
- insufficient **stakeholder participation** in designing impact assessments and monitoring and evaluation systems. Although in some cases participatory methods have been used in identification of criteria (eg TWIN/Kuapa Kokoo) and collection of information (eg focus groups in all studies) these have not been rigorously used. Stakeholder participation has generally not been carried through to other stages of the investigation. This failure to involve stakeholders has often led to resistance to the impact assessment, superficial completion of monitoring and evaluation questionnaires and a general perception of impact assessment as a policing activity rather than a learning process.

These challenges are not unique to Fair Trade, but are exacerbated by the multiple objectives and activities. Moreover the commitment to fairness, participation and

networking inherent in FT makes it even more imperative that these challenges be addressed.

3: ISSUES AND METHODOLOGIES FOR FUTURE IMPACT ASSESSMENT

Fair Trade impact assessment and monitoring and evaluation has a number of potential aims:

- to assess the impact of individual projects and/or organizations to justify continuance of funding
- to compare the relative impacts of different types of strategy in individual organizations and/or between organizations to identify those which are most effective and/or sustainable
- to identify potential innovations and practical improvements
- to compare FT interventions with other types of ethical enterprise development and/or private sector support as part of sectoral or country plans
- to identify the best types of donor support

The focus in what follows is on impact assessment which can generate credible practical recommendations for improvement and innovation in programmes and donor support rather than on assessments which aim only to 'prove impact'. In this it follows the aims of existing evaluations and the recently commissioned assessment of Kuapa Kokoo. The issues in impact assessments of FT as part of sectoral or country plans are discussed in Section 3.

3.1 FRAMEWORK FOR FAIR TRADE IMPACT ASSESSMENT: AIMS, STAKEHOLDERS AND PROCESS

Many of the challenges outlined above are not unique to Fair Trade and are discussed in more detail in the [Core Text](#). However the aims (and claims) of Fair Trade mean that it is particularly important that any impact assessment:

- includes a range of ***economic, social, political and environmental criteria***. These should draw on the frameworks identified in relation to sustainable livelihoods and human rights.
- involves a range of ***different stakeholders*** and give at least equal weight to the priorities and interests of those most disadvantaged

In order to yield credible and useful practical recommendations there must be:

- a careful **analysis of the particular type of intervention**: its aims, structure and types of activity and the ways in which donor support (if any) is used
- include a careful **analysis of economic and socio-economic context** including international, national and local markets for products, input and labour, opportunities and constraints facing other private sector enterprises and labour conditions, environmental practices and so on.

In view of the aims of Fair Trade and the need for cost-effectiveness the process of impact assessment and monitoring and evaluation should:

- contribute to the building up of a sustainable **participatory monitoring and evaluation system**
- include **capacity building of producers themselves** and also where feasible communities
- contribute to **networking, learning and accountability** between organizations.

A framework for impact assessment of Fair Trade incorporating these elements is given in Box 3. The precise criteria and indicators to be used will depend on the particular purpose of the impact assessment, resources etc. It will also be necessary to use different criteria for different stakeholders.

BOX 3: FRAMEWORK FOR IMPACT ASSESSMENT OF FAIR TRADE: STAKEHOLDERS, CRITERIA	
Stakeholders	Criteria
Individual producers	<ul style="list-style-type: none"> • Increases in incomes through sustainable enterprise and employment, fair prices and wages and increased economic security • Increased well-being through increased incomes and better work conditions • Social and political empowerment: through increasing skills for participation, gender equality, respect for worker' rights
Other members of the same local community	<ul style="list-style-type: none"> • Poverty elimination, social inclusion and social benefits • Increased recognition of human rights of women, children and workers • Environmental responsibility
Consumers	<ul style="list-style-type: none"> • Concern for health and fairness to consumers • Awareness of Fair Trade issues

Other actors in same markets	<ul style="list-style-type: none"> • Increased prices for products and increased wages • Transparency and accountability throughout business practice through more participative forms of management and ethical standards in relations with other businesses and organizations
Others affected by macro-level policy	<ul style="list-style-type: none"> • Promotion of ethical standards in macro-level policy, international agencies and among consumers • Protection of the interests of informal sector workers • Promotion of human rights and gender equality • Protection of environment

3.2 KEY PRACTICAL ISSUES ON WHICH INFORMATION IS NEEDED

The DFID Fair Trade Strategy Draft Paper, (go to: <http://www.dfid.gov.uk> and then click on International Development Targets) existing IAs and discussions between the author and FT practitioners and beneficiaries highlight a range of practical questions to which Impact Assessment can make an important contribution. As summarised in Box 4 these include:

- ***how can the benefits of Fair Trade be increased?*** In view of the limitations in impact outlined above, there are important questions to be asked about how benefits can be increased particularly for the most disadvantaged.
- ***how can Fair Trade markets be expanded?*** There are concerns that the Fair Trade market for some products is contracting due to competition from mainstream enterprises who claim their own ethical standards and/or have bigger budgets for advertising. If the numbers and size of Fair Trade organizations is to increase then it is crucial that there is also an expansion in the market.
- ***how can the impact of FT on macro-level policy and the mainstream be increased?*** This is a stated aim of the Fair Trade movement and necessary if small-scale Fair Trade producers are to become independent of ATOs.
- ***what is the best form of donor support for these aims?***

BOX 4: SOME KEY PRACTICAL QUESTIONS TO BE ADDRESSED BY IMPACT ASSESSMENT

	Practical questions for consideration
<i>How can benefits for producers be increased?</i>	<i>What are the main priorities for FT beneficiaries?</i> <ul style="list-style-type: none"> • How important are issues such as stability and trust compared with just levels of price? • How important are issues like working conditions and

	<p>participation in decision-making?</p> <ul style="list-style-type: none"> • How do these differ between stakeholders? <p>How can FT profits be increased?</p> <ul style="list-style-type: none"> • How can FT expand into non-traditional industry and new environmental technology? • How can Fair Trade principles be extended to higher value added manufactured goods and services. • Is it possible to increase the value added locally. <p>How can services be improved?</p> <ul style="list-style-type: none"> • What are the possibilities for linking with BDS providers or co-op colleges locally, or building networks between producer groups for continued peer learning? • What is the best form of support for capacity strengthening initiatives by ATOs (alternative trade organisations) for producer communities that are disadvantaged within particular countries. What are the relative merits of co-operative or farmer controlled organisations and other types of organization? • What are most practical and cost effective mechanisms for providing risk management facilities to small scale farmers and other participants in the market chain? Can information technology be used to improve their situation? • How much liquidity do commodity markets really need? Are there other forms of providing liquidity to a market apart from speculation which could increase benefits to farmers and is there a market purpose for a lack of liquidity (especially in an age of rapid international transactions)? <p>How can the impact on gender relations be increased?</p> <p>How can environmental concerns be best addressed?</p> <p>What are the best means of addressing issues of child labour?</p> <p>How should potential trade-offs between poverty-reach and profitability be addressed?</p>
<p>How can the Fair Trade market be expanded?</p>	<ul style="list-style-type: none"> • What are the best ways of improving governance in FT labelling systems? Can the costs of regulation be reduced? • How large could the Fair Trade market be? What would happen if there was a substantial increase in the payments of minimum prices? How would the market behave?

