

Evaluation of Strategic Fairtrade Funding Programme Phase II (2010- 2013) for Fairtrade International

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Evaluation Strategic Fairtrade Funding Programme

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Executive Summary

The Strategic Fairtrade Funding Programme (SFFP) has been financed by a consortium of DfID, ICCO, Irish Aid, Norad and SECO (also referred to as the Donor Consortium). It was initiated as a six year program with two program periods (phase I from 2008 to 2009; phase II from 2010 to 2013). The main intended outcome of the SFFP was that disadvantaged producers have a strengthened connection to consumers, improved market access and are empowered to combat poverty (MDG 1). This evaluation looks at phase II (2010-2013). The evaluation was conducted in the period of October 2014 to January 2015. The evaluation basically consisted of four main activities:

- a study of available documents (around 60 documents were consulted),
- an inception and a validation / debriefing workshop at Fairtrade International's offices in Bonn,
- interviews with a representative selection of staff and Board members of Producer Networks, National Fairtrade Organizations and Fairtrade International, as well as with selected key external stakeholders including CSO's and some key global business accounts (30 interviews),
- and field visits to two regional networks: Fairtrade Africa (FTA) and the Latin American and Caribbean Fairtrade network (CLAC) (25 interviews).

The SFFP was designed in the first place to financially support Fairtrade International to implement its strategic plan 'Making the Difference' (2009-2013). In line with DfID's Programme Partnerships Arrangement (PPA), the donor consortium financing the SFFP adopted a strategic funding mechanism. This implies that the funds are not labeled for a particular activity but can be used within the organization as a whole. It is expected that this unrestricted and flexible nature of PPA funding enables organisations to develop their capacity and systems in ways that lead to measurably improved results and value for money.

The evaluation team first of all evaluated SFFP in a rather classical way and in doing so took as a basis the SFFP logframe and set targets. The SFFP structure has been aligned with the 'Making the difference' strategy (2009-2013) and indicators were defined under the three strategic objectives of strengthening, broadening and deepening. The assessment of the SFFP logframe indicators and set targets shows that an overall score of 54% has been achieved (1.0 if fully achieved, 0.5 if achieved by at least 80%). The score of the strengthening objective is 56%; it is the evaluator's opinion that this component is most relevant and should receive highest weight. The broadening indicators score highest (69%) but for the two most meaningful indicators (on number of SPOs and range of products) the set targets were not achieved. The deepening indicators score low (40%) but do not well reflect an assessment of the value of Fairtrade for producers at origin.

The evaluation team has the opinion that evaluating the SFFP on the basis of the logframe has limited value, for a number of reasons:

1. During the SFFP funding period being evaluated (2010-2013) a range of important changes took place within the Fairtrade system. Especially in terms of institutional strengthening a range of significant changes has taken place. Both insiders and outsiders of the Fairtrade system perceive these changes as relevant and positive. However, the SFFP logframe does not adequately capture many of these change processes. The indicators and target definitions of the strengthening component do not capture to what extent the institutional change processes have been meaningful.
2. There is a lack of coherence between the SFFP as a strategic funding programme and the Fairtrade strategy that it aims to support, both in terms of embedding within Fairtrade International, management of the SFFP and content of the program. The SFFP logframe does not capture some relevant organizational changes that took place during the evaluation period, while on the other hand some logframe indicators do not have strategic priority. At a later stage a new Fairtrade strategy was designed, being that of 'Unlocking the power' (2013-2015), which should

normally have required a realignment with the SFFP, but this did not happen. This lack of coherence between the Fairtrade strategies and its strategic funding mechanism can be explained by the fact that an implementation plan of the Fairtrade strategies has been missing.

3. The SFFP document has a broad strategic orientation, with strategic options but no clear strategic focus or choices made. The donor consortium required a logframe with concrete targets but in fact this was difficult to provide in the absence of clear strategic choices. The SFFP thus aimed to deliver against all eventualities, reflecting the character and tensions of the Fairtrade movement, and could do so as the funding was flexible.
4. Most of the changes that the international Fairtrade system has experienced in the period 2010-2013 are changes in organizational governance and structure, as well as service delivery processes and systems. The SFFP logframe reflects some of these changes, but not their quality nor their relative importance (i.e. weight). Evaluating the changes within the Fairtrade system during the evaluation period only on the basis of the SFFP logframe is insufficient to give a complete picture of achievements and challenges.

Given the limitations of the SFFP objectives and logframe, during the evaluation inception workshop strategic themes were identified that have been and still are central to the Fairtrade system. It is through the evaluation of progress during the evaluation period within these strategic themes that the contribution of the SFFP to the changes within the Fairtrade system has been evaluated. It is concluded that on the majority of identified strategic themes progress has been very important (7 out of 13 strategic themes: 54%) or has been moderately important (46%). The contribution by the SFFP to progress on strategic themes has been high (46%) or medium (23%) in most cases. However, the evaluation of progress per strategic theme also shows that in spite of important progress made, several challenges remain. This conclusion is supported by the results of interviews, especially those with companies that trade Fairtrade products. For many of the remaining challenges strategic funding is considered a good funding mechanism (see overview section 5.1, table 9)

Applying the international evaluation criteria for this programme evaluation leads to the conclusion that the SFFP has been relevant, its implementation has been effective and significant impacts have been achieved. Efficiency and sustainability have medium scores (see section 5.1, table 10). In terms of efficiency, the SFFP did not have a strong strategic focus. Also, some institutional processes seem to require further improvement, such as financial systems, decision-making processes, PSR services and the programmatic approach. Also more systematic use could be made of working with strategic partners in collaborative efforts. In terms of sustainability, the turn-over rate of Fairtrade certified organizations is 10%, many certified producers cannot sell their products on the Fairtrade market and producer organizations often remain vulnerable and dependent on some external support. On the other hand, an insight emerging from the Fairtrade learning project and supported by this evaluation is that having a Fairtrade certificate is in itself an important asset for a producer organisation, as it increases its credibility towards potential traders and other relevant agencies (donors, government, financial institutions). This suggests that organisational strengthening is key to empowerment and trading potentials for producer organizations, irrespective whether use is made of Fairtrade markets and Premium is received. .

Based on the evaluation results, a number of advantages and disadvantages of strategic funding were identified. The main advantages are as follows:

- Strategic funding has allowed Fairtrade to make substantial progress on a number of important strategic and organizational themes, and in doing so has created a more consolidated and unified strategic focus within the Fairtrade system;
- The financial contribution by the SFFP has been important (37%), on subjects for which donor funding normally is not available;

- The flexibility of using the funds has been indispensable for an organizational development process that is complex, requires broad consultations and includes emerging issues that had not been foreseen (i.e. with a certain level of unpredictability).

Some disadvantages were identified as follows:

- The flexible availability of funds for strategic purposes, without the presence of a detailed and shared implementation plan, has led to some mushrooming of activities and lack of focus;
- A low sense of accountability within Fairtrade International for delivery of the SFFP targets was noted, which is due to the fact that the SFFP was not well rooted at strategic level and was generally considered as a separate donor project with flexible access to funding;
- Fairtrade has had a high dependency for its core activities on the SFFP subsidy, which in 2011 led to the ‘donor cliff’ when the end of the SFPP funding came near, but which was eventually avoided just in time.

Relevant lessons for Fairtrade International are the following – most of which are already acknowledged:

- A strategic funding programme is different from a regular project and should be managed in another way: it requires more senior management, alignment with the organizational strategy, another type of M&E and another level of accountability;
- There is need for a focused implementation plan, oriented at strategic priorities and related organizational development issues, to assure a sense of accountability to realize set targets while at the same time maintaining flexibility;
- There is need for temporary and well defined use of strategic funding, e.g. for defined innovations or organizational changes to be achieved within the strategic funding period, to avoid dependency on strategic funding.

Following are recommendations for the donor consortium to consider:

- There is need to set a limited number of organisational targets, being relevant strategic priorities for the development stage of the grantee;
- It does not appear to be useful to expect grantee organizations to perform on a diversity of new themes at the same time, such as expected from Fairtrade during the SFFP (gender, climate change, value for money, etc);
- Indicators for monitoring organizational change processes cannot be captured in a logframe with quantitative indicators or milestones, as quality aspects are critical and complex to define in simple terms. Rather, assessment of progress could be captured through a mixed approach including balance score card that focus at quality aspects.

Strategic funding for Fairtrade International appears to be justified in coming years to be able to address several remaining challenges that would typically require a flexible funding arrangement. The main defined subjects are listed hereunder (see also last two columns in Table 9).

With respect to Fairtrade governance system, the main recommendations are:

- develop different models for system-wide participatory processes, differing in terms of the intensity of required time and resources, worked out by a set of operational guidelines, with defined applicability and balance of effectiveness and efficiency (the results of the evaluation of the FSP process could be a useful starting point).
- demonstrate to external stakeholders the concrete benefits and advantages of the Fairtrade governance system and inclusive decision-making processes, in relevant terminology, e.g. in terms of higher organizational efficiency, continuity of producer organizations and loyalty of its members, innovation and flexibility to adapt, rigour in implementing the standards, producer performance.

There is an ongoing process of developing a new global strategy for the Fairtrade system as a whole, with aligned strategic decisions and priorities on key issues, with a respective multi-annual planning and implementation framework, including a detailed budget, binding target agreements and human resources plan. This implementation framework should be sufficiently focused and detailed to steer operations, finances and human resources development. The implementation framework will include a budget based on a financial model to enable proper distribution and allocation of funds to realise the set targets, rather than % allocations at present that are not subject to opportunity cost analysis to fulfill collective mission. The new strategy should assure that clear strategic choices are made on issues such as core products, focus at services 'at origin', opening up the PSR system, focus at indirect effects and sector transformation priorities, consumer campaigns and southern markets. The new strategy should also look at options to reduce costs of the system, e.g. by a stronger focus on Fairtrade's core activities, making more use of working through partnerships and using paid producer services. The new strategy will also include a system-wide people strategy, covering recruitment, retention and development of talent at all levels (volunteer, professional, executive and leadership), with possibilities to shift between different layers (Fairtrade International, Producer Networks, NFOs, FTF).

With respect to the financial system, the main recommendations are:

- there is need to create more transparency in the flow of funds, especially those destined for PNs and work on PSR activities, especially for companies who like to see how their license fees are used;
- consider short-cuts in the allocation of license funds to producer networks/ producer support services, from an efficiency and transparency point of view;
- obtain a full understanding of costs and benefits of investing in new products.

In terms of the ongoing decentralization process, the main recommendations are:

- monitor, learn from and improve the implementation of the Ways of Working guidelines. This would best be done in collaboration with the MEL unit, as management guidelines aimed at efficiency objectives would best be linked to performance results, to assess which 'way of working' within the Fairtrade system is most efficient and effective;
- create agreement between Fairtrade International and PNs on output and outcome indicators and targets in line with the new strategy and expected results in terms of organisational development and marketing by producer organisations. This would also imply that PNs get more freedom and flexibility in determining *how* to realize the set output / outcome targets;
- enhance lobby and advocacy activities oriented at local and regional policy, governance and market failures that constitute constraints for producers to market their products, in collaboration with strategic partners;
- Communicate pro-actively and clearly the practical consequences of the decentralization process to partners.

In terms of strategic partnerships, the main recommendations are:

- communicate more clearly about (strategic) partnerships, in well defined categories, and provide annual overviews;
- review producer development partnerships and draw conclusions with respect to efficiency gains that have been and can be made, as well as their effectiveness for providing different types of PSR services and cross-cutting themes;
- define a KPI on partnerships, in well-defined categories, and ensure it is annually monitored.

With respect to the new standards framework (NSF), the main recommendations are:

- monitor and demonstrate the concrete benefits of NSF, to demonstrate its added value;
- develop and/or consistently apply a clear and coordination protocol for when a new standard is being rolled out (use the lessons learned of the NSF);

- communicate to companies about implications of NSF, also in relation to decentralization and changes in roles with respect to PSR, and demonstrate the advantages of the NSF.

With respect to producer services, the main recommendations are:

- focus producer services on products, qualities and origins for which there is an actual market demand, however, while recognizing that Fairtrade certification can also be useful for producers as a means of organizational strengthening, irrespective of sales to the Fairtrade market;
- better communicate on current producer services to companies and explore ways to create more complementary roles with the companies in these activities;
- further explore the approach with accredited service providers who can provide a broad range of development services including certification advisory work; this includes the identification of existing skills with LO's, additional skills that are required and insight on current knowledge gaps. It is worthwhile to further explore this approach;
- accelerate the development of a more programmatic approach towards the entire PSR 'package of services', including certification advisory work;
- explore the option of having producers pay for PSR if they have reached a certain level of maturity (semi exit strategy);
- review experiences in working with unorganized producers, as well as experiences with contract production, as there is a large demand for organizations who have these capacities.

In terms of campaigns, the main recommendations are:

- evaluate experiences of campaigns (in North and South) in order to define what (tailor-made) strategic approach is most effective;
- make available more funds for consumer and marketing campaigns in southern countries and emerging economies, based on good market studies to assess countries with high potentials;
- for northern countries, only carry out focused and targeted campaigns;
- communicate in a careful way any changes in Fairtrade systems (e.g. FSP, NSF, decentralization).

With respect to business accounts, the main recommendations are:

- review and update the value proposition for companies to support Fairtrade, with linkages to evidence-based impacts, tailor made PSR services, supply chain data management services and potentially monetarized brand value;
- consider a differentiated fee structure for buying SMEs in emerging countries;
- develop a framework and approach to operationalize global product groups, with defined direct involvement of PNs and service providers.

With respect to the Fairtrade Sourcing Program, the main recommendations are:

- provide firm evidence on the realized benefits of FSP in terms of volumes, improved funding for PSR services and impact at producer level;
- if successful, consider to replicate FSP to tea and possibly other sectors;
- be more transparent in how funds becoming available for PSR are used, preferably for targeted service provision (integrated in the overall PSR system);
- explore how the FSP program could be used to raise donor money in PPP constructions.

In terms of the monitoring, evaluation and learning system, the main recommendations are:

- work out a limited set of key impact pathways (or result chains) at a generic level, reflecting the essence of the theory of change, with an associated small set of generic indicators, as a basis for more specific pathways and concise set of indicators for distinct situations;
- develop a separate impact pathway and indicators for the 'making trade fair' component, related to sector transformation objectives;

- further improve on the set of KPIs, adding at least one outcome indicator for each theory of change component and Balance score card indicators for key organizational themes, ensure the Fairtrade system adopts and monitors the set of KPIs;
- obtain more real-time data availability on key performance indicators, using digital tools, with sufficient quality control;
- as part of the learning project and in close collaboration with relevant PNs, investigate the impacts for one value chain in one region (e.g. coffee in Latin America), to draw more specific lessons that will be more easily applicable.

In terms of understanding impacts, the search for impact should be approached with priority in order to avoid that stakeholders will carry out their own research (consumers, industry, donors, etc.). Stakeholders urgently want to know how their investments in social development of producers translate into improved and more sustainable performance. In doing so, the main recommendations for Fairtrade are:

- focus impact studies on a limited set of indicators in line with the key impact chains and unique selling points of Fairtrade (see above);
- define principles and tools for evidence –based learning and what Fairtrade considers as rigorous impact evaluation, as suggested consider the use of theory-based evaluation methods;
- three types of studies and corresponding insights would appear to be relevant: studies to understand why producer organizations have stepped out of the Fairtrade system, studies of changing needs of producer organizations as they gain maturity, and studies on indirect effects of the Fairtrade system;
- build up evidence of how Fairtrade can work with unorganized smallholders, also looking at experiences with contract production.

Introduction

Fair trade is an alternative approach to conventional trade based on a partnership between producers and traders, businesses and consumers. The international Fairtrade system represents the world's largest and most recognized fair trade system. It is made up of Fairtrade International, FLOCERT, three producer networks and 19 national Fairtrade organizations covering 24 countries. The Fairtrade system certifies different types of producer organizations to standards covering terms of trade, working conditions, and production practices, and sets minimum prices and premiums for selected products, which the primary beneficiaries can use for development of their local communities and production systems.

The Strategic Fairtrade Funding Programme (SFFP) has been financed by a consortium of DfID, ICCO, Irish Aid, Norad and SECO (also referred to in this report as the Donor Consortium). It was initiated as a six year program with two program periods (phase I from 2008 to 2009; phase II from 2010 to 2013). The main intended outcome of the SFFP was that disadvantaged producers have a strengthened connection to consumers, improved market access and are empowered to combat poverty (MDG 1). A description of the SFFP is provided in chapter 3.

This evaluation focuses at SFFP Phase II. In this report SFFP Phase II is referred to as SFFP.

This assignment will meet two objectives that are intricately related, as shown in figure 1:

- Contribute to accountability on investments made by Fairtrade International using criteria of relevance, effectiveness, efficiency, impact and sustainability of the SFFP Phase II;
- Learning (at program and institutional level) for continuous improvement (particularly for future decision-making). The results and recommendations of the evaluation will explicitly contribute to the ongoing process of developing a new strategic plan for the Fairtrade organization as a whole.



Figure 1: Objectives of evaluation addressed in this assignment

The scope of the final evaluation is focused on the operations of Fairtrade International and its role as the umbrella organization for the international Fairtrade system.

This report is built up as follows:

- Chapter 1 elaborates on the methodology that was applied;
- Chapter 2 provides a brief overview of the relevant context, including donor aid for trade policies, voluntary sustainability standards and the increasing competition and new challenges in this area;
- Chapter 3 is the actual evaluation of the SFFP, and includes an introduction to this program, followed by an analysis of the objectives and expected results (logframe), and management aspects. Conclusions are drawn and strategic areas to look beyond the logframe scope are selected to capture the (full range of) benefits of SFFP for the Fairtrade system.
- Chapter 4 provides details with respect to changes during the evaluation period for a number of strategic priority themes including conclusions and recommendations
- Chapter 5 presents the main conclusions and recommendations, including an analysis of the findings with regards to the criteria of relevance, effectiveness, efficiency, impact and sustainability. The chapter also includes conclusions with respect to the advantages and disadvantages of strategic funding.
- A list of abbreviations used in this report is given in Appendix I.

1. Methodology

The following scheme presents the analytical framework that was used for this evaluation (see appendix II for the the ToR). It shows the context and external influences of the SFFP, and the evaluation criteria related to the logic of the SFFP.

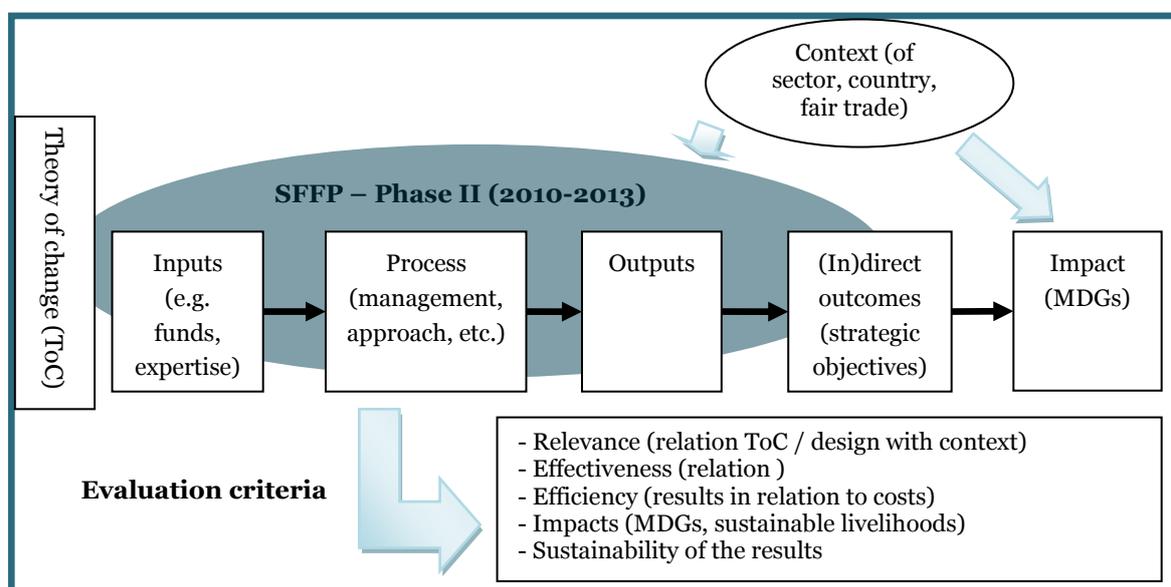


Figure 2: Analytical framework

As a first step of the evaluation, an inception workshop was held with Fairtrade International staff in Bonn. During this workshop, a number of key evaluation questions and priority themes were defined that are of strategic value for the international Fairtrade system and that should be particularly addressed during the evaluation. The key evaluation questions are the following (see Appendix III for a full overview of inception workshop results):

1. Has the SFFP been implemented according to the logframe?.
2. What has been the added value or what have been negative consequences of the strategic funding approach by the Donor Consortium?
3. What are the main changes within the Fairtrade system between 2010 and 2013, what are the main lessons learned and what are the emerging distinctive qualities of Fairtrade?
4. What are the main relevant changes between 2010 and 2013 and trends expected in the future, especially in terms of the competitive landscape and markets?

The evaluation basically consisted of four main activities:

1. A desk study of available documents. In total more than 50 documents were consulted (see Appendix IV for an overview).
2. An inception workshop to agree on the methodology and a Director level workshop to discuss the draft findings.
3. Interviews and focus group discussions, either face-to-face or by skype / telephone, with staff from Fairtrade International, National Fairtrade Organisations (NFOs), Producer Networks (PNs), Fairtrade Board and Global Operations Team (GOT) members, and representatives of the private sector, donors and NGOs. The list of interviewed persons is provided in Appendix V.
4. Field visits to two regional networks: Fairtrade Africa (FTA) and the Latin American and Caribbean Fairtrade network (CLAC). Interviews with staff from these two networks were conducted on the basis of a prepared agenda and set of subjects to discuss. The consultants also conducted interviews with producer groups on the basis of a specific set of questions, to receive their feedback on

changes within the producer networks during the period 2010-2013, and understand their current and future needs and challenges (for questionnaires also see Appendix VI).

Efforts were made to triangulate the findings, i.e. to find firm evidence and underlying quantitative data to evidence opinions and statements.

Limitations of this evaluation

- In total around 50 persons have been interviewed, leading to a balanced overview from different stakeholder groups (see Appendix V). However, the anticipated balance between different stakeholders falls slightly short with respect to other NGOs (only one was interviewed) and retailers (none was interviewed). Underlying reasons are the non-availability of persons.
- Efforts were made to triangulate the findings (see above); in most cases this worked out well, in some cases this proved to be difficult, for instance with regards to financial data to support claims of increasing (or declining) funding for certain activities or themes. Also, information on certain impact claims is not yet fully available, but there is ongoing research on this subject.
- In chapter 4, the evaluation looks into a number of themes that are strategic for the Fairtrade system. The aim is not to provide a complete overview of each strategic theme, but to focus at progress during the SFFP implementation period, contribution by the SFFP and remaining challenges and options for strategic funding. For each theme, the evaluation could be criticized for insufficient in-depth analysis, but this was beyond the scope and available resources for this evaluation.

2. Context analysis

This section gives a description of the changes during the evaluation period that are relevant to the SFFP, as these have influenced the challenges faced and to be faced by Fairtrade. First an overview is provided of some general trends that were relevant during the SFFP period. The next section focuses at the role of voluntary sustainability standards (of which Fairtrade is one) and recent changes.

2.1 General trends

Among the general public, there is increasing attention to agriculture and global food security, notably the challenge that exists to feed 9 billion people in the future. Important themes are the impact of climate change on agricultural production, and the impact of human activities like agriculture on climate change (e.g. deforestation). In the North, we can observe an increasing attention for themes such as food safety and sustainable sourcing, with the need to assure that critical social and environmental sustainability risks are mitigated (e.g. child labour, toxic pesticides). There is also the emergence of a middle class in the South, which increasingly accords importance to sustainability issues (e.g. food safety in India; no deforestation in Brazil; fair wages in South Africa).

In terms of markets, population growth and growth of wealth in the South also leads to their increasing share in global consumption and an increase in South-South trade. For instance, intra African trade has doubled between 2009 and 2013, in Latin America purchasing power has doubled, the middle class now constitutes 30% of the population. In terms of South-South trade, the trade from Latin America to China has multiplied by a factor 25 in recent years, but is also very much primary commodity focused.

In terms of industries and markets, there is an increasing consolidation of industry in commodity trade and processing. Examples can be found in the coffee, cocoa and banana sector. This also involves increased vertical integration with one company covering several steps in the supply chain. An increasing number of Western companies have developed their own business standards for sustainable sourcing, and have clear targets in sustainable sourcing (often with a 2020 horizon). This fits nicely in the thinking that has been promoted since the 90s of putting more responsibility to consumers and industry. In several agricultural commodity chains, companies invest at origin because of their interest to secure the future resources base (e.g. cocoa).

Among civil society actors, there is a shift in their role from being a campaigner, agenda setter or implementer, to a role as broker, facilitator or enabler. As a consequence there exists an increasing number of partnerships between companies and civil society. This particularly occurs in sectors where the industry sees value in more inclusive business models and capacity building (e.g. cocoa). There is a proliferation of multi-stakeholder partnerships at global and increasingly national level.

Among donors, the Aid for Trade agenda encourages developing country governments and donors to recognize the role that trade can play in development. The 4th global review of the Aid for Trade agenda emphasized the role of public sector and private sector actors and their mutual collaboration, e.g. through multi-stakeholder partnerships and Public Private Sector Partnerships. Local ownership has been identified as a critical success factor, in line with national development priorities. The donor community is supporting many supply chain approaches and voluntary sustainability standards (VSS), but is increasingly pushing for alternative or complementary approaches because the limitations of VSS are also becoming increasingly clear. For instance, many VSS are reaching ceilings in their potentials to reach smallholders, especially those that are relatively unorganized and living in remote areas.

2.2 Voluntary Sustainability Standards trends¹

Voluntary sustainability standards (VSS) originally emerged in response to government failure to ensure sustainability in agriculture, forestry, fishery and processing. The recent decades have seen a strong proliferation of VSS and a scaling of their adoption in several sectors. VSS have proved to be instrumental in:

- Providing a common reference for sustainability by a set of concrete practices and norms
- Building consumer, industry and producer awareness on sustainability
- Providing a platform for sector dialogue and governance
- Mobilizing market driven incentives for sustainability
- Mobilizing investments in producer organization and training
- Providing assurance and traceability systems to substantiate sustainability claims

VSS are faced with challenges to scale volumes and prove impact

In 2013, the share in global production in some of the major commodities that complied with a VSS ranged between 2% (soy) and 29% (coffee). In some commodity sectors VSS have shown spectacular growth, while others show stagnation. The number of sectors in which standards are introduced is still increasing. However, in the major commodities there appears to be a structural oversupply of certified production with a market uptake of around 50%.

