EC COOPERATION &
FAIR TRADE

Information Note

September 2009
The present document was developed by EuropeAid (Unit E6, together with E2, in collaboration with other EC services), in response to requests from some Delegations for more information on market access and sustainability claims. The European Commission funds action to support fair and ethical trade in developing countries, mainly but not exclusively through calls for proposals. Reports and information on this action and on the impact of Fair Trade in general are slim and do not allow us to propose clear guidelines on how this should be supported. This note is therefore a working document that provides some background information for Delegations who are involved in Fair Trade and other sustainability schemes. It does not represent the definitive views or recommendations of the Commission but calls for comments and further information from the field.

Comments can be sent to EuropeAid-E6-natural-resources@ec.europa.eu.
# Table of Contents

1. Introduction ...................................................................................................................... 4  
2. Context And History......................................................................................................... 4  
3. Fair Trade Principles And Networks ............................................................................. 5  
4. The Fair Trade Market..................................................................................................... 9  
5. Other Sustainability Claims & Corporate Social Responsibility (CSR) ...................... 11  
6. EU Policy Agenda On Fair Trade And Other Sustainability Trade-Related Schemes .... 12  
7. Issues And Challenges Concerning Fair Trade ............................................................ 13  
8. Commission Cooperation In Fair Trade ....................................................................... 15  
9. Conclusions .................................................................................................................... 17  

## Annexes

- **Annex 1 — Existing Fair Trade standards**
- **Annex 2 — Fair Trade organisations in the World**
- **Annex 3 — Some Corporate Responsibility Schemes**

*Photograph on cover page: Demostenes Uscamayta Ayvar/Ucodep © from EC-funded project PB76000/PVD/2000/516/IT - Endogenous rural development in the Jamao area, Dominican Republic.*
1. INTRODUCTION

In May 2009, the Commission adopted a Communication\(^1\) to Council and Parliament, exploring the role of Fair Trade and other sustainability assurance schemes, and making some preliminary considerations on the role of European public authorities and other stakeholders in this field. The communication is a further reaction to the 2006 Resolution of Parliament (Report on Fair Trade and Development) promoting Fair Trade and other trading initiatives aiming to raise social and environmental standards.

Up to date direct EC portfolio in this field is limited and not sufficient to draw lessons. Through this Note methodological support is thus provided to frame and improve actions and initiatives in this domain, through an analysis on the current situation regarding Fair Trade and other sustainability schemes, their contributions and challenges. Further work has however to be done in order to develop further guidance based on direct EC experience.

2. CONTEXT AND HISTORY

World commodity markets have experienced increasing volatility in the prices of raw products such as sugar, cotton, cocoa, banana, rice and coffee over the last thirty years. These price fluctuations have an impact on the day-to-day revenue of small commodity-dependent producers and curb their productive investment in the long run.\(^2\) This is especially true for the smallest producers, which have high-risk exposure but can hardly secure their revenue against price volatility on the main commodity trading markets. In addition, small-scale producers often face high transaction costs and have poor access to market information.

The increasing openness to trade and foreign direct investment has brought global competition down to local markets. Commodity supply chains tend to be long and negotiating power tends to be concentrated in the centre and towards the consumer end. Small producers have generally limited power to negotiate the price of their products with traders and intermediaries, in particular if they are not properly organised.

The Fair Trade movement was shaped in Europe in the 1960s, when concern grew over the flaws of multinational corporations and traditional business models. The UNCTAD slogan ‘Trade not Aid’ gained international recognition as interest grew in establishing fair trade relations with the developing world.

Volatility of Agricultural Commodities price

<table>
<thead>
<tr>
<th>Commodity</th>
<th>1980 prices adjusted for inflation (USD/MT)</th>
<th>2002 prices (USD/MT)</th>
<th>2007 prices (USD/MT)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Coffee</td>
<td>852.6</td>
<td>1254</td>
<td>2724</td>
</tr>
<tr>
<td>Tea</td>
<td>406.1</td>
<td>1920</td>
<td>2036</td>
</tr>
<tr>
<td>Cotton</td>
<td>365.0</td>
<td>755</td>
<td>1395</td>
</tr>
<tr>
<td>Rubber</td>
<td>311.7</td>
<td>650</td>
<td>2480</td>
</tr>
<tr>
<td>Cocoa</td>
<td>617.4</td>
<td>1190</td>
<td>1953</td>
</tr>
<tr>
<td>Sugar</td>
<td>553</td>
<td>136</td>
<td>222.2</td>
</tr>
<tr>
<td>Palm oil</td>
<td>3145</td>
<td>912</td>
<td>780</td>
</tr>
<tr>
<td>Coconut oil</td>
<td>1439</td>
<td>420</td>
<td>919</td>
</tr>
<tr>
<td>Copra</td>
<td>904</td>
<td>260</td>
<td>807</td>
</tr>
</tbody>
</table>


The Fair Trade concept was built on a triple commitment on the part of producer, trader and consumer. The consumer is willing to pay a little more for the product in return for an assurance that this will translate into better conditions for the producer. The producer agrees to develop a collective approach to production in the form of producer organisations and to comply with a number of social and ecological standards. And the trader agrees to buy the product at a price guaranteed to cover the production costs, to offer a premium over market prices and to conclude long-term purchasing contracts.

1965 saw the creation of the first ‘alternative trading’ organisation, when the British NGO Oxfam launched ‘Helping-by-Selling’, a programme to sell imported handicrafts in Oxfam stores and from mail-order catalogues. In 1969, the first ‘Worldshop’ opened its doors in the Netherlands. This initiative aimed to bring the principles of Fair Trade to the retail sector by selling almost exclusively goods produced under Fair Trade terms in ‘underdeveloped regions’. This shop was run by volunteers; its success led to dozens of similar shops opened in the BENELUX countries, Germany and other Western European countries.

Although buoyed by ever growing sales, the outreach of Fair Trade Worldshops remained limited. Some felt that these shops were too disconnected from the rhythm and lifestyle of contemporary developed societies. The inconvenience of going to them to buy only one product or two was too much even for the most dedicated customers. The only way to increase sales was to start offering Fair Trade products where consumers normally shop, in large distribution outlets. The problem was to find a way to expand distribution without compromising consumer trust in Fair Trade products.

In 1988, the first Fair Trade label was launched under the initiative of Nico Roozen, Frans Van Der Hoff and the Dutch development organisation, Solidaridad. The first Fair Trade coffee from Mexico was sold in Dutch supermarkets. It was branded ‘Max Havelaar,’ after a fictional Dutch character who opposed the exploitation of coffee pickers in Dutch colonies. In the early ’90s, the Max Havelaar initiative began to be replicated in several other markets across Europe and other such brands developed: Transfair in Germany, Austria, Luxembourg, Italy, the United States, Canada and Japan, the Fairtrade Mark in the UK and Ireland, Rättvisemärkt in Sweden and Reilu Kauppa in Finland. More recently Fair Trade organisations are also developing in Central and Aaestern Europe.