	<ul style="list-style-type: none"> • Why do mainstream companies not want to buy through the FT register? How can this be addressed? • What are the best ways of attracting consumers? Eg types of labelling, new ways of advertising, focus on brands rather than labels, different forms of verification? • Can Fair Trade supply chains be made more efficient through competition? • How can the Southern Fair Trade market be expanded at national and/or regional and/or interregional levels? What is the role of communications, information, logistics, market research etc. • What are the implications of regulatory frameworks, tariffs etc.
<p><i>Macro-level impact on markets and social policy</i></p>	<ul style="list-style-type: none"> • What is the impact of FT as a whole on markets and how can it be increased? eg Why do companies not want to give a fixed price? • What is the impact of FT on markets for BDS? What are the best ways for FT to ensure that ethical concerns are mainstreamed in BDS? • What is the impact of FT as a whole on consumer awareness and how can it be increased? Eg what are the most effective methods for promotion of Development Education and Awareness by Fair Trade. • What are the best methods for networking for information exchange, advocacy and lobbying for change in regulatory environments and macro-level economic and social policy • What are the best strategies for FTOs to improve the functioning of private trading systems emerging or expanding in the wake of market liberalisation.

Investigating each of these questions will require careful specification of hypotheses to narrow down the criteria and indicators to be used and the particular stakeholders to be involved. Some of the questions can be addressed through examining or comparing existing impacts using the frameworks and methodologies outlined in the [Core Text](#). Others may involve more specialist market research techniques. Most will involve inferring possibilities for improvement from examination of existing impacts through detailed discussion of findings with different stakeholders including beneficiaries, programme staff, donors and other policy-makers. Detailed consideration of these questions is outside the scope of this paper, but some outline proposals for further research are given in Appendix 3.

3.3 INTEGRATED METHODOLOGIES

Given the aims of Fair Trade and the range of stakeholders involved, impact assessment must be based on a participatory process. At the same time it is important that different impacts are quantified in a reliable and manageable manner. Qualitative methods will also be important in preliminary assessments as to how the participatory process and quantitative methods are to be used, to supplement other methods for particular types of question and in further investigation of issues which arise.

General guidelines for integrated impact assessment and the use of particular types of methodologies are given in the Core Text. What follows here is a discussion of points which are specific to, or particularly important for, Fair Trade.

[Participatory methods](#)

Although a participatory process must be central to any in-depth impact assessment of Fair Trade, it is important that this is properly planned to ensure adequate representation of disadvantaged groups and to maximise the reliability of any data collected. As discussed in the Core Paper, participatory methods are not an easy option and need to be facilitated by skilled and experienced researchers. The precise form which any participatory process should take will have to be decided on the basis of:

- the **aims of the impact assessment** and the particular questions to be asked. For example is the focus on broader impact on markets and/or how markets can be expanded? This will require focus groups with different types of participants from an impact assessment of direct beneficiaries.
- the **capacities and skills of the different organisations** involved including levels of openness and reliability. For example where impact assessments involve organisations based on participatory decision-making with good existing information systems, the scope for a broad participatory process is greater than for organisations which are very hierarchical and/or do not have information systems and/or where there are doubts about the competence or probity of managers.
- the **capacities and skills of beneficiaries** and their ability and willingness to collect particular types of information e.g. the ability of enterprises to keep reliable records of profits, their willingness to give reliable information on working conditions, the ability of employees to publicly disclose certain sorts of information without victimisation.

The aims of Fair Trade and the existence of ongoing monitoring systems for members of many organisations make the context much more favourable to a reliable participatory process and certain other areas of enterprise research.

Participatory social auditing approaches are being developed by Traidcraft and Oxfam

Where possible participatory methods should be an integral part of all stages of an impact assessment:

- **initial identification** of criteria, indicators, categories for sampling and analysis and initial exploration of hypotheses
- **during the impact assessment process** for crosschecking and further exploration of issues raised by other methods
- **towards the end of the assessment** to systematically identify and test the possible implications of any recommendations for improvement in projects or policy with different stakeholders

BOX 5 INTEGRATED METHODOLOGIES AT DIFFERENT STAGES OF THE ASSESSMENT			
Stages of impact assessment	Participatory	Quantitative	Qualitative
Initial stages	<ul style="list-style-type: none"> • identification and prioritisation of criteria • identification of relevant indicators • identification of relevant categories for sampling • analysis and initial exploration of hypotheses 	<ul style="list-style-type: none"> • piloting survey questionnaires 	<ul style="list-style-type: none"> • for planning the participatory process
during the impact assessment process	<ul style="list-style-type: none"> • for crosschecking and further exploration of issues raised by other methods 	<ul style="list-style-type: none"> • rigorous assessment of the reliability and representativeness of the information gained by other methods 	<ul style="list-style-type: none"> • for crosschecking and further exploration of issues raised by other methods
towards the end of the assessment	<ul style="list-style-type: none"> • to systematically identify and test the possible implications of any recommendations for improvement in projects or policy with different stakeholders 	<ul style="list-style-type: none"> • quantitative indicators integrated into ongoing monitoring and evaluation 	<ul style="list-style-type: none"> • qualitative procedures integrated into ongoing monitoring and evaluation

	<ul style="list-style-type: none"> • participatory learning integrated into ongoing monitoring and evaluation 		
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Quantitative methods

The use of quantitative methods is crucial to ensuring the credibility of the impact assessment. Quantification is however costly in terms of time and resources and must therefore be very carefully designed in relation to the particular questions to be asked. Many impact assessments collect a lot of data which they are unable to use.

Quantitative methods should be used for:

- piloting survey questionnaires
- rigorous assessment of the reliability and representativeness of the information gained by other methods

Some of this can be done by programme beneficiaries or programme staff but where possible a sample should be cross checked by an external investigator.

Quantitative indicators can be integrated into ongoing monitoring and evaluation so that a programme can continually update the impacts of its programme or particular strategies.

Qualitative methods

The use of both participatory and quantitative methods should ideally be preceded by qualitative methods like participant observation and informal interviewing for planning the participatory process and questionnaires. This is particularly important where the principal external investigators do not have experience of the particular context. Even where the investigators think they understand the context, it is important that they are continually reflecting on their preconceptions and assumptions through careful observation and probing questions.