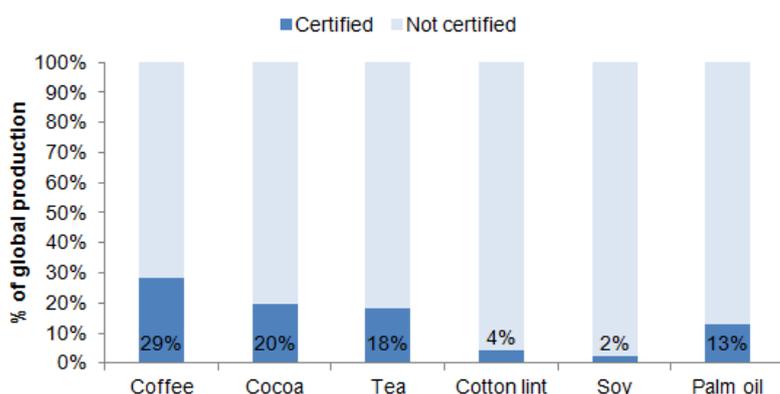


Figure 3: Certified (including verified) production (2013)²

Despite the rapid growth in supply and demand in some sectors there are concerns that this growth will hit a ceiling. There are several reasons that fuel these concerns:

1. Demand for certified production lags behind supply and for a market driven instrument as VSS this is a constraint. Despite growth figures, sustainability is not a dominant driver of purchasing decisions for a large share of consumers, including in the USA and EU. It is even more of a constraint in the emerging economies which increasingly absorb their share in global consumption of commodities. This structural lack of consumer demand and willingness to pay a premium resulted in the emergence of more business to business oriented standards (e.g. 4C, SAI Platform, BCI) and pushes VSS to redefine their value proposition to the industry. This challenge is becoming even more relevant with the emergence of public mandatory sustainability standards (e.g. EU RED, CEN/ISO or national standards in origin).

¹ Most content of this section is derived from: Aidenvironment, IIED, NewForesight (2014), Changing roles of VSS in face of the challenge to scale sustainability in sectors dominated by unorganized smallholders, commissioned by IFC, and from: Aidenvironment and Jinke Van Dam Consultancy (2013), Linking assurance, learning and impacts in voluntary standards systems, commissioned by ISEAL Alliance

² Based upon data from the following voluntary sustainability standards: Fairtrade International, Rainforest Alliance, UTZ Certified, IFOAM, 4C, BCI, CMiA, RTRS, Proterra, RSPO.

2. There is an increased need to demonstrate impact of VSS. For a long-time VSS neglected to systematically measure their impact and have been increasingly criticized for that. Recent efforts to measure impacts show a mixed picture. While in general the impact of VSS appears to be positive, it is rare that they contribute to a positive impact on all issues they aim to address. This is partly caused by the fact that VSS focus on the farm level, while the causes of some issues they intend to address are at community and landscape level, or can be attributed to failures in markets, policy and governance. As VSS can address such issues only partially (e.g. Fairtrade addresses some market failures by setting minimum prices) they are increasingly challenged to consider different strategies or partnerships in order to be able to 'deliver what they promise'. VSS also face the challenge to ensure a credible and cost-efficient verification of compliance to a standard.
3. The high costs and weak business case impedes the scaling of VSS in sectors with unorganized smallholders. In many sectors, there is a bias to certify the larger farmers or the better organized, accessible and capitalized smallholders that face fewer sustainability challenges. However, most farmers are neither large or organized, accessible and capitalized. There is increasing awareness that certifying unorganised farmers requires high investments in organizing and building capacity. It is doubtful whether market driven mechanisms could generate these necessary investments, which risks excluding certain types of farmers from sustainable markets. To avoid this, VSS and industry are challenged to build the partnerships that mobilize these investments. Reaching out the more marginalized farmers also requires more step-wise approaches in order to allow for a more gradual improvement in sustainability performance.
4. There are concerns that the producer business case of certification depends too much on the premium and too little on the intrinsic business case of sustainable practices. This increases the risk that farmers drop out of the system (due to the lack of market demand and thus premium) and revert to old practices.

VSS capture opportunities to overcome the challenges

There are different opportunities that VSS currently explore and implement to overcome above mentioned challenges. The following are some interesting examples:

- To increase access to smallholders VSS shift from a single threshold pass-fail compliance approach to step-wise or continuous improvement compliance approaches. They also allow for more types of small producer group models.
- To reduce costs VSS develop new assurance models (e.g. risk based assurance, combining different assurance approaches) and increase collaboration between them (e.g. mutual recognition, joint audits, common training materials).
- To improve the enabling environment VSS increasingly collaborate with the public sector and raise resources for capacity building programs.
- To improve the value proposition towards the industry, VSS start to develop data collection and sharing services, closely linked to performance and impact monitoring systems.
- To promote demand, some VSS start to promote market uptake in emerging economies.

Whereas VSS were often the first initiatives addressing sustainability issues in supply chains in a pragmatic way, today's trends show an increase in engagement and commitment from the private and public sector (e.g. from an Aid for Trade, food security, rural development, climate change, or corporate supply security perspective). In fact, VSS are faced with the emergence of complementary and alternative strategies and instruments such as monitoring tools, corporate programs combining capacity building and monitoring and moratoria. Many VSS (and donors) are considering such complementary approaches and synergies between different actors, including the industry, public sector, NGOs and financial sector.

3. Evaluation of the SFFP

3.1 Background of the SFFP

Making the difference strategy

Starting in 2006, Fairtrade conducted a strategic review which resulted in the new Fairtrade strategic plan 'Making the Difference', endorsed by the Fairtrade International Board in December 2008. This strategic plan covered the years 2009 to 2013. This strategy had 3 ambitions or change processes:

1. Strengthening - Ensuring that each activity in the Fairtrade system, and the organisation of those activities in the overall system, are designed to maximise the direct impact of Fairtrade's work and to leverage the indirect outcomes Fairtrade seeks to influence;
2. Broadening - Enabling more people and communities to benefit from the Fairtrade model of trade that prioritises benefits to people and planet in production modes and business relationships.
3. Deepening - Increasing the value that each producer and producer organisations sees from their engagement with the Fairtrade system.

The 'Making the Difference' narrative to the Board dates from November 2008. It refers to a more detailed implementation plan, including a timetable of key milestones, to be delivered by January 2009 (i.e. working out the 5-year strategy into a multi-annual planning document). This strategy implementation plan has never been elaborated. However, the strategy does suggest some concrete targets, being a doubling of the number of Fairtrade Certified Producers over the period 2009-2013, and a three-fold increase in the number of people within Certified Producer organizations benefiting from Fairtrade.

In the absence of a strategy implementation plan, the 'Making the difference' strategic plan remains very broadly defined. This obscures the fact that within the Fairtrade system there were important differences in opinion with respect to the strategic choices to be made. One was the controversy with respect to growth in traditional Fairtrade labeling in core products driven by the "Fairtrade brand", greater product diversity and new markets, as opposed to an increased presence and services at origin to support producers in their development beyond a market-based approach. In fact, this controversy is that between a predominantly Broadening strategy and a Deepening strategy. Second was a debate whether Fairtrade services could be best delivered by a command and control model (with Fairtrade International at centre) or a devolved system (Fairtrade International as coordinator and for quality oversight). This has everything to do with the governance and management system. This had important consequences for implementation of the SFFP, as will be analysed below.

Unlocking the power

At the end of 2012 a new strategy was adopted "Unlocking the power of the many", which is structured in another way than the 'Making the Difference' strategy. This obviously caused frictions with the SFFP logframe and targets, due to its strategic funding focus and assumed coherence with the main Fairtrade strategy. However, it was decided not to adjust the SFFP logframe and targets. The 4 strategic directions of the new strategy (i.e. world class work with smallholders, driving real change for workers, grow the grassroots social movement and the markets and strengthen the global Fairtrade system) have been at the basis of the logframe for the extension PPA with DfID funding in 2014-2016. Thus, while the SFFP (2010-2013) took as its basis the 'Making the Difference' strategy (2009-2013), the extension of the PPA (2014-2016) took as its basis the strategy 'Unlocking the power of the many' (2013-2015). The strategy 'Unlocking the Power of the Many' had an overlap with the SFFP in the year 2013. From 2013 on, the Fairtrade annual reporting follows the structure of the

new strategy, while the SFFP reporting and logframe continues to follow the structure of the old strategic plan.

3.2 Design of the SFFP

Strategic funding mechanism

A donor consortium formed by DfID, ICCO, Irish Aid, Norad and SECO decided to support financially the implementation of the strategy 'Making the Difference' through the Strategic Fairtrade Funding Programme (SFFP), for the period 2010-2013. In line with DfID's Programme Partnerships Arrangement (PPA), the donor consortium financing the SFFP decided to adopt a strategic funding mechanism. This implies that the funds are not labeled for a particular activity but can be used within the organization as a whole. It is expected that this unrestricted and flexible nature of PPA funding enables organisations to develop their capacity and systems in ways that lead to measurably improved results and value for money. It is anticipated that PPA holders make strategic investment decisions about how best to allocate and use PPA funding in order to add the most value to their organisations. The ways in which PPA holders have used PPA funding to support civil society has been categorised by DfID as:

- direct delivery of goods and services;
- capacity building of communities and organisations; and
- influencing policy change.

The donor consortium requested Fairtrade to work out a logframe that also includes performance targets (see below). In addition, it was decided that Fairtrade would work on a range of cross-cutting issues, especially gender, climate change, value for money and transparency. These subjects feature as a series of appendices to the SFFP program document.

Mission and objectives

The SFFP funding program (dated 31 August 2009) describes in broad terms the objectives and main aims of this program. It is not an operational document, i.e. it does not provide details on targets, responsibilities and budget. Moreover, there are 18 annexes, of which 15 are strategic options.

The mission of the SFFP is in line with the 'Making the Difference' strategy: "to connect consumers and producers via a label which promotes fairer trading conditions through which producers who are disadvantaged by conventional trade can combat poverty, strengthen their position and take more control of their lives". In brief: strengthening development through fair trade.

The long-term goal supported by the SFFP is "to contribute to making trade fair by setting an example of how Fairtrade principles can become the norm for international trade." Through the strengthened institutional capacities and partnerships the SFFP aims to mainstream the principles and practices of Fairtrade into international trade and development discourses. The purpose of the SFFP is to ensure that Fairtrade is a global movement for change which forms part of a global partnership for development. Subsequently three strategic objectives are defined, being those of Strengthening, Broadening and Deepening.

Table 1 recaptures from the 'Making the Difference' strategy document the original definitions of the 3 SFFP strategic objectives, and list the strategic themes falling under these strategic objectives (and for which indicators have been defined in the SFFP logframe).

Table 1: Strategic objectives in the SFFP and strategic themes

| <i>Strategic objectives</i> | <i>Definition in Making the Difference strategy paper</i> | <i>Strategic themes</i> |
|-----------------------------|---|---|
| <i>Strengthening</i> | Ensuring that each activity in the Fairtrade system, and the organisation of those activities in the overall system, are designed to maximise the direct impact of Fairtrade’s work and to leverage the indirect outcomes Fairtrade seeks to influence. | <ul style="list-style-type: none"> • Revised Governance Model • Revised financial model • A strategy and policy unit • Enhanced brand communication • Quality management • Information management system • Monitoring, evaluation, impact assessment |
| <i>Broadening</i> | Enabling more people and communities to benefit from Fairtrade’s model of trade that prioritises benefits to people and planet in production modes and business relationships | <ul style="list-style-type: none"> • Global product management • Global account management |
| <i>Deepening</i> | Increasing the value that producer and producer organisations get from their engagement with the Fairtrade system. | <ul style="list-style-type: none"> • Flexibility in standards framework • Producer services and relations • Certification • Partnerships |

The logframe and expected results

The SFFP logframe as Annex 2 to the SFFP document provides useful details on concrete targets and expected results. It lists at the highest level the above goal followed by above mentioned purpose, with indicators defined at purpose level only. These are referred to as change processes in the Making the Difference strategy. There are 5 outcome indicators at the level of the purpose (disadvantaged producers have a strengthened connection to consumers, improved market access and are empowered to combat poverty). Outputs are centered around the three strategic objectives, with a series of output indicators. These indicators are related to themes which originate from the ‘Making the Difference’ strategy. Indicators defined at purpose and strategic objective levels have baseline values and milestones. Also, assumptions are defined for purpose and strategic objectives levels.

The SFFP budget

The programme budget is set out as Annex 1 of the SFFP program document. The budget is presented in three funding scenarios, reflecting the range of possible options between a “business as usual” incremental growth scenario (“low case”) to a step change “high case” scenario around which different ambitions are framed. According to the SFFP program document “we have avoided creating additional fixed costs, such as salaries, preferring instead to allow a flexible response to available funds and priorities. We will thus be able to respond to variable funding scenarios, adding additional “units” of activity as and when funds become available.”

The high case budget includes annual expenditures of € 95.3 million, with a total contribution by donors of € 42.2 million, of which the strategic funding consortium contributes € 37.2 million. The low case budget includes total annual expenditures of € 63.9 million, with a donor contribution of € 27.0 million, of which strategic funding consortium contributes € 22.1 million.

The SFFP proposal in section 7 (budget) states that the SFFP logframe targets have been based on the high-case scenario, while for the medium- and low case scenarios substantially lower targets were set.

3.3 Results

3.3.1 Midterm review of the SFFP

A mid-term evaluation of the SFFP was carried out in March 2012 by an external consultancy.³ It found the Fairtrade system in the midst of a process of change and identified several tensions and challenges. These partly resulted from the fact that the change process was perceived as too much centrally led, with the perspectives and interests of the different Fairtrade system components not being sufficiently balanced. A management response to the recommendations of the midterm evaluation was provided by the Fairtrade Leadership Team to the Board. The results were also communicated to the NFO Directors. Table 2 gives a summary of the main recommendations of the midterm evaluation and the management responses. In chapter 5 will be referred to these recommendations to show whether these have been implemented or not.

Table 2: Recommendations of the midterm evaluation and management responses

| <i>Recommendations</i> | <i>Management response</i> |
|--|--|
| <ul style="list-style-type: none"> Urgent need for a new financial model and its operations, including scenario planning for the period after SFFP funding | <ul style="list-style-type: none"> Revised draft financial model presented to the FLO Board and General Assembly in 2012. Implement revised financial model in 2013. |
| <ul style="list-style-type: none"> Revise the SFFP logframe targets and find a new balance between its 3 strategic components | <ul style="list-style-type: none"> The plan to deliver on “Fairtrade Opportunity” is ready by October 2012. The revised logical framework will be sent in May 2012. |
| <ul style="list-style-type: none"> Review Fairtrade market position in view of increasing competition, prepare a position paper on collaboration with other social labels | <ul style="list-style-type: none"> Based on internal work on the Fairtrade brand develop a position on Fairtrade unique selling point in 2012, with communication strategy. |
| <ul style="list-style-type: none"> Need to strengthen collaboration with other social labels and membership of ISEAL | <ul style="list-style-type: none"> Look into areas to improve certification model, with principles for cooperation at auditing and certification level with other ethical labels. |
| <ul style="list-style-type: none"> Review Fairtrade financial charges for participation in the Fairtrade system and consider cost reductions | <ul style="list-style-type: none"> Revised financial in June 2012; project to improve cost-benefit ratio for producers participating in Fairtrade system, by 2012. |
| <ul style="list-style-type: none"> Strengthen the pace of change through alignment of the network around a globally owned strategy | <ul style="list-style-type: none"> A system wide prioritized plan and budget for 2013 for a clear delivery and resource allocation across the Fairtrade system. |
| <ul style="list-style-type: none"> Harmonise the internal system of KPIs with the SFFP logframe indicators, especially as regards organizational success criteria | <ul style="list-style-type: none"> Ongoing process to align milestones and targets |
| <ul style="list-style-type: none"> Define external factors that may influence logframe targets | <ul style="list-style-type: none"> Refer in reports to the consortium to external elements affecting the achievement of targets |
| <ul style="list-style-type: none"> Define objectives, goals and priorities for the PSR unit | <ul style="list-style-type: none"> Discuss producer services and take a decision by the end of 2012 on the model and services offered in the next few years. |
| <ul style="list-style-type: none"> Prioritise resources for PNs in order to develop their capacities and address perceived weaknesses | <ul style="list-style-type: none"> Producer networks’ role defined by June 2012. Financing for PNs decided upon with a plan and budget to be signed off in October 2012. |

In parallel DfID assessed the performance of each PPA grantee, using a uniform pre-designed format. The mid-term review mentioned above was used as the basis for this assessment, but only partly covered the criteria of DfID’s format. This resulted in an the overall performance of Fairtrade International to be medium.

³ SFFP Phase II- mid-term evaluation. Imani development, 2012.

3.3.2 General impressions by the evaluation team

The general perception of people that were interviewed (both internal and external) is that between 2010-2013 the international Fairtrade system has undergone major institutional changes. These changes are generally perceived as positive:

- The change of governance towards 50% ownership by the producer networks
- The change from an organization that was not very transparent and visible, to one that has opened up and became a good partner in the scene of sustainability standards (external perception).
- The change of attention, expertise and knowledge shifting from the north to the south
- The change to an organization with attention for data and information management
- The change in market approach from niche towards mainstream
- The change from a system that was rather fragmented to one that is more coherent, with improved communications and closer contacts (i.e. between PNs, Fairtrade International, FLO-CERT, NFOs).

Most people add that the process of institutional change is still not finalized as there still remain several challenges to be addressed. It is also clear from the responses that the last 1 to 1.5 years have been critical for this positive opinion.

3.3.3 Main changes during the evaluation period

In this section are summarized the main changes within Fairtrade during the period 2010-2013 on the basis of key facts and figures. It can be observed that there have been many important organizational changes. Several of these changes will be further elaborated in Chapter 4.

Organisational changes

- The Fairtrade system now includes 19 National Fairtrade Organizations (NFOs) covering 24 countries, promoting and marketing Fairtrade products in their countries; 3 Producer Networks (PNs) representing producers in Africa, Asia and Latin America and the Caribbean; 2 applicant members; and 6 Fairtrade Marketing Organizations (FMOs) to market and promote Fairtrade in emerging markets. In the last 4 years, there have been 4 new FMOs and 1 NFO.
- The New Standards Framework was developed in 2010. NSF has been applied by FLO CERT for the Small Producer Organisation (SPO) and Contract Production Organisation (CPO) standard since 2011. The new Hired Labour Standard was completed in January 2014.
- Following a needs assessment, in 2010/2011 a new operating model for Producer Services and Relations (PSR) was designed, defining which services will be delivered by Fairtrade International and which services will be delivered through the Producer Networks and partnerships, and which was rolled out since then.
- There have been various changes in the organigram of Fairtrade International. In total 5 new units have been established, and staff has increased roughly from 48 in 2008 to 88 positions in 2014, of which 16 are not filled and which then corresponds to 70 fte.
- Funding to the 3 Producer Networks has increased and consequently staff capacity has increased, while more clarity was achieved on which services are provided by the PNs. In mid-2014 a service agreement was signed by Fairtrade International and FTA on the devolution of PSR services.
- In 2009, Fairtrade International published its first M&E report, in 2013 the 5th edition was published.
- In 2010 Product Advisory Councils have been set up for core products, aimed to help design the scope of standards projects and inform strategic and tactical decisions.
- In 2011, Fair Trade USA decided to leave the international Fairtrade system.
- In January 2012, the CEO Rob Cameron left Fairtrade International and was replaced by Harriet Lamb in September 2012.

- End 2012 the new strategy ‘Unlocking the power’ was adopted, following a process led by the new CEO.
- The role and responsibilities of the Global Operations Team (GOT) were defined and the GOT became operational in January 2012.
- In January 2013, the new constitution with 50% vote for NFOs and 50% vote for PNs was adopted.
- A new concept for businesses to engage in Fairtrade cotton, cocoa and sugar procurement, the Fairtrade Sourcing Program (FSP) Model was developed during 2012 and adopted in 2013.
- In 2012 and 2013 consultations on developing the Fairtrade theory of change were conducted, which was finalized by the end of 2013.

Quantitative changes

- The total number of certified producer and worker organizations has grown from 750 in 2008 to 1,210 in 2013 (about 12% per year); more specifically SPOs consist of 79% of the total number of certified organizations in 2013 and has grown by 50% in 3 years between 2009 and 2012, the number of Hired Labour Organisations (HLOs) is 19% of the total and has declined by 1% in the same period, the number of contract production organizations represent 2%.
- The total number of producers and workers has grown from 1.1 million to 1.5 million (of which about 10% are workers);
- The total amount of premium annually paid to the producer and worker organizations has increased from €32 million in 2007 to at € 86 million in 2012 (Impact report, 2013);
- The total number of countries with Fairtrade certified producer and worker organizations has grown from 59 in 2008 to 74 in 2013;
- The number of Fairtrade retail sales has increased from € 3 billion in 2008 to € 5.8 billion in 2013.
- The number of countries with the Fairtrade Mark filed and registered has increased from 121 in 2008 to 161 in 2013.

3.3.4 Realised SFFP funding

The contribution by SFFP to overall income of Fairtrade International in the period of 2010 to 2013 has been about € 21 million. This roughly corresponds to the low-case budgeting scenario of the SFFP budget (see section 3.2), which is related to the low revenues from other expected income sources. In 2009 there was a contribution by SFFP Phase I (not part of this evaluation). Between 2010 and 2013, the contribution by the SFFP (phase II) to overall Fairtrade International incomes has varied little (36-38%) with the exception of 2013 (30%) see (Table 3). It can also be observed that other grants have consistently declined during the same period (from 14% to 5%), while the contribution by Fairtrade’s own generated resources has increased (from 50% to 65%).

Table 3: Overview of total annual Fairtrade International incomes and proportion of grants and other incomes (source: Fairtrade annual progress reports)

| Year | Total incomes (€ x 1,000) | Funding source | | |
|------|------------------------------|------------------------------------|------------------------------|--|
| | | Grants strategic funding (SFFP) | Grants restricted funding | Membership fees, interests, other incomes |
| 2009 | 11,215 | 21% | 32% | 47% |
| 2010 | 13,771 | 36% | 14% | 50% |
| 2011 | 15,805 | 37% | 8% | 55% |
| 2012 | 14,972 | 38% | 4% | 56% |
| 2013 | 15,699 | 30% | 5% | 65% |

3.3.5 Analysis of results according to the logframe

Adjustments of the logframe

Comparing the initial SFFP logframe attached to the project document in 2009 with the last version (updated with the last analysed data for some indicators in August 2014), there have been some relevant changes, most of which were probably carried out at an early stage of the SFFP:

- No more indication or reference to assumptions;
- No goal level defined, nor impact indicators included;
- Changes in the classification of indicators: while the original logframe has 30 indicators, of which 9 at outcome level and 21 at output level, the last version has 29 indicators, of which 5 at outcome level and 24 at output level;
- One indicator was left out, being the number of effective strategic partnerships;
- Of most quantitative indicators the targets set for 2013 have been substantially reduced, it is unclear when this was done (some references were found to adjustments being made in SFFP annual reports but tracking all changes was not possible).

The mid-term evaluation had recommended to significantly adjust the logframe, adding some new indicators, changing milestones and targets. However, at the consortium meeting in April 2012 the consortium members requested that Fairtrade International continues to use the existing logical framework and explain in detail why latest achievements are possibly different than planned.

Analysis of the logframe structure

A number of observations can be made about the logframe structure (last version – August 2014).

1. The SFFP logframe is organized by the three strategic objectives: strengthening, broadening and deepening. The three strategic objectives are not well defined and do not have outcome level indicators. The broad range of strategic themes that is also found in the Making the Difference strategy has been organized within this structure. This has not been an easy exercise because several strategic themes could fit under different strategic objectives. For instance, many strategic themes require strengthening and will then be expected to contribute to either or both broadening and deepening.
2. The last version of the logframe does not include assumptions or reference to external factors that might influence the outcomes and later on explain why targets may not be realized.
3. Of the 29 indicators, 23 have quantitative targets and 6 have qualitative descriptions (1 at the outcome level, 5 under the strengthening objective). The qualitative descriptions are short and do not allow an evaluator to capture the quality of the expected progress and thus whether change has been meaningful. This observation must be placed in the perspective of the fact that the 'Making the difference' sets out a series of important organisational changes (see section 3.1). Quantitative indicators are unsuitable to capture organisational change processes. Indicators for institutional change processes are better captured through a balance score card approach. This approach has by now been introduced by Fairtrade to measure progress of some KPIs, but it has not been used for indicators that are part of the logframe for the extended PPA.
4. It can be observed, by comparing the overview of main changes in section 3.3.3 with the SFFP logframe indicators, that some important organizational change processes that did take place are not reflected in the logframe, e.g. the new strategy that was developed, the theory of change process, the new hired labour standard, etc. On the other hand, it can be argued that some indicators in the SFFP logframe do not have a high *strategic* priority, such as (i) number of marketing organizations agreements for marketing Fairtrade in new markets, or (ii) number of Fairtrade operations in conflict affected regions. It is also observed that the logframe targets do not have a weighting, i.e. meaning that indicators are given relative weights according to their priority or strategic importance.

5. Lastly, the indicators defined under the Deepening strategic objective do not well reflect impact of Fairtrade (i.e. value of Fairtrade for producers).

Achievement of the logframe targets

The assessment of the extent to which the SFFP logframe indicators and targets have been achieved is presented in Appendix VII. This was done using the version of the SFFP logframe using the most recent updated scores of set targets (version 21 August 2014). The assessment was done as follows:

- All indicators receive equal weights (although it is the evaluator’s opinion that some indicators have more importance than others, attributing weights would remain subjective and debatable);
- As data and information sources to judge whether targets have been reached, two sources were used mainly: the reported scores in the SFFP logframe and the PPA annual report 2013/2014;
- Scores were given as follows: 1.0 if fully achieved (100% or more), 0.5 if almost achieved (80-99%), 0.0 if not achieved (less than 80%);
- For two indicators (both from the deepening component) data were not yet available, these were not included in the assessment (see Appendix VII).⁴

If the two indicators for which data are not yet available are left out, the overall average rate of performance is 54%. The average score is highest for the component of Broadening (69%), followed by Strengthening (56%), and lowest for Deepening and the outcome level indicators (both 40%). Table 4 gives a summary overview of the indicator scores.

Table 4: Summary overview of the achievement of SFFP indicator targets

| | Number | Performance / 2013 targets achieved? | | | | |
|-----------------------------------|--------|--------------------------------------|---------------|-----------|----------|------------------|
| | | Yes 1.0 | Partly 0.5 | No 0.0 | ? -/- | Average score |
| Outcome indicators | 5 | 1 | 2 | 2 | | 40% |
| Strengthening - output indicators | 9 | 3 | 4 | 2 | | 56% |
| Broadening - output indicators | 8 | 5 | 1 | 2 | | 69% |
| Deepening - output indicators | 7 | 2 | 0 | 3 | 2 | 40% |
| Total | 29 | 11 | 7 | 9 | 2 | 54% |

The initial SFFP logframe targets were set for the high-case budget scenario, while lower targets were set for the medium- and low case scenarios. Table 5 shows that the realized results for these selected indicators are still far from the low case budget scenario.

Table 5: Achievement of SFFP core indicators related to high- and low-budget scenarios

| Core indicators | High case | Low case | Realised |
|---|------------------|-------------------------|----------|
| Number of individual Fairtrade producers | 3-fold increase | 2-fold increase (+100%) | +36% |
| Global retail sales value of Fairtrade certified products | 6-fold increase | 3-fold increase (+200%) | +100% |
| Increase in total value of Premium | 10-fold increase | 3-fold increase (+200%) | + 10% |

There are three additional observations:

- First, it is noted that the scores for the quantitative indicators would not have been significantly different if the original (higher) targets (set in the SFFP 2009 logframe version) had been maintained; even most of the revised targets have not been achieved.