In 1997 the Fairtrade Labelling Organisations International (FLO) was established in Bonn to unite the labelling initiatives under one umbrella to set worldwide standards and certification. In 2002, FLO launched a new International Fairtrade Certification Mark. The goal was to improve the visibility of the Mark on supermarket shelves. In order to avoid conflicts of interest between labelling and certification, FLO split in 2004 into FLO International, which sets Fairtrade standards and provides producer business support, and FLO-CERT, which inspects and certifies producer organisations and audits traders — these are independent.

Certification initiatives have been critical to boosting Fair Trade sales significantly, reaching a larger consumer segment and spreading the principles.

3. Fair Trade Principles and Networks

According to the main Fair Trade networks and as laid down in the Charter of Principles, the definition of Fair Trade is: ‘A trading partnership based on dialogue, transparency, respect, which seeks greater equity in international trade. It contributes to sustainable development by offering better trading conditions to, and securing the rights of, marginalised producers and workers — especially in the South. Fair Trade organisations, backed by consumers, are engaged actively in supporting producers, awareness raising and in campaigning for changes in the rules and practice of conventional international trade’.

There are three different ways to use fair trade terms. The term Fair Trade is used to refer to the Fair Trade movement as a whole, and can be used to describe both labelled and unlabelled goods and the work of ‘related organisations, federations and networks — which have to comply with the Charter of Fair Trade principles. The term Fairtrade is used to describe the certification and

labelling system run by the FLO, designed to allow consumers to identify goods produced under agreed labour and environmental standards. The term fair trade, with no capitals, is broader and is often used to describe one or more of the above, but can also occasionally be used to broadly describe general fairness in trade, such as tariffs, subsidies, worker rights and other issues — not necessarily in line with the Fair Trade principles.

Fair Trading operates through two main circuits:

1) The traditional integrated route which covers the whole production and marketing chain, with goods produced, imported and distributed by specialised organisations who have Fair Trade at the core of their mission and activities. Examples are Fair Trade Original, Oxfam Worldshops, CTM/Altromercato, Gepa, Maya Fair Trade, Ethiquable. In this system all actors in the entire supply chain (producers, workers and traders) become members — meaning that they have to comply with standards, which are controlled and monitored.

2) The other route to market is through Fairtrade labelling and certification. The concern here is for the primary products (mainly food products), which are Fairtrade-certified to guarantee that their production chains comply with Fairtrade standards. The traders can be traditional commercial companies and the distribution channels can be regular retail outlets. The focus here is on the products rather than on the actors. The Fair Trade standards respond to the needs of these two approaches, which to some degree are complementary. The World Fair Trade Organisation — WFTO (previously IFATS) sets the standards for organisations that comply with the first system, while FLO certifies the products circulating through the second route.

Following efforts to set common principles on a more harmonious approach, in February 2009 the Fair Trade Charter was adopted by WFTO, FLO, small producer organisations and other civil society organisations. The Charter goes beyond networks and structures and encompasses core principles of Fair Trade, common to all related initiatives.

The Fair Trade Generic Principles contained in the Charter refer to:
- Market Access for marginalised producers,
- Sustainable and equitable trading relationships,
- Capacity building and empowerment,
- Consumer awareness raising and advocacy,
- Fair Trade as a ‘social contract’.

Further principles refer to decent working conditions (as to ILO conventions), and environmental sustainability.

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### Main features of WFTO and FLO circuits

<table>
<thead>
<tr>
<th></th>
<th>WFTO — Fair Trade</th>
<th>FLO — Fairtrade</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Establishment</strong></td>
<td>1989 (Netherlands)</td>
<td>1997 (Germany)</td>
</tr>
<tr>
<td><strong>Membership</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

- Global network of Fair Trade organisations, with over 300 members in 70 countries: about 2/3 located in the developing countries.
- Association of 20 national labelling initiatives that promote and market the Fairtrade Certification Mark in their countries.

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Working conditions and labour standards

Compliance with decent working conditions include: training opportunities, non-discriminatory employment practices, no child labour or forced labour, access to collective bargaining, freedom of association for the workforce, conditions of employment exceeding legal minimum requirements, adequate safety and health conditions and compliance with local laws and norms.

Environmentally sustainable production

Fair Trade practices aim for efficient use of raw materials, reduced use of energy from non-renewable sources and proper and safe management of waste and water resources. The use of Genetically Modified Organisms — hotly debated among stakeholders — is prohibited, also because intellectual property rights raise questions as to fair pricing. The use of harmful agrochemicals is limited, in favour of environmentally sustainable farming methods that protect farmers’ health and preserve valuable ecosystems for future generations. Although organic certification is not required, adoption of such practices is encouraged. In fact both certifications are often combined, within an overall strategy to expand marketing and get better prices. This strategy also benefits the sellers who can cover more niche markets.

These are not simply a set of principles for socially and environmentally responsible production and trade, they go further by seeking to support the sustainable development of disadvantaged and marginalised small farmers and workers, with a North-South focus. An important feature of Fair Trade activities is that producers must be organised in groups. Strengthening the institutional capacities of producers’ organisations is an important prerequisite for Fair Trade initiatives. Experience in this shows how collective action is a vital aspect of empowering producers in terms of:

- Favouring scale economies at different levels (acquiring inputs, sharing costs, etc…),

- Enhancing overall access to services such as extension, credit, transportation, training, storage and timely information,

- Improving their capacity towards value adding through processing or complying with quality standards,

- Providing the conditions for effective capacity building and cross-learning,

- Increasing overall awareness raising, negotiating and lobbying capacities.

Groups of farmers/workers must be a recognisable legal and fiscal entity and run in a transparent and democratic way, enhancing the participation of its members without discrimination. Associations or Cooperatives are the most frequent organisational forms.

The WFTO route specifically focuses on consumer awareness and helps to develop new value chains and products, whereas the FLO circuit allows much larger numbers of consumers to be reached. Some products such as fresh bananas are more difficult to manage by WFTO organisations, which are not always equipped to handle and store fresh produce properly. On the other hand, handicrafts and manufactured products circulate more easily through WFTO routes.

Clearly, one mode of operation cannot address all the problems experienced in different product sectors (from coffee to crafts), geographical locations (from Mali to Mexico) or stages of production (from farmer to factory worker). Fair Trade therefore aims to have consistent principles and values, but flexible implementation. This presents challenges in operationalising principles to be applied universally. Fair Trade standards are voluntary. The aim is to create an alternative trading system that promotes trade justice. The standards are not an end in themselves but a tool to foster market access under fair conditions for marginalised producers and disadvantaged workers.
More specific information about WFTO and FLO standards is given in Annex 1.