Qualitative techniques are also essential for crosschecking and further exploration of issues raised by other methods. Many of the findings of participatory methods will need to be followed up by confidential and informal interviews. The findings of quantitative methods may need further investigation to find out why particular impacts are occurring.

It is also possible to integrate qualitative procedures into ongoing monitoring and evaluation.

4: IMPLICATIONS FOR IMPACT ASSESSMENTS IN OTHER RELATED ETHICAL ENTERPRISE DEVELOPMENT INTERVENTIONS

In addition to Fair Trade, DFID is supporting a number of other complementary initiatives to promote ethical enterprise development.

- ***Ethical Trade***
- ***Socially-responsible Business***
- ***Ethical Consumerism***
- ***Ethical Investment***

Definitions and distinctions between these different types of intervention are given in Appendix 1. Examples of some DFID initiatives are given in Box 6.

These initiatives are not mutually exclusive. The same stakeholders or networks of collaborating agencies are often involved in multiple roles. In particular, many Fair Trade Organisations are also involved in lobbying, advocacy and awareness raising around Socially Responsible Business, ethical trade, ethical investment and ethical consumer movements. Socially Responsible Business also usually involves questions of ethical trade and vice versa. Ethical investment and ethical consumerism both support and assume the existence of socially responsible businesses and ethical trade. In some industries both Fair Trade and other ethical enterprise initiatives coexist.

Impact assessment has a potentially important role to play:

- in comparing the relative impacts and cost effectiveness of ***different types of ethical enterprise development*** eg the relative effectiveness of Fair Trade versus Codes of Conduct in particular industries

In the context of sector-wide approaches and country strategic plans there are also important questions to be asked about the ways in which ethical enterprise development should or can be mainstreamed throughout DFID enterprise policy.

Impact assessment therefore also has a potentially important role to play in:

- comparing poverty reduction impacts of ethical enterprise interventions and support for the mainstream ***private sector*** in the context of sector-wide approaches and country strategic plans.

Possibly more importantly it also has a significant role to play in:

- identifying ways in which ***linking these different types of intervention*** can be improved in order to increase impact at all levels: for direct beneficiaries, on markets and at the macro level.

BOX 5: OTHER DFID ETHICAL ENTERPRISE INITIATIVES

SOCIALLY RESPONSIBLE BUSINESS

- support for ***Center for Social Dimensions of Business Practice*** which provides a discussion forum and expertise to encourage UK-based Companies, Trans National Corporations (TNCs) and companies in partner countries, to establish voluntary codes of conduct (SDBP website).
- ***analysis of different UK companies' codes*** to try and achieve consensus about the exact content of codes and how to effectively monitor them.
- support for ***Zambia Chamber of Commerce*** in developing a code of conduct and a Zambian Bureau of Social Accountability for its members.
- support for ***socially responsible business in Kenya*** in DFID-EA country strategy plan, including support to companies producing export crops for UK supermarkets
- a pilot to monitor contracts and codes of conduct in ***construction projects*** in Ghana, and probably Philippines, Bangladesh and Belize co-funded by Engineering Division and SDD
- ***Natural Resources and Responsible Business Resource Centre:*** advice and support from [NRI](#) (Natural Resource Institute)/ NRET (Natural Resources for Ethical Trade) to the Rural Livelihoods and Environment Department to promote responsible business in the natural resources sector
- ***More and Better Jobs for Women***
- child labour work by [ILO](#) and DFID on
- Support for ***Trade Unions***

ETHICAL TRADE

Support for ***Ethical Trading Initiative*** set up in UK in 1988 and supported by DFID to bring together different stakeholders : companies, NGOs and unions to jointly work towards ethical trade, and to avoid a proliferation of different company codes facing suppliers.

ETHICAL CONSUMERISM

- Support for ***International Consumer Organisation***

ETHICAL INVESTMENT

- An SDD (Social Development Division, DFID) consultancy investigated Ethical Investment and advised DFID on appropriate options

OTHER RELATED INITIATIVES

- DFID has a number of ***Challenge Funds*** aimed at involving the large scale private sector in developmental activities as part of their core business. The Business Linkages Challenge Fund (Launched in January

2001) will aim to link large business to micro and small enterprises and will include trade linkages.

- higher **macro and country level initiatives**:
work to improve the terms on which poor countries compete in world markets
reform of state monopoly marketing boards to liberalise purchase prices.

4.1 EXISTING IMPACT ASSESSMENTS

There have been no comparative impact assessments of different types of ethical enterprise development. The main focus of research so far has been on Codes of Conduct in Ethical Trade and Socially Responsible Business development. There have been a number of reviews of implementation (refs to DFID papers) and academic research (eg Barrientos 2000). These have highlighted a number of issues:

- many large companies source from a wide range of countries, with a wide variation in labour conditions and in local employment regulations, cultural norms. Some supply chains can also be very complex, based on outsourcing and subcontracting, or involve the integration of large numbers of producers. Applying a generic code of conduct to large numbers of heterogeneous suppliers is a considerable challenge (Barrientos 2000).
- even where unionisation is permitted and unions are included in the verification process, particularly vulnerable groups are often reluctant to be critical of existing practice, for example women, youth and racial minorities. A major challenge is how to represent the needs and interests of weaker groups in this process and ensure that it is not merely a top-down paper exercise (Barrientos 2000).
- Codes of conduct are inherently limited in that they only apply to employment conditions. They are not designed to address the non-employment problems of workers in export sectors, e.g. childcare, transport, housing, periods of unemployment. Ethical trade also does not cover broader social issues, such as poor health, lack of education, gender discrimination and lack of social welfare (Barrientos 2000).
- There is concern about tokenism eg as regards child labour. It is much easier and more common for companies to cease trading with suppliers using child labour than to invest in improvements in child welfare and working conditions as advocated by Guidelines on Children by DFID and Save the Children's Small Hands Big Business guide to businesses.

It is clear therefore that such initiatives are not an easy alternative to Fair Trade, but are essentially complementary.

4.2 IMPLICATIONS FOR FUTURE IMPACT ASSESSMENT

Comparative impact assessments of ethical enterprise development and/or private sector development will face the same challenges as those identified for Fair Trade above. It will be particularly crucial to:

- ensure that criteria and indicators are consistent across different types of intervention
- that different stakeholders are involved
- that particular activities and organisations to be assessed are carefully analysed
- that hypotheses about their relative impacts are carefully thought through

A checklist of questions to be borne in mind when commissioning any impact assessment of ethical enterprise development is given in Box 7.

In the case of ethical enterprise development there is considerable potential for impact assessment to provide an initial stage in a sustainable and participatory learning process which can in itself be an important contribution to poverty reduction and empowerment. A particularly useful initiative with relevance for all types of ethical enterprise development is the work currently being done on stakeholder negotiation by the Centre for Socially Responsible Business (Tennyson 1998).