⁴ 3.1 Proportion of women members in producer organizations / workers in hired labour organizations and 3.2 Proportion of small POs selling minimum 30% exportable production on fair-trade terms.

- Second, in some cases baseline values (dating from 2006, 2007, 2008 or 2009) have been adjusted because of changed indicator definitions, but this has not affected the outcome of our assessment.
- Third, the judgment of the more process oriented indicators (6 in total) is especially difficult, because here understanding of the complexity and quality of the processes is important to capture in order to judge whether a meaningful change took place.

3.4 Management of the SFFP

Based on the interviews, some general perceptions emerged about the role that SFFP has played within the Fairtrade system during recent years. It was found that within the Fairtrade system the SFFP is not well known. Fairtrade International staff often does not perceive the strategic funding scope of the SFFP, i.e. having contributed to finance the totality of activities within Fairtrade between 2010-2013. Most are of the opinion that the SFFP was aimed at financing certain activities and others not. Some are not aware of the fact that the activities of their specific unit were also funded by the SFFP. Within the Producer Networks, while most people have not heard of the SFFP, few understand that the SFFP has also contributed to their funding over the last few years. Since alongside SFFP funding a range of additional funds have been acquired through separate projects, often labeled to specific activities, many see the SFFP as a large DfID project, and assume it has also been labeled to certain activities. Internally, the SFFP continues to be referred to as ‘a project’, which might be misleading because it is quite different from all the other donor projects.⁵

The SFFP program document is very short on the management of the SFFP: “Our revised Strategic Model emphasises the importance of driving efficiencies through the Global Fairtrade system. Fairtrade International will have overall responsibility for managing the SFFP. In its role as umbrella organization for the global Fairtrade movement, it will lead on the strategic developments outlined in the SFFP document, with the implementation of specific functions being undertaken according to the most efficient and effective allocation of the required expertise and resources within the Fairtrade movement.”

The SFFP was generally regarded as being ‘owned’ by the fundraising unit, and had only loose relations to the higher level leadership team. Given the strategic orientation of the SFFP, higher level management levels should have been made accountable for realising the SFFP objectives. This has been adjusted for the extension of the PPA funding (DfID), which has been more embedded within the Leadership Team to assure design in line with the organization’s priority needs, and shared accountability for delivery.

During interviews for this evaluation it was noted that several Fairtrade staff members observed a ‘mushrooming’ of activities, new staff positions being opened and being assigned, apparently without agreement whether this was part of the core strategy or not. They also observed an apparent lack of a sense of accountability towards the donor consortium, assuming that the available funds could be spent more or less ‘as wished’.

The SFFP annual report, written for the strategic fund donor consortium, is structured along the 3 components of Strengthening, Broadening and Deepening and its respective indicators. While before 2012 the SFFP reports focused more on processes of change, from 2012 on the focus is more on quantitative performance targets, thus showing more overlap with the Fairtrade International annual report. In addition to the SFFP annual report, DfID requested additional reporting using a specific

⁵ For instance, in a recent workshop to draw lessons from the SFFP for the extended PPA by DfID, the SFFP is still referred to as ‘a project’ and the terminology used is that of managing a regular project (Strategic framework and funding planning meeting at Fairtrade International, Q4)

format with guiding questions. These guiding questions lead to more detailed explanations and lessons learned. This additional DfID report is useful, with explanation why targets were not achieved, background and projections of expected developments.

3.5 Conclusions

The conclusions are structured by concluding statements and bullet points providing background and evidence.

During the SFFP funding period being evaluated (2010-2013) a range of important changes took place within the Fairtrade system, generally evaluated as relevant and positive.

- Especially in terms of institutional strengthening a range of significant changes has taken place. Both insiders and outsiders of the Fairtrade system perceive these changes as relevant and positive.
- The SFFP does not adequately capture many of the relevant change processes. In chapter 4 the relevance, effectiveness and impact of these changes will be further evaluated, and conclusions will be drawn on the contribution by the SFFP, which has been significant in many cases (see conclusions section 5.1 and overview Table 9).

The logframe of the SFFP, being a strategic funding instrument, is largely aligned in its structure but in terms of content does not capture the full scope of the Fairtrade strategy.

- The SFFP funding has a strategic nature and aims to support the Fairtrade strategy as a whole. To do so, the SFFP logframe structure has been aligned with the strategic objectives of the 'Making the difference' strategy (2009-2013). Yet, the SFFP does not cover the Fairtrade strategy as a whole. In other words, there is lack of coherence in terms of the strategic content of the program: the SFFP logframe does not capture some relevant organizational change processes that took place during the evaluation period, while on the other hand some logframe indicators do not have strategic priority.
- Also, there has not been a high level embedding of the SFFP within the Fairtrade system nor a high level management of the SFFP, which would have been expected for a funding programme of strategic nature.
- At a later stage a new Fairtrade strategy was designed, being that of 'Unlocking the power of the many', which should normally have required a realignment with the SFFP for the respective year (2013). This did not happen, but was 'corrected' with the extension PPA.

The SFFP nor the Fairtrade strategies have prioritized clear strategic choices, although a focus at organizational strengthening aspects would have been justified

- The SFFP program document has a broad strategic orientation, including several strategic options but no clear strategic choices. The donor consortium required a logframe with concrete targets under the three strategic objectives of strengthening, broadening and deepening. The SFFP thus aimed to deliver against all eventualities, reflecting the character and tensions of the Fairtrade movement. However a concrete implementation plan was lacking.
- Since Fairtrade was undergoing several organisational changes, it would have been more realistic to define targets for the strengthening objective only, because this was the implicit priority within the Fairtrade movement. This is also fully in line with the main added value of strategic funding, being that of funding complex (and somewhat unpredictable) processes of organizational change. Defining concrete targets for delivery of Fairtrade products (broadening and deepening) would only be possible when organizational change has reached a new level of stability and strategic decisions have been made. The process of setting these targets could have been an expected outcome of the strategic funding program. Essentially the SFFP funding should have allowed the

Fairtrade system for some time to focus at relevant institutional changes without being too concerned about the need for broadening ('one step back to move two steps ahead').

The SFFP logframe indicators have targets fully or almost realized by about 50%; the deepening scores are lowest but the selected indicators are not so relevant.

- The SFFP logframe targets were assessed using available data and information sources, and an overall score of 54% has been achieved.
- It is the evaluator's opinion that the strengthening output indicators (score of 56%) are most relevant or should receive highest weight. However, the indicators and target definitions do not allow to capture to what extent the institutional change process have been meaningful.
- The broadening indicators score highest (69%) which is mainly due to positive scores for indicators that are considered relatively less meaningful, while for the two most meaningful indicators (on number of SPOs and range of products) the set targets were not achieved.
- The deepening indicators score low (40%) but do not well reflect an assessment of the value of Fairtrade for producers at origin.
- During the implementation of the SFFP, several quantitative targets have been significantly adjusted downwards but in spite of that most of the adjusted targets have not been realized. This can be explained by the fact that the emphasis during the recent years has been on changes in organization and delivery systems, while the dominant model of Fairtrade marketing has been confronted with structural constraints and the transition towards a new model is still ongoing.

The SFFP has not been managed as a strategic funding programme, with linkages to management at strategic level, rather is was seen as 'yet another project, albeit with flexible funding'.

- The SFFP has been managed in a similar way as a regular donor project. It is the evaluator's opinion that a strategic funding programme requires more senior management, good connections with higher level management, alignment with the organizational strategy, another type of M&E and another level of accountability.
- There is insufficient rooting of the SFFP at strategic level within the Fairtrade organization, as well as a low sense of accountability. The SFFP is generally seen as donor consortium project, with flexible funding, rather than one that needs to deliver on strategic outcomes.

Evaluating the changes within the Fairtrade system during the evaluation period only on the basis of the SFFP logframe is insufficient to give a complete picture of achievements and challenges.

- It is the evaluator's view that the SFFP logframe is an insufficient reference framework for evaluating the recent changes of the Fairtrade movement at strategic level. Most of the changes that the international Fairtrade system has experienced in the period 2010-2013 are changes in organizational governance and structure, as well as service delivery processes and systems (see section 3.3.3. The SFFP logframe reflects some of these changes, but not their quality nor their relative importance (i.e. weight). This dilemma was also captured in the midterm evaluation, which advised to adjust the logframe and better align it with the new strategy. This was not done. The quality of the logframe to capture relevant strategic changes has to some extent been improved in the extended PPA (but not sufficiently, see chapter 5.3).
- Given the limitations of the SFFP objectives and logframe, during the inception workshop for this evaluation, strategic themes were identified that have been and still are central to the Fairtrade system. It is through the evaluation of progress within these strategic themes that the SFFP contribution to the Fairtrade system can be fully evaluated. This is done in the next chapter 4.

4. Results on strategic themes

This chapter is organised by a number of strategic themes within Fairtrade, as follows:

- 4.1 Governance and organizational structure (including decentralization and strategic partnerships)
- 4.2 Strategic planning and financial system
- 4.3 New Standards Framework and producer services
- 4.4 Fairtrade Sourcing Program and commercial aspects
- 4.5 Monitoring, evaluation & learning, and impacts.

For each strategic theme, the aim is to assess progress during the evaluation period, draw conclusions supported by observations by the evaluation team and then list recommendations. The aim is not to provide a complete overview of each strategic theme, but to focus at key issues that are relevant with respect to contribution of the SFFP, remaining challenges and options for strategic funding mainly. There are three sets of conclusions and recommendations:

- First is the ‘main evaluation conclusion’ (looking back), which is based on an analysis of progress made during the evaluation period and the relative importance of strategic funding through the SFFP;
- Second are ‘specific conclusions and remaining challenges’, which provides specific evidence to support the main evaluation conclusion as well as remaining challenges. The specific conclusions are organised by a summarising statement followed by underlying evidence.
- Third is a set of recommendations that come forward from the conclusions and remaining challenges.

The conclusions on progress, contribution of the SFFP, challenges and potentials for strategic funding are summarised in table 9 (chapter 5.1).

4.1 Governance and organizational structure

There have been several important governance and organizational changes during the period 2010-2013. The following themes emerged during the evaluation as a priority, and are discussed in this section:

- The adoption of Fairtrade’s new governance model and decision-making principles (4.1.1);
- Changes in the organizational structure and human resources of Fairtrade International (4.1.2);
- The decentralization towards Producer Networks (4.1.3);
- Working with strategic partnerships (4.1.4).

4.1.1 The new governance model and decision-making principles

Progress during the evaluation period

A milestone has been the adoption in June 2013 of Fairtrade’s new governance model and constitution, which now gives producer networks 50% ownership of the Fairtrade system. The following summary is acquired from a Fairtrade document⁶ (see also Figure 4):

- The Association (membership body) comprises Marketing Initiatives and Producer Networks as co-owners of the system (operating functions). By separating the membership and operating aspects, the system can apply performance management processes to operations (such as account management, licensing) and deal with any problems without challenging membership.

⁶ “A summary of the new governance model and proposed constitution”, not dated but probably from end 2013.

- The Association is called “The International Association for Fairtrade” to reflect broader ambitions than just licensing a label, while Fairtrade International is the umbrella organization of the system. Its role combines elements of the secretariat of the Association and a service provider to the system.
- Producer Networks represent farmers and workers.
- The General Assembly is the forum through which the members exercise their rights and responsibilities as owners. It has defined functions of approving the constitution and any changes to it, dealing with membership issues, electing the Board and holding it to account by receiving an annual report and accounts, and approving the strategic direction proposed by the Board.
- The Board consists of between 9 and 13 people with an equal number of people nominated by Producer Networks (PNs) and National Fairtrade Organisations (NFOs) and at least 3 external members.

Fairtrade Governance Structure

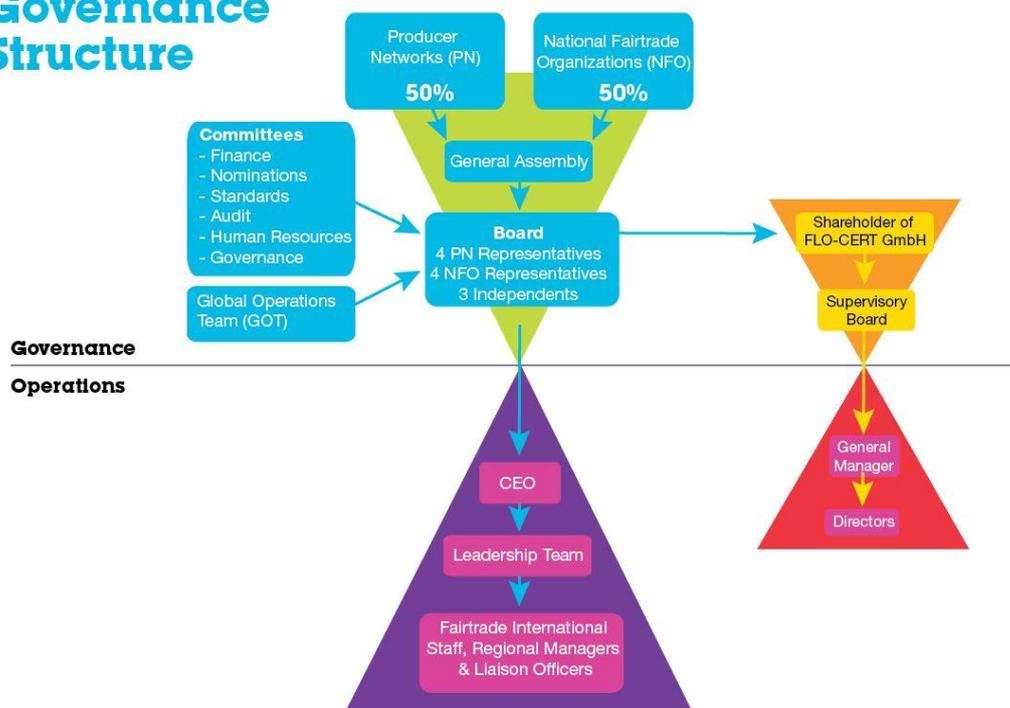


Figure 4: Fairtrade governance structure

Main evaluation conclusion

During the SFFP period important progress has been made with respect to the Fairtrade governance system. The new governance system is now firmly established. This has taken much consultation and consultancy work, for which strategic funding by the SFFP has been relevant and effectively used. The contribution of the SFFP can be considered as high.

Specific conclusions

Specific conclusions are presented as summary statements followed by underlying evidence.

1. *The new governance model of equitable representation is considered to be an asset.*
 - The process of developing the new governance model has taken much time and attention from members in the Fairtrade system. Interviews with Fairtrade ‘insiders’ at different levels show that this process is considered as a major achievement during the SFFP implementation period and an

important process of renewal and trust building. Producer Networks apply the same principles of equitable representation by producers and workers within their governance systems. For instance, in the CLAC Assembly, since 2012 workers are now also represented.

- The interviews with outsiders show that the Fairtrade governance system is seen as a valuable asset of the Fairtrade system as it includes an equitable representation of the interests of the final target groups: producers and workers, which other standard systems do not have.

2. Intensive participation in decision-making has resulted in building trust and stronger relations within the Fairtrade system.

- System-wide participation in decision-making processes has significantly contributed to the building of trust and stronger relations within the international Fairtrade system. This is particularly the case in System-Wide Projects. There are at least two interesting cases that provide relevant evidence:
- Case 1. The finalisation of the Fairtrade Sourcing Programme (FSP), which was initially started by several individual members (in previous years). Successful delivery and conclusion was possible once it became a System Wide Project with global project budget. The project has been thoroughly evaluated⁷, generating a range of useful lessons on subjects of decision-making, innovation and learning. The participants concluded that the FSP process has increased trust and stronger relationships across the Fairtrade system, as an unexpected outcome. Also, it has shown that, in spite of the complexity of the Fairtrade system, it is possible to innovate. To be able to do so, the following are useful lessons listed in the report (with slight adjustments):
 - Achieve internal system-wide alignment at an early point in the process, aimed at a joint understanding of the problem to be solved and the success criteria of the anticipated solution, preferably before external stakeholders are consulted;
 - Assure a neutral position with respect to the problem and anticipated solution options;
 - Develop a clear governance structure and decision-making process, and communicate this widely;
 - Allocate sufficient time and budget for team meetings and for team time working together;
 - Plan and resource a team with the right expertise and capacity as well as the mandate to deliver, by trusting its expertise and listening to its recommendations;
 - Have a planning process with the right degree of flexibility to allow for dynamism and innovation.
- Case 2. The (ongoing) definition and measurement of a global and holistic set of Key Performance Indicators (KPIs) with split accountabilities across the system that in the end is expected to lead to a hierarchy of performance indicators to monitor the implementation of the strategy and are based on understanding and acceptance of shared responsibilities. This process has not yet been concluded, as NFOs and PNs tend to define their own set of KPIs and are cautious towards the model of shared responsibility or the balanced approach of monitoring several spheres of organizational performance. Fairtrade staff interviewed suggested that this is due to the fact that the process has not allowed for sufficient participation at all levels, and this should still be done in order to improve the current situation.

3. The new governance model raises efficiency challenges

- In contrast to the perceived assets, insiders are aware of the fact that applying the equitable governance and decision-making principles may lead to inefficiencies, and therefore question to what extent system-wide participation must always be applied.
- Outsiders also question how this characteristic translates into improved performance and /or into concrete impacts and benefits for producers. They believe that the Fairtrade governance system takes relatively much time and is relatively costly (by the need to bring together stakeholders for

⁷ Evaluation of Fairtrade Sourcing Programs (FSP) Project Planning, Development and Early Implementation, Emily Balls 23/05/2014

decision making), and may therefore not be sufficiently efficient to realize its objectives. They like to see concrete evidence of the advantages (e.g. as compared to other standard systems).

- Whereas beneficiary feedback and participation in decision-making is considered the main asset of this organization, the evaluation team believes there may be different models to apply these principles, differing in terms of the intensity of required time and resources. The approach can be less intensive for a subject like the definition and measurement of KPIs, as compared to the process of developing the FSP approach, the latter having more fundamental and value-driven elements included for which an open debate is required.

Recommendations

- There is need to develop different models for system-wide participatory processes, differing in terms of the intensity of required time and resources. These models can be worked out by a set of operational guidelines, with defined applicability and balance of effectiveness and efficiency. The results of the evaluation of the FSP process could be a useful starting point.
- It is important that Fairtrade demonstrates to external stakeholders the concrete benefits and advantages of its governance system and inclusive processes, in terminology that is relevant to its commercial partners, e.g. in terms of higher organizational efficiency, continuity of producer organizations and loyalty of its members, innovation and flexibility to adapt, rigour in implementing the standards, performance of producers.

4.1.2 Organisational changes within Fairtrade International

Progress during the evaluation period

Over the period of 2010 to 2013 there have been several changes to the organigram of Fairtrade International. The main changes in terms of new departments are the following:

- *Strategic relations and partnerships*, to strengthen the linkages between strategic partnerships and their operational implementation and coordinate the fundraising and strategic relations activities in the organization;
- *Commercial*, aimed at commercial relations with potential Global Accounts and New Markets and supports them to develop within the Fairtrade system;
- *Global Product Management*, to provide expertise and coordination to balance supply and demand within core products across the system in a sustainable way- via giving strategic product direction, sharing product knowledge, provide tools, supply and demand information to ensure fairer and more sustainable supply chains;
- *Monitoring, Evaluation & Planning*, to strengthen the Fairtrade system by driving institutional learning and effectiveness through robust monitoring, evaluation and planning systems, to generate high quality data and information about Fairtrade and its impacts;
- *Global resources*, to promote and enforce the optimal use of Fairtrade's resources through leading in the development and delivery of high quality & service oriented, cost effective back office, IT and financial services;
- *International development (created only in 2014)*, to develop specialist thematic programmes required to deepen the impact of Fairtrade's work on sustainable development and human rights, and mainstream these programmes across all relevant areas of Fairtrade's work.

The number of staff within Fairtrade International has increased from 48 (2008), 62 (2009), 79 (2013) to 88 (2014) staffing positions, of which currently 16 are vacant. As 30% of the staff is working part time, the actual number in full time equivalents is 70.1 fte. This means that the number of staff within Fairtrade International over the evaluation period has increased by 50-60%. Details are provided in Appendix VIII. Note that Fairtrade International represents 10-15% of overall staff within the Fairtrade system (80-90% with NFOs and 5% with PNs).

The number of liaison officers (structurally recruited as consultants by Fairtrade International, however now to be managed by PNs) has gradually increased to 51 in total over the last 4 years, with distribution as follows:

- Latin America (CLAC): 18
- Asia (NAPP): 11
- Africa/Middle East (FTA): 22

Staff turn-over within Fairtrade International may appear to be relatively high, but has shown an important decline from 2011 in 22%, to 16% in 2012, 20% in 2013 and 10% in 2014. The high turn-over rates in 2011 can be explained by the change of the organization towards a more business –style and the fact that many staff has an international background and considers Bonn as a temporary position. The high turn-over rate in 2013 can be explained by the need to restructure internally due to the ending of SFFP funding. Note that these turn-over rates are not exceptional considering the average of 19% for similar organizations in Germany.

The internal recruitment rate within the Fairtrade system is 25% which is fairly high.

The PNs have also strongly increased their staffing. The number of staff within the CLAC network increased from 2 in 2009 to 21 in 2014. The current number of staff of the FTA network is around 24 while in the Asia network (NAPP) so far only 4 persons are employed. These numbers include PSR staff but not the liaison officers.

Main evaluation conclusion

There have been important changes in the structure of Fairtrade International with an increase in the number of departments and a related increase in permanent staff positions during the last 4 years, reflecting the core functions of Fairtrade International. Until 2013 the SFFP funding has allowed and contributed to this increase, which also holds a certain sustainability risk. In 2013 the Fairtrade International budget has been rationalized and a new financial model has been developed to avoid high dependency of fixed costs on donor funding.

Specific conclusions

Specific conclusions are presented as summary statements followed by underlying evidence.

1. Organizational changes are relevant and relate to core functions that Fairtrade International is supposed to carry out.

- Whereas the organization has grown and staffing increased (by more than 50% within Fairtrade International and from scratch within the PNs), the interviews and the detailed descriptions of the different departments confirm that the organizational changes are relevant and relate to core functions that Fairtrade International is supposed to carry out. In particular, several functions relate to global coordination of functions that were initially scattered between NFOs..

2. The increase in staff numbers should be related to the expected improved performance of the Fairtrade organization as a whole.

- The changes have led to an increase of the Fairtrade budget spent on staffing, which is 44% in 2013 (we do not have earlier figures so a trend cannot be established). Likewise, the number of staff within PNs and the number of liaison officers has strongly increased. It is our impression that in spite of the increase in staff numbers, the current workload is high and staff is very dedicated and hard working.

- However, the increase in staff must be related to the expected increased performance by the Fairtrade organization as a whole, and the financial revenues related to that. Future developments should be seen in the scope of the new strategic framework 2016-2020.

Recommendations

- The new strategy planned for 2016-2020 should look at options to limit the weight of salaries (permanent staff) in the current budget, especially within Fairtrade International. A stronger focus on Fairtrade's core activities could help to do so, while some more use could be made of working through partnerships or paid producer services.
- The Fairtrade system could opt for a system-wide people strategy, covering recruitment, retention and development of talent at all levels (volunteer, professional, executive and leadership), with possibilities to shift between different layers (Fairtrade International, Producer Networks, NFOs, FTF). This is already being considered for the new 2020 strategy.

4.1.3 Decentralization towards producer networks

Progress during the evaluation period

The devolution of responsibilities to the Producer Networks (PNs) in 2013/2014 proceeds as planned at the December 2012 Fairtrade International board meeting, with exception of the NAPP network. Following the approval and implementation of an organizational development plan to assure that core functions are in place, for FTA the devolution of PSR responsibilities has been formalized mid 2014. CLAC is now preparing this stage, which is expected to take place early 2015. Within the NAPP network the organizational development plan is being finalized, core functions are expected to be in place in 2015, and then devolution of PSR services is expected by 2016. In the following the focus is at the FTA network, being the most advanced, to demonstrate the decentralization process.

Within FTA there are 4 regional networks (South, East and West Africa, and North and Middle East). There are also some established country networks (Malawi, Ghana, Burkina Faso and Ivory Coast) and country networks starting up (Rwanda and Swaziland). The establishment partly depends upon donor funding becoming available for recruiting staff.

FTA developed a strategic plan for the period of 2014-2015. To work out the different functions of the Producer Network in relation to the regional, country and product networks, as well as Fairtrade International, NFOs and FLOCERT, FTA has developed a Ways Of Working document. This document is now also being replicated by the CLAC network. It also outlines the roles for Fairtrade International, which can be summarized as follows:

- Global strategic planning, product profiles, trends and strategies
- Identify and work out thematic programmes
- Take the lead in standards development, lobby and advocacy
- Funding and funding strategies
- Information and data sharing

In the devolution of PSR services to the PNs, there remains a role for Fairtrade International of quality control and coordinated planning between origin/ markets.

Funding

Core funding from Fairtrade International to the PNs (expressed as the % of the license fees paid to the NFOs) has increased from 2.4% in 2012 to 3.3 % in 2013 and 2014, and will further increase to 4.0% in 2015. The proportion of these funds going to specific PNs is determined by the Board and shows some variation.

Table 6 shows that core funding from Fairtrade International to the PNs has increased over the years (more than doubled between 2012 and 2014), and it also shows that it has varied between PNs, with CLAC benefitting most.

Table 6: Annual funds made available by Fairtrade International to regional producer networks and distribution over these networks (source: financial department FI) – PSR funding not included.

| Year | Total (€ x 1,000) | Proportion of Fairtrade International funds to the regional networks | | | |
|------|----------------------|--|------|------|-----|
| | | FTA | CLAC | NAPP | CAN |
| 2012 | 850 | 29% | 50% | 21% | |
| 2013 | 1,338 | 33% | 45% | 22% | |
| 2014 | 1,760 | 27% | 35% | 36% | 2% |

In 2014 core funding by Fairtrade International covered around 70% of the PN budget. In addition to that, the PNs receive funding through other sources than Fairtrade International:

- One is specific funding from Fairtrade International for PSR activities. It was stated that FTA will receive a fair remuneration for delivering PSR services in the coming years, starting in late 2014. In all transitions the current amount of PSR funding for the PN has been identified, with (almost) the full amount being transferred to the PNs. Fairtrade International has retained circa 4% to cover retained responsibilities of quality control and coordinated planning between origin/ markets. In all transition proposals these amounts were transparently disclosed so that budgets could be effectively reallocated as part of the change process.
- Second is through direct donor funding. For instance, FTA has received from 2010 to 2012 funding from Comic Relief, part of which was channeled from the Fairtrade Foundation (FTF) directly to FTA (€ 2 million) and part of which was channeled through Fairtrade International to support PSR activities within FTA (€ 3 million).
- Third is specific project funding, for instance for a gender-oriented project or for work in the flower sector (e.g. the flower sector expert stationed within FTA is paid by Fairtrade International).
- Lastly, additional PSR funding is expected to become available through the FSP, through direct payment by NFOs according to their contribution to global sales of targeted commodities, but as far as data were available, this has not yet happened (by December 2014).

Main evaluation conclusion

The SFFP has much contributed to build up the basic organizational structure and core functions of the PNs at regional and some national levels. This has contributed to a significant increase of the Fairtrade presence on the ground, which is fundamental for increasing positive impacts among producers and workers. The process of devolution of PSR services has only just begun in one PN (FTA); CLAC will follow soon and NAPP is lagging behind.