Fair Trade goes further than simply setting standards for socially responsible production and trade. Other important aspects imply setting a minimum pricing, a social premium and options for receiving financial advances. FLO / Fairtrade opportunities with this respect are discussed below. Fairtrade guarantees a minimum price deemed to be fair to producers. It also provides a Premium that the producer must invest in projects enhancing its social, economic and environmental development.

The minimum price is agreed with the producer organisation and is calculated to cover the costs of sustainable production: working hours, inputs, family, school and investment. This minimum price enables producers to develop their businesses through long-term planning and investment. Whenever the market price is higher than the minimum price, the market price is applied. This minimum price is monitored and can be adjusted. Since not all products and countries are covered by certification schemes, Fairtrade prices are only set for specific countries/products. The minimum prices are set out in the product-specific standards.

Market prices and Fairtrade price

Washed Arabica coffee (New York Board of Trade)\(^8\)

<table>
<thead>
<tr>
<th>Product</th>
<th>Conventional Price</th>
<th>Fair Trade Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>Coffee</td>
<td>3.6%</td>
<td>16-24%</td>
</tr>
<tr>
<td>Black tea / Green</td>
<td>7%</td>
<td>10%</td>
</tr>
<tr>
<td>Darjeeling</td>
<td>5%</td>
<td></td>
</tr>
<tr>
<td>Earl Grey / Green</td>
<td>4%</td>
<td>5%</td>
</tr>
<tr>
<td>Ceylon</td>
<td>3%</td>
<td>4%</td>
</tr>
<tr>
<td>Sugar</td>
<td>7%</td>
<td>9%</td>
</tr>
<tr>
<td>Guinée</td>
<td>7%</td>
<td>10%</td>
</tr>
<tr>
<td>Basmati rice</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Financial advances, either as prepayment\(^{11}\) or in the form of pre-financing\(^{12}\) and long-term contracting are also important factors in these transactions, as these help producers make adequate investment and marketing strategies to avoid loan sharks and reduce intermediaries.

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\(^8\) Source: FLO (http://www.fairtrade.net/).

\(^9\) Free On Board — not including transport and transport related costs.

\(^10\) ibidem

\(^11\) up to 60% of the contract amount if requested, or assisting them in obtaining this finance.

\(^12\) through support from FLO and WFTO.
financing is thus offered to producers that need to invest in production inputs and those who want to invest in becoming Fair Trade. More specific information about pre-financing options under the two systems can be found in Annex 1.

### Certification procedures

Producers wanting to supply Fairtrade products can apply for certification by FLO-CERT GmbH ([http://www.flo-cert.net/flo-cert/index.php](http://www.flo-cert.net/flo-cert/index.php)). The aim of the application process is to establish whether an applicant is covered by the certification system (product/country) and to provide the applicant with sufficient information on the process. If eligible, applicants receive a more extensive package of documents, a contract explaining their rights and responsibilities and an invoice for the application fee. If the applicant is successful, FLO-CERT starts to plan the initial audit and issues a certification fee to cover the certification costs. After the inspection, the auditor will present and explain a list of any non-conformities with the Fairtrade standards. Applicants have to submit a proposal for the best way to address these non-conformities. FLO-CERT will then decide whether to certify.

The fee varies according to the type and size of organisation, the number of products or the processing involved. Application fees for small farmers are in the order of a few hundred euros. The certification fee may amount to several thousand euros. Traders have to undergo a similar application and certification process.

In the WFTO system, membership fees depend on the size of the small producers. Different scales of fees apply depending on the volume of small producers, i.e. the smaller a group of producer, the lower its membership fee.

### 4. THE FAIR TRADE MARKET

A growing proportion of European consumers now tend to include environmental and social considerations when selecting which agricultural commodities and other products to purchase, creating opportunities for differentiated products such as Fair Trade, organic, eco-friendly and other sustainability claims. They are expressing a growing awareness on the origin, conditions of production and traceability of the products that they decide to buy.\(^{13}\)

<table>
<thead>
<tr>
<th>product</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bananas</td>
<td>80,641</td>
<td>103,877</td>
<td>135,763</td>
<td>233,791</td>
</tr>
<tr>
<td>Cocoa</td>
<td>4,201</td>
<td>5,657</td>
<td>6,163</td>
<td>7,306</td>
</tr>
<tr>
<td>Coffee</td>
<td>24,222</td>
<td>33,991</td>
<td>52,064</td>
<td>62,209</td>
</tr>
<tr>
<td>Cotton</td>
<td>n.a.</td>
<td>1,402</td>
<td>1,551</td>
<td>14,184</td>
</tr>
<tr>
<td>Flowers</td>
<td>101,610</td>
<td>113,536</td>
<td>157,282</td>
<td>237,405</td>
</tr>
<tr>
<td>Honey</td>
<td>1,240</td>
<td>1,330</td>
<td>1,552</td>
<td>1,683</td>
</tr>
<tr>
<td>Juices</td>
<td>4,543</td>
<td>5,898</td>
<td>6,309</td>
<td>24,919</td>
</tr>
<tr>
<td>Rice</td>
<td>1,383</td>
<td>1,704</td>
<td>2,985</td>
<td>4,208</td>
</tr>
<tr>
<td>Sportballs</td>
<td>55</td>
<td>64</td>
<td>152</td>
<td>138</td>
</tr>
<tr>
<td>Sugar</td>
<td>1,961</td>
<td>3,613</td>
<td>7,159</td>
<td>15,074</td>
</tr>
<tr>
<td>Tea</td>
<td>1,964</td>
<td>2,615</td>
<td>3,883</td>
<td>5,421</td>
</tr>
<tr>
<td>Wine</td>
<td>0.62</td>
<td>1.13</td>
<td>3.197</td>
<td>5.740</td>
</tr>
</tbody>
</table>

*Thousands of items

Globally, Fairtrade labelling has experienced good growth rates over the last years, not only in terms of the volume of sales worldwide but also in terms of the number of producer organisations joining the FLO system. By the end of 2007, there were 632 Fairtrade-certified producer organisations in 58 producing countries, representing 1.5 million farmers and workers. With their families and dependents, FLO estimates that 7.5 million people directly benefit from Fair Trade.\(^ {15}\)

Sales of Fairtrade-certified products have grown on average by 40% per year over the last five years. In 2007, Fairtrade-certified sales amounted to approximately €2.38 billion worldwide, a 47% year-to-year increase. Europe (including Switzerland and Norway) accounts for 65% of Fair Trade products and North America 34%.\(^ {16}\) But as a percentage of global trade, Fair Trade remains limited. For example, Fair Trade coffee represents no more than 4% of the total coffee market in Europe and United States. Indications are that so far, Fair Trade products are

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\(^ {13}\) More than half the EU population in a survey covering 15 countries (55%; n=14,500) are ’active ethical consumers’, and about a half is familiar with the Fairtrade certification mark — according to a 2009 Globescan survey. .