BOX 7: CHECKLIST OF QUESTIONS IN COMMISSIONING AN ASSESSMENT

1) What is the purpose of the impact assessment?

- To justify continuing support for an ongoing project?
- To assist in developing a further phase in an existing project?
- To assess the necessity or feasibility of Fair Trade intervention?
- To compare different possible levels and types of Fair Trade intervention?
- To compare the impact of Fair Trade with other types of private sector development?
- To assess the effectiveness of DFID support?

2) What criteria and indicators are to be used?

- How are they to be decided and by whom? In particular how are the priorities of the most disadvantaged to be represented?
- Do they include social, political and/or environmental criteria? Are the criteria used gender-sensitive?
- How are quantitative and qualitative indicators to be derived?

3) Who is to be involved in the impact assessment?

- At what stages are primary stakeholders to be involved in the assessment? Only as respondents in the sample? In influencing the questions to be asked? In setting criteria and indicators? As researchers in the process of assessment itself? In analysis of the findings? In monitoring the outcomes?
- Which primary stakeholders are to be included in the sample and how are they to be categorised? Are they differentiated by types of enterprise or work contract? By gender? What other dimensions of difference might be relevant?
- How is the participation of the most disadvantaged to be assured? How is the participation of women to be assured?
- Which secondary stakeholders are to be involved and with what levels of influence over the assessment process?

4) Which particular interventions are to be assessed?

- Are hypotheses sufficiently explicit for quantitative or qualitative analysis?
- How are unanticipated impacts to be captured?
- How is attribution to be addressed?

5) How are contextual factors to be included?

- Is there to be a control group or baseline study? How has this been designed?
- If not how is the influence of economic and socio-political context to be assessed?
- Is there a comparison with private sector development and/or other types of enterprise intervention?

6) How are the findings to be fed into practice?

- How are findings to be disseminated and to whom?
- How does the impact assessment contribute to setting up a participatory monitoring and evaluation system?
- Does the assessment include **capacity building of producers themselves** and also where feasible communities
- Does the assessment contribute to **networking, learning and accountability** between organizations?

APPENDIX 1: ETHICAL ENTERPRISE DEVELOPMENT: BACKGROUND TO CURRENT DEBATES

Ethical principles in enterprise development and business practice have a long history. They are by no means a Northern invention. Ethical business principles have been advocated by most major religions, including Islam, Hinduism and Buddhism as well as Christianity. In many cultures it is market individualism rather than ethical principles which are seen as external Northern impositions. Ethical principles have been further developed since the beginning of the twentieth century through the demands and concerns of grass-roots struggles and trade union organisations, the international co-operative movement, indigenous philanthropy and national movements like the anti-colonial struggle in India led by Mahatma Gandhi. All of these have seen themselves in various ways as champions of human rights and poverty elimination through alternative forms of enterprise development. There is also a long history of charitable or philanthropic activities by mainstream businesses, for example the work by the Rowntree Foundation in Britain and the Tata Institute in India since the early Twentieth Century.

Ethical enterprise: grassroots producer organizations

The bases of ethical enterprise development are alternative producer organisations in the South. Those involved in the Fair Trade movement are generally co-operatives or Unions which target or target particularly disadvantaged groups of producers like marginal farmers, sharecroppers, informal sector workers and home workers.

Many of these organisations predate the Fair Trade movement and originated independently of any Northern support. Cooperative development goes back to the end of the last century in many countries. In India [SEWA](#) (Case Study forthcoming) has been organising women informal sector workers since the 1970s and formed handicraft co-operatives in the 1980s. SEWA and many other Indian women's organisations and NGOs aim to give producers and workers a fair income, good working conditions and contribute to empowerment. Many have showrooms which sell the products to both the national and export markets. They also have sales outlets through the government handicraft markets. They differ in the degree of member participation in commercial decision-making from organisations with fully representative elected structures like SEWA to service organisations like Sasha which purchase goods from producer groups for on selling in Fair Trade markets. Many of the co-operatives which are now part of the Fair Trade movement in commodities in Africa and Latin America are part of long established peasant movements or state-sponsored co-operative development. This was the case with the co-operatives supported by Café Direct in Latin America and the Tanzanian coffee co-operatives.

Other organisations have been set up largely as a response to the opportunities offered by Fair Trade. For example many NGOs in Bangladesh and India have

recently become involved in Fair Trade. There is increasing emphasis on national and regional networks and South-South links. One example is ECOTA Forum in Bangladesh.

BOX A1.1: GRASSROOTS ORGANIZATIONS

SOME FT HANDICRAFT ORGANIZATIONS IN INDIA

SEWA-Lucknow a micro-finance programme for embroidery workers which also sells embroidery products through Indian Fair Trade networks

Sasha a Fair Trade exporting organization developing producer groups to sell through their Fair Trade contacts.

PRADAN: a micro-finance programme operating in North India which has also developed Fair Trade silk products. It aims to have an impact on local wages and prices for products through guaranteeing prices through its own outlets.

SOME FT ORGANIZATIONS IN COMMODITIES

Tanzanian cooperative unions supplying FT coffee. Long-established organisations that played a pivotal role under the state controlled marketing system. They have since faced increasingly intense competition from private trade with market liberalisation. FT organisations have been buying coffee from Tanzania via parastatals since the 1970s. Since direct purchase became possible in the early 1990s, a range of European, North American and Japanese FT organisations have bought coffee from four Tanzanian cooperatives (Jones and Bayley 2000).

Cafe Direct 1992 originated from Twin Trading's relations with Mexican coffee producers. After the initial successful sale of green coffee on the London wholesale market, the producer groups bought out the former merchant's coffee processing plant. In co-operation with other coops they then set up their own export organisation with loans from the Dutch ethical fund EDCS. In 1989, world coffee prices collapsed and the co-ops together with Twin decided to go beyond the London wholesale market by developing a fair trade brand. Cafe Direct was established as a joint venture between Twin, and three 'alternative distributors', Traidcraft, Equal Exchange (serving wholefood shops) and Oxfam. By the end of the 1990s the three Cafe Direct products were in 85% of the main supermarket stores, accounted for 4% of the Roast and Ground coffee market in the UK and 2% of the freeze dried instant. The coffee is sourced from 16 groups of producer co-operatives, representing in all 250,000 farmers. These groups meet together every two years and there are regular bilateral visits between Twin and the producer organisations, with Twin funding support workers ('promotores') in a number of the co-ops. In 1999 Café Direct launched Tea Direct, supplied from East Africa.