Specific conclusions

Specific conclusions are presented as summary statements followed by underlying evidence.

1. The build up of the basic organizational structure and core functions of the PNs is fundamental for increasing positive impacts among producers and workers.

- From the visits and interviews with the FTA and CLAC networks, there is evidence of several advantages of the process of decentralization. Supported by increased funding from Fairtrade International, both FTA and CLAC in the last years have recruited own staff to interact with SPOs. Interviews with selected producers during the field visits show that this is much appreciated by the producers and workers, who noticed a more distinct presence of Fairtrade, in terms of contact moments, in terms of information supply and exchange initiative. Some noted that this increased presence has come in timely, because they were starting to lose confidence in the Fairtrade system.

In the CLAC network, up to 2012 there were not any visits made by CLAC staff to SPOs, which increased to 152 visits in 2013. There are similar trends for the FTA network.

- Producers also appreciate the possibility to provide feed-back to the Fairtrade system staff members, which is also fundamental for establishing a learning system with short and manageable feed-back loops.
- Initiatives are being taken to improve systems and procedures at the regional scale (e.g. on PSR, on strategic planning, on marketing, on M&E and learning, on strategic partnerships), which appears to be more easy to do than passing through Fairtrade International, due to less bureaucracy. PNs commonly collaborate with strategic partners for service provision. They claim that it is easy for them to do so, while for Fairtrade International this is more complex due to legal aspects. The CLAC network also coordinates training activities with the public extension services.

2. While agreement exists on several systems and procedures between the roles and responsibilities of Fairtrade International and the PNs, the challenge is to put them in practice.

- The Ways of Working guidelines elaborate responsibilities within the Fairtrade system, including those of Fairtrade International and the decentralized PNs. These guidelines will need to be tested in practice in coming years and will require reviewing and fine-tuning, for which resources must be available. This would best be done in collaboration with the MEL unit, as management guidelines aimed at efficiency objectives would best be linked to monitoring data on performance results on the ground, to assess which 'way of working' within the Fairtrade system is most efficient and effective.
- So far agreement between Fairtrade International and the PNs has mainly focused at input levels (funding, supportive services). It seems relevant to agree on output and outcome indicators and targets as well.
- A challenge remains in the work on monitoring and evaluation, defining KPIs and development of product strategies, where Fairtrade International has taken a leading role but PNs want a stronger role. The PNs will require full access to central data bases (including audit data) to be able to carry out their part on monitoring and evaluation.

3. There is a need for additional funding within the PNs to provide high quality PSR services.

- There is general consensus that work 'at origin' needs to be strengthened and will be key to maintain and improve consumer confidence in the Fairtrade brand. To do so, PNs have the need for additional resources to provide high quality PSR services. There currently is some lack of clarity within the PNs when, how and how much will be made available. Fund raising initiatives are being taken to acquire donor funding for regional projects, however so far with limited success. This is partly due to general decline of donor funding, especially for Latin America and Asia. Funding from commercial parties has so far been minimal. The relation with the FSP initiative could lead to more direct funding transactions between the companies who market the products and pay license fees and the PNs responsible for the PSR services.

4. As lobby and advocacy is perceived as a priority in the PNs there is need for a clearer approach to this.

- Local producers and workers are often confronted with structural policy, governance and market failures in their countries and regions, which constitute barriers to market their Fairtrade products. Both PNs that were visited (FTA and CLAC) therefore consider lobby & advocacy aimed at removing local policy and market failures as a high priority for them in order to support producers. To address these issues, staff of the PNs has aims to appoint staff with specific lobby & advocacy expertise and responsibilities aimed at influencing policy failures. In addition, PNs need to amplify their advocacy by leveraging advocacy platforms / strategic partnerships.

5. External stakeholders require clear communication on the decentralization process.

- From interviews with Fairtrade licensed companies, they appear to have difficulties to understand the consequences of the decentralization process and who to contact for different purposes. This adds to some uncertainties about Fairtrade systems and recent changes.

Recommendations

- Monitor, learn from and improve the implementation of the Ways of Working guidelines. This would best be done in collaboration with the MEL unit, as management guidelines aimed at efficiency objectives would best be linked to monitoring data on performance results on the ground, to assess which ‘way of working’ within the Fairtrade system is most efficient and effective.
- Create agreement between Fairtrade International and PNs on output and outcome indicators and targets in line with the new strategy and expected results in terms of organisational development and marketing by producer organisations. This would also imply that PNs get more freedom and flexibility in determining *how* to realize the set output / outcome targets.
- Lobby and advocacy oriented at local and regional policy, governance and market failures that constitute constraints for producers to market their products is a priority for PNs. It requires a strong presence on the ground and therefore PNs appear to be best equipped to do so. However, on this theme working with strategic partners should be the priority, as it reduces costs and will be more effective (Fairtrade on its own cannot solve governance and market failures).
- Communicate pro-actively and clearly the practical consequences of the decentralization process to external stakeholders.

4.1.4 Strategic partnerships

Progress during the evaluation period

A key message emerging from the 2007/2008 Strategic Review was the need to strengthen existing and develop new partnerships in order to meet the needs of a consistently expanding Fairtrade movement. Stronger partnerships are required on the producer side, for example in facilitating access to financial services or technical assistance. On the market side, partnerships for providing market information or for product development are important. Fairtrade’s Partnership Strategy ‘Growing Stronger Together’ was designed in 2011 covering the period 2011-2015. It outlines how and with whom, Fairtrade will work in order to achieve its objectives. This strategy (with its relevant processes, roles and tools) will be refined in the course of 2015 as part of Fairtrade’s newly developed Strategic Framework (2016-2020). According to this partnership strategy, there are 4 types of partnerships:

- Institutional development partnerships: those which seek to strengthen the capacity of Fairtrade International and its member organizations;
- Business development partnerships: those which seek to broaden the engagement of commercial and market-facing partners, and consumers in Fairtrade;
- Producer development partnerships: those which seek to improve the quality, reach and efficient delivery of services to Fairtrade producers;
- Knowledge partnerships: those which seek to gather, generate and share information and skills related to Fairtrade, including advocating for positive political change.

Many people within Fairtrade International seem to interpret partners mainly as funding partners. Looking at the Fairtrade International annual report 2012-2013, partnerships are only interpreted as commercial market players (to achieve greater market access and funds) and donors (to provide funds). Also, the Fairtrade website almost exclusively lists funding partners. However, the SFFP annual reports from 2011 onwards provide good overviews of Fairtrade’s producer development partnerships, justified by the fact that strategic partnerships add value and actively seeks complementarities. For instance, in the 2012 annual reports there is mention of at least 14 producer development partnerships, including local networks such as SCAN International (Sustainable

Commodities Assistance Network) and two of its country networks in Peru and Guatemala promoting cooperation in the ethical trade sector.

There is an internal overview of different Fairtrade partnerships with other standards (dated May 2013), which distinguishes between:

- Pre-competitive collaboration: Producer facing technical collaboration or Platform collaboration;
- Competitive collaboration: Standard alignment; Assurance tool alignment; Audit collaboration; Certification collaboration, or Single or mutual recognition.

The number of strategic partnerships in May 2013 numbered 38, of which 27 are pre-competitive relations and 11 are competitive ones. Unfortunately this overview has not been updated.

FLOCERT is also increasingly testing ways to collaborate in certification and auditing activities.

Main evaluation conclusion

The SFFP has indirectly contributed to the increase in working with producer development partnerships, through the establishment and staffing of the new unit on this theme.

Specific conclusions

Specific conclusions are presented as summary statements followed by underlying evidence.

1. There is lack of joint understanding and systematic overviews of strategic partnerships

- There are different interpretations with respect to what is meant by strategic partners. There are different types of overviews available, but these are not consistent. Working with producer development partners is poorly communicated on the Fairtrade website and in its annual reports, although it has improved in recent years. The indicator on partnerships should have been part of the SFFP logframe and there should be a KPI on partnerships. It would be good to update the overview of strategic partnerships provided for 2013.

2. It is yet unknown to which extent partnerships (which, for what purpose, where) are beneficial

- Although strategic partnerships are considered to be critical for delivering effective and efficient PSR services (thus, in the competitive sphere), there is limited evidence to which extent these partnerships have been contributed to this. It would be useful to review producer development partnerships and draw conclusions with respect to efficiency gains that have been and can be made, as well as their effectiveness for providing different types of PSR services and cross-cutting themes. This is important since significant efficiency gains could be made.

Recommendations

- Communicate more clearly about (strategic) partnerships, in well defined categories, and provide annual overviews.
- Review producer development partnerships and draw conclusions with respect to efficiency gains that have been and can be made, as well as their effectiveness for providing different types of PSR services and cross-cutting themes.
- Define a KPI on partnerships, in well-defined categories, and ensure it is annually monitored.
- Develop strategic partnerships on the subject of lobby and advocacy.

4.2 Strategic planning and financial system

4.2.1 Strategic planning: main changes and evaluation insights

Progress during the evaluation period

Starting in 2006, Fairtrade conducted a strategic review which resulted in the Fairtrade strategic plan 'Making the Difference', endorsed by the Fairtrade International Board in December 2008. This strategic plan covered the years 2009 to 2013 (figure 5). The strategy is characterized by a range of strategic options, without making clear choices, thus a *de facto* mix of strategies. An implementation plan for this strategy has not been elaborated.

At the end of 2011, Fairtrade faced challenges with the departure of Fair Trade USA, a perceived lack of alignment within the system and the stepping down of the Fairtrade International CEO - a state of affairs which was reflected in the mid-term evaluation of the SFFP. The situation generated reflection within the system as a whole and a new dynamism for collaborative action in 2012. Under the "Fairtrade 360° Strategic Review Process" (started end of 2011, finalized mid 2012) a group of member representatives conducted an assessment of Fairtrade's structure, strategy and shared values. Following this the Board requested the new CEO to propose a strategic framework in line with the findings and recommendations of the 360° review. The resulting document "Unlocking the Power of the Many" was adopted end 2012 and is relevant for the period of 2013 to 2015. A strategic planning process is now ongoing that should lead to a new strategy for 2016-2020.

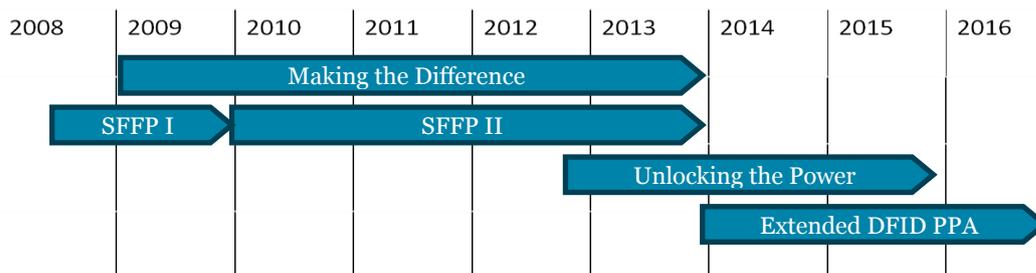


Figure 5: Timing of Fairtrade strategies and strategic funding programs within Fairtrade

Main evaluation conclusion

Strategic alignment within the Fairtrade system has so far been a challenge, but the network is now moving towards a mutually developed global strategy with a robust implementation plan, which has not been there before. The SFFP has been important to arrive at this point, as it effectively nurtured an emerging, nascent movement with potential but with diverse views with respect to the strategy to follow.

Specific conclusions

Specific conclusions are presented as summary statements followed by underlying evidence.

The new Fairtrade strategy has been important to improve internal strategic alignment, although the absence of any details on further implementation is a serious weakness.

- It is obvious from the interviews that the process of developing the current strategy 'Unlocking the Power of the Many' has been a unifying force in terms of re-aligning the different members of the Fairtrade system around a common goal and mission. The 'Unlocking the power of the many' strategy is like a vision (3 pages) structured around 4 high level directions:
 - World-class work with smallholders;
 - Driving real change for workers;

- Grow the grassroots social movement and the market;
 - Strengthen the global Fairtrade system.
- Even if very concise, the ‘Unlocking the power’ strategy is more focused than the earlier strategy. , It includes a few quantitative targets that are clearly more realistic than those from the previous strategy. The strategy also mentions what will not be done: “major new initiatives on gender, establishing a Fairtrade market in China, launching new product categories”. Since work on gender is important within the FTA network and also a major part of the DfID follow-up PPA, one wonders what strategic decisions like this mean in practice. It is our impression that, in the absence of a strategy implementation plan, subjects for concrete projects are also being proposed or determined by donors with a certain interest (e.g. support to the flower sector in East Africa due to interests by the NFO in Germany), which need not be a problem but should be in line with any strategic decisions.

The main challenge is to develop a global strategic implementation plan, with clear focus, binding target agreements and defined financial and human resources.

- A strategy implementation plan, i.e. a multi-annual planning framework to implement the strategy, is still missing, but the network is now moving towards a global strategic plan for 2016-2020. It is generally recognized within Fairtrade International that, given the experience and lessons of the past 5 years and the evolving external context, the Fairtrade movement is now better equipped to define such a strategic framework and to manage the respective implementation with an oversight via the GOT.
- The new Fairtrade strategy will be that of the whole Fairtrade movement. It is expected to make explicit choices about strategy and options rather than articulate issues in a way to accommodate different perspectives more in line with a consensus building exercise rather than a strategy to drive operations. It is also expected to include an implementation plan with deliverables and set targets, roles and responsibilities.

Recommendations

- Develop a global Fairtrade strategy that will include globally aligned strategic decisions and priorities on key issues, with a respective multi-annual planning and implementation framework, including a detailed budget, binding target agreements and human resources plan. This implementation framework should be sufficiently focused and detailed to steer operations, finances and human resources development.
- The implementation framework will include a budget based on a financial model to enable proper distribution and allocation of funds to realise the set targets, rather than % allocations at present that are not subject to opportunity cost analysis to fulfill collective mission.

4.2.2 Finances and financial model: main changes and evaluation insights

Progress during the evaluation period

In 2012, a Financial Model Working Group was established, led by the Chair of the Fairtrade International Finance Committee to work on the transition towards a common financial framework and to find common denominators for financial reporting for all members of the Fairtrade system. This should facilitate greater ownership of system-wide finances and help acquire financial accountability. The first priority was to increase financial sustainability of Fairtrade International, as in 2011 the proportion of the Fairtrade budget financed by funding partners was 52%. This ratio has

since then declined to 35% in 2013 but was still far from the set target for 2013 (21%). It is expected to reach 25% in 2014.⁸ The ratio has been reduced by the following measures taken in 2012/2013:

- NFOs agreed to allocate additional financial resources in 2013 (3.3% of their license income on top of membership and PN contribution) for funding projects with system-wide relevance under the oversight of the GOT (previously mentioned in 4.1.1);
- In addition, there was a 1% increase in the NFO membership contribution for the year 2014, and an additional 1.7% of NFO contribution has been redirected to cover core Fairtrade International costs. Taken with the 3.3% increase this is a total increase of 6% of license fee to cover system costs;
- FLOCERT pays an annual dividend of their profits to Fairtrade International, implying an annual increase;
- Costs within Fairtrade International were reduced by 10% through a range of efficiency measures.

In addition, the new FSP model has an important financial component. With the current marketing model, as volumes sold by a licensed company increase, the revenues per unit of volume will decline (as a result of discounts with increasing volumes). With the new FSP financial model, producer support fees will increase with increasing product volumes so that funds become available for supporting producers at origin as volumes being produced increase. With the 2013 financial model, 7.7% of the license fees will find their way to producer support services (Figure 6). With the formulation of FSP programmes the Fairtrade system aims to improve access to funding for PSR programmes for the 3 selected commodities. Fairtrade International has pre-financed in 2014 these programmes (by € 361,000) under the assumption that the forecasted volumes for the year 2014 will be realized. According to the new financial model including FSP revenues for PSR, 20% of the license fees is expected to be destined for PSR activities in 2014.⁹

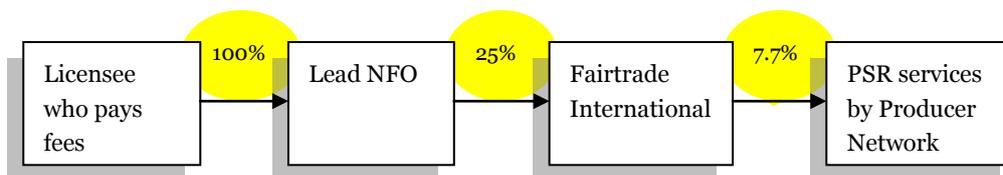


Figure 6: Flow of funds from licensee destined to producer support at origin (2013 model)

The director of the financial department explained the new financial model, but also clarified that these changes were just the beginning of the work on a new financial model. Several challenges remain to be addressed, and this will most likely be done as part of the development of the new strategy framework for 2016-2020.

Main evaluation conclusion

Some initial changes have been made to the financial model of Fairtrade International. These changes have been indirectly supported by the SFFP, through its general support to the financial department. However, it can also be argued that SFFP caused a delay in the necessary adjustments of the Fairtrade financial model, due to the flexible availability of external funding.

Specific conclusions

Specific conclusions are presented as summary statements followed by underlying evidence.

⁸ These data are from the last received SFFP logframe (August 2014) as well as the the PPA 2013/2014 reporting to DFID.

⁹ Presentation by Finance department to donor Consortium Meeting, 13 May 2014.

1. Changes in the financial model of Fairtrade International reduced dependency on donor funding and a potentially greater proportion of funds finding its way to producer support at origin.

- The donor dependency ratio has declined from 52% in 2011 to an expected 25% in 2014 (still above target) due to a range of measures that were taken (see above). Funds available for PSR have declined between 2011 and 2013 by 28% (see section 4.3.3, Table 8). With the formulation of FSP programmes this decline is expected to be reversed, at least for 3 selected commodities (cocoa, sugar and cotton).

2. Challenges remain to finalise a global financial model for the Fairtrade system to increase efficiency and transparency of the flow of funds.

- One of the challenges that remains appears to be the complex flow of funds destined to support producers at origin, which is critical to assure production at desirable levels of volume and quality (figure 6). It would appear efficient to make short cuts, for instance from the licensee directly to the relevant producer networks involved.
- An issue with important financial implications is the fact that one sector may cross-subsidize other sectors in terms of income and investments, as some sectors are the cash cows (the top 7) and others operate at a loss. However, it is unclear which costs are required to maintain high quality production of the top-7 sectors and what funds will remain. There is no systematic approach to prioritize sectors and no consensus whether Fairtrade International should invest in sectors where the returns will not outweigh the costs. There is also need for better understanding of all costs involved to earn back a certain investment.
- It is important to note that companies would favor greater transparency in the use of their license fees, and especially expect so when collaborating with the new FSP model.

Recommendations

- Create more transparency in the flow of funds, especially those destined for PNs and work on PSR activities, especially for companies who like to see how their license fees are used.
- Consider short-cuts in the allocation of license funds to producer networks/ producer support services, from an efficiency and transparency point of view.
- Obtain a full understanding of costs and benefits of investing in new products.

4.3 New Standards Framework and Producer Services and Relations

4.3.1 Statistics on certification

FLO-CERT provided the evaluation team with some relevant statistics on Fairtrade certification for the last evaluation period, summarized in table 7. The following are some of the insights:

- The average annual growth rate of SPO (producers and workers organisations) customers has been 8.5%, increasing from 649 in 2010 to 1,111 in 2014. Over the same period the increase in trader customers was 10.7%. Average growth rate of all customers was 9.8%.
- Annually about 10% of the producer customers is lost (i.e. is decertified), while about 20% new customers are acquired. Thus, there is an annual growth of 10% and turn-over of about 10%.
- The cause of decertification may be due to non-payment of dues / voluntary decertification, or due to non-compliances. Suspensions may lead to decertification, but can also be solved within the year. These data were not available to the evaluator for the past years, but for 2014 Q1 & Q2 shows that of a total of 99 being decertified, 64% is due to non-payment, 19% due to non-conformity or deadline missed, and 17% due to voluntary decertification.
- The number of trader customers increased between 2010 and 2014 from 1,174 to 2,151, with a turn-over of about 10% annually.
- Between 2010 and 2013 the number of appeals/ review requests (for producers and traders) went down from 32 to 15, and the number of allegations went down from 50 to 28.

Table 7: Basic data on certification performance during the evaluation period

| | Producers (SPOs and HLOs) certified | New certified | Lost (decertified) | Suspensions |
|-------|-------------------------------------|---------------|--------------------|-------------|
| 2010 | 649 | No data | No data | No data |
| 2011 | 832 | 259 | 80 | 79 |
| 2012 | 997 | 257 | 103 | 92 |
| 2013 | 1094 | 192 | 125 | 91 |
| 2014* | 1111 | 135 | 116 | 125 |

* Data for 2014 are until 13-10-2014

FLO-CERT undertook a survey in 2012 and 2013 among producers and traders being certified and audited by them.¹⁰ The response rate was 20%. Some highlights from the survey are the following:

- Producers benefit more from Fairtrade/FLO-CERT services than traders;
- Customer satisfaction level is highly dependent on the actual Fairtrade sales;
- Certification cost reductions are not the main driver for improving customer satisfaction;
- More support is requested on compliance and ways to address non-conformities;
- There remain many ambiguities on the NSF and the process to certification, customers not fully understanding certain criteria or principles of the NSF;
- The traders standards is not sufficiently oriented at trader development.

It was noted that an SPO customer lost does not necessarily imply that the producer is in a bad state. The SPO might consciously decide to continue with other standards or other sectors.

4.3.2 News Standards Framework (NSF)

Progress during evaluation period

¹⁰ FLOCERT Customer Satisfaction Survey 2014

The New Standards Framework (NSF) was developed in 2010; it was originally referred to as the 'empowerment model' (see SFFP logframe indicator 3). The goal of the NSF was to make the Fairtrade Standards easier to understand and more adaptable to producers' local situation, and give producers the freedom to determine their own path to development.¹¹ The key changes in the standards were:

- Producers determine their own development: Under the NSF, requirements are divided into "core" and "development". Whereas all core requirements must be fulfilled, development requirements are scored on an average. Producers decide which areas they want to focus on and when, and determine the best way for their organisation to develop. Producers also write their own development plans, in which they monitor their progresses themselves, and report on activities, such as Fairtrade Premium use and steps to protect the environment.
- Clearer and simpler requirements: The Fairtrade Small Producer Organisation (SPO) and Contract Production Standards (CPO) have been rewritten into simple, straightforward language and all generic requirements for producers are now included in just one document. This makes it easier for producers to see what is needed and invest their money and time in the right way. The revised Standards also require less paperwork for producers, meaning savings on admin costs.
- Improved structure: The Standards have been reorganised into four chapters, including: General, Trade, Production, and Business and Development. The new structure will facilitate benchmarking and make it easier to collaborate with other sustainability systems. Product Standards have also been re-grouped into more logical categories using an international product classification scheme, which will speed up the inclusion of future product standards.
- Revised environmental standards: The revised environmental standards requirements keep people at the heart of the Fairtrade system. Strong core criteria protect producers' health and safety, conserve nature and ban the use of GMOs and dangerous chemicals. Then, through the benefits received through Fairtrade, producers are encouraged to work on development priorities of their choice which lead to even greater sustainability.

The NSF for SPOs was published in May 2011. It has been applied by FLO-CERT since 2012, with training material globally available and integrated into certification advisory work. In January 2014, the new standard for Hired Labour Organisations (HLO) was completed following an extensive consultation process¹² and thus will be applied soon. It has also been written in simple language as was the case with the other standards. Some significant changes of the new HLO standard as compared to the previous standard are:

- There are stronger requirements for employers to actively show their support for workers to join a union and to support them to do so if they wish.
- It has introduced a clearer requirement for wages to progress towards living wage level.
- Workers are now able to decide to get a portion of the premium paid out to them themselves.
- The Standard includes new criteria to make sure migrant workers benefit from Fairtrade.

The new Fairtrade Standard for HLOs includes many other changes to strengthen the position of workers. Companies must now undertake specific activities to ensure equal treatment for minority groups. Companies must have grievance procedures in place – including for sexual harassment – before becoming certified (instead of after 1-3 years). And they must share audit results with workers through worker representatives.¹³

¹¹ <http://www.fairtradelabel.org.za/news/fairtrades-new-standard-framework.70.html>

¹² Fairtrade International Standards Unit travelled the globe to meet with more than 400 workers in 14 countries. They received feedback from workers on the proposed changes during 18 workshops and on-site group interviews. Interviews have been conducted with close to 170 management representatives from Fairtrade certified plantations and factories, and there have been over 120 written responses from certified producer groups, traders, retailers, unions, NGOs, and Fairtrade member organizations.

¹³ source <http://www.fairtrade.net/single-view+M5ec4971ca57.html>

Main evaluation conclusion

Developing and rolling out the NSF has been a process that was initiated and planned before the SFFP became available. Yet, it is too early to draw firm conclusions with respect to its effectiveness, especially since development impacts will show only after several years.

Specific conclusions

Specific conclusions are presented as summary statements followed by underlying evidence.

1. The NSF seems to result in reduced non-conformities, but it is too early to know whether it generates the expected benefit for producers.

- It is relevant to know whether and to what extent the NSF as since 2012 applied to producer organizations has generated the expected benefits. Early 2013 FLO-CERT presented a first quantitative evaluation of NSF, showing that the number of non-conformities has decreased on average from 15 to about 9 non-compliances, a reduction of 42%. This decline is in conformity with the trend of declining appeals between 2010 and 2013 (see previous section). It is too early to know whether the NSF indeed generates the expected development benefits for producers, as a result of the stronger focus at relevant development options. Our interviews with producers during the visits to PNs (FTA and CLAC) did confirm that the primary concern of the producers is to get certified in order to be able to market their products. This need not always to be the Fairtrade market; Fairtrade certification also increases credibility to buyers other than Fairtrade, as well as access to finance from financial institutions or donors. This insight would tend to confirm the importance of providing producers with other development options than just getting certified for the Fairtrade market.

2. Introducing a new Standard, particularly under the NSF with its developmental path, requires much time and resources and its coordination can be improved.

- The evaluation team had the opportunity of meeting producers from the flower sector (in East Africa) at the moment that the NSF on HLO had just been introduced. It appeared that in the flower sector liaison officers (LOs) had informed workers and confronted flower farms with the new HLO standard while the flower farm was not aware of the new standard. There appeared to be a lack of clarity about the starting date of the new standard being applicable, and concerns about some elements of the new HLO standard. One example is the new option of 20% cash payment of the Premium to workers. The overall goal of this option is to generate equal benefits for migrant and temporary workers (who may not benefit from investments in social facilities). While this option needs to be discussed and chosen by the workers, so far all workers immediately go for it. The flower farmers stated that there are better options than direct cash payment, and some flower farms already have worked these out (e.g. provide bicycles, something which is useful beyond working in the flower farm). Another problem is that this new option disrupts long-term planning of social projects using the Premium. Lastly, a legal constraint was identified, being that tax on income will need to be paid over the additional cash given to workers.
- The above example shows that the introduction of the NSF for HLOs and rolling it out in different countries requires much time and resources. Constraints to its application can be highly context specific and will require tailor-made solutions (including legal aspects). Coordination of these activities can be improved and should lie with the PNs.