\(^ {15}\) [http://www.fairtrade.net/figures.html](http://www.fairtrade.net/figures.html).

\(^ {16}\) Retail value in 2007.
performing well in the current financial crisis compared to other forms of marketing.

Regional distribution of Fairtrade-certified producer organisation (2007)

Fairtrade certified sales in 2007 (x 000 EUR)

<table>
<thead>
<tr>
<th>Region</th>
<th>Sales (EUR)</th>
</tr>
</thead>
<tbody>
<tr>
<td>USA</td>
<td>730 800</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>704 300</td>
</tr>
<tr>
<td>France</td>
<td>210 000</td>
</tr>
<tr>
<td>Switzerland</td>
<td>158 100</td>
</tr>
<tr>
<td>Germany</td>
<td>141 700</td>
</tr>
<tr>
<td>Canada</td>
<td>79 600</td>
</tr>
<tr>
<td>Austria</td>
<td>52 800</td>
</tr>
<tr>
<td>Netherlands</td>
<td>47 500</td>
</tr>
<tr>
<td>Sweden</td>
<td>42 500</td>
</tr>
<tr>
<td>Denmark</td>
<td>39 600</td>
</tr>
<tr>
<td>Italy</td>
<td>39 000</td>
</tr>
<tr>
<td>Belgium</td>
<td>35 000</td>
</tr>
<tr>
<td>Finland</td>
<td>34 600</td>
</tr>
<tr>
<td>Ireland</td>
<td>23 300</td>
</tr>
<tr>
<td>Others</td>
<td>42 200</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>2 381 000</strong></td>
</tr>
</tbody>
</table>

However, despite impressive yearly growth, experience suggests that the global market potential for Fair Trade has limitations. The number of consumers willing to change brand in order to support Fair Trade remains relatively limited in comparison with consumers sticking to their traditional brands but wishing to have an assurance that the companies that produce them satisfy some minimum standards.

Banana Split

Chiquita, accounting for a quarter of the world trade in bananas (13 million tonnes\(^{18}\)), does not participate in Fair Trade, but claims to apply standards related to Globalgap, Social Accountability 8000, RainForest Alliance, and Ethical Trading Initiative — along with its own corporate code of conduct. At the same time, the world market share of Fairtrade-certified bananas remained below 250 000 tonnes\(^{19}\) in 2007 (about 1% of global sales). This is also a reflection of the Fair Trade system, which targets organisations of small farmers rather than big estates (often owned by multinational companies), even if the latter may represent a higher volume of production, such as for bananas in Latin American countries.

The market potential for Fair Trade products is constrained by demand elasticity, capacity of NGOs, costs or competition between similar standards. But there is still a good margin for improvement over present sales.


\(^{18}\) 2004 figure, FAO.

\(^{19}\) Fair Trade, 2007
**Shifting consumption patterns**

In some countries such as Switzerland, Fair Trade products such as bananas have a considerable share of the market. Tate & Lyle granulated cane sugar will be the brand’s first Fair Trade product and its entire retail volume is expected to follow by the end of 2009. In the UK, Sainsbury’s supermarkets announced a 100 percent conversion to Fair Trade for its bananas. Marks & Spencer converted all its tea and coffee to Fair Trade in 2006. Dunkin Donuts adopted a 100% Fair Trade policy for its espresso coffee in North America and Europe. In some countries, the share of Fair Trade coffee is increasing strongly, but in others it is stagnating or even declining.

There are approximately 4000 ‘Worldshops’ or specialised Fair Trade shops nowadays in the world. More than 80% of them are in 15 European countries, with Germany, Italy and the Netherlands together home to nearly half of all Worldshops worldwide. Worldshops in Europe sold an estimated €178m worth of Fair Trade products in 2007. The number of supermarkets stocking Fair Trade products is somewhere in the region of 125,000 worldwide, some 75,000 in Europe. By far the largest part of the Fair Trade market today is the Fairtrade-label market.

Fair Trade is basically a business-to-consumer scheme which tries to convince consumers to pay an additional price to improve producers’ working and living conditions—and hence has a development perspective with a North-South focus. Other schemes apply similar principles, though with different strategies and objectives. Business-to-business approaches exist where companies work in their own interest to ensure the stability and the quality of their supply. Other forms of private certification and individual standards are also developing in response to specific requests.

Though these initiatives tend to be asymmetric (i.e. companies holding much stronger negotiation power vis-à-vis producers’ groups) and contribute limitedly to building public awareness, they denote nevertheless the spreading of principles accounting for social and environmental implications.

**5. OTHER SUSTAINABILITY CLAIMS & CORPORATE SOCIAL RESPONSIBILITY (CSR)**

Inspired by Fair Trade initiatives a growing number of schemes are being set up. They share the same objectives: lift producers from developing countries out of poverty—and they rely on the same assumption: the consumers in developed countries want to use their purchasing power to improve the socio economic conditions of people in developing countries.

**Some CSR initiatives**

Several voluntary social, environmental and quality initiatives or certification programmes have emerged in the past twenty years for commodities, such as Utz, NKG Sustainability, the Common Code for the Coffee Community (4C), the Basel Criteria for Responsible Soy Production, the Round Table on Sustainable Palm Oil, the Round Table for a Sustainable Cocoa Economy, the Better Sugarcane Initiative, the Forest Stewardship Council, the Rainforest Alliance, SmartWood, the Sustainable Forest Initiative, the Marine Stewardship Council, ISO 14001, ISO 26000, Fairtrade, the Ethical Trading Initiative, Social Accountability International (SA 8000), the Business Social Compliance Initiative, BS 9900, Blue Angel, Green Seal, SCS-001, the International Demeter Standards, Globalgap, Organic, ISEAL Alliance, Fair for Life, FairWild, Alter Trade, etc. It has become very difficult for the consumer to understand the differences between the various sustainability claims and to assess their reliability. Recently, the labelling of air-freighted produce has also allowed consumers to assess their carbon footprint.

As fair-trade, these are voluntary initiatives (to the difference of international conventions such as ILO conventions) and can be initiated by the civil society or the enterprises and industries in the context of Corporate Social Responsibility. Some of the variables include:

- **focus**: having different target or combination of priorities, including environmental sustainability, food safety, labour rights, animal health, plant health or product quality. (For instance, rainforest alliance main concern is to conserve biodiversity protecting and ensure sustainable livelihoods);
- **approach**: aiming at consumers (like Fair Trade), others are business to business approaches (4C), others again aimed at industry and investors (International Cocoa Initiative — ICI);
- **standards**: some schemes do not set up standards but are industry voluntary code of conduct, gathering all stakeholders of one value chain (ex: ICI gathers the cocoa producers, 20 List of standards available per commodity: www.tradestandards.org.