Cafe Direct has been a new departure in the establishment of fair trade brands:

- CD aims at the mainstream market, building up its volume by targetting a series of niches, currently so called 'semi ethicals' (principally women between the age of 25 and 45)
- it can invest in extensive advertising (its current marketing budget is £1.2 million)
- it sources its coffee directly from producers, seeking out and developing new sources of supply rather than confining itself to established associations.
- it provides premium payments above those stipulated in the European Fair Trade coffee regulations, and, via Twin, provides support for the producer organisations.

(Source Murray and Tiffen 2000)

From charity to advocacy: the evolution of Northern Fair Trade Organizations

The first Northern alternative trade or solidarity trade organisations were formed in the 1970s and 1980s. These included organisations like Oxfam, Traidcraft and Tear Fund which provided alternative Northern market outlets for poor and marginalised producers. These generally started with handicrafts and then diversified into food products. Other organisations like Stichting Idee Import¹¹ in Netherlands and Twin Trading aimed to explicitly challenge power structures in the international economy through importing goods from states which had been marginalised in international trade. Here the main relations were with governments, for example the coffee campaign to support the Sandinistas in Nicaragua.

This growth in alternative and solidarity trade organisations was accompanied by growing consumer awareness and concern to use their market power through 'boycotts' of products from countries or companies shown to have bad human rights records and 'buycotts' of products from countries and companies considered to have an ethical agenda. Key examples here where the boycott of goods from South Africa and Chile and support for goods from countries like Nicaragua. From the late 1980s, following the end of the Cold War and political changes in the countries targeted by boycotts and buycotts, attention focused more on companies and building up producer organisations as a challenge to existing power relations in marketing chains, particularly multinationals. This began with the establishment of fair trade mark organizations like the Max Havelaar Foundation founded in 1988 in the Netherlands¹².leading to the introduction of 'ethical brands' in commodities like coffee and tea like Cafe Direct in 1992.

¹¹ **Stichting Idee Import**, established in the late 1970s by Karl Grasvelt to import goods from third world states which were marginalised in international trade

¹² **Max Havelaar Foundation** established in 1988 by Nico Rozen in Holland. Its aim was to move beyond solidarity trade through making an alliance with small national firms who faced competition from large food transnationals. The starting point was to create a coffee mark indicating that the coffee had been bought at a premium price from small farmers.

BOX A1.2: UK FAIR TRADE ORGANIZATIONS

Oxfam Fair Trade began importing crafts from the early 1970s, and sold them alongside second hand clothes in their High Street shops. Oxfam links handicraft and food producer groups to Northern consumers through its own retail outlets but also aims to make producers independent exporters in the long term. It explicitly targets poor producers as a development intervention (link to Case Study).

Traidcraft was formed in the late 1970's as a result of a split in Tear Fund over the restriction of supplies to the religious groups themselves. Like Oxfam, Traidcraft originally focussed on crafts, but later diversified to include food. Traidcraft supports business development service providers in-country and provides export assistance, wholesale and import facilities. It has its own retail outlets but aims mainly to link producers to the mainstream. There are two parts to the Traidcraft group:

- *Traidcraft plc*: a trading company which imports and distributes fair trade products from over 100 producer groups. Its distribution network comprises over 5,000 individuals, as well as wholesalers and retailers. It was a founder, and is a co-owner of Cafédirect Ltd.
- *Traidcraft Exchange* a charity which receives funding from DFID, the EU and other funding sources. It builds the capacity of southern producer groups to engage in trade with the North, raises public awareness of fair and ethical trade, and seeks to influence the trading practices of the mainstream business sector in the UK. It works with and through partner organisations in Tanzania ([AMKA](#)), The Philippines, South Africa ([Just Exchange](#)), India (IRFT), Bangladesh (ECOTA Forum) and Zambia (Zambili d'Afrique).

TWIN TRADING established by the Greater London Council in 1985 in response to requests from countries who found themselves disadvantaged by the international trading regime. An initial conference of 20 countries led to the formation of a trading body to assist them. In its first five years Twin Trading inter alia commissioned a pineapple factory in Vietnam, identified UK supermarket outlets for Mozambican lychees, bought designer fabrics from Cuba, and arranged for Nicaraguan glycerine to be sold in Europe so that they could buy Italian soap making equipment. Since the early years Twin Trading aims to explicitly challenge power structures in the international economy through linking grassroots organizations of commodity producers in the South with Northern FT consumers. Examples are their support for Kuapa Kokoo and Café Direct.

In 1989 these FTOs came together to form the International Federation of Alternative Trade in 1989 (IFAT). National networks were established. In UK Fair Trade Foundation was formed in 1992 rapidly followed by organisations in other European countries which in turn formed a European Federation of Fair Trade mark organizations (EFTA) in 1997. The use of FT labels ensures that the organisations that use the label, and the producer groups from whom they purchase raw materials, comply with specified conditions. These conditions are set in such a way that, so far as is possible, they reflect the spirit of the fair trade movement's origins (See Appendix 2). Many FTOs also seek to identify new products, and new methods of production (notably organics).

BOX A1.3: FAIR TRADE NETWORKS AND ADVOCACY

INTERNATIONAL NETWORKS

International Federation of Alternative Trade (IFAT) established in 1989 following an inaugural meeting addressed by Bert Beekman, the general secretary of Max Havelaar.

European Fair Trade Association (EFTA) a federation of national fair trade mark organisations established in April 1997 to set common European standards for the marks, commodity by commodity. There are now joint committees which supervise the regulations and supplier registration for coffee, cocoa, tea, honey, sugar and bananas.

FINE: A very loose network of organizations: FLO International, IFAT, NEWS, and EFTA. The European Commission (1999) notes that this is the first definition to enjoy wide agreement across the movement.

NEWS: Network of European World shops, includes the British group of fair trade retailers, British Association of Fair Trade Shops (BAFTS).

Fairtrade Labelling Organization (FLO) International an international umbrella organization of 17 national labeling organizations set up in 1997.

NATIONAL NETWORKS

Fair Trade Foundation a steering group of UK INGOs established in 1992. Includes a number of the large non trading NGOs like Christian Aid and CAFOD, who aimed to use ethical consumers as an instrument to change not just small processors (as in Holland) but the transnationals themselves. Activities have included negotiations with Typhoo Tea, one of the largest tea brands in Britain.