3. Whereas Western NGOs applaud the new HLO standard, companies need to be convinced about the advantages of the NSF.

- Parts of the market may not necessarily be aware of the benefits of more flexible standards and gradual processes of improvement. They like clear and unambiguous thresholds. Companies stated that the principles of flexibility and self-determination behind NSF can be good, but the risk is that

it results in long decision making processes at SPO level and introduces local ‘politics’, while the effect of more empowered producers on being better farmers is not clear. There is an urgent need for ‘proof’ that a standard that further promotes empowerment also results in better functioning SPOs and better performing farmers. It may also require additional investments in PSR services to ensure producer groups are able to make ‘the right decisions’.

- On the other hand, Western NGOs applaud the new HLO standard and the process leading to it with the leadership role taken by Fairtrade. They state that the new HLO standard is a potential game changer in addressing social injustices for workers to which (other) standards have so far paid lip-service.

Recommendations

- Monitor and demonstrate the concrete benefits of NSF, to demonstrate its added value.
- Develop and/or consistently apply a clear and coordination protocol for when a new standard is being rolled out (use the lessons learned of the NSF).
- Communicate to companies about implications of NSF, also in relation to decentralization and changes in roles with respect to PSR, and demonstrate the advantages of the NSF.

4.3.3 Producer Services and Relations (PSR)

Progress during evaluation period

Until 1997 when Fairtrade International was established, PSR services were organized by the NFOs, in line with the markets and sales they were managing. At the time, there was no central quality assurance or defined level of support. PSR simply aimed at responding to advisory support needs of all applicant and certified producers irrespective of their market relevance, offered as an impartial, free-of-charge service. In the early years of Fairtrade International (1997 to 2001), producer support was embedded in the work of the so-called FLO Monitors as well as looked at by staff involved in managing the FLO product registers. With the decision to go for ISO65 accreditation, there was the need to separate audit and support processes and producer support was developed as a working field initially fully externally financed and focusing on facilitation of linking producers in need to support resources. Thus, a producer support network was being built up with local liaison officers (LO) who were recruited as consultants. Gradually, the need became clear to develop a central system of quality assurance through Fairtrade International, in view of safeguarding quality in the first place, and since 2005 all LO contracting is through Fairtrade International.

Partly as a response to the strong increase in Fairtrade products and sales, in 2010 PSR underwent a process improvement project resulting in an operations manual based on the PSR work mandate with clear procedures for work planning, responding to work request from within the system, meeting structures etc. The long-term vision on this framework is as follows: Fairtrade Producers have access to the services they need to succeed in Fairtrade, choosing from a variety of service providers based on location, capacity, cost and expertise.¹⁴

In 2010/2011 a new PSR Operating Model was signed off which stipulates that producer services will be delivered through joint efforts of PSR, PNs as well as partner organizations. This model includes four service categories, with roles and responsibilities defined (Figure 7):

- Certification Advisory Services: time allocation 60%
- Product and Trade Related Services: time allocation: 25%

¹⁴ Alff, Damm and Köpke, 2012. Study on Supporting the implementation of an effective PSR model.

- Business and Development Services: time allocation: 10%
- Services for Other System Function: time allocation: 5%

| FAIRTRADE PRODUCER SERVICES: MATRIX FOR ROLES & RESPONSIBILITIES TO END-2012 | | | |
|--|-----|--|-----------------|
| KEY | PSR | PSR & PN'S | PN'S & PARTNERS |
| SERVICES TO PRODUCERS | | SERVICES TO SYSTEM | |
| CERTIFICATION ADVISORY SERVICES <ul style="list-style-type: none"> •Introduce new producer groups to FT system and standards requirements •Prepare producers for audit. Review compliance issues and actions required •Help strengthen organisations (e.g. gender & labour rights, use of premium, environmental planning & business administration) •Involving producers in continual improvement of FT system (feedback system, roll-out of New Standards Framework) •Emergency response (natural disasters, PR incidents, contract defaults) | | PRODUCT AND TRADE-RELATED SERVICES <ul style="list-style-type: none"> •Supply-side information on producer groups and production capacity •Supporting FT licensees' sourcing and development plans •Identifying needs for standards revisions including minimum price and premium (in future model = need for review of economic mechanism toolbox) •Facilitating producer input into reviews of standards | |
| BUSINESS & DEVELOPMENT SERVICES <ul style="list-style-type: none"> •Direct producer services relating to B&D aspects of New Standards Framework, e.g. <ul style="list-style-type: none"> —Cost management and pricing —Cashflow management and sources of finance —Contract negotiation —Productivity & quality —Accessing and using market information to add value •Generic services related to FT standards and compliance (e.g. child labour) •System-wide projects aimed at strengthening FT's relevance to sustainability agenda (climate change, resource restraints, productivity and livelihoods) | | SERVICES FOR OTHER SYSTEM FUNCTIONS <ul style="list-style-type: none"> •Maintaining risk register and response plans by country/product sector •Providing fast information response to critical issues, e.g. negative publicity •Supporting contacts between producers and key influencers in media, government, business by maintaining producer information and providing logistical support •Supporting impact assessment work including collection of data •Strategic development of producer services | |

Figure 7: Fairtrade producer services, matrix for roles and responsibilities

Fairtrade organized three global surveys to better understand producer needs in relation to support services required and satisfaction of services provided.

First, in 2011/2012 a PSR needs assessment survey was carried out, based on 11 workshops in 7 pre-selected countries including SPO, CPO and HLO representative of various commodities.¹⁵ The main conclusions of this survey were:

- There is need for capacity-building with a focus on: market access, pricing and commercialization, productivity and farming economics, climate change impact, integrated management systems;
- There is need for new ways of collaboration with partners in delivering services and related methods and tools;
- To address the needs of workers in HLOs and of small farmers the LOs' individual advisory inputs are by far not sufficient to build-up respective capacities;
- PSR strategy should be embedded in development oriented models (value chain development, integrated management system) and on the basis of strategic partnerships;
- Roles and responsibilities of the PNs within the PSR system need to be defined, based on a systematic capacity assessment of existing service delivery.

Second, a global PSR client satisfaction survey was carried out in 2012, which was an online survey in four languages, with about 23% response rate.¹⁶ The survey will be repeated in Q1/2015. It found that

¹⁵ Alff, Damm and Köpke, 2012. Study on Supporting the implementation of an effective PSR model.

the PSR services currently offered by Fairtrade are appreciated by producers: 83% of respondents consider LOs to be competent trainers providing satisfactory services.

Third, in 2014 PSR did a survey based on 10 key questions amongst 51 key premium earners based on physical or remote 1:1 semi-structured interviews to understand how the key clients per region/GPM product perceive PSR support services, what their support needs are, how they see their role in using their success in support of other producers.

The quality management of support services by Fairtrade International is related to ensuring respective documentation of field activities via field visit reporting formats, producer profiles as well as workshops and event reporting. For the workshop reports a Standard Operating Procedure was developed in 2013 for roll out in 2014 ensuring appropriate definition of learning objectives and evaluation of participants as per harmonized approach. Further in 2013 it was agreed as part of the 1st phase of the producer services transition process in Latin America to systematically develop baselines for each producer in the region as well as individually agreed follow-up plans.

Main evaluation conclusion

During recent years PSR has been restructured to better meet needs of producers and workers, and to offer services that 'go beyond certification'. These developments are in line with the NSF vision of development for Fairtrade producers and workers. More capacities have become available to do so (LOs, staff within PNs, strategic partners). The SFFP has moderately contributed to this development, mainly through consultancies and salaries.

Specific conclusions

Specific conclusions are presented as summary statements followed by underlying evidence.

1. Despite increased Fairtrade capacities for PSR services (LOs, staff within PNs, involvement of strategic partners), current resources are still considered insufficient

- There is an increased number of staff within the visited PNs (FTA and CLAC), as well as liaison officers, to provide PSR services. As a result, the intensity and quality of contacts with producers has increased, which is much appreciated by producers and workers (see also section 4.1.3). These developments are in line with the NSF vision of development for Fairtrade producers and workers. More capacities have become available to do so. The SFFP has moderately contributed to this development, mainly through consultancies and salaries. There are also several arrangements with strategic partnerships to deliver PSR services. In addition, FLOCERT provides trainings on practices related to the Fairtrade standards. SPOs and HLOs also organize their own trainings using premium funds. It is not easy to get a good picture of who exactly provides which PSR services. Moreover, this situation seems to be inefficient, for coordination and accountability purposes, and also because contract conditions are different.
- In spite of the increased capacities, both the FTA and CLAC networks consider current capacities to conduct PSR services as insufficient to respond to the needs of producers and workers. Within the East Africa network there are currently 6 LOs, but it is estimated that this number needs to be doubled to respond to all the needs.
- In spite of increasing production and sales of Fairtrade products over the last years, within Fairtrade International the nominal funding (proportion times expenses) available for PSR services has declined between 2011 and 2013 by 28% (table 8). This can be explained by the fact that during

¹⁶ INCAS, 2012. Survey for Producer Clients to Assess Their Satisfaction with Fairtrade Liaison Officer Producer Services.

the evaluation period, the prevailing Fairtrade strategy was to promote sales and to increase revenues, therefore focus on marketing to achieve sales (i.e. the broadening strategy).

Table 8: Overview of total annual Fairtrade International expenditures and distribution over different units (source: Fairtrade annual progress reports)

| Year | FI annual Expenses (€ x 1,000) | Proportion of expenditures for different units | | | | | | | |
|------|--------------------------------|--|--------------|----------------------|------------------|---------------------|-----------------|------------|------------------|
| | | Direct producer services | Pass through | System Wide projects | Standard setting | Strategy policy MEL | Market services | Governance | Global resources |
| 2009 | 10,664 | 41 | | | 11 | 5 | 16 | 11 | 16 |
| 2010 | 12,973 | 42 | | | 11 | 7 | 21 | 7 | 12 |
| 2011 | 15,385 | 47 | 6 | | 8 | 6 | 16 | 6 | 11 |
| 2012 | 14,051 | 40 | 7 | | 8 | 6 | 23 | 7 | 10 |
| 2013 | 14,420 | 36 | 8 | 5 | 7 | 7 | 22 | 6 | 11 |

According to the Annual report 2013-2014, definitions are as follows:

- *Direct producer services:* This comprises the PSR unit, funding producer networks, the Producer Certification Fund, and specific services funded by donors (e.g. Irish Aid funding of producer support in Central America).
- *Market services:* This includes managing global accounts, our work in new markets, (such as Brazil, India and Kenya, as well as establishing a new organization in the USA), brand management and communications.
- *Global resources:* This encompasses central services for areas such as human resources, finance and technology.
- *System-wide projects:* are projects developed for the benefit of the global Fairtrade system.
- *Pass-through funding:* As part of our agreements with certain donors, a proportion of the grants we receive from them goes directly to funding Fairtrade UK and projects of our partners.

2. There are shared insights on the need for increased investment in PSR within the PNs to deliver impact at origin, even if this will be at the expense of marketing and communication.

- The shortcoming of the above rationale to favor market development over investments at producer and workers level is increasingly recognized (e.g. by companies, PNs as well as by different people within Fairtrade International). Whilst brand recognition and sales in the market is important, a key determinant of company decision to engage with Fairtrade is producer credibility and quality of work at origin to address sustainability concerns. Thus, there is need to boost work at producer and workers level and demonstrate impact for its contribution to the bigger sustainability picture. This work needs strengthening, as part of the redefinition of services and resources required by Fairtrade International and PNs.
- From interviews with producers and the needs assessment the view appears that strongest needs exist on subjects of market access, pricing and commercialization, productivity and farming economics. It was also stated that LOs do not cover all expertise on the topics to be addressed in producer support. They appear to be most competent on social and organizational aspects. For instance, in the flower sector, LOs are competent at supporting workers on their social rights, but would not have knowledge on flower farming. Therefore, flower farmers look for other consultants as well. It is unfortunate that LOs in East Africa used to be organized per sector, but are now organized by geographical area, for efficiency purposes, which contributes to above weakness. A new system is currently being explored.
- The field observations from companies suggest that a Fairtrade certified SPO is not necessarily a strong and vital SPO. The weaker SPOs still need a lot of capacity building and other support. This is costly and it is unlikely that the Fairtrade fees and Premiums can cover all these costs.
- An important consideration is that whereas the need for PSR service is considerable, one should avoid further oversupply of certified products, as this may frustrate producers who cannot sell their certified produce on Fairtrade markets (thus, with a Premium). Consequently, PSR services could focus on those products, qualities and origins, for which there is an actual demand. On the other

hand, it appears that Fairtrade certified farmers without access to Fairtrade markets may benefit from improved access to other markets or additional benefits (see section 4.6).

3. Companies attribute great importance to good PSR services, and some would like to have more influence on it.

- The interviews with companies show that most do not have a clear view on what PSR services Fairtrade delivers. Some do not even know there are services which go beyond certification advisory services. Companies also recognize the importance of PSR services, not only to provide high quality products but also beyond supporting producers to get certified. They recognize the value of strong producer organizations.
- For companies a strong production base is their main commercial interest. They want to see that enough funds are made available for high quality PSR, and that a fair amount of the money they pay to Fairtrade (fees, Premium) is made available for PSR. Companies observe that the strongest SPOs invest most in strengthening their production base, and therefore suggest that at least 25% of the Premium is invested in productivity aspects. They recognize a tension between the Fairtrade principle of empowerment and autonomous development and their own agenda, and they challenge the principle if they have a good sense about what SPOs need to become successful.
- Companies also observe weak leadership in different certified SPOs and suggest stronger support on this topic. It is noteworthy that this subject is not mentioned in the PSR needs assessment.
- Companies are concerned about the implications of the decentralization of PSR responsibility to PNs and how this will affect quality and their communication concerning PSR services. They want to be better informed about investments in PSR and ongoing changes.

4. Within the Fairtrade system interesting initiatives are taken to improve effectiveness and efficiency by opening up the PSR system and in developing phased approaches.

- In both CLAC and FTA networks developments are ongoing to harmonise the different types of PSR capacities into one system that is accountable to the PN, which is a good development because all PSR staff will then work under the same conditions and are directly accountable to the PN. In order to be able to provide high quality PSR services, FTA is now conducting an assessment of the available capacities, among LOs and other service providers in the region, with the aim to develop an online register of available service providers that will be accredited. This is based on a similar example in the region that has proven to be quite effective.
- The above initiative within FTA would respond to one consistent view of companies that were interviewed, who question the Fairtrade International monopoly on PSR services. They advocate to change service provision from being exclusively provided by Fairtrade International towards an 'open market', as they believe this would lead to more cost-effective service provision. For a more open system to develop, an accreditation system could be useful provided that external service providers also remain up-to-date on changes in Fairtrade standards. A more open system to producer service provisions is current practice with several other voluntary standards.
- Within Fairtrade International and the PNs there are concerns about the budget implications of the need to increase the intensity and quality of PSR service provision. Therefore, there is advanced thinking on systems whereby costs can be reduced, e.g. by having producers pay for more advanced services. The Irish Aid capacity programme in Latin America has also developed an approach to increase financial sustainability of producer services by self-contributions and pooling of resources at national level to secure financing of basic support services. Lastly, there will also be increased funding available for PSR activities from the FSP initiative, but so far it is not clear how this will be organised (see below).
- A phased approach could be linked to the system of classifying SPOs in different levels of maturity. Producers and producer organizations are in a different stage of development when receiving PSR support aimed at achieving certification, and the intensity and quality of PSR may vary accordingly. For instance, some producers are still unorganized and these obviously require much

more support than the organized ones (the trajectory might take more than 1 year it appears). Within FTA there are initiatives to develop a scoring system to assess the 'level of maturity' of the SPO to receive additional support.

5. There are great expectations of the ongoing work to develop the programmatic approach, but so far it remains rather abstract and apparently not connected to certification advisory work..

- Fairtrade is currently developing its *programmatic approach*. The Leadership Team has approved the draft process description and tool kit documents.¹⁷ It defines programmatic support as producer support that extends beyond that of certification support. This additional support can be partly delivered through programmes funded externally or by donors. The Programmatic Approach aims to lead to a coherent and strategically aligned delivery of programmes. It is based on programme cycle management and provides procedures for identification, formulation, implementation and evaluation of producer support programmes. In this process, the PNs play a central role. The programmatic approach is also a means of improving intervention at the level of beneficiaries.
- The draft documents on the programmatic approach describe in general terms the process of managing programmes and do not provide an outlook to what type of core services will be provided. It is our impression that the programmatic approach focuses at work areas that go beyond audit-related certification advisory services (which are not part of the basic PSR package delivered by the LOs), and will focus at cross-cutting themes such as gender, climate change and fair wages. To producers this can be explained as 'additional benefits' once they are in the Fairtrade system. It is not clear how the programmatic approach relates to the basic PSR services and how these can be strengthened. Also, it is noted that in order to implement the programmatic approach, additional capacities will be required (i.e. to manage the programme management cycle).
- At the time of the evaluation the programmatic approach is already being applied in the implementation of a program support in the coffee sector in some countries in Latin America, with related institutional strengthening of CLAC.

Recommendations

- Focus PSR activities on products, qualities and origins for which there is an actual market demand, however, while recognizing that Fairtrade certification can also be useful for producers as a means of organizational strengthening, irrespective of sales to the Fairtrade market.
- Better communicate on current PSR activities to the companies and explore ways to create more complementary roles with the companies in these activities.
- FTA is developing an interesting approach with accredited service providers who can provide a broad range of development services including typical certification advisory work. This includes the identification of existing skills with LO's, additional skills that are required and insight on current knowledge gaps. It is worthwhile to further explore this approach.
- To ensure PSR consistency and quality, it seems useful to accelerate the development of a more programmatic approach towards the entire PSR 'package of services', including certification advisory work. This is reported to be in line with the vision of Fairtrade International.
- This approach could help to intensify fundraising for PSR (e.g. in partnership with professional service providers).
- There is the possibility of developing a phased approach and have producers pay for PSR if they have reached a certain level of maturity (semi exit strategy).
- There is need to review experiences in working with unorganized producers, as there is a large demand for organizations who have these capacities. Within the Fairtrade system, it is unclear how this relates to experiences with contract production.

¹⁷ Zimmermann, 2014. Fairtrade International's Programmatic Approach. Draft process guidelines.

4.4 Campaigns, business accounts and Fairtrade Sourcing Program

4.4.1 Campaigns

Progress during evaluation period

- Fairtrade conducts consumer and marketing campaigns to promote the brand. During the evaluation period a number of such campaigns have been held, especially in northern countries. Only the consumer campaigns in the UK have been specifically funded by Fairtrade International, thus including SFFP funds. The other campaigns have been funded directly through NFOs and/or donor projects.
- In the UK, the SFFP funding has allowed to conduct more innovative approaches to consumer campaigns, which otherwise would not have been possible, such as:
 - Improvement of a Fairtrade school program;
 - Develop a long-term strategy on how to improve effectiveness of campaigns;
 - Develop campaigns on new products, like gold;
 - Mainstream campaigns with social media.
- Within Fairtrade International initiatives were taken to shift the focus towards developing local Fairtrade markets in southern countries and emerging economies. So far, work has focused on India, Kenya, South Africa, Hong Kong and South Korea mainly. In Kenya companies were used to sell Fairtrade only for export markets but have shifted to selling Fairtrade products at local retail markets which is a breakthrough.

Main evaluation conclusion

It appears that Fairtrade campaigns in northern countries have reached a ceiling in terms of level of awareness and buying behavior of consumers, and thus realize only marginal benefits. However, experiences of innovative and more targeted campaigns in the UK appear to be positive. SFFP funds have been used for Fairtrade campaigns in the UK.

Specific conclusions

Specific conclusions are presented as summary statements followed by underlying evidence.

1. In Northern markets there is a need to shift from generic awareness campaigns to more focused and targeted campaigns.

- Consumer surveys in the EU continue to show a high level of consumer awareness and trust in the Fairtrade brand. Yet, at the same time sales of certain Fairtrade products shows stagnation (e.g. tea and coffee, possibly sugar). For these products it appears that market uptake of Fairtrade products is even declining, probably due to competition with other brands. It appears that Fairtrade campaigns in northern countries have reached a ceiling in terms of level of awareness and buying behavior of consumers, and thus realize only marginal benefits. Thus, it is doubtful whether investments in generic consumer awareness campaigns in northern countries is still a priority.
- However, campaigns focused at specific themes (e.g. fair wages) or products (e.g. gold) and targeting specific target groups (youth) could still have value (see examples from UK). Since consumer campaigns have not always been systematically evaluated (also because they are managed by NFOs), it is not easy to draw firm conclusions with respect to what types of campaigns work best.
- A more strategic approach in market development and campaigns adopted for different target groups, products and countries is in development, which is welcomed by internal stakeholders.

2. There seems to be potential in raising awareness and creating new markets in southern countries and emerging economies.

- There is general recognition that currently there is high growth potential for new Fairtrade markets in the south and emerging economies. This insight is supported by global trends and initiatives by other ethical standards. So far Fairtrade has taken only few such initiatives and funding is very limited (existing efforts are mainly financed by separate projects).
- The question is also how to reach southern consumers. These markets will require different messages than in the North. Experiences within FTA in Kenya suggest that among the middle class there is potential for raising consumer awareness for Fairtrade products. So far, three large companies have committed themselves to selling Fairtrade products, and have shifted to selling Fairtrade products at local retail markets which is a breakthrough. In South Africa, in recent years there has been a growth of demand for Fairtrade products by 22% and awareness levels by 7% in target markets of urban lower-middle class and higher. Campaigns focus on local and African products (e.g. the Power of You campaign).

3. High consumer trust levels are an opportunity but also lead to certain risks when changes are made in the Fairtrade system, such as the introduction of the NSF and FSP.

- Because of the high level of awareness and brand trust, any changes in the Fairtrade system that may affect this should be carefully communicated. Both FSP and NSF do change ‘the all that can be certified by a high standard’.¹⁸ These changes can be controversial both within as well as outside the Fairtrade system. Whereas the consultation process during the development has been intense (which is good), there appears to be room for improvement in communicating to different stakeholders when changes become active and what are the consequences for different stakeholders (including companies and consumers). There is also need to monitor the impact of these ‘system’ changes on brand trust.

Recommendations

- Evaluate experiences of campaigns (in North and South) in order to define what (tailor-made) strategic approach is most effective.
- Make available more funds for consumer and marketing campaigns in southern countries and emerging economies, based on good market studies to assess countries with high potentials. At the same time, there is scope for focused and targeted campaigns in the north, and still a lot to win in North America.
- Communicate in a careful way any changes in Fairtrade systems (e.g. FSP, NSF, decentralization).

4.4.2 Business accounts

Progress during evaluation period

- The Global Product Management unit has been established to balance supply and demand within core products across the system in a sustainable way- via giving strategic product direction, sharing product knowledge, provide tools, supply and demand information to ensure fairer and more sustainable supply chains. To do so, it regularly provides product specific guidance, analysis and updated information on supply and demand, takes the lead in the implementation and regular review product strategies, coordinate product advisory groups and ensure coherent management of core products across the system. In 2010 Product Advisory Councils have been set up for core products, aimed to help design the scope of standards projects and inform strategic and tactical decisions.

¹⁸ The ‘all that can be certified’ refers to Fairtrade rules that in any labeled product all ingredients that can be certified must be certified, and that a minimum of 20% of the total product be comprised of Fairtrade certified ingredients. An alternative to this model has been introduced by the Fairtrade Sourcing Program (see section 4.4.3).

- The Commercial unit has been established aimed at commercial relations with potential Global Accounts and supporting new markets. To do so, it develops business cases and targets potential new global accounts with commercial plans and forecasts.
- There are not many data to establish insights in trends with respect to accounts in terms of numbers, size, location and sales. There are two relevant SFFP indicators. One is on the license holders in southern countries, showing a strong increase from 11 in 2009 to 68 in 2013. The other indicator is on global sales, showing an increase from €3 billion in 2008 to €4.9 billion in 2011 but then stagnation to € 5.0 billion in 2013. One underlying reason mentioned is the departure of Fair Trade USA and growing competition with other standards.

Main evaluation conclusion

Important organizational changes have been made during recent years to coordinate and strengthen work on global accounts and marketing. The SFFP has definitely contributed to these developments within Fairtrade International.

Specific conclusions

Specific conclusions are presented as summary statements followed by underlying evidence.

1. Companies see brand value and the Premium as main USP, but high costs of Fairtrade are a serious push-back, so they want to see evidence that high costs make a difference compared to other standards.

- Our interviews show that companies chose for Fairtrade because of two factors mainly:
 1. Reputational benefits/ consumer trust / stakeholder trust. Fairtrade has higher credibility and trust levels than its competitors;
 2. Supply chain impacts / a means to investing in supply chains or accessing smallholders / risk management; the Premium that is invested at group level is a USP from the system.
- Brand value is a key USP of Fairtrade compared to other systems. Industry gets to Fairtrade because it can make consumers buy their product. Some companies like Mars do not care about brand value of Fairtrade International but are only interested in impact at farm level.
- However, there is a serious push back from companies on the costs of Fairtrade. This certainly exists on the premium, some on the license fee (although many see value for money), sometimes on certification costs and audits (for smaller companies this can be a considerable costs) and some on the operational costs within the supply chain (e.g. segregation).
- As a result, companies willing to pay high costs increasingly want to see the impacts of these high costs, and be able to justify why the high costs make a difference as compared to other standards. This means, in fact, that the value proposition for companies to support Fairtrade should be reviewed and updated, with more concrete linkages to evidence-based impacts (and brand value).
- There are indications that Fairtrade is too expensive for small and medium enterprise (SME) buyers in emerging markets.

2. There is a need to further intensify relationships with the business, including global account and product management

- Within the Fairtrade system, the process of creating a more global account management system is welcomed. The expectation is that a more professional global account management allows Fairtrade International to catch up with the competition that in recent years won a lot of market share because of a more professional attitude towards the industry (e.g. UTZ Certified or Rainforest Alliance). Global account management could also mitigate some potential concerns in communication between companies and PNs, for example on PSR services.
- Likewise, the process of creating global product management groups is welcomed.

3. Global product groups with PN staff representation is an effective investment

- It seems that the way global product groups operate is not yet well defined, especially the way producers and PNs are represented in the global product management groups. It seems that in most global product groups the working procedures have a rather ad-hoc character. For instance, in coffee and tea in East Africa, in 2010 producers were organized to represent producers in lobby & advocacy work, but the status of this group is now unclear.
- The flower group is well represented by a southern PN, through a staff member within FTA who has dedicated time available for doing so. This person is employed by Fairtrade International on a project financed by the NFO Germany. He has experience in the flower sector. His recent joining the global flower group has led to significant and positive changes (in terms of flower strategy and working procedures) and could be considered an example of how global product groups can be effectively managed. It would be good if such a person has a permanent position within the PN.

Recommendations

- Review and update the value proposition for companies to support Fairtrade, with linkages to evidence-based impacts, tailor made PSR services, supply chain data management services and potentially monetarized brand value
- Consider a differentiated fee structure for buying SMEs in emerging countries
- Develop a framework and approach to operationalize global product groups, with defined direct involvement of PNs and service providers.