21 http://www.cocoainitiative.org
chocolate companies, confectionary trade associations, NGO’s and trade unions; it combines respect for ILO conventions and industry commitments);

- **labels**: even if many schemes set up standards (an established set of requirements) not all of them are associated to a label;

- **coverage**: some schemes focus on geographical areas or specific products (coffee, cocoa, marine resources, forestry);

- **price premium**: only Fair Trade specifically requires a minimum price to be paid, and thus target direct economic benefit. The other schemes offer other direct forms of benefits for their members: working conditions, productivity, market access (especially as for niche market), production practices, and environment protection. They can also result in economic benefits while some certification schemes, such as Utz, do not impose a minimum price but ‘encourage’ buyers to pay a ‘sustainability differential’ on top of the market price.

Specific CSR examples are provided in Annex 3.

### 6. EU POLICY AGENDA ON FAIR TRADE AND OTHER SUSTAINABILITY TRADE-RELATED SCHEMES

Fair and ethical trade have received various indications of sympathy and acknowledgement from the European Union and EU Member States in recognition of its contribution to poverty reduction and sustainable development. The European Parliament has issued a ‘Resolution on Fair Trade’ (1998) and the Commission has presented a Communication to the Council on the same subject (1999).22 In 2000, the ACP-EU Cotonou Agreement made specific reference to the promotion of Fair Trade23. In 2001 and 2002, several other EU documents mentioned Fair Trade, e.g. the 2001 Green Paper on Corporate Social Responsibility24 and the 2002 Communication on Trade and Development25. In 2004, the Commission adopted ‘Agricultural Commodity Chains, Dependence and Poverty — A Proposal for an EU Action Plan’26, with specific reference to the Fair Trade movement, which has ‘been setting the trend for a more socio-economically responsible trade’. In 2005, the Commission Communication ‘Policy Coherence for Development — Accelerating progress towards attaining the Millennium Development Goals’ mentioned Fair Trade as ‘a tool for poverty reduction and sustainable development’.

In July 2006, the European Parliament (EP) adopted a resolution on Fair Trade and development27. The resolution reaffirmed the important contribution of Fair Trade in raising social and environmental standards and achieving the MDGs, by setting an example and by exerting pressure on governments, international organisations and businesses. It recognised the existence of other initiatives contributing to the similar objectives.

The EP noted that the Commission had no clear policy as regards Fair Trade and other independently monitored sustainability trading initiatives and had no structured coordination between its different Directorates-General. The EP urged the Commission to issue a recommendation on Fair Trade and to consider issuing a recommendation on other independently monitored trading initiatives that contribute to raising social and environmental standards. It highlighted a dozen criteria, including a fair producer price at least as high as the Fairtrade minimum price and premium. In addition, it called for measures to ensure that consumers have access to all the information they need, but also suggested studying the possibility of eliminating import duties and reducing the VAT on Fair Trade products from developing countries.

On 5th of May 2009 the European Commission adopted a communication on the role of Fair Trade and non-governmental trade-related sustainability assurance schemes. It was prepared in consultation with the European Parliament and other stakeholders.

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23 Article 23-G of the Cotonou Agreement, on fair trade, which the Compendium document clarifies as Fair Trade.
The Communication:
• recognises the significant development of the Fair Trade movement and the significance of a European market now worth EUR 1.5 billion per year;
• recognises that Fair Trade and other sustainability assurance schemes are essentially voluntary, dynamic mechanisms that develop along with societal and consumer awareness and demands. Such schemes should apply standards and criteria in a transparent manner to allow for well-informed choices. The communication considers that regulating criteria and standards could limit the dynamic element of private and civil society initiatives in this field and stand in the way of the further development of Fair Trade and other sustainability assurances schemes;
• sets out main principles and definitions and the fundamentals for public procurement of sustainable goods and services.

7. ISSUES AND CHALLENGES CONCERNING FAIR TRADE

There is general consensus over the large potential contribution that Fair Trade can make in raising social and environmental standards for those able to participate in it. This applies not only to Fair Trade participants themselves, but can also have spill-over effects on other producers and other schemes or private sector initiatives. The European Commission, other EU Institutions and Member States have sought to capitalise on the efforts made by this movement. However, its translation into further support requires the clarification and consideration of the following issues.

Initial costs for joining Fair Trade networks are high as producers’ organisation, certification, inspection and monitoring procedures are costly. Complexity and expenses increase for products blended or assembled from diverse sources in multiple countries or with many subcontractors. Benefits accrue nevertheless accordingly through time. Financial advances for producers are also important so to avoid indebtedness and to stimulate adequate institutional as well as technical investments towards enhance effective market access. These are main elements that attest to the relevance of external funding for such schemes, as this works as initial trigger for the process to start.

Fair Trade certification is subject to limitations as the number of products covered and the number of members remains small, as well as the geographical coverage. This is true for many other sustainability claims initiatives as well. In addition, producers are often able to sell only part of their production at a Fair Trade price to traders, which reduce the benefit/cost ratio of certification.

Potential effects on farmers and other stakeholders who do not join Fair Trade schemes for a reason or another (e.g. due to lack of finance to pay the membership fees, lack of information, and physical isolation) are controversial. Cases are reported on both deterioration and improvement of their livelihood opportunities.

An option for those marginalised?

Trading of fairly-produced and fair organic cotton has developed following a concern expressed by consumers in the North on the social and environmental aspects of its production and processing. The AProCA (the African Association of Cotton producers — regrouping 13 countries throughout the continent) was established in 2004; since then production volumes have been constantly growing. A relevant matter is that this process increasingly involves people from marginal strata — such as the youth and women — whose engagement in conventional cotton production was made difficult by access to land and to credit opportunities. FLO minimum price setting for fair and fair-organic cotton provides producers with a good income opportunity in the current harsh economic downturn.

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28 Source: EC-funded project PB76000/PYD/2000/516/IT; Endogenous rural development in the Jamao area, Dominican Republic; Ucodep NGO.
29 Communication of Mamadou Ouattara, AProCA to CTA meeting in Brussels, Bruxelles, 16 avril 2008;
Enterprises claiming to apply Fair Trade standards may do so for only some of their products or parts of the supply chain, thus presenting a distorted or ambiguous image. Monitoring of the global picture may be very difficult, although this could be partly addressed by introducing changes to annual audits of enterprises, at least for large companies.

There are many additional ways to enhance poverty reduction and sustainable development. Numerous international conventions and agreements could be applied, e.g. by enforcing adequate national laws. Fair Trade focuses more on private business-to-consumer relations, paying less attention to support for legislative development and law enforcement by national authorities.