ECOTA FORUM, Bangladesh A membership organization of Fair Trade NGOs and private sector partner organizations set up in 1990 (!link to Case Study)

AN EXAMPLE OF ADVOCACY

In its Fair Trade Yearbook (Towards 2000) the European Fair Trade Association (EFTA) provides a list of its proposals to the EU to promote equitable international trade, which can be summarised as follows:

- *Preferential treatment (such as reduced import duties and VAT rates) for products carrying a fair trade label;*
- *A coordinated approach to support fair trade by the EU and its member states;*
- *The recognition of fair trade labels by the EU, and the promotion of fair trade labelling within the WTO;*
- *The use of fair trade principles (including guarantees of minimum commodity prices) as a model for the EU'S relations with all developing countries once the fourth Lomé Convention expires;*
- *The abolition of EU measures (such as the Common Agricultural Policy, quotas, and escalating tariffs) that frustrate the development of export markets in Europe by southern producers;*
- *The 'adoption of a system of preferences which takes account of the different level of development of producers in different developing countries*
- *The representation of southern producer groups on international bodies such as the International Coffee Organisation, the WTO and UNCTAD,*
- *The rejection of proposals that the EU definition of what constitutes chocolate be amended to allow for the use of vegetable fats other than cocoa butter, and*
- *A European coffee agreement with the aim of stabilising the market through price controls.*

Source: Jones and Bayley 2000

From margin to mainstream

By the end of the 1990s the interest in ethical approaches to business increasingly spread into the mainstream in Northern industrialised countries and in many development aid agencies. It was increasingly argued that all businesses should take ethical concerns into account. This was the result of the confluence of a number of different trends.

Firstly there has been a change in the political environment with the advocacy of the 'Third Way' by many Northern governments as an alternative to previous opposition between neoliberal and socialist policies in the 1970s and 1980s. This led to increasing calls for regulation of business practice on moral grounds,

affecting domestic business policies in Northern industrialised countries and also the enterprise development policies of their aid programmes. These changes have been particularly marked in DFID since 1997. Some Southern governments have also modified their internal policy, laws and institutions to meet international conventions. Some countries like Uganda and Cambodia which have had to rebuild their policy, legal base and institutions following major internal conflict have introduced much more ethical business frameworks. A number of multilateral organisations have also developed ethical business policies, particularly ILO and EC and even World Bank. These trends are likely to continue with the changes in international trade agreements following the recent challenges to the WTO.

Secondly changes in production processes because of technology change and globalisation led to a growing body of new management theory. This stressed the importance of providing an enabling and empowering environment for workers to develop their own creativity to contribute to both product design and more effective technology as an essential part of increasing productivity. This has led to the renewed interest in more participative forms of management which are increasingly becoming accepted practice across all types of enterprise in Northern industrialised countries. To some extent this builds on earlier debates about cooperatives and co-operative management.

Thirdly there have been changes in the market environment and behaviour of both consumers and investors. Concerns with social and environmental issues now extend far beyond dedicated supporters of alternative trade organisations. This change was accelerated by the environmental movement which made consumers, particularly in the North, more concerned about the ways in which goods are produced on health grounds as well as global environmental grounds. These self-centred concerns have led to increasing questioning of companies and has had some spin-off effect on attitudes towards goods perceived to be produced through exploitation of the workforce, particularly children. These concerns have been reinforced by advocacy on the part of NGOs and lobby groups who have exposed practices of targeted companies, particularly multinationals. This has increased the market consumer pressure on companies to conform to broad ethical standards. There has also been a growth in interest in ethical investment which has increased the funds available for ethical enterprise and also led some shareholders to question the practices of the businesses in which they invest.

There are currently a number of complementary approaches to ethical enterprise development:

- Fair trade
- Ethical Trade
- Socially Responsible Business Practice
- Ethical Investment
- Ethical consumerism

These are to a certain extent distinct in their emphasis and the prime stakeholders involved (See Box A1.4). Nevertheless boundaries are becoming increasingly blurred with the increasing emphasis on advocacy and consultancy by FTOs for mainstream business, the spread of interest in Codes of Practice from large to medium and small-scale enterprises and the important linkages between these and ethical investment and ethical consumer movements.

BOX A1.4: COMPLEMENTARY STRATEGIES IN ETHICAL ENTERPRISE DEVELOPMENT: DEFINITIONS, EXAMPLES AND DISTINCTIONS

FAIR TRADE : ‘a trading partnership which aims at sustainable development for excluded and disadvantaged producers. It seeks to do this by providing better trading conditions, by awareness-raising and by campaigning’ (FINE quoted in OPM study)

SOCIALLY RESPONSIBLE BUSINESS: ‘ concerned with making a positive impact on society through relations with its stakeholders, such as employees, suppliers, customers and the communities in which it operates’ (DFID in Walker 1998).

ETHICAL TRADE: this is sometimes defined *broadly* as ‘trade in goods produced under conditions that are socially and/or environmentally as well as economically responsible’ (Blowfield et al 2000 and NRET). In this case Fair Trade is a type of ethical trade and ethical trade is part of what a socially responsible business should be doing. As used by the Ethical Trade Initiative (ETI) it is defined narrowly to refer to *ethical sourcing* which refers mainly to the promotion of instruments such as codes of conduct along a supply chain.

	Primary stakeholders	Distinctive focus	Types of support or intervention by FTOs, NGOs and/or donors

Fair trade	<ul style="list-style-type: none"> • small-scale producers • Fair/Alternative Trade Organizations and networks • Fair Trade labelling and regulatory organizations 	<ul style="list-style-type: none"> • increasing access to markets, particularly export markets in handicrafts and commodity production • changing power relations within markets and supply chains • developing innovative forms of organization and partnerships between producers 	<ul style="list-style-type: none"> • provision of skills development in production and marketing • facilitation of market linkages with export markets and/or consumers through information or direct purchase • organizational development • provision of some price support against market fluctuations and/or payment of a premium to producers or to communities • provision of finance to producers
Socially Responsible Business	<ul style="list-style-type: none"> • larger business and multinationals • trade unions and employees • advocacy and lobbying organizations including ILO 	<ul style="list-style-type: none"> • changing business practice through: <ul style="list-style-type: none"> • international agreements • national legislation • voluntary codes of conduct 	<ul style="list-style-type: none"> • provision of discussion for a <ul style="list-style-type: none"> • expertise in negotiation
Ethical sourcing	<ul style="list-style-type: none"> • larger businesses and multinationals adopting voluntary codes of conduct • ethical businesses producing fair trade brands <hr/> <ul style="list-style-type: none"> • small producers in the same marketing chains 	<ul style="list-style-type: none"> • renegotiating values at different stages of the marketing chain to increase profits/incomes/ price savings to primary producers/employees and consumers (is returns the right phrase in relation to workers? Rather about their overall working conditions?) 	<ul style="list-style-type: none"> • provision of discussion fora • provision of expertise in negotiation

Ethical Investment	<ul style="list-style-type: none"> • shareholders 	<ul style="list-style-type: none"> • changing investment policies of companies to reflect ethical principles • changing investment decisions of shareholders to favour ethical investment companies 	<ul style="list-style-type: none"> • awareness raising
Ethical Consumerism	<ul style="list-style-type: none"> • consumers 	<ul style="list-style-type: none"> • changing choices made by consumers to reflect ethical values and put market pressure on business 	<ul style="list-style-type: none"> • awareness raising

APPENDIX 2: FAIR TRADE CODES OF PRACTICE

(reformatted from Appendix in Jones and Bayley 2000)

A2.1 THE INTERNATIONAL FEDERATION FOR ALTERNATIVE TRADE (IFAT)

The International Federation for Alternative Trade (IFAT) aims to improve the livelihood of disadvantaged people in developing countries by linking and strengthening organizations that offer just alternatives to unfair trade structures and practices. IFAT members come together in solidarity and mutual cooperation to create an alternative and fairer way of doing business. IFAT is a federation to promote fair trade and a forum for the exchange of information to help members increase benefit to producers. IFAT members include southern and northern alternative trading organizations (ATOs) and producer organizations, and also organisations which support the objectives of IFAT but are not directly involved in trading. The following agreements were approved at the 1995 IFAT Conference, New Windsor, Maryland, USA 13 May 1995.