4.4.3 The Fairtrade Sourcing Program (FSP)

Progress during evaluation period

The Fairtrade International Board in November 2013 approved the Fairtrade Sourcing Program (FSP) for cocoa and sugar, while a similar program for cotton was approved earlier in 2013. Producers in these sectors have been confronted with low sales and proportion of products sold on the Fairtrade market. The main objective of FSP was to promote market uptake and generate more money to invest in producer support. Before FSP, for a product to bear the Fairtrade Mark, Fairtrade standards require that all ingredients that can be certified must be, and that a minimum of 20% of the total product be comprised of Fairtrade certified ingredients. The FSP shifts from this policy, giving businesses a way to commit to Fairtrade producers through making a sourcing commitment at corporate level. Businesses are able to use a new Mark to label products containing only one of either sugar or cocoa being certified, even if this made up less than 20% of the total product; the new model also allows business to make a sourcing commitment to Fairtrade without labelling a finished product (an ‘unlabelled option’). Under the FSP, producers receive the same Fairtrade benefits, including the minimum price (wherever relevant) and Fairtrade Premium.

The FSP model is the result of almost two years of consultation involving the Fairtrade system, including over 40 SPOs globally and external stakeholders, such as companies buying cocoa, sugar and cotton. It has been a controversial project but the stakeholder consultation process has been generally appreciated (see evaluation report discussed in section 4.1.1 of this report). Among the PNs, FTA is in favour of the FSP, while CLAC does not approve. Also, some NFOs face challenging stakeholder environments regarding FSP and so have taken the decision not yet to launch the market in their model – for example, Canada.

Apart from the sourcing aspects, FSP also introduces a new financial system. While the existing system leads to reduced producer support when volumes of sales increase, the new system aims to realize the opposite, being an increase in producer support services as volumes produced increase. This is achieved by increasing the proportion of license fees channeled to PSR services as volumes increase. The FSP model still provides discounts at scale, but the proportion of the fee coming in

allocated to producer support increases as volumes increase. According to the 'old' product certification model, the proportion going to producer support remains the same whatever volume is sourced (and therefore gets discounted as fee is discounted).

Success factors for FSP have been defined as:

- Increase in number of buying commitments in all three FSP sectors
- Increase in Fairtrade sales in all s FSP sectors by Fairtrade certified SPOs
- Increase in investments made by the Fairtrade system in PSR services

Main evaluation conclusion

FSP has only been introduced recently and results are so far best in the cocoa industry. The contribution by SFFP has been moderate (in terms of allowing a consultative process and evaluation).

Specific conclusions

Specific conclusions are presented as summary statements followed by underlying evidence.

1. FSP is generally seen as an important innovation but the model is still disputed by some

- FSP is not very well received by the 'all that can be certified' loyal fans as they consider FSP to negatively influence the Fairtrade brand value as it will confuse consumers who are used to the 100% certified products (this is only valid in established markets and not in emerging markets where the FSP and product certification model can be introduced simultaneously).
- Other companies and stakeholders see the benefit of it as long as it benefits the producers. Therefore, it is important to soon have firm evidence on the realized benefits of FSP. This should not only look at increased sourcing volumes, but also demonstrate the increased funding that becomes available for on-the-ground PSR work related and the impacts at producer level. Companies would like to see a better, more direct view on how the fees are used, especially with the changes related to FSP, particularly in terms of PSR activities being channeled to the sectors of interest to them.
- As explained above, internally, people agree that it is crucial for Fairtrade to develop a more strategic approach in attracting business. Many believe that FSP is an important step to do so. They also see opportunities of this model to other products. However, others continue to disagree (CLAC, some NFOs).
- Some internal people also consider the FSP as a potential program to raise additional donor money in PPP constructions for PSR services.

2. FSP has been successful in cocoa, not (yet) in sugar and cotton

- FSP has only been introduced recently and results are so far limited to the cocoa industry (cotton not very active yet, and in sugar there is an overall constraint of market entry to the EU as cane sugar is much more expensive than beet sugar):
 - In cocoa market, uptake has increased much since FSP; since its launch in January 2014 10 companies already made commitments under the FSP; there is reference to a 20% increase.
 - In sugar uptake is an issue; currently 85-90% of certified sugar goes to UK, mainly retail with branded sugar. However, changing EU regulation will make beet sugar cheaper than cane sugar, which urges Fairtrade to protect existing sales. The challenge is to create awareness among a few brands on sustainability issues of their sugar ingredient and to develop southern markets. So far, sales has not gone up.
 - In the cotton market Fairtrade uptake has decreased considerably and has not yet taken up. There is need to rebuild the business case for Fairtrade cotton, for which FSP offers better opportunities.

3. *Whether the financial model associated with FSP will lead to increased funds for PSR available at origin remains to be confirmed.*

- With respect to increased revenues for PSR services, the statistics are not so clear. Currently, funding available for PSR services is 7.7% of the license fees (see section 4.2.2). According to the new financial model, this proportion will increase to 21.7% of license fees going to PSR services. For 2014, it is claimed that this percentage has already increased to 20%, but this remains unconfirmed.
- Whether the associated financial model will lead to increased funds for PSR available at origin will also depend upon the possibilities to make the chain of funding from companies to local service providers more efficient and transparent (see section 4.2.2 and figure 6).

Recommendations

- Fairtrade International should provide firm evidence to the believers and non-believers on the realized benefits of FSP in terms of volumes, improved funding for PSR services and impact at producer level.
- Once results and success factors of FSP become more, there may be scope to replicate FSP to tea and possibly other sectors.
- Fairtrade International could provide more transparency in how funds becoming available for PSR are used. In addition it could use these funds for more targeted service provision (integrated in the overall PSR system). FSP contributions and PSR services could be used to leverage additional funding.
- Explore how the FSP program could be used to raise donor money in PPP constructions.

4.5 Monitoring, evaluation & learning, and impacts

4.5.1 Monitoring, evaluation and learning

Progress during evaluation period

During the evaluation period, progress on monitoring, evaluation and learning (MEL) has been made in several respects:

- In terms of staffing, in 2010 there was only one part time staff member at Fairtrade International working on monitoring, evaluation and learning (MEL). Now the MEL work undertaken within the Monitoring Evaluation and Planning team includes four staff at Fairtrade International (3.2 fte), as well as 1.0 fte within FTA. By the end of 2014 there will be MEL staff in all three PNs, with dual accountability to the PNs and the global MEL team. For 2015 there are plans to add two further support positions in Fairtrade International.
- In terms of funding, in 2010 the internal MEL project budget was only € 70,000, but has since then increased partly due to the available SFFP funding. For 2015 a budget of more than € 700,000 has been proposed. These changes are justified based on the fact that Fairtrade International currently invests around 2.8% of its annual budget in MEL activities (for the Fairtrade system as a whole this is just a little over 1%), while charity industry benchmarks for MEL investment are around 10% of an organization's programmatic budget allocated to MEL or 3-5% of its total budget.
- Since 2005 there is a global MEL working group to guide a global program of work and including specialists from a wider team. Since 2014 it includes a Board member.
- The Fairtrade Board approved a comprehensive MEL strategic plan in October 2013, based on a system-wide consultation process. This sets out key steps towards improvement and strengthening of the MEL system between 2013-2015, with objectives for the monitoring system, evaluation and research, learning, staffing, budget, the theory of change, and MEL communications.
- Fairtrade International was assessed in 2014 as being in compliance with the ISEAL Impacts Code, which outlines the principles and criteria to comply with for an impact monitoring and evaluation system of a standard setting. The main basis of compliance has been the Fairtrade International Monitoring Evaluation and Learning Programme System Report (January 2014).
- In 2009, Fairtrade International published its first M&E report; in 2013 the 5th edition was published, which is significantly more elaborate and accessible.
- A Fairtrade system-wide theory of change was developed through an extensive process of stakeholder engagement between 2010 and 2013, including workshops and meetings with small producer and worker representatives in the three continents. This process resulted in an agreed version of the theory of change in September 2013. The result has been integrated in Fairtrade monitoring and evaluation and learning programme system report.
- Since 2011, the Harmony system is being developed, which is a new system for information storage covering the wider Fairtrade system. The development of the system and the uploading of available data has been an enormous effort by Fairtrade International. Further data storage will soon be automated and/or uploading will be done by the respective units and networks of the Fairtrade system.
- On the subject of learning, the MEL team focuses at evidence-based learning. It has started a learning project to extract and analyse insights from available impact studies. This has generated a wealth of information (see an analysis of results in next section).¹⁹ Within FTA there are initiatives of linking learning to local planning processes.

A separate but related activity is that of defining a set of Key Performance Indicators (KPIs). This process has started in 2011. The purpose is to have one set of indicators that is regularly being

¹⁹ The learning project, MEL working Group, September 2014

reported on and that are critical, to be used as a management dashboard to know the most relevant changes. The KPIs translate strategy into operational terms, and to do so are articulated around four perspectives (Producer/ Impact, Markets/ Products and Employees/ Processes, Financial Health), each composed of sub-sets of indicators derived from 2011 Accountability assessment within units as well as the commitments already given via SFFP.²⁰ The KPIs are the result of aligning towards a system wide scorecard that has been signed off by the Fairtrade International Board in June 2013. The aim is to operationalise the set of KPIs in 2014.

Main evaluation conclusion

Monitoring, evaluation and learning activities have been developed almost from scratch during the last 4 years. The SFFP has greatly contributed to this development.

Specific conclusions

Specific conclusions are presented as summary statements followed by underlying evidence.

1. The monitoring, evaluation and learning work is much appreciated by all stakeholders, actually it is found indispensable and high time to receive support.

- Given the fact that there was almost no information system in place, the changes on this strategic theme are impressive. In spite of that, challenges remain of having more up-to-date and consistent data on certain key performance indicators (KPIs) (e.g. the number of SPOs, by November 2014 final data were still not available for 2013). The process of improving the efficiency of data collection, data cleaning and reporting is still ongoing. While initially students were recruited to do the data cleaning, new techniques are now being developed for real time data collection and automated storage in Harmony.
- Most interviewed companies and donors consider monitoring and evaluation as being of critical importance and a core activity that should be sustainably funded from within the organization. They agree that important progress has been made.

2. Several challenges remain to be solved, notably the simplification of the theory of change and the choice of its indicators, and on data collection.

- Several challenges remain, which is not surprisingly given the young age of this unit, and an expansion of this unit seems justified to meet these challenges and expand the work.
- Regarding the theory of change and the way it has been worked out in concrete indicators, based on the interviews a number of challenges still remain:
- The theory of change in its three components probably very well represents the different stakeholder views. However, the three components now stand out without the connections being clear (either in text or in diagram). This is important, because many stakeholders are interested to understand how empowerment (the 'software') contributes to improved livelihoods (the 'hardware'), and how the fair trade context ('making trade fair') influences both (as reflected in questions for impact studies, see next section).
- The scheme entitled simplified ToC for SPO situations is not so simple because it gives a large number of indicators, it does not show specific linkages between different levels, and the classification of output and outcome indicators is not always clear. The next scheme with detailed indicators becomes impossible to grasp.
- There are important benefits from the minimum price and the use of the Premium, and this is what many producers are focused at. Apart from that, there is evidence that producers can greatly

²⁰ This is based on the document Draft workplan and budget FLO 2014 v4. However, the terminology is confusing: BSC (Balance Score Card) and KPIs is used for the same set of quantitative indicators. The BSC approach can best be used for semi-quantitative scores for management oriented qualitative indicators.

benefit from organizational strengthening without ever marketing Fairtrade products and getting access to premium funds (see for more detail under impact).

- Specific pathways of change are vaguely shown in colours but could better have been worked out in a separate diagram, reflecting key dynamics and interdependencies. These could then form the basis for more specific indicators and dynamics that are related to specific situations. This is not in conflict with the fact that producers at local level have their own specific rationales. It should be possible to reflect the main pathways of change in a simple diagram.
- The suggested set of indicators is too long, and several persons interviewed are concerned about that.²¹ They believe that this set of indicators is not manageable and fear large costs. The fact that the set of indicators should reflect all priorities of different stakeholders can be easily solved by aggregating indicators towards a more limited set of generic indicators.
- The component of making trade fair remains rather vague, whereas it is important since fair trade in many cases is hampered by governance and market failures for which targeted lobby & advocacy would be desirable. A project to do so will start by January 2015.
- Regarding data collection there is the challenge to pursue more real-time data availability on key performance indicators, using digital tools, with sufficient quality control. This will also require organizing data collection in an efficient way, involving PNs and liaison officers if deemed efficient.

3. With respect to the set of KPIs, further improvement will take place, priority is that the Fairtrade system (including PNs) adopts the framework and starts monitoring one set of KPIs.

- The set of proposed KPIs to be measured annually is not being adopted by the PNs. They have developed their own set of strategies and KPIs, which is unfortunate and should be avoided.
- Although efforts were made to connect different sets of indicators, being the SFFP logframe, the theory of change indicators and the set of KPIs, there is still an obvious disconnect. KPIs mainly include output level indicators while the evaluation team has the opinion that for medium / long-term management purposes outcome indicators are more appropriate.
- Indicators for organizational strengthening processes appear to be missing, and here Balance Score Card indicators would be most appropriate (see also footnote previous page). Having BSC indicators for organizational aspects and KPIs for performance (outputs and outcomes) would be a complete management system that would allow to steer the organization on internal aspects (BSC) in order to realize desirable results (in line with the strategies) (figure 8).

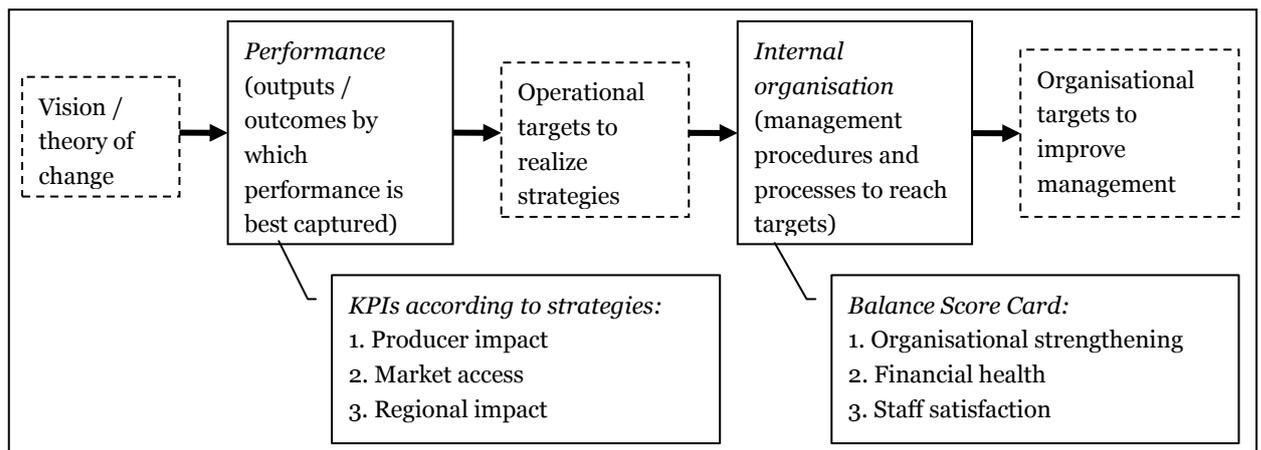


Figure 8: Possible reorganization of the set of KPIs and use of Balance Score Card.

Recommendations

²¹ Indicators are different from data points required to establish indicator values.

- Work out a limited set of key impact pathways (or result chains) at a generic level, reflecting the essence of the theory of change, with an associated small set of generic indicators, as a basis for more specific pathways and concise set of indicators for distinct situations.
- Develop a separate impact pathway and indicators for the ‘making trade fair’ component, related to sector transformation objectives, as part of the ongoing project.
- Further improve on the set of KPIs, adding at least one outcome indicator for each theory of change component and Balance score card indicators for key organizational themes, ensure the Fairtrade system adopts and monitors the set of KPIs.
- Obtain more real-time data availability on key performance indicators, using digital tools, with sufficient quality control,
- As part of the learning project, and in close collaboration with relevant PNs, look at one value chain in one region (e.g. coffee in Latin America), to draw more specific lessons that will be more easily applicable by PNs and field staff. Within FTA there are initiatives of linking learning to planning, which seems a good initiative in order to integrate lessons in the planning process.

4.5.2 Impact studies and impacts

Progress during evaluation period

- By now a series of impact studies has been carried out on Fairtrade production and marketing systems. While initially these studies emerged from academic interest and donor initiatives, research is now being identified and commissioned by the MEL team (at average 3-4 studies per year). Fairtrade also engages with external researchers to build opportunities for learning and collaboration. In total around 15 commissioned studies are now available, for different sectors and countries. Full reports of the commissioned impact studies and emerging insights are presented on the website.
- In 2010 multi-country studies were commissioned for €20,000 each, with disappointing results. Now studies are commissioned for € 100-150,000 each, with attention for more robust methodologies. In general the quality of impact studies has improved over time.
- External research on Fairtrade has often chosen to focus on Fairtrade’s economic impacts, and not on its contribution to other aspects of development, such as social or environmental development. As such, the body of evidence on the economic impacts of Fairtrade is better developed than the evidence on social or environmental impacts. The MEL team has included the social or ‘empowerment’ aspects of Fairtrade in its commissioned research, and through this generated some positive findings on empowerment and social benefits. However the number of commissioned studies means that the evidence base so far remains limited. For this reason, the MEL team identifies external engagement with researchers as a key future focus for Fairtrade, in order to support building a stronger evidence base for the social and empowerment benefits of Fairtrade.
- The MEL team has started a learning project to extract and analyse insights from available impact studies. This has generated a wealth of information.²²

Some selected relevant data with respect to impacts of Fairtrade as emerging from the most recent Fairtrade M&E report are the following:

- In 2012, the total value of Premium paid has been € 86.2 million (up from € 61.1 million in 2011). The average premium received has been € 90,000 per producer or worker organisation and € 70 per producer or worker. In 2012 the Fairtrade sales revenues were € 913 million (up from €673 million in 2011), of which the 4 largest products by value (coffee, bananas, cocoa and flowers) generated 89%.

²² The learning project, MEL working Group, September 2014

- In 2012, 45% of the SPOs that were eligible to sell Fairtrade products have sold more than 50% of their production as Fairtrade. At the lower end of the scale, 18% of the SPOs reported making no Fairtrade sales at all, while for 12% the sales were less than 10% of their production. Uptake of Fairtrade production was particularly low for tea (6% for HLOs and 9% for SPOs) and seed cotton (13%). However, based on our interviews, most certainly uptake has seriously declined for coffee (2011/12 this was 35%) and probably also for sugar (46% in 2011/12).

Main evaluation conclusion

Within Fairtrade considerable improvements have been and are being made in the conduct of impact studies and learning from the available results. The contribution by the SFFP has been important but research institutes have been and will remain important as well.

Specific conclusions

Specific conclusions are presented as summary statements followed by underlying evidence.

1. The call for proof of impact is increasing and becomes a critical success factor for survival to convince industry and consumers and in competition with other standard systems.

- In our interviews with external stakeholders, one major concern is that they want to see evidence that their Fairtrade investments (license fees, premium) in social development leads to tangible and sustainable benefits for producers. It becomes increasingly important to demonstrate how social development (empowerment, organizational strengthening) translates into concrete benefits for producers. There is need for ‘proof’ that promoting empowerment also results in more viable SPOs and farmers, and related to that which PSR services are critical to realize these benefits. Some examples of possible relations between social development and tangible benefits are the following:
 - Use of the Premium leads to improved education and better uptake of good agricultural practices (leading to improved productivity)
 - Workers that work under better social conditions (with better facilities and wages) have higher labour productivity, and thus reduce costs for the farm / estate;
 - Estates with Fairtrade certified HLO have lower sick leave and show less incidences;
 - Fairtrade certified organizations are more credible market partners, showing more reliable market supply and better quality and are able to negotiate better contracts;
 - Fairtrade certified organisations are better able to adapt to climate change and other external factors, while securing market supply and quality.
- Impact studies should also take into account concerns by stakeholders, especially companies, which could be summarized by the question “*how do our investments in social development of producers translate into improved and more sustainable performance?*” In earlier sections of this report, concerns and questions raised by stakeholders were listed, to be answered through monitoring and evaluation studies, as follows:
 - What is the impact and added value for the Fairtrade system of having a democratic and equitable governance system (e.g. how does this translate into more stable, accountable or credible producer organizations?)
 - What is the justification of the decentralization process, and more specifically of the increased staffing and presence of Fairtrade ‘on the ground’, in terms of impacts and added value for producers and workers?
 - How do the high costs of the Fairtrade system for companies involved (paying high license fees and Premium costs) translate into more sustainable benefits for producers and workers (e.g. as compared to other standard systems)?
 - What are the consequences at producer level of working with strategic partners in delivering producer services (being more effective, efficient and/or having greater impact)?

- What is the impact and added value of the NSF, especially in terms of the expected development benefits ('benefits beyond certification') for producers?
- What is the added value of the FSP initiative, for cocoa in the first place, in terms of impacts for producers and workers involved?

2. Although impact studies have been carried out and are being commissioned, with increasing quality, it is still uncertain whether these will be able to respond to the main concerns of stakeholders, being that of showing the added value of the Fairtrade approach.

- Although the quality of impact studies commissioned by Fairtrade International has improved, most available impact studies do not have good baselines established (comparisons in time), and do not work with counterfactuals (comparisons with controls).²³ This is comparable to other standards. According to the MEL plan robust and innovative methods will be enhanced over time. It is our opinion that counterfactuals would not always be required. A good alternative would be to work with theory-based contribution analysis, which is now increasingly used for evaluating the impacts of sustainable trade initiatives. To do so, pathways of change (or result chains) that are key to the Fairtrade theory of change will be helpful and help define a limited set of indicators.
- Given these methodological weaknesses, from the available studies it is generally not possible to draw firm conclusions with respect to the attribution by Fairtrade to observed changes. In most cases it is possible that the observed changes could also have been influenced by external factors or result from a certain selection bias of the producers being supported (e.g. relatively organized ones). For instance, there is a widely cited reference that SPOs need to market at least 30% of their products on the Fairtrade market in order to benefit from the Premium. This is an unjustified conclusion, as producers who get certified may also benefit from a lower proportion of sales or may even benefit while they do not sell any of their products on the Fairtrade market (see below).

3. Although there is limited firm evidence, the general conclusion from available impact studies is that Fairtrade has positive impacts on producers and workers, and is reaching marginalized producers.

- The ongoing learning project from the MEL team on insights from impact studies is very useful. Following are some relevant conclusions (with observations where our interviews support these insights):
 - The most important Fairtrade inputs contributing to positive impacts for producers are the quality and intensity of PSR support, standards compliance audits and other trainings for – this is also what PNs have stated and which subscribes the importance of work 'at origin';
 - Some concrete benefits depend upon the Premium being provided, more so than better access to markets, but this also makes producers dependent on Fairtrade markets – this is a concern expressed by some companies in particular;
 - Even with Fairtrade Premium provided and incomes from Fairtrade markets, the additional economic benefits are at best 10-20% which is not sufficient to lift Fairtrade producers out of poverty – this is supported by views that for transformational changes to occur, more is needed than just certification, and reference is made to wider development initiatives and systemic changes in the sector ('making trade fair' pillar of the theory of change);
 - Possible more important than income levels as such is the fact that incomes are stabilised and become more resilient to shocks due to the relative stability of Fairtrade markets and the presence of the minimum price which is unique to Fairtrade – this has been mentioned by several producers;

²³The MEL unit learning project concludes that "Few studies have the financial or temporal resources to develop panel data sets that track producers before and after certification. The controversy continues over how to address selection bias and choose the counterfactual. Difficulties in measuring field-level costs and yields are endemic to agricultural economics."

- Even where SPOs have been strengthened, they often continue to depend on some external support, thus support should not stop once an organization has been certified, but should change in terms of support being offered – this insight was shared by PNs in particular.
- One important insight emerging from the learning project and supported by this evaluation observations is that having a Fairtrade certificate is in itself an important asset for an SPO or HLO, as it increases its credibility towards external agencies (donors, government, financial institutions). One large coffee SPO in Kenya continues to invest in annual Fairtrade certification while they did not market any coffee on the Fairtrade market. Many tea estates in India continue to remain Fairtrade certified even if they hardly trade any tea on the Fairtrade market. In these and other cases the argument is that being Fairtrade certified will improve access to conventional markets, to funding agencies and to support structures, which makes it worthwhile to invest in Fairtrade certification. This suggests that organisational development is key to empowerment and supports economic potentials for producer organizations, irrespective whether use is made of Fairtrade markets and its Premium. It would imply that Fairtrade is not in the first place development through fair trade, but rather development through organizational strengthening (figure 9).

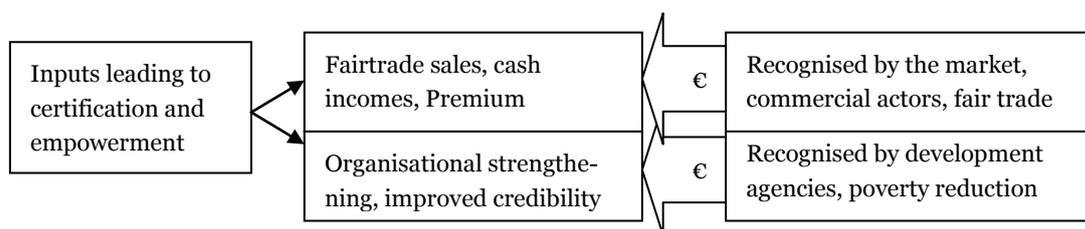


Figure 9: Fairtrade leading to development through empowerment and through trade

- Also emerging from the above learning analysis is the question whether the Fairtrade system reaches out to marginalised and unorganized farmers. This challenge has also been frequently raised during interviews, as it appears that many voluntary standards have targeted the 'low hanging fruit' of organized producers but have reached a ceiling in doing so and now need to find ways to reach out to the unorganized farmers (see also chapter 2). Although there is evidence that Fairtrade reaches out to the more marginalized farmers,²⁴ according to the PSR unit Fairtrade does not normally work with unorganized farmers. On the contrary, Fairtrade will normally work with a group of already organized farmers, or a group of farmers brought forward by a trader. Working with unorganized would take more time (and thus require additional project funding, such as in one case where Fairtrade did so for Cadbury cocoa farmers in Ghana).

4. Fairtrade also has important indirect impacts, which can be very important in view of the relation with potential systemic changes in sector governance

- In the above learning analysis very few insights were obtained on results with respect to the component of 'making trade fair', basically because of a lack of studies that address this subject in a convincing manner. The (scarce) available evidence suggests that there are no positive impacts of Fairtrade on trade policies.
- The above insight is in contradiction with views expressed during interviews when asking about indirect effects of Fairtrade. The responses are summarized below:
 - Fairtrade has had important effects on public awareness concerning fair and sustainable trade;
 - Fairtrade has served as an inspiration for many companies to develop their own standards;
 - Companies often refer to Fairtrade when explaining their shift to more sustainable sourcing;
 - There are some examples of policies in southern countries having adopted elements of fair-trade (e.g. in Malawi).

²⁴ Dragusanu, Giovannucci and Nunn, 2014. The economics of fair trade. Journal of economic perspectives.