The discussions surrounding legislation to regulate Fair Trade and, in some countries, the implementation of legal frameworks for the Fair Trade sector are seen as a big challenge by all the various organisations involved. This is the reason why different organisations come together and join forces to secure regulation that will be acceptable to all of them.

WTO rules need to be fully taken into account when considering any extension of Fair Trade concepts from the private into the public sector, in particular to ensure transparency and non-discrimination. At the same time, fair and ethical trade is an essentially voluntary, private-sector phenomenon, and too heavy a regulatory embrace could prove damaging rather than beneficial. It would be inappropriate to fix definitions of what counts as fair or ethical trade and what does not, since this is a matter for the consumer’s own sense of values and individual appreciation of the relative importance of economic, social and environmental factors.

Fair Trade improves price setting at the level of producers, but generally most value is added to the product downstream, often in the North. The increase in revenue for producers remains thus generally quite small compared to the total cost of the product when it reaches the consumer. In some cases, developing processing capacity at producer level may have a much larger impact. The Fair Trade ‘social’ premium price can be used by producers to invest in processing facilities, but additional conditions are necessary to ensure an adequate investment environment. Enabling producer organisations to acquire shares in processing or trading companies in the North is an alternative.

The holy and oily land

Canaan Fair Trade has been capable of bringing to US markets organic oil produced in the Palestine. Apart from the doubling of the price paid to the producers (2500 households by today), the spill over effects of such initiative are remarkable. The social premium has been invested through time to establish bottling plants, labelling schemes and other activities related to packaging and shipping, which have greatly raised local employment and income opportunities. New olive plantations have also been established (about 380,000 trees) and a system of scholarship for local pupils has been set. The whole Palestinian agriculture has greatly benefitted from this Fair trade initiative.

At least part of the interest of retail companies and traders in Fair Trade and other claims may be to boost their image and ultimately their business. With the blurring between the various sustainability claims, the business value of Fairtrade certification may shrink. Similarly, a large increase in the volume of Fairtrade-certified products in a niche market may increase competition and enhance the importance of quality. Therefore, even if Fairtrade certification has its own merits, it requires good value-chain development skills. The social commitment of Fair Trade consumers does not eliminate their wish for quality products.

Finally, the Fair Trade organisations recognise the focus on South-North trade as their core business. This may lead to insufficient attention to local or regional markets, which are less demanding in terms of standards. Access to local and national markets is often the first logical step for small farmers before targeting international niche markets. Overall, developing countries export less than ten percent of the fruit and five percent of the vegetables they produce. Until recently, Fair Trade products were sold only in developed countries, but in 2007 FLO took steps to support the development of Fair Trade products in developing countries.
8. COMMISSION COOPERATION IN FAIR TRADE

The European Commission has provided financial support to Fair Trade activities by supporting non-governmental actors along two main strategic lines:
- Through actions aiming at raising awareness and sensitise consumers and local authorities in northern countries,
- By strengthening the organisation and technical capacities of producers, processors and traders in southern countries.

Through co-financing the Commission has invested €15.3 million between 2000 and 2005 on different NGO projects in Fair Trade or other ethical trade initiatives. It increased up to 19.466 millions in 2007 and 2008. For the budget year 2008, the European Parliament has for the first time allocated €1 million exclusively for Fair Trade to top up existing financing.

Increasing the value of African products through organic and ethical standards

Since 2002 EC has been supporting organic "Fair Trade cotton in Mali" to improve the livelihoods of small producers. Organic farming brings more revenue to the farmers, allows them to save on the costs of fertilizers and pesticides and protects their health and the environment. Furthermore the EC initiative helps producers organize in cooperatives and common platforms giving them the leverage and the means to influence politics in Mali and initiate social projects. The project supports individual producers of organic Fair Trade cotton and approximately 60 farmer cooperatives in the sector, with a special focus on empowering women (30% of farmers).

With a budget of US$ 894,000 by the year 2007, 4,445 producers had joined the initiative, and could sell their cotton at a price almost 50% higher than that of the international market (238 CFA francs per kilo instead of 160). During 2006-2007, 15 storage rooms and two schools in 17 villages were founded. Through workshops and active handout of compost bags the program secured that more than 80% of the fields were organically fertilized. Other products were also cultivated such as sesame seeds and shea nuts, for the sake of intensification and diversification. Focus was also set on supporting MOBIOM (Mouvement Biologique Malien), which gathers co-operatives and is becoming the key actor in the sector. MOBIOM has largely improved producers' capacity to access international as well as national markets and shall in the long run take responsibility for monitoring the production30.

Through the project "Enabling the poor to share the fruits" the EC has contributed to improve working conditions as well as financial return for thousands of Kenyans. The project started in 2008 with a 408 000€ budget. Through 12 different actions involving small scale coffee, tea, fruit and horticulture producers, the project strategy focuses on compliance with international codes of conduct and Fairtrade certification to improve the value of local products. A first external monitoring reported positive results, such as the employment of 16,469 workers at factories and farms and an improvement of the socio-economic conditions for over 10,000 workers – both in terms of ethical management and of access to critical resources (i.e. water) and social initiatives. Africa Now – the main implementer - has also been successful in lobbying the Fairtrade Labelling Organizations International (FLO) to modify standards for Kenyan small producers.

There is reasonable indication that these benefits will continue in the longer term, as all value-improving services are affordable or being paid for by retailers or Fairtrade, and institutionalisation is ensured through joint bodies and committees, creating a solid structure of incentives. The project has received 15% financial support from the private sector and the partnership with the Exporting Processing Zone Authority could facilitate support from the GoK in the longer term. The project's self sustainability is also ensured by the investment of premiums in other social initiatives, which could allow for further donor funding and become a model of extension and dissemination.

Since the management of calls for proposals to NGOs is mostly devolved to the Commission Delegations, information and analysis of related experiences show different degrees of consistency and often lack systematising. Country Strategy Papers and Indicative Programmes may cover the agricultural and rural sectors and include activities that contribute to facilitating Fair Trade or the Fair Trade readiness of farmers’ organisations. The Special Framework of Assistance for traditional ACP suppliers of bananas and the Accompanying Measures for Sugar Protocol countries have also contributed in some countries to helping farmers to sell within the Fair Trade niche.

30 Jeune H., 2009. Aid for Trade: is the EU helping small producers to trade their way out of poverty ?
There are no specific DAC codes for Fair Trade and the closest codes are for agricultural organisations, trade or assistance to NGOs. A Fair Trade marker in the coming revision of CRIS has been proposed. Many projects though do not specifically or exclusively concern Fair Trade, which is only one of the various expected results. Ethical trade schemes could be better articulated with programmes aiming at developing business services, trade capacities and strengthening productive capacities, notably so as to increase the added value of the products. More in general the principles underpinning sustainable trade schemes should be mainstreamed through EC supported programs.