IFAT members share the following practices:

1. ***Commitment to Fair Trade*** - To trade with concern for the social, economic and environmental well-being of marginalized producers in developing countries. This means equitable commercial terms, fair wages and fair prices. Unfair trade structures, mechanisms, practices and attitudes will be identified and avoided. To cooperate and not compete. To promote fair trade and social justice in the interest of the producer, and not to maximize profit at the producer's expense.
2. ***Transparency*** - To openly share financial information; management policies; business practices; product sources; production, marketing and development program plans on a regular basis. This enables both members and the public to assess IFAT's, and each organization's, social and financial effectiveness. This openness is tempered with respect to sensitive commercial or political information.
3. ***Ethical Issues*** - To reflect in their structures a commitment to justice, fair employment, public accountability and progressive work practices. To seek the greatest possible efficiency at the lowest cost while involving workers in decision-making and management as appropriate to each organization. To aim for adequate income for workers to meet their basic needs, including health care, education and the capacity to save.
4. ***Working Conditions*** – To ensure a safe working environment that satisfies at a minimum all local statutory regulations. To provide the opportunity for all individuals to grow and reach their potential. To ensure that work is carried out under humane working conditions, using appropriate materials and technologies, while following good production and work practices.

5. **Equal Employment Opportunities** – To oppose discrimination and ensure equality of employment opportunities for both men and women who suffer from the exploitation of their labor and the effects of poverty and racial, cultural or gender bias.

6. **Concern for People** – To promote development which improves the quality of life and which is sustainable for and responsible to both people and the natural world. There will be no exploitation of child labor. Trading activities should not violate indigenous peoples' claims on land or any resources of vital importance to their way of life.

7. **Concern for the Environment** – To encourage the trading of goods which are environmentally friendly. To manage resources sustainably and to protect the environment.

8. **Respect for Producers' Cultural Identity** – To encourage production and development of products based on producers' cultural traditions and natural resources. To promote producers' artistic, technological and organizational knowledge as a way of helping preserve and develop their cultural identity.

9. **Education and Advocacy** – To promote fair trade by encouraging people to change consumption patterns based on issues of social justice and concern for the environment. To support campaigns or campaign for national and international policies that will improve the living conditions of the poor in developing countries. To increase public and corporate consciousness of alternative trade as an effective means to change unfair international trade structures and attitudes. To increase awareness of cultural and traditional values of the South in order to promote intercultural understanding and respect.

Working Relationships

Organizations participating in fair trade shall establish their relationships within a framework of solidarity, trust and mutual respect, avoiding prejudice or harm to their colleagues' images and reputations. These relationships are based on reciprocal benefits and fair exchanges and should be of a nature that extends beyond trading itself. IFAT members and observers agree to negotiate our differences through open and direct dialogue.

1. **Relationships between Alternative Trading Organizations (ATOs) and Consumers** - ATOs both provide consumers with high-quality, fairly priced products and educate and inform. ATOs recognize that good customer care - including respect for the customer, honest marketing techniques and provision of information - is both an ethical issue and a means of benefiting all parties in the trading cycle. Through consumer feedback ATOs will receive market and product information.

2. Relationships between ATOs: As representatives of the producers, ATOs should make efforts to coordinate their activities and help each other achieve commercial efficiency at the least possible cost in order to open up markets to benefit the producers. Their cooperation and commercial transactions shall be based on a clear and efficient work division according to their different geographical locations and resources. ATOs cooperate with each other by exchanging information about products and market needs and ways of meeting them, including joint supply and marketing. They seek to avoid both duplication and exclusivity in agreements for marketing and representation. They also aim to cooperate by obtaining funding for themselves and producer organizations through credits, loans and working capital and optimizing existing resources.

3. Relationships between ATOs and Producer Organizations: The function of the ATO is to buy and sell, and the function of the producer organization is to produce and sell. Their commercial relationship should be complemented with other actions addressing the overall situation. Market information, product feedback, financial support and other relevant services are available according to members' and observers' capability. Taking into account the skills and resources of producers, ATOs and producer organizations seek to improve the quality, acceptability and range of their product offerings. Both ATOs and producer organizations agree to be responsible and professional in meeting their commitments in a timely manner.

4. Relationships between Producer Organizations - Cooperation between producer organizations should be frank, open and based on mutual respect to benefit their members. They avoid competition by not duplicating the designs or patterns of another group without permission. They exchange information, have joint training workshops, take collective action and will, where possible, meet to discuss common issues.

A2.2 FAIR TRADE LABELLING: FLO INTERNATIONAL GUIDELINES

Conditions for the Use of FT Labels

Whilst the precise conditions (particularly those relating to producer prices) that organisations must meet in order to qualify to use the fair trade label vary by commodity, the following generalisations are possible.

- 100% of the commodity that is processed to be sold under a fair trade label has to be purchased directly from an organisation that appears on the FLO International producers register for the commodity in question.
- The purchase price must be fixed in the way that is specified by FLO International. For all of the seven commodities for which a FLO International label has been established (coffee, cocoa and cocoa products, tea, honey, cane sugar,

orange juice, bananas) producers are guaranteed a minimum price which covers production costs. If the world price rises beyond the minimum price level a premium becomes payable to producers for certain commodities. For other commodities social premiums may also be specified, either instead of, or in addition to, producer price premiums.

- Producers must be provided with access to credit facilities, when harvest begins, up to a value of 60% of the contract value.
- Relations between producers and buyers must be based on long term contracts.
- A fee should be paid to FLO International/the national organisation for use of the label.
- The organisation using the label must facilitate the monitoring of compliance with specified conditions.