Recommendations

- The search for impact should be approached with priority in order to avoid that stakeholders will carry out their own research (consumers, industry, donors, etc.), with a focus at their main concerns. Stakeholders urgently want to know how their investments in social development of producers translate into improved and more sustainable performance.
- Define principles and tools for evidence –based learning and what Fairtrade considers as rigorous impact evaluation, as suggested consider the use of theory-based evaluation methods.
- Three types of studies and corresponding insights would appear to be relevant:
 - Of producer organizations that have stepped out of the Fairtrade system (decertified), what has become of them and why have they left the Fairtrade system: have they found other market opportunities? And have they been sufficiently empowered to stand on their own feet? Have they been able to acquire support through other means?
 - How do SPOs or HLOs that receive Fairtrade support acquire an increasing level of maturity and show changes in their needs over time? There may well be a ‘level of maturity’ when these organizations can also pay for further support. This would require longitudinal studies.
 - Studies on indirect impacts, looking at the influence of Fairtrade on systemic changes within companies and with the governance systems of sectors (some examples have been given). This would be a qualitative study related to work on the ‘making trade fair’ component.
- Build up evidence of how Fairtrade can work with unorganized smallholders. There appears to be some evidence, but this is not structured. There is an obvious link with the category of contract production, of which the development appears to have stagnated, but which would require more close attention.

5. Conclusions and recommendations

5.1 SFFP contribution to Fairtrade development

The preliminary conclusions of the evaluation of the SFFP and its logframe (section 3.5) refer to the limitations of this approach, given the much wider scope of strategic changes within the Fairtrade system than those reflected by the SFFP logframe. Therefore, the evaluation of progress during recent years and the contribution by the SFFP to these changes has been done through a set of themes that are of strategic importance for the Fairtrade system. The assessment of the contribution by the SFFP is based on whether other support and funding has been available for the progress made, or whether progress was largely dependent on strategic funding. The following table 9 summarises the findings per strategic theme.

Table 9: Conclusions on progress per strategic theme and relation with strategic funding

| Strategic theme | Progress | SFFP contribution | Challenges | Strategic funding potential |
|--|----------|-------------------|-----------------|-----------------------------|
| 4.1.1 New governance model and principles | high | High | medium | medium |
| 4.1.2 Organisational changes | high | High | low | low |
| 4.1.3 Decentralization to producer networks | high | High | high | high |
| 4.1.4 Strategic partnerships | medium | low (indirect) | high | medium |
| 4.2.1 Strategy development | high | High | high | high |
| 4.2.2 The financial model | medium | low (indirect) | high | medium |
| 4.3.2 The new standards framework (NSF) | High | Low | medium | low |
| 4.3.3 Producer services and relations (PSR) | medium | Low | high | medium |
| 4.4.1 Campaigns | medium | high (only UK) | high (in south) | medium (in south) |
| 4.4.2 Business accounts | medium | Medium | medium | low |
| 4.4.3 Fairtrade sourcing programme (FSP) | medium | Medium | high | medium |
| 4.5.1 Monitoring, evaluation and learning system | High | High | high | high |
| 4.5.2 Impact evaluations | High | Medium | high | low |

Table 9 shows that on the majority of strategic themes progress has been high (7 out of 13: 54%) or otherwise has been medium (46%). The contribution by the SFFP to progress on strategic themes has been high (46%) or medium (23%) in most cases. Several challenges remain on these strategic

themes, most of which with high (69%) or medium (23%) importance, for which strategic funding is considered a good funding mechanism in most cases (23% high and 46% medium).

5.2 Analysis of evaluation criteria

The ToR for this evaluation lists a range of questions to draw conclusions for the SFFP with respect to the evaluation criteria (see Appendix III). Table 10 summarises the results, while the narrative provides short statements supporting the scores. The score given is based on a 5-point scoring list (1 being lowest, 5 highest) and based on the interpretation of the evaluation team.

Table 10: Analysis of SFFP according to evaluation criteria (5 point score)

| Evaluation criteria and key words based on ToR questions | score |
|--|-------|
| Relevance: addressing needs; consistent strategy and results framework; added value | 4 |
| Effectiveness: objectives realized; logframe targets realized; external factors explaining low performance | 4 |
| Efficiency: management procedures and processes; human resources; financial system; expenditures compared to budget; | 3 |
| Impact: direct and indirect effects; unexpected results; benefits for target groups, value for money | 4 |
| Sustainability: durability of results, capacity building, realized recommendations of mid-term evaluation | 3 |

Relevance: the extent to which the activity is suited to the priorities or policies of the target group or recipient.

- Most important is the fact that Fairtrade has a clear added value as compared to other voluntary sustainability standards, by its focus at social development (empowerment), by using a minimum price for Fairtrade markets, by its Premium for social development purposes, and by its standard focused at workers. This means there is potential for developing unique selling points.
- Yet in practice there is a lack of coherence between the SFFP as a *strategic* funding instrument and the Fairtrade International strategic plans (neither the old ‘Making the Difference’ nor the new ‘Power of the Many’).
- The SFFP logframe did not sufficiently reflect the main strategic issues important to the Fairtrade system, especially those of institutional strengthening, while it included targets on broadening and deepening that were not relevant or unjustified.

Effectiveness: the extent to which an activity attains its set objectives.

- Many positive changes have been noted within the Fairtrade system, especially with respect to the strengthening objective, with important and positive contributions by the SFFP on several themes that are considered of strategic importance for the Fairtrade system as a whole (see table 9).
- The overall score of realising the SFFP logframe targets is 54%, but these targets do not adequately reflect the main changes during 2010-2013, and also several quantitative targets were too ambitious and/or unjustified. It would have been better to set more realistic targets during the SFFP period, especially on the broadening and deepening themes. This would have required a strategic planning process leading to an implementation plan with set targets, which is a process that is now ongoing.
- Increasing competition with other voluntary sustainability standards partly explains stagnation in some performance targets.

- For most strategic themes the objectives have so far been partly realized and more time is required to address the remaining challenges (see table 9 and section 5.1). This is justified given the complexity of issues involved. Developing a system-wide new strategy and implementation plan is key.

Efficiency: the qualitative and quantitative results in relation to the required inputs and resources used.

- There has been an increase of human resources in line with new departments for executing tasks assigned to Fairtrade International. Staff is very hard-working and dedicated.
- The SFFP did not have a strong strategic focus, so that in fact different strategies were followed in parallel.
- Some processes seem to require further improvement in order to improve efficiency, such as financial systems, decision-making processes, PSR services and the programmatic approach. Not all decision-making processes would appear to require a high intensity participatory process.
- More use is being made of working with strategic partners in collaborative efforts, this can be further developed.
- Fairtrade is a relatively expensive system, it remains to be proven whether this is justified by the scope and sustainability of its impacts.

Impact: the positive and negative changes produced by an activity, directly or indirectly, intended or unintended.

- Although there is not very firm evidence, the general conclusion from available impact studies is that Fairtrade has positive impacts on producers and workers. Fairtrade is reaching marginalized producers.
- Many impact studies have been carried out and are being commissioned, with increasing quality. However, it is still uncertain whether these will be able to respond to the main concerns of stakeholders, being that of showing the added value of the Fairtrade approach.
- Fairtrade is not reaching out to unorganized producers, unless particular project funds are available to do so.
- There is a range of indirect effects that would merit more attention as these could be key to future development ‘beyond certification’.

Sustainability: a measure to assess whether the results of an activity will continue after funding has stopped, there are social, environmental, financial and institutional sustainability dimensions.

- Turn-over rate of Fairtrade certified organizations remains 10%, it is not certain why certain organizations leave the Fairtrade system.
- Producer organizations generally remain vulnerable and dependent on some external support.
- There is no exit strategy for the SFFP.
- Not all recommendations of the midterm evaluation have been fully implemented:
 - Need for a new financial model and scenario planning for the period after SFFP funding; in doing so emphasise support for PNs and the quality of delivery of PSR – this is ongoing;
 - Revise the SFFP logframe targets and find a new balance between its 3 components – this has much improved with the PPA logframe under the current extension (2014-2016) although it is still not fully covering the Fairtrade strategy “the power of the many” (basically the result of the absence of a strategy implementation plan);
 - Review Fairtrade’s market position in view of increasing competition by other social labels, and as part of this review prepare a position paper with respect to collaboration with other social labels –there is increasing collaboration with strategic partners, including other labels;
 - Review Fairtrade’s financial charges for participation in the Fairtrade system and consider cost reductions – this can be considered the FSP project;

- Strengthen the pace of change through alignment of the network around a globally owned strategy – this will be done through the new strategy for 2016-2020;
- Harmonise the internal system of KPIs with the SFFP logframe indicators, especially as regards organizational success criteria – this has not been fully achieved;
- Define external factors that may influence logframe targets – this has not been achieved;
- Define objectives, goals and priorities for the PSR unit – this may have been done but challenges remain in making the PSR system more effective and efficient.

5.3 Advantages and disadvantages of strategic funding

Based on the evaluation of the SFFP (chapter 3) and the in-depth analysis of progress with respect to some strategic themes (chapter 4), following are conclusions with respect to usefulness of the strategic funding instrument.

Advantages

The main advantages can be summarized as follows:

- Strategic funding has allowed Fairtrade to make substantial progress on a number of important strategic and organizational themes, and in doing so has created a more consolidated and unified strategic focus within the Fairtrade system. In other words, it has prepared the road for the new strategy 2016-2020, which is now being developed. This would have been impossible to do in 2009. The new strategy will also include a strategy implementation framework (multi-annual plan), with assigned responsibilities and budget, even if there are still some challenges to address in order to be able to do so (see recommendations).
- In order to make this strategic and organizational progress within Fairtrade, the financial contribution by the SFFP has been important: it has covered at average 37% of the budget during the last 4 years. The funding has been used for subjects for which donor funding normally is not available.
- An advantage is the flexibility in using the funds, which is indispensable for an organizational development process that is complex, requires broad consultations and includes emerging issues that had not been foreseen (i.e. with a certain level of unpredictability).
- An often quoted advantage of strategic funding is the leverage to acquire other donor funds. This has also been quoted by some people that were interviewed, but there is no firm evidence to support this. It is actually likely that other factors play a more important role in attracting additional funding (such as donor strategies and partnership relations). Additional funding has been achieved for specific targeted projects (time-bound and focused).

Disadvantages

As the main disadvantages the following can be noted:

- The flexible availability of funds for strategic purposes, without the presence of a detailed and shared implementation plan, has led to some mushrooming of activities and lack of focus; in this case (of Fairtrade) it is believed that this could not have been avoided, given the lack of general consensus on the strategic directions to be taken.
- A low sense of accountability within Fairtrade International for delivery of the SFFP targets was noted, which is due to the fact that the SFFP was not well rooted at strategic level and was generally considered as a separate donor program (DfID was commonly mentioned as the donor) with easy access funding.
- The important contribution by the SFFP to the overall Fairtrade budget also has a downside, being the high dependency for core activities on a subsidy. In 2011 this led to the ‘donor cliff’ when the end of the SFPP funding came near, leading to an urgently needed adjustment of the financial

model which reduced dependency on the strategic fund from more than 50% in 2011 to 35% in 2013.

- Some interviewed people wonder whether the availability of the SFFP funding has delayed the time for hard strategic choices to be made in order to focus operations around a cohesive and unified future strategy rather than serving multiple strategic options concurrently.

The above conclusions are in line with some recent studies on the usefulness of strategic funding for civil society organizations.²⁵ These conclude that areas where NGOs have benefited most from strategic funding are in building and supporting strategy and organisational development, which may be rather complex processes that are not easy to plan and that take time. On the other hand, from the donor perspective this requires a higher level of trust in grantees than project based funding. Donors noted shared goals, trust and dialogue as key elements of a strategic funding approach. Also noted was the risk of long-standing strategic funding encouraging complacency on the part of the grantees.

One main challenge coming forward from the quoted studies is that of monitoring and demonstrating the results and the attribution to strategic funding. This is something that every grantee of strategic funding has struggled with. Fairtrade has had the same problems when designing the SFFP and its alignment and coherence with the Fairtrade strategic plan, in terms of the logframe and possible adjustments when a new strategy was developed. The evaluation team also concludes that the logframe does not serve well the purpose of monitoring and reporting on the results of the SFFP at a strategic level.

Lessons and recommendations

What lessons have been drawn and can be drawn in addition?²⁶

- A strategic funding programme should be managed in another way than a regular project: it requires senior management, alignment with the Fairtrade organizational strategy, another type of M&E and higher level of accountability.
- More specifically, strategic funding programme requires a senior manager, who has a broad overview of the organization and its strategy, who has close relations with the leadership team and assures rooting of the program at strategic management level. This has been applied in the extended PPA strategic funding program.
- There is need for a focused implementation plan oriented at strategic and organizational development issues. According to Fairtrade International this lesson has been applied to the extended PPA program. However, the extended PPA logframe is not yet coherent with the new Fairtrade strategy, as certain strategic priorities are not included.

Following are recommendations with respect to management of strategic funding operations, mainly for the donor consortium to consider:

- There is need to set a limited number of organisational targets, being relevant strategic priorities for the development stage of the grantee. For instance, if an organization receives strategic support for an important organizational change process, it is very challenging to be required to realize performance targets at the same time. In this evaluation, Fairtrade cannot be blamed for not being able to define realistic quantitative performance targets, because strategic choices had not yet been made. Organisational changes normally follow a certain sequence, and defining realistic quantitative targets can only be expected if there is consensus about strategic priorities. The

²⁵ Brady & Lloyd, 2012: Assessing the Added Value of Strategic Funding to Civil Society; INTRC, 2014: Comparative review of donor approaches to unrestricted funding of CSOs.

²⁶ The evaluation team looked at the presentation of lessons from the SFFP for the extended PPA by DfID but did not find this very useful, the SFFP is referred to as 'a project' and the terminology used is that of managing a regular project (Strategic framework and funding planning meeting at Fairtrade International, Q4)

strategic funding milestone to be realized could have been defined as “performance targets defined based on a sound strategic and operational planning process”.

- Likewise, it is not useful to expect grantee organizations to perform on a diversity of new themes at the same time, such as requested from Fairtrade during the SFFP (gender, climate change, value for money, etc).
- Indicators for monitoring organizational change processes cannot be captured in a logframe with quantitative indicators or milestones, as quality aspects are critical and complex to define in simple terms. Rather, assessment of progress should focus at the question whether the purpose of organizational change has been realised. This could be captured through a balance score card approach or so-called ‘triggers’ that focus at quality aspects. Note that there is quite some experience in this field with sector budget support programs (and it is remarkable that the problem of M&E for strategic funding has not been adequately addressed).
- It is indispensable that assumptions are defined and are used throughout the strategic funding period to explain if milestones are not achieved. Assumptions can be updated along the way, according to contextual changes.
- A key indicator in the strategic funding assessment framework should be that of the level of dependency on strategic funding for the core activities within the organisation, with funding defined for the innovations or organizational changes to be achieved within the strategic funding period, to avoid creating any new financial dependencies (e.g. for creating new permanent staff positions).

5.4 Recommendations

Recommendations with respect to the strategic funding instrument have been provided in the previous section, including lessons for management of a strategic funding programme by Fairtrade International, and recommendations for management of strategic funding operations (PPAs) by donors.

Specific recommendations for each strategic theme have been provided in chapter 4. Hereunder the main recommendations are reorganized in three main blocks:

1. *Develop a strategy for the Fairtrade system as a whole, with clear strategic choices made and an implementation framework including a multi-annual financial plan, human resources plan and associated set of KPIs with targets.*

The period 2010-2013 has been one of ‘keeping all balls in the air’, in the absence of clear strategic choices made, which was made possible by access to flexible strategic funding. By now, some important institutional strengthening processes have been concluded, but several important strategic choices still need to be made, for instance on the following themes and options:

- Core products and traditional labeling and income generation model, *versus* focus at a diversity of products and different marketing and development approaches;
- Fairtrade brand and marketing work to get sales to drive revenues, *versus* greater strength and depth of representation and services ‘at origin’, to increase local development impact;
- Efficient and effective service delivery through a closed system, *versus* opening up the system, working with more flexible and tailor-made approaches and strategic partnerships
- Focus of PSR activities supported by Fairtrade at basic requirements at organizational and producer level only; *versus* additional support at cross-cutting issues that are considered to have an added value for development purposes

- Focus at development needs and direct impacts at producer level, *versus* greater importance of generating sector market transformation through systemic changes (indirect effects and enabling other actors).
- Focus monitoring and impact measurement on a few key performance indicators linked to a few well-defined Fairtrade unique selling points that are recognized as priorities across the Fairtrade system, *versus* aiming to proof impact based upon a comprehensive theory of change and elaborated consensus-based indicator set that also serves everybody's individual needs.
- Developing markets primarily through consumer campaigns, *versus* putting more emphasis in corporate account management.

2. *Strategic funding appears to be justified in coming years in order to be able to address remaining challenges that would typically require a flexible funding arrangement.*

There is a range of remaining challenges for the Fairtrade system in coming years, which have been identified based on the evaluation results and which are considered a priority in view of the contextual changes relevant for Fairtrade (chapter 2). Strategic funding would be most appropriate for subjects that involve organizational change, value-driven choices, development of new systems and innovations oriented at achieving greater impacts in an efficient way. These subjects are difficult to plan in detail, include inclusive processes and require flexibility. The following are the main defined subjects (see also last two columns in Table 9):

- With respect to Fairtrade governance, agree on the processes for which system-wide inclusive processes are required, develop and test guidelines to do so in an effective and efficient way.
- Establish a set of KPIs, including balance score card indicators for management processes and quantitative targets for performance targets, to be able to demonstrate that Fairtrade management principles (such as its equitable governance system) has concrete benefits and advantages.
- Finalise the ongoing process of decentralization and devolution of PSR functions to the three producer networks and further professionalize the services in defined competence areas.
- While doing so, monitor, learn from and improve the Ways of Working guidelines for collaboration between the different entities of the Fairtrade system, especially between Fairtrade International and the PNs. While this will always be an ongoing process, the learning curve is expected to be steep in the coming few years.
- Review, draw lessons and establish guidelines with respect to effective and efficient collaboration with strategic partners, especially for producer development in the pre-competitive and competitive sphere, for providing PSR core services and services on cross-cutting themes.
- Develop a new system-wide strategy for Fairtrade, with strategic choices and implementation framework (see above).
- Work out a new financial model that is aligned with the to-be-established new strategy and its implementation framework (with defined staffing needs, PSR needs, etc.), with short-cuts in the allocation of license funds to producer networks/ producer support services.
- Develop a more efficient and effective model for providing PSR services, e.g. opening the system to accredited PSR service providers. In doing so focus PSR activities on products, qualities and origins for which there is an actual market demand. Also included can be a phased approach with producers paying for PSR if they have reached a certain level of maturity.
- Develop and test alternative models for working with unorganized producers, supported by good evaluation and monitoring to generate evidence of costs and effects, in collaboration with interested companies (i.e. demand based).
- Develop demand in Southern markets, while continuing some targeted campaigns in the North, evaluate experiences of campaigns (in North and South) in order to define what approach is most effective.
- Simplify the theory of change by a set of impact pathways (or result chains) that highlight the Fairtrade unique selling points and expected impacts and thus show the value for money, with

specific attention for the ‘making trade fair’ component in relation to sector transformation objectives.

- Review and update the value proposition for companies to support Fairtrade, with linkages to evidence-based impacts, tailor made PSR services, supply chain data management services and potentially monetarized brand value
 - Monitor whether innovations such as NSF, FSP, new campaigns, have the expected results. With respect to FSP, monitor and assess the effects and success factors of the FSP in the cocoa sector, in terms of service delivery, producer effects and wider impacts, and draw conclusions with respect to applicability to other sectors.
3. *Develop improvements that are not appropriate for external funding, but part of the Fairtrade International core activities:*
- Ensure careful and clear external communication on system changes to partners, companies and consumers, e.g. on PSR, FSP, NSF and decentralization.
 - Strengthen business account management by offering improved transparency on investments and impacts and possibly supply chain information data services.

Appendices

Appendix I: List of abbreviations

| | |
|-----------|--|
| BCI | Better Cotton Initiative |
| BSC | Balance Score Card |
| CAN | CAN Alliance of Fairtrade Producer Networks |
| CEN/ISO | European Committee for Standardization (CEN) ISO standard |
| CEO | Chief Executive Officer |
| CLAC | Coordinadora Latinoamericana y del Caribe de Comercio Justo(Latin America Fairtrade network) |
| CP | Contract Production Organisation |
| DFID | Department for International Development |
| EU RED | European Union Renewable Energy Directive |
| FLO -CERT | Fairtrade certification |
| FMO | Fairtrade Marketing Organization |
| FSP | Fairtrade Sourcing Program |
| FTA | Fairtrade Africa |
| FTF | Fairtrade Foundation |
| GOT | Global Operations Team |
| HLO | Hired Labour Organisation |
| ICCO | Interchurch Cooperative for development cooperation (the Netherlands) |
| ISEAL | Global membership association for sustainability standards |
| KPI | Key Performance Indicator |
| LO | Liaison Officer |
| MDG | Millennium Development Goal |
| MEL | Monitoring, evaluation and Learning |
| M&E | Monitoring and evaluation |
| NAPP | Network of Asia and Pacific Producers (Asia and Pacific Fairtrade network) |
| NFO | National Fairtrade Organisation |
| NGO | Non-governmental organisation |
| NSF | New Standards Framework |
| PN | Producer Network |
| PPA | Programme Partnerships Arrangement |
| PSR | Producer Services and Relations |
| SCAN | Sustainable Commodities Assistance Network |
| SECO | State Secretariat for Economic Affairs (Switzerland) |
| SME | small and medium enterprise |
| SPO | Small Producer Organisation |
| SFFP | Strategic Fairtrade Funding Programme |
| UK | United Kingdom |
| USP | Unique selling point |
| VAT | Value added taxes |
| VSS | Voluntary sustainability standard |

Appendix II: Terms of reference

1. BACKGROUND INFORMATION

In 2008 the Strategic Fairtrade Funding Programme (SFFP) was initiated as a six year programme with two programme periods (2008-2009 and 2010-2013). The initial rationale for the funding programme was that the short-term investment cost of expansion was too heavy to be borne by Fairtrade alone since the system's growth had outpaced investment in the backup services needed to build the capacity of Fairtrade International and the producer organizations that are at the heart of the system. The aim was to equip the existing Fairtrade system to improve its developmental impact through responding to current market needs.

Phase II of the SFFP (2010-2013) embodied Fairtrade International's core strategic objectives: *Strengthening* the global Fairtrade system; *Broadening* the scope of Fairtrade; and *Deepening* the impact of Fairtrade. These objectives were designed to enable Fairtrade to scale up and meet the key development challenges faced today.

The purpose of the SFFP was to ensure that Fairtrade becomes a global movement for change which forms part of a global partnership for development (MDG 8) to reach its long-term goal to contribute to making trade fair by setting an example of how Fairtrade principles can become the norm for international trade.

The main intended outcome of the SFFP was that disadvantaged producers have a strengthened connection to consumers, improved market access and are empowered to combat poverty (MDG 1). The set strategic objectives enable Fairtrade to have a greater impact in areas in which the need for Fairtrade is particularly acute. The focus on low income countries, conflict-affected regions, gender equality and climate change reflects the strategic intent to deepen Fairtrade's development impact. Consistent with the principles of both the Paris Declaration on Aid Effectiveness and the Accra Agenda for Action (AAA), members of the Fairtrade Strategic Funding Consortium have provided funding support to Phase II of the Strategic Fairtrade Funding Programme and include the UK Department for International Development (DfID), ICCO (Netherlands' Interchurch Organisation for Development Cooperation), Irish Aid, Norwegian Agency for Development Cooperation (Norad) and the Swiss State Secretariat for Economic Affairs (SECO).

2. PURPOSE AND OBJECTIVES OF THE EVALUATION

The purpose of this final evaluation is accountability. It shall assess the effectiveness of the SFFP by evaluating the outcomes and impacts both positive and negative of the period of January 2010 to December 2013 in the implementation of the SFFP Phase II. It shall also assess the efficiency in implementing, monitoring and steering the activities under SFFP Phase II as well as the relevance of the interventions.

In addition to accountability, the evaluation shall also serve the purpose of learning. In line with the logframe under the SFFP, the evaluation will have a strong focus on institutional learning and develop recommendations on the way forward. Ideally, results and recommendations of the evaluation will also feed into the development of the future strategic framework by Fairtrade International and its member organizations.

3. SCOPE OF THE EVALUATION

The SFFP Phase II supports the global strategy for Fairtrade. The scope of the final evaluation should be mainly limited to operations of Fairtrade International and its operations as the umbrella organization for the global Fairtrade system, but taking into account work of the other members of the Fairtrade system contributing to the achievement of the outcomes and outputs of the SFFP as described in the logframe.

The evaluation will address outcome and output level of the SFFP measuring achievement of indicators on those levels as defined in the logframe. In addition, the evaluation will look into results

and recommendations from the Mid-Term Review 2012 and assess learning and uptake during the final year of implementation.

To provide a comprehensive assessment of the performance of Fairtrade in implementing and achieving the objectives set out in SFFP Phase II document and logframe, the following questions in line with the OECD/DAC-criteria will be answered by the evaluation:

- *Relevance* – Is Fairtrade addressing the identified needs / problems? To what extent did SFFP remain relevant given the fact that other social labels increased the competition? To what extent are the objectives of the programme still valid? To what extent is it complementary to other initiatives in this field? Are the activities and outputs of the programme consistent with the intended impacts and effects?
- *Effectiveness* – To what extent did Fairtrade achieve its strategic objectives? What were the major factors influencing the achievement or non-achievement of the objectives? To what extent did external factors influence the performance on effectiveness of SFFP? What actions are being taken to address these? To what extent do organizational structure, managerial support and coordination mechanism used by Fairtrade support achievement of the objectives of SFFP Phase II? How has organisational culture promoted or impeded learning and innovation?
- *Efficiency* – How efficiently have planning and implementation been carried out / was implementation sufficiently supported by managerial capacities in monitoring and steering? How was expenditure compared with the approved programme budget; what are the reasons for deviations and the implications for the programme? Are the effects¹ being achieved at an acceptable cost, compared with alternative approaches to accomplishing the same objectives? To what extent did the development of the new financial model contribute to better cost-effectiveness?
- *Impact* – What has happened as a result of the programme? How useful have the results and outcomes³ been? What difference has Fairtrade made in the lives of beneficiaries and to stakeholders? How are the instruments developed by Fairtrade to monitor performance and measure impact at level of beneficiaries working and how might they be improved? To what extent did unrestricted funding provided by the Strategic Funding Consortium achieve additionality, i.e. enable Fairtrade to achieve things they would have otherwise not been able to achieve? Given that the impact should be maximised with the resources used, this section will also include an assessment of Fairtrade's achievement in Value for Money (VfM)⁴.
- *Sustainability* – To what extent are the results achieved sustainable? Has Fairtrade's strengthened capacity led to sustained change? Is there an exit strategy for this programme and to what extent has it been implemented successfully? What are the key lessons learned from the implementation of the programme, have they been incorporated into improved performance and what are the implications for the future?

Based on the results and achievements identified by answering the questions above, the evaluation will moreover assess the extent to which the strategic funding under SFFP has affected Fairtrade's capacity to improve effectiveness as an organization and in programme delivery including effects beyond those reported in the logframe. This section will include an assessment of Fairtrade's approach to and implementation of partnerships in its work to achieve its objectives under SFFP. In addition to the section on sustainability, the evaluation will deliver an in-depth analysis of innovation and learning within Fairtrade. This section will analyse Fairtrade's approach to the generation of new knowledge / radical innovation (e.g. new approaches and ways of working), utilization of existing knowledge / incremental innovation and application of new knowledge as well as its approach to learning from own work and cross-organisational learning. It will draw from the findings on the questions in the section above.