For all these reasons, there is no clear picture of EU support for Fair Trade. It is difficult at this stage to draw lessons. **There are however a number of pitfalls to avoid.**

Initial certification and renewal has a cost, and careful market analysis is thus required during the appraisal of actions to support the certification of farmers’ organisations. Targeting the Fair Trade niche as a survival strategy for a product that would otherwise not be competitive may have its limitations. It also happens that different schemes address or could address the same producers, with differences in standards. Producers should be made ready to deal with the various schemes, but with normal market conditions as well. Competition among the different standards cannot be excluded and the common features of the various standards should be used to build a common platform, including for awareness-raising and training. Project identification exercises must clearly set appropriate indicators and a baseline should definitely be presented.

Though emphasis is put on monitoring the activities and their impact, it must be acknowledged that Fair and ethical trade is not a quick-fix. The restructuring of production and marketing chains are often time consuming processes, which require important degrees of initial investments and time commitment. Most of the projects co-funded with NGOs support producer organisations, but many project documents do not mention traders or industrial processors as beneficiaries or as project participants. However, they are evidently part of the picture and are generally responsible for the commercial momentum. Dialogue between stakeholders at the different levels should be promoted (producers organisations, suppliers, marketing actors, public and extension services…). Overall a wider market analysis and feasibility studies are necessary, in particular to ascertain the interest of traders in long-term engagement in Fair Trade and/or other schemes.

Community-based organisations alone cannot bear this challenge without adequate support from more market-oriented organisations\(^\text{31}\). Synergies are to be set with organisations that help interfacing with the market, facilitating the most direct relationship between producers and consumers through designing the shape or the taste of the products, focusing on information and packaging or enhancing the overall lowering of transaction costs. Moreover a consistent approach to developing trade-related sustainability assurance schemes would require keeping in-country as much of the profit as possible, through investments that also enhance SMEs development, adequate links to extension services, sustain processing facilities and provide adequate supporting infrastructure and facilities (transportation networks, mobile phones, etc…). These would all serve to increase the voice of local actors along the chain.

### Market alliances

The early Fair Trade Africafé made with old machinery donated in the 1970s had been a low-quality powdered coffee that would no longer meet the requirements of the developed market. A number of organisations decided to develop a branded Fair Trade quality coffee and created Cafédirect. This was the result of a decision by Oxfam, Equal Exchange, Traidcraft, and Twin Trading to bypass the conventional market and buy coffee direct from disadvantaged growers in developing countries. Cafédirect recruited highly experienced managers in order to accelerate the shift from charity spin-off to ethical business venture in high-quality products. In 2004, it successfully launched an ethical public share issue to become a publicly listed company, raising £5 million from 4500 investors. Cafédirect has developed further and works to its own Gold Standard\(^\text{32}\).

Concern should also be raised on ensuring that gender-sensitive and non-discriminatory principles embedding Fair Trade practices are effective, to minimise the risk of further marginalisation of weaker groups. Particular

\(^{31}\) As to the ‘Aid for Trade: is the EU helping small producers to trade their way out of poverty?’ review; www.fairtrade-advocacy.org/index.php

\(^{32}\) http://www.cafedirect.co.uk/pdf/gold_standard.pdf
attention should be given to the socio-economic conditions of producers not joining Fair-Trade schemes in the area. Market price for both Fair Trade and non-fair-trade products from the region should be monitored, together with the respective market shares, to ensure that livelihood conditions for non-members do not decline.

Emphasis must be given to the sustainability of the actions financed (notably when these support NGOs). Experience shows that important resources are to be devoted to adequate capacity building and active involvement of the grassroots organisations in order to achieve good impact and sustainability levels. An exit strategy should notably be designed (such as financial autonomy or product diversification);

The Fair Trade movement has a number of local offices or regional representatives and networks who should be consulted or involved in actions (refer to Table 2). Contact points for assistance with Fair Trade vary from one country to another. One of the first steps could be to check on Fair Trade’s websites (refer to Annex 2) to see if there are already some operators engaged in Fair Trade in the country, and for which products, and to explore the market potential with the stakeholders concerned. In view of the constraints in geographical coverage, it is possible that a country would be considered difficult for certification by FLO.

9. CONCLUSIONS

Within the EC there currently is insufficient information on the impact of Fair Trade and projects supporting it to draw definite lessons or provide guidelines. Many EU documents underscore nevertheless the positive contribution of Fair Trade and other sustainability schemes in setting social and environmental standards, as well as their overall spill-over effect.

Fair Trade represents an innovative and complementary tool to EC development cooperation. It well articulates with other forms of aid for trade and rural development which are implemented by the EC, further enhancing the relevance of social and environmental standards in development cooperation. Fair Trade and other sustainable trade-related schemes hold the potential to greatly contribute to achieving MDGs.

There are essentially two views about what Fair Trade entails: a niche market or a development model. The main challenge Fair Trade is facing today does not relate to its financial viability, but rather to its political leverage and its ability to change the international trading system.

In this perspective this Note aims at providing an initial theoretical and operational framework to improve EC support in this important domain. As a follow up of this note EuropeAid Directorate E will start collecting lessons from Delegations and Member States in order to provide further guidance more specifically based on EU-supported experiences.
<table>
<thead>
<tr>
<th>Acronym</th>
<th>Description</th>
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<tr>
<td>CSR</td>
<td>Corporate Social Responsibility</td>
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<tr>
<td>FLO</td>
<td>Fairtrade Labelling Organisation</td>
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<td>FOB</td>
<td>Free On Board</td>
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<td>International Fair Trade Association</td>
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<td>UN International Labour Organisation</td>
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<td>ISEAL</td>
<td>International Social And Environmental Accreditation And Labelling Alliance</td>
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<td>Un Conference On Trade And Development</td>
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<td>WFTO</td>
<td>World Fair Trade Organisation</td>
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Annex 1 — Existing Fair Trade standards

1A. WFTO STANDARDS

The World Fair Trade Organisation was until very recently named the International Fair Trade Association (IFAT). It is the global network of Fair Trade organisations, with over 300 members in 70 countries, ranging from one-person importers to big retailers. Two-thirds of WFTO members are located in developing countries.

WFTO standards are developed by a Subcommittee with inputs from various stakeholders — including producers, southern exporters, importers, retailers and Fair Trade support organisations, and are approved by the Annual General Meeting; WFTO efforts are being made to comply with the ISEAL Code of Good Practice in social and ethical standard setting to establish the basis for a certification mark for products of Fair Trade Organisations, complementary to the FLO certification mark.