Conditions for Inclusion on the Producers' Register

For the majority of commodities for which FLO International has labels producer organisations are typically required to meet the following conditions:

- The majority of the organisation's members are small-scale producers;
- The organisation is democratic, is run in an accountable and transparent manner, and is controlled by its members;
- The organisation does not engage in political, racial, religious or sexual discrimination, and is open to new members; and
- The organisation subscribes to the same general principles and objectives as FLO International (ie motivated by a desire for solidarity, improvements in the quality of production, and economic, organizational, social and sustainable development).

Where a commodity is produced on a plantation the conditions that the producer organisation must meet include the following:

- Employees should be paid a minimum wage (set by a competent body), benefit from any other minimum working conditions that are specified by government, and have the opportunity to be represented and engage in collective bargaining;
- The organisation should not engage in political, racial, religious or sexual discrimination;

- No children under the age of 14 should be employed;
- The use of the fairtrade premium should be determined jointly by representatives of the organisation's management and representatives of a majority of the workers.

Responsibilities of the National Fair Trade Initiatives and FLO International

The national fair trade initiatives and FLO International commit themselves to:

- Promoting the fair trade label, and the values behind the label, with consumers;
- Maintaining the producers' register, and in particular to maintaining contact with, and extending assistance to, registered producer groups; and
- Verifying that organisations using the FT label comply with the requirements of the labelling organisations.

APPENDIX 3: POSSIBLE FUTURE EMPIRICAL STUDIES

- 1) **Comparative study of micro-level impact of different types of fair trade initiative** to compare their contribution to the range of development indicators for different target groups, including gender impact and impact on product and labour market conditions for other small-scale producers. The study would identify clear hypotheses about different potential impacts of different types of intervention on different types of stakeholder and select countries where the different types of impact on direct and indirect beneficiaries could be meaningfully compared across contexts. For example:
 - **different types of primary commodity and/or handicraft markets** to complement and possibly extend the existing assessment of Kuapa Koko comparing Ghanaian cocoa with e.g.
 - Banana farmers in Caribbean ie comparing the situation before and after the introduction of fair trade bananas from the Caribbean in July 2000
 - Fruit farmers working for Tropical Wholefoods (and their subsidiary Fruits of the Nile) and farmers selling to mainstream dried fruit companies such as Whitworths
 - Embroidery, silk and other FT handicraft workers working for SEWA, PRADAN and Sasha in India and/or for BRAC, PUP, Swallows in ECOTA Forum Bangladesh. The contribution to women's income and empowerment would be compared to that of other NGOs. local private sector enterprises and other donor (including DFID), government-and NGO-sponsored training, credit and marketing programmes
 - **different types of ownership and decision-making structure:**
 - Individual smallholders versus cooperatives with different membership requirements
 - Commercial companies/NGOs/federations of grassroots organizations
 - **different marketing outlets:**
 - niche market outlets(eg through Traidcraft, Oxfam fair trade);
 - fair trade branded products sold through mainstream outlets (eg Café Direct, Tropical Wholefoods);
 - products sold as a mainstream product through mainstream outlets but with fair trade practice or different types of Codes of Conduct/ quality management (eg Typhoo tea).
- 2) **Southern Fair Trade Organizations** and the particular problems and constraints they face.
 - Are the contributions of Southern Fair Trade initiatives to local development similar to, or different from, those of Northern based organizations? eg does production for the local market give greater potential for producer control and empowerment? Is there a need for different FT criteria?
 - How could the constraints they face be overcome? In particular how do they increase market share? What sorts of market linkages are possible with the private

sector? How can FTOs link with local women's and environmental movements? What sorts of advocacy strategies are needed?

- How do the issues and possible strategies differ between countries e.g. large country with relatively large and potentially sympathetic middle-class public like India and South Africa, smaller poorer countries like Bangladesh or Zambia?
- How do the Northern and Southern initiatives link with each other?

3) **Meso and macro-level impacts of fair trade** on the wider economic social and physical environment compared with mainstream private sector development. Most impact assessments have been mainly concerned with direct beneficiaries with or without control groups. There is a need to:

- develop methodologies to compare Fair Trade and private sector development which take into account the range of criteria to be covered and the high levels of secrecy often shown by private sector companies about working conditions
- increase the sophistication of models explaining the ways in which Fair Trade interventions impact on meso-level and macro level processes in particular: labour markets (eg wages, terms of employment), gender stereotypes, management practices and development of alternative networks and linkages between different parts of the production process.
- look at appropriate ways of linking impact assessment of different types of enterprise into a sustainable system for learning and information exchange on ethical enterprise development.

4) **Market research to identify new types of market and product**

- Market research on different potential interventions for food processing on the local and international markets
- Methodologies for market research for programmes and grassroots groups

5) **Monitoring and evaluation methodologies** and compare their relative reliability and usefulness for programme improvement e.g. looking at methodologies used by NGOs (eg Traidcraft Exchange and Oxfam fairtrade) and those used by commercial fair trade companies such as Café Direct and Tropical Wholefoods.

This would look at:

- the ways in which criteria are identified, how the monitoring and evaluation is integrated with ongoing programme/enterprise management, how the findings are fed into programme learning.
- how information on macro level impact and markets can best be collected
- ways in which members/participants can be facilitated to collect material useful to them, how its reliability can be increased and how this information can itself contribute to increasing impact.
- Ways of networking between programmes to increase understanding of particular contexts and learning across different types of organisation bearing in mind issues of commercial competition and also competition for donor funding.

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ID21 Insights March 2001 issue No 36 contains some critical summary articles on ethical trade (www.id21.org/insights/insights36)

Useful Resource on Stakeholder Negotiation for Ethical Enterprise Development

Tennyson, R. (1998). Managing partnerships: tools for mobilising the public sector, business and civil society as partners in development. London, The Prince of Wales Business Leaders Forum.

Useful website links

Natural Resources for Ethical Trade (NRET) on Natural Resources Institute's website <http://www.nri.org/NRET/nret.htm> This also gives information on Social Dimensions of Business Practice.

Oxfam website for information on their FT programme, partners and links to other Fair Trade organizations and websites (<http://www.oxfam.org.uk/>)

Traidcraft for information on their FT programme, partners and links to other Fair Trade organizations and websites(<http://www.traidcraft.co.uk/>)

IFAT for information on their FT programme, members and links to other Fair Trade organizations and websites www.ifat.org

Fairtrade Labelling Organization (FLO) International <http://www.fairtrade.net/>

Centre for Social Dimensions of Business Practice (SDBP) <http://www.rc-sdbp.org/>

LIST OF EDIAIS CASE STUDIES ON FAIR TRADE

- 1) Kuapa Kokoo, Ghana
- 2) AMKA, Tanzania
- 3) Just-X, South Africa
- 4) TEEM, Malawi
- 5) ECOTA-Forum and DFID-funded BEMAP project, Bangladesh (forthcoming)
- 6) SEWA (India) (forthcoming)
- 7) Oxfam Fair Trade