WFTO has developed 10 international standards for Fair Trade Organisations, namely:

1. Creating opportunities for economically disadvantaged producers
2. Transparency and accountability
3. Trade relations
4. Payment of a fair price
5. No child labour or forced labour
6. Gender equity
7. Working conditions
8. Capacity building
9. Promotion of Fair trade

Each standard is accompanied by a set of measurable indicators and compliance criteria that differ between ‘entry’ and ‘progress’ level. Organisations that comply with these standards can acquire the right to use the WFTO Mark for their organisation. WFTO is also developing its own certification system for organisations.

To ensure compliance with WFTO standards, a three-tier monitoring system has been developed:

1. Bi-annual self-assessment, carried out by each member.
2. Peer reviews, usually carried out by the trading partners.
3. Random external verification of 5-10% of organisations every year.

The monitoring is accompanied by a complaints procedure. If a complaint is credible, an external verification can be commissioned. The investigation can lead to suspension or expulsion from membership and withdrawal of the right to use the WFTO Mark. In order to help small producers to reach the WFTO membership fees, these are adapted to the size of the small producers. Indeed, there are different degrees of fees depending on the volume of small producers, that is to say that the smaller a group of producer is, the lower its membership fee is. Reducing the fee is WFTO way to help small producers reach the WFTO membership’s costs.

The International Social and Environmental Accreditation and Labelling (ISEAL) Alliance.
1B. FLO STANDARDS

The standards are the result of broad consultation among stakeholders and experts and conform to the requirements of ISEAL. While FLO sets the standards and helps the producers to meet them, a separate international certification company — FLO-CERT — regularly inspects and certifies producers against these standards, and audits the flow of goods between producers and importers.

The key objectives of the FLO standards are to:
- ensure a guaranteed Fairtrade minimum price agreed with producers,
- provide an additional Fairtrade premium that can be invested in projects to enhance social, economic and environmental development,
- enable pre-financing for producers who require it,
- emphasise the idea of partnership between trade partners,
- facilitate mutually beneficial long-term trading relationships,
- set clear minimum and progressive criteria to ensure that the conditions for the production and trade of a product are socially and economically fair and environmentally responsible.

Different Standards apply at different levels, from small producers’ organisations, to hired labour situations, to traders — they all have to comply with both Generic Standards and the Product-specific Standards. Each set of generic standards describes the objectives of Fairtrade and sets out in detail the criteria to be met by those who want to participate. Compliance with national legislation is also important; where there are differences between FLO standards and national legislation, the higher of the two takes precedence.

Fairtrade-certified producers are inspected at least once a year as part of a three-year certification cycle. FLO requires all its members to report on their progress every two years, and sets targets for further improvements. Not all countries are covered by a FLO certification scheme and many countries have very few certified organisations. Standards for Fairtrade traders require them to buy from FLO-certified organisations, to pay the Fairtrade minimum price and premium, to partially pay in advance when producers ask for this (up to 60%) and to sign contracts that allow for long-term planning (multi-annual contracts) and sustainable production practices. These standards are integrated within the Product Standards. Additionally, generic standards for traders are under development.

FLO has established a Producer Certification Fund in order to help the producer groups that may find the costs of Fairtrade certification difficult to meet. Small Farmers’ Organisations are eligible for a grant if they are applying for initial Fairtrade certification, but lack sufficient financial resources to pay the full certification fee. Grants are also available to Small Farmers’ Organisations that are renewing their certification. Grants never fully cover certification fees and are intended as co-financing support. 1st grade Small Farmers’ Organisations may receive a grant of up to a maximum 75% of their fee. 2nd and 3rd grade Small Farmers’ Organisations may receive up to a maximum In addition many groups also receive assistance in paying their certification fees from commercial partners (e.g. buyers, importers) or from NGO or other partners.

More detailed information regarding this Producer Certification Fund on http://www.fairtrade.net/producer_certification_fund.html. Fairtrade product standards have so far been developed for some 17 food and non-food products — including coffee, tea, sugar, cocoa, rice, honey, fruit, flowers, wine, cotton and sport balls. This list is though continuously increasing and including products from the livestock sector such as honey, as well as non-agricultural products. The standards are accompanied by a set of measurable indicators and compliance criteria and are periodically evaluated. More on the standards can be found at: www.fairtrade.net/standards.html

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34 Small farmers are defined as those not depending on hired labour, whose main source of employment and income is agriculture and in need of joining forces to better access market opportunities.
35 as it is the case in plantations and factories.
Annex 2 — Fair Trade organisations in the World

Reference for WFTO suppliers around the world: http://www.wfto.com/index.php?option=com_content&task=view&id=164&Itemid=1

Reference for FLO suppliers around the world: www.flo-cert.net/flo-cert/operators.php?%20id=10

Fairtrade-certified producer organisations by country (2007)

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<td>5</td>
<td>Mozambique</td>
<td>1</td>
<td></td>
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<tr>
<td>Malawi</td>
<td>4</td>
<td>Namibia</td>
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<td>Senegal</td>
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</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td></td>
<td>193</td>
</tr>
</tbody>
</table>

Other important stakeholders include:

The Network of European Worldshops (NEWS! — www.worldshops.org) and the European Fair Trade Association (EFTA — www.eftafairtrade.org) are two European associations for specialised Fair Trade importers and Worldshops. Together with FLO and WFTO/IFAT, these networks have combined to form an umbrella organisation, named F.I.N.E.
Annex 3 — Some Corporate Responsibility Schemes

So as to improve information on Corporate Responsibility Schemes, several initiatives exist:

- ISEAL Alliance (http://www.isealalliance.org) is an international non-profit organisation that codifies best practices for the design and implementation of social and environmental standards.

- Under the All-ACP Agricultural Commodities Programme funded by the EU, UNCTAD has very recently been commissioned to develop a Sustainability Claim Portal (http://193.194.138.42/en/Sustainability-Claims-Portal), a database that will provide ACP agricultural producers, manufacturers and European consumers with up-to-date information on public and private sustainability standards, labels and schemes in order to make well-informed choices. It will also present information on the production and distribution of the ACP’s agricultural commodity exports.

- In its Communication of 2006 on ‘Corporate Social Responsibility’\(^{36}\), the European Commission says it will support internationally agreed CSR instruments and will continue to promote CSR globally with a view to maximising the contribution of enterprises to achieving the Millennium Development Goals.

- The Commission founded a study on CSR at global level, including aspects of fair and ethical trade: cf globalsr.eu

- The Commission has taken numerous other initiatives to promote social and environmental standards outside certification processes, such as at the Social Summit of Copenhagen and follow-up summits or in the form of the GSP+ initiative\(^{37}\).

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\(^{37}\) See also e.g. Article 10 ‘Respect for core principles and strengthening local markets’, paragraph 2, of Regulation (EC) 2110/2005 of the EP and of the Council of 14.12.2005 on access to Community external assistance.