Special focus should be laid on impacts and effects of the SFFP to socially excluded/disadvantaged groups targeted by Fairtrade interventions.

Based on the above findings, the evaluation shall produce lessons learned and good practice.

Furthermore, the evaluation shall provide recommendations regarding the future role of donor funding/ODA in developing Fairtrade and ways of donor collaboration beyond the SFFP Phase II.

4. EVALUATION METHODS

Preparatory Work/data collection

It is not intended that the evaluation would carry out primary data collection, e.g. visits to producers/processors. As the programme covers a large number of countries and a wide range of beneficiaries it would be time-consuming (and duplicative of programme work) to engage in extensive field visits. The intention rather is to focus on prior analysis of available data and filling of gaps in information, while short country visits could be used mainly for in-depth discussions with key players, including programme staff, government agencies, industry representatives and key implementing partners.

Document review

This will include the assessment of the following documents (*list to be completed*):

- Strategic Fairtrade Funding Programme document, Phase II: 2010-2013, November 2009, and updated version of SFFP Phase II logframe;
- SFFP Annual Report 2010, 2011, 2012, 2013
- Fairtrade Annual Report 2009/10 – 2012/13
- Impact reports
- Donor feedback on Annual Report (via bi-annual meetings)
- Producer Services Evaluation report, 2009
- Impact studies on Fairtrade (tbd)
- ISEAL Top 10 Trends: Presenting the Challenges and Opportunities for the Sustainability Standards Movement
- Globescan study
- Product strategies
- KPI reporting
- Additional documents as required and appropriate

Interviews with key stakeholders

- Fairtrade International (Chief Executive Officer, additional members of the Leadership Team, Programme Manager for SFFP Phase II, selected colleagues from other units like PSR, GPM, Social Compliance);
- As appropriate, Fairtrade field-based personnel (Regional Managers and Liaison Officers);
- Three Producer Networks: Directors of Fairtrade Africa, *Coordinadora Latinoamericana y del Caribe de Comercio Justo* (CLAC) and the Network of Asian and Pacific Producers (NAPP)
- Selected colleagues from NFOs ;
- Selected members of the Board and the Global Operations Team (GOT)
- Strategic Consortium Members: designated contact persons at DFID, ICCO, Irish Aid, Norad and SECO;
- Two to three key global business accounts;
- Additional interlocutors as appropriate.

Field visits

In case field visits will be necessary, Fairtrade's Funding Partnerships Manager will coordinate accordingly.

The Final Evaluation consultant and Fairtrade's Funding Partnerships Manager are jointly responsible for choosing the methods that are the most appropriate for the purpose of this evaluation, pending approval by the Strategic Funding Consortium's Reference Group/Steering Committee⁵. The Final Evaluation consultant is also required to present a detailed statement of evaluation methods including the description of data collection instruments and procedures, information sources and procedures for analysing the data in the inception report.

⁵ It is proposed to create a Reference Group/Steering Committee consisting of representatives from donors and Fairtrade to guide the evaluation.

5. FINAL EVALUATION CONSULTANT

The Final Evaluation shall be formed by a suitably-qualified and experienced consultant (team). The consultant profile should include:

- In-depth experience of results-based monitoring and evaluation;
- Experience in international agricultural value chain development;
- Knowledge of the standards and certification sector and its impact on community development
- Solid understanding of the Fairtrade system, with previous experience of working in a Fairtrade environment preferable.

While evaluators may be nominated by the stakeholders listed above, they shall have no past connection with the object of this final evaluation, they will not act as representatives of any party and will remain independent and impartial.

6. MANAGEMENT ARRANGEMENTS

Fairtrade's Funding Partnership Manager will be the point of contact within Fairtrade for the duration of the evaluation. Fairtrade will also provide logistical and technical support, including through the organization of meetings and interviews. A Strategic Funding Consortium's Reference Group/Steering Committee will make the final decision on the recruitment of the evaluation consultant and will advise on the evaluation process to ensure that the final evaluation remains an independent process. The Steering Committee will also be engaged in commenting on the draft final evaluation report.

7. DELIVERABLES AND PRELIMINARY TIMEFRAME

The evaluation consultant shall submit the following deliverables by the indicated dates:

- Inception report outlining the approach and proposed methodology of the consultant including a detailed work plan
- Draft Report to be submitted to Fairtrade by 30th September 2014;
- Fairtrade responses to the report submitted by 10th October 2014;
- Second draft report to be submitted to Steering Committee by 20th October 2014;
- Final report to be submitted to the Fairtrade Strategic Funding Consortium by the time of their meeting in November 2014 (date to be confirmed).

Appendix III: Main questions resulting from the inception workshop

General approach

The evaluation according to the ToR and the AE proposal will focus on:

- Evaluation of the SFFP II using OECD/DAC evaluation criteria of relevance, effectiveness, efficiency, impact and sustainability (based on logframe objectives and targets))
- Innovation and learning
- Effects in terms of institutional strengthening, capacity building and partnerships.

The SFFP II refers to a so-called ‘programmatic approach’ of working, defined as an integrated approach of working whereby different elements are interrelated. Strengthening this way of working is now subject of a separate consultancy.

The SFFP II is broadly defined and the logframe has a long series of indicators. These are structured along the three main pillars or strategic objectives:

1. The global Fairtrade system is **STRENGTHENED** (streamlined, efficient, maximizing direct impact and leveraging wider changes)
2. The scope of Fairtrade is **BROADENED** (number of producers, products & countries)
3. The impact of Fairtrade is **DEEPENED** (increased value for each producer from their involvement in Fairtrade)

The SFFP, although based on a programmatic approach of FI as a whole, does not seem to cover the entire set of activities of FI, as additional projects may be defined that do not fit within the SFFP. Also, the annual report on SFFP is different from the annual report on FI (although there obviously is much overlap).

A particular feature of the SFFP II is the strategic funding approach, meaning that funds are not targeted to specific projects but can be used for any elements of the programme as a whole. Another particular feature is the fact that the main donor (DFID) will undertake its own evaluation of its unrestricted funding strategy, especially focussing on the specific questions of the added value of strategic funding. This evaluation is seen as an opportunity to demonstrate the extent to which FI made use of untied funding as such, possibly for innovation and learning purposes, apart from a classical evaluation of the SFFP logframe, with results of evaluation feeding into the (ongoing) strategy development post 2016.

Key evaluation questions

We focus on the following 4 key evaluation questions, and then define related issues to further focus upon. On most subjects, further details are provided hereunder.

1. Has the SFFP been implemented according to the planned activities and logframe? To do so, classical criteria of relevance, effectiveness, efficiency, sustainability and impacts will be used. This has been elaborated in our proposal with a series of subo-questions (*see table 1 below*). Specific focus is provided on the following issues:
 - a. The balance and interrelations between strategic objectives of Strengthening, Broadening and Deepening (in terms of relevance, effectiveness, interrelations, ...)
 - b. The new standards framework (NSF) and main changes involved
 - c. The Fairtrade sourcing programme (FSP) for partnerships with private sector
 - d. The structure and efficiency of the FI governance system and the decentralisation process towards greater autonomy of producer networks (PNs)
 - e. The consumer campaigns and relation with the broadening objective

- f. Impacts, focused on a limited number of sectors, proposed are coffee and bananas.
2. What has been the added value or what have been negative consequences of the strategic / untied funding approach by the consortium? How has this approach influenced above conclusions on SFFP results, especially in terms of effectiveness, efficiency and sustainability?
3. What are the main changes within FI as compared to 4 years ago, how has FI as an institution been strengthened, what are the main lessons learned (also in case of no success), and what are the emerging distinctive qualities of FI? Specific focus is provided on the following issues:
 - a. The changes in the theory of change, content wise, and the emerging 'development model' for smallholders and workers;
 - b. The main areas where impacts have been achieved, with the underlying evidence, demonstrating what the FI approach is particularly good at, also in terms of indirect impacts;
 - c. The effectiveness of the MEL system, in terms of generating reliable data, insights, reporting and learning for the future
 - d. The Fairtrade governance system and its ability to cope with market demands.
4. What are the main relevant changes during the last 4 years and trends expected in the future, especially in terms of the competitive landscape and markets? Building upon the results of the SFFP and emerging distinctive qualities, which of these are most relevant to meet these future challenges? What would be the unique selling points to different stakeholders (producers, industry, consumers, donors)? What are recommendations to maintain or further improve these distinctive qualities, in terms of services to provide, underlying governance model and possibly financial model? What is the partnership model to make this work (i.e. collaboration based on added value)?

NB1: The first question is the bulk of the work. Question 2 has been added, it was not part of the ToR and our proposal. Questions 3 and 4 are in line with the ToR and in fact further working out the results of question 1.

NB2: The above questions would imply that we are more interested in results in terms of Deepening and Strengthening, than results in terms of Broadening, since the former results will generate inputs for defining how FI would best position itself in the new competitive market.

NB3: Related to the FI approach and 'development model' that FI aims to achieve, the key words found in various documents are the following:

- A rights based approach
- A more holistic / development approach
- An approach that promotes greater inclusion, equality and respect of human rights
- An approach that puts empowerment at the centre
- Small producers and workers (- organisations) that have their own resilience
- Capacity of small producers and workers (- organisations) to decide by themselves (on their development, markets, ...)
- Small producers and workers (-organisations) that rely less on technical support and aid flows

NB 4: for the impact studies we propose to focus on coffee and bananas

NB 5: for the visits to producer networks, we propose to visit both Africa (FAIRTRADEA) and Latin America (CLAC). This would require a slight revision of our proposal in terms of budget.

Table 1: Evaluation criteria with definitions and questions for this evaluation

| Criteria | Definition | Questions to be addressed in this assignment |
|---------------|---|---|
| Relevance | The extent to which the activity is suited to the priorities or policies of the target group or recipient. | <ul style="list-style-type: none"> • Did the SFFP objectives address identified needs / problems (as identified in 2008, ex-ante)? • What was the theory of change of the SFFP and how has it changed during the period 2008-2013? • Are the activities and outputs of the SFFP consistent with the intended impacts and effects? • What have been changes in the context during the SFFP period (2008-2013), e.g. other social labels? • Are the objectives of the SFFP still relevant? • Did the SFFP have added value? Does it still have? |
| Effectiveness | A measure of the extent to which an activity attains its set objectives. | <ul style="list-style-type: none"> • What were main intended and unintended results? • Did the SFFP achieve its strategic objectives? • What were major factors influencing the achievement or non-achievement of the objectives? • What were external factors influencing effectiveness? • What changes took place in the main activities, e.g. actions to address these factors? • How has organizational culture promoted or impeded learning, innovation and continuous improvement? |
| Efficiency | A measure of the results—qualitative and quantitative— in relation to the required inputs and resources used. | <ul style="list-style-type: none"> • How efficiently were management procedures? • How have implementation mechanisms supported achievement of the set SFFP objectives? • What was the expenditure compared with the approved budget? What are justifications for deviations and what were implications for the program? • Were the effects achieved at acceptable cost, compared with alternative approaches? • To what extent did the new financial model contribute to better cost-effectiveness? |
| Impact | The positive and negative changes produced by an activity, directly or indirectly, intended or unintended. | <ul style="list-style-type: none"> • What have been the main outcomes and impacts, for target groups, incl. excluded/disadvantaged groups? • To what extent are outcomes and impacts proven, plausible or expected? • What are indirect effects, e.g. on market transformation or on other sustainability standards? • How effective are monitoring and evaluation instruments that were used, at impact level? • How useful has been unrestricted funding provided by the Strategic Funding Consortium to achieve additionality, i.e. enable Fairtrade to achieve things they would have otherwise not been able to achieve? • What is the Value for Money, what resources were used to achieve intended outcomes? |

| | | |
|----------------|---|---|
| Sustainability | A measure to assess whether the results of an activity will continue after funding has stopped. There are social, environmental, financial and institutional sustainability dimensions. | <ul style="list-style-type: none"> • To what extent are results achieved sustainable? • Has capacity building contributed to sustained change? • It there an exit strategy for this program and to what extend has it been implemented successfully? • Have the recommendations and lessons of the mid-term evaluation been applied? • What are the key lessons learned from the SFFP, have they been used and what are future implications? |
|----------------|---|---|

Detailed questions on specific issues

New Standards Framework (NSF)

1. What can we learn from the process of developing the New Standard Framework (NSF)? Has it contributed to Strengthening the organisation? Has the process involved a sufficient diversity of stakeholders (producers, companies)? ... What are lessons that can be learned for future revisions?
2. Does the NSF contribute to the shift from labelling to enabling, i.e. to move from a tool to realise compliance to a proactive tool for empowerment and development impact? What are initial impressions in terms of ability of NSF to meet the expectations of being less prescriptive? How do producers value this, does it facilitate the inclusion of more marginalized producers? Is it worthwhile to further evolve the Fairtrade Standards in that direction? Does it bear any risks in terms of achieving expected impacts? If yes, is that a problem / can it be mitigated? Is it worthwhile to consider other Fairtrade system elements (e.g. PSR services, assurance system) to evolve in the same direction enabling over labelling?

Fairtrade Sourcing Programme (FSP)

3. Did the development of the FSP strengthen the organisation in terms of (i) a joint understanding of its marketing strategy, and (ii) its potentials for gaining market share? What types of partnerships emerge from this new model, and which of these are most future proof given the expected market dynamics?
What are the lessons learned with regards to the process of introducing this program?
Could the model be relevant for other products?
Do you know / monitor how consumers perceive this new Fairtrade Program Logo?

Development impacts and related PSR services

4. There is need to find out to what extent the available impact studies generate evidence that the 'theory of change' is realised, in line with the expected 'development model'. In the logframe, indicators for M&E at impact level (development impact) are missing. We will approach this question by looking at evidence in available impact studies and undertaking some interviews for selected value chains, e.g. coffee and bananas. Outcome indicators could be used as proxies and to assess contribution by FI. Key elements where impacts are expected would appear to be:
 - a. Empowering producers and workers (- organisations) (differentiating for workers and producers and possibly different income groups).
 - b. Social benefits (mainly working conditions)
 - c. Economic benefits (income levels).

Context analysis

5. What are the demands and challenges that come forward from the wider market dynamics, in terms of sustainability issues that require more attention, in the context of (i) a shiFairtrade in demand for compliance to a demand for impact, (ii) in terms of markets (south-south, domestic), (iii) in terms of scope and scale (e.g. shiFairtrade towards a wider farming systems approach)? To what extent is FI well positioned to address these new challenges? [link to context analysis]

Strategic funding

6. Has the flexibility been well used, in spite of the apparent rigidity of the logframe? Has the flexibility allowed innovation that otherwise would not have been possible? Has it addressed FI and/or system institutional weaknesses and generated sustainable improvements? To what extent has strategic funding allowed to realise a situation with improved potential for financial sustainability? How essential has untied funding been for internal learning, and will this be sustained? How much has strategic funding leveraged additional funding?
7. Was it a good option to combine the donors in this consortium? For instance: seeing that DFID requires additional reporting, how efficient is the harmonization of donors into one programme if then individual donors add additional requirements?

FI governance system and decentralisation to producer networks (PNs)

8. The last 4 years have shown a transition towards a more global FI governance system; what are the possible trade-offs between legitimacy and efficiency as well as flexibility to respond to new opportunities and market dynamics? Perception of companies in terms of responsiveness and flexibility? Is it future proof? Link to new business partnership model?
9. What has been achieved in terms of the ongoing decentralisation process? How has this influenced the quality of service delivery and the efficiency of the governance system?

Monitoring, evaluation and learning

10. Did the process of defining a FI theory of change contribute to generate a better focus of the purpose and expected development impacts of FI? Is Fairtrade sufficiently resourcing its MEL work (human, financial)? Recommendations on resourcing would be useful, drawing on best practice in other sectors.
11. What is the quality of the impact evaluation research and the analyses carried out to draw relevant conclusions? Has there been enough focus to draw relevant conclusions? Is it possible to draw conclusions on contribution / attribution by IFI?
12. To what extent is there evidence of learning at organisational level (meaning that lessons are shared and applied within different levels of the whole organisation, communication channels and exchange between different levels, information flow between different levels)? Is there indeed evidence of lessons learned leading to changes in practices? Is there scope for involving partners in learning activities?

Consumer campaigns

13. To what extent have the consumer campaigns contributed to create demand for FI products from companies? (knowing that demand is too limited and worldwide FI is losing ground as compared to other VSS market share). To what extent will this activity remain relevant in the future for FI? How is it valued by the industry (trends / differences per sector)? Does it give you a competitive advantage over other standard systems or make you relatively expensive? If there is relevance, what should be the focus in terms of countries (e.g. China, India for domestic markets) and consumer groups (e.g. middle class)? Is it an option to undertake consumer campaigns in partnership with companies (based on common interests)?

Appendix IV: Overview documents consulted for evaluation

| List with documents consulted | |
|--|---------------------|
| Title | Date |
| <i>SFFP documents</i> | |
| Strategic Fairtrade Funding Programme Phase II 2010-2013. Final draft. Annex 1: Budget final Annex 2: Logical framework final | August 31, 2009 |
| Strategic Fairtrade Funding Programme, Annual Progress Report 2010 | |
| Strategic Fairtrade Funding Programme, Annual Progress Report 2011 | |
| Strategic Fairtrade Funding Programme, Annual Progress Report 2012 | |
| Strategic Fairtrade Funding Programme, Annual Progress Report 2013 Annex 1: Fairtrade International, Half-Year Report 2013 Annex 2: FLO eV Q2 2013 financial report commentary Annex 3: Logical framework | |
| Annex 3: SFFP Logical framework | Updated August 2014 |
| Strategic Fairtrade Funding Programme – Phase II Mid-Term Evaluation, Imani development | March 2012 |
| Coffey International Development, 2013. Programme partnership arrangement mid-term performance assessment | 2013 |
| Strategic Fairtrade Funding Programme – Phase II, Mid-Term Evaluation, Management response from FI | No date |
| <i>PPA Annual Reporting</i> Part 1: PPA Annual report 2013/2014 Part 2: Strategic funding | July 1, 2014 |
| Fairtrade International PPA Annual Report feed-back letter | 17 August 2014 |
| <i>Fairtrade strategy documents</i> | |
| Making the difference: the global strategy for fairtrade | No date |
| Making the difference, a short Summary of Fairtrade Labelling's Strategic Review (2007/2008) | 12 November 2008 |
| Unlocking the Power of Fairtrade: Powerful Partnerships for Inclusive Trade and Development | |
| Revised 2014 Programme Partnership Arrangements (PPA) Evaluation Strategy | |
| Presentation by Finance department to donor Consortium Meeting | 13 May 2014 |
| Ways of working guidelines | July 2014 |
| Evaluation of Fairtrade Sourcing Programs (FSP) Project Planning, Development and Early Implementation, by Emily Balls | 28/05/2014 |
| Consultation Results Synopsis Information to stakeholders on the outcome of the Hired Labour Standard review consultation | November 2013 |
| Organigram Fairtrade International | September 2014 |
| Supplement to Annual Review 2010-11 Financials and Global Sales Figures | |
| Fairtrade International Annual Report 2011-2012 | |
| Fairtrade International Annual Report 2012-2013 | |
| Fairtrade International Annual Report 2013-2014 | |
| Draft FLOeV Financial Report Q4 2013 | |
| Strategic framework and funding planning meeting | Q4 2014 |
| Alff, Damm and Köpke, 2012. Study on Supporting the implementation of an effective PSR model | |
| INCAS, 2012. Survey for Producer Clients to Assess Their Satisfaction with Fairtrade Liaison Officer Producer Services | |
| Zimmermann, 2014. Fairtrade International's Programmatic Approach. Draft | |

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| process guidelines. | |
| <i>New DFID funding</i> | |
| PPA Extension Application 2013, with logframe | |
| Revised 2014 Programme Partnership Arrangements (PPA) Evaluation Strategy | May 2014 |
| <i>MEL unit</i> | |
| Fairtrade Theory of Change: phase 2 Developing Fairtrade's 'Make Trade Fair' Themes and Indicators | 26 november 2014 |
| Draft set of KPIs 2013-14 | October 2014 |
| Draft Workplan and Budget FLO 2014 vs4 | October 2013 |
| Fairtrade Monitoring Evaluation and Learning Programme Operational Plan 2013-15 | October 2013 |
| Learning Project: Presentation of Findings MEL Working Group, with cover note | September 2014 |
| Fairtrade International Monitoring Evaluation and Learning Programme System Report | January 2014 |
| Learning & Knowledge Management in Fairtrade | October 2013 |
| Fairtrade Theory of Change | December 2013 |
| Fairtrade Monitoring Evaluation and Learning Programme Operational Plan 2013-15. Executive summary | December 2013 |
| Monitoring the Scope and Benefits of Fairtrade Third edition 2011 | |
| Monitoring the Scope and Benefits of Fairtrade Fourth edition 2012 | |
| Monitoring the Scope and Benefits of Fairtrade Fifth edition 2013 | |
| <i>Producer Networks</i> | |
| NAPP Human Resources and Team Building | September 2014 |
| Organigram Fairtrade Africa | May 2013 |
| Organigram CLAC | October 2014 |
| Service agreement between FLO and FTA | |
| FTA Business 2012-2015 highlights | |
| <i>FLOCERT</i> | |
| FLOCERT Customer Satisfaction Survey 2014, presentation | 14 May 2014 |
| FLOCERT Information for Aidenvironment | October 2014 |
| <i>Impact studies</i> | |
| CODER, 2014. An evaluation of fairtrade impact on smallholders and workers in the banana sector in northern Colombia | 2014 |
| CEVAL, 2012. Assessing the Impact of Fairtrade on Poverty Reduction through Rural Development Final Report Fairtrade Impact Study | 2012 |
| BSD Consultants. Assessing the Benefits of Fairtrade Orange Juice for Brazilian Small Farmers, 2014 | April 2014 |
| CIDIN, 2014. Summary of programme evaluation Impact Assessment of Fair Trade Programs for Coffee and Bananas in Peru, Costa Rica and Ghana | 2014 |
| Final technical report: assessing the poverty impact of sustainability standards Natural Resources Institute, University of Greenwich 2013 | October 2013 |
| Dragusanu, Giovannucci and Nunn, 2014. The economics of fair trade. Journal of economic perspectives. | 2014 |
| <i>Strategic funding studies</i> | |

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| Brady & Lloyd, 2012: Assessing the Added Value of Strategic Funding to Civil Society | 2012 |
| INTRC, 2014: Comparative review of donor approaches to unrestricted funding of CSOs. | 2014 |
| <i>External studies on standards</i> | |
| Aidenvironment and Jinke Van Dam Consultancy (2013), Linking assurance, learning and impacts in voluntary standards systems, commissioned by ISEAL Alliance | 2013 |
| Aidenvironment, IIED, NewForesight (2014), Changing roles of VSS in face of the challenge to scale sustainability in sectors dominated by unorganized smallholders, commissioned by IFC. | 2014 |

Appendix V: List of people interviewed

CLAC visit

| List with interviewed persons and visits made | | | |
|---|-----------------------|---|-------------------|
| # | Name person | Role/Position | Type of interview |
| 1. | Xiomara J. Paredes | CLAC- directora ejecutiva | Individual |
| 2. | Sabrina Henriques | CLAC-administradora | Individual |
| 3. | Evelyn Araniva | CLAC-regional - communication officer | Individual |
| 4 | Marike de Pena | Chair of CLAC (of the country coordinators) | Individual |
| 5 | Alfredo | CLAC-gestor de fortalecimiento en El Salvador | Individual |
| 6 | Anneke Theunissen | CLAC- Strengthening and Development Coordinator (and in 2012 LOs in Mexico) | Individual |
| 7 | José Madriz | CLAC- Banana Production and Market coordination | Individual |
| 8 | Alex Flores | SPO-Cashew Manager | Individual |
| 9 | | SPO- Cashew board | Group |
| 10 | | SPO-Coffee-Vice president | Individual |
| 11 | | SPO-Coffee | Group |
| 12 | | SPO Coffee – Board-secretary | Individual |
| 13 | | SPO Banano- legal representative | individual |
| 14 | | SPO Banano – 3 small farmers | group |
| 15 | Carlos Eugenio Vargas | GOT Member and Member of the CLAC Operative committee | Individual |

FTA visit

| List with interviewed persons and visits made | | | |
|---|------------------|---|-------------------|
| # | Name person | Role/Position | Type of interview |
| 1. | James Mwai | Director of programmes | Individual |
| 2. | Nyagoy Nyongo | Chief executive director | Individual |
| 3. | Catherine Russel | MEL expert | Individual |
| 4 | Frank Olok | Standards expert | Individual |
| 5 | Wanchechi Gitata | Lobby and fundraising | Individual |
| 6 | Jennifer Mbuve | Liaison officer | Individual |
| 7 | Zacharie Kiarie | Head regional network East Africa and coffee expert | Individual |
| 8 | Marion | East Africa network | Individual |
| 9 | | HLO – Flower sector | Group |
| 10 | | SPO-Coffee sector | Group |

Fairtrade International and international contacts

| List with interviewed persons and visits made | | | |
|---|---------------------|------------------------------------|-------------------|
| # | Name person | Role/Position | Type of interview |
| 1. | Harriet Lamb | CEO | Individual |
| 2. | Larry Attipoe | Director International development | Individual |
| 3. | Nadia Hoarau-Mwaura | Head PSR Asia | Individual |
| 4 | Matthias Kuhlman | Head PSR Latin America | Individual |

| | | | |
|----|-------------------------------|--|-----------------------|
| 5 | Martin Hill | Director Commercial | Individual |
| 6 | Renate Siemon | Director HR | Individual – by mail |
| 7 | Kate Kilpatrick | Research, evaluation and Learnings manager | Individual |
| 8 | Caroline Hickson | Director Strategic relations | Individual |
| 9 | Susann Hoefs | Head Strategic Relations and Partnerships | Individual |
| 10 | Susanne Boetekees | Projects and Partnerships Manager | By phone |
| 11 | Pip Emery | Head of Brand | Individual |
| 12 | Nicole Michelbach | Organisational development manager | Individual – by phone |
| 13 | Chris Davies | Transition manager | Individual – by phone |
| 14 | Andrea Richert | New markets manager | Individual – by phone |
| 15 | Ruben Faust | Director finance department | Individual |
| 16 | Andreas Kratz | Director standards department | Individual |
| 17 | Sugumar Raman | FLOCERT Director of Operations | Individual – by phone |
| 18 | Ian Bretman | Consultant and former Board member | Individual |
| 19 | Marike de Pena | Chair of the Board since 2013 | Individual |
| 20 | David Clayton-Smith | Board Treasurer | Individual – by phone |
| 21 | Bernard Herold | Board member and Governance Committee | Individual – by phone |
| 22 | Catherine David | Head of Fairtrade Sourcing programmes | Individual |
| 23 | Carlos Vargas | GOT | Individual |
| 24 | Frances Robathan | NFO UK - Fundraising / Finance | Individual – by phone |
| 25 | Pablo Ramirez | Starbucks: ethical sourcing manager | Individual – by phone |
| 26 | Alastair Child | Mars: Cocoa Sustainability Director | Individual – by phone |
| 27 | Julia Clark | Tate & Lyle sugars: Sustainability / sugars | Individual – by phone |
| 28 | Cheryl Pinto and Rob Machalak | Ben & Jerry's | Individual – by phone |
| 29 | Peter Williams | Oxfam and has a seat on the WRAC (Workers Rights Advisory Committee) | Individual – by phone |
| 30 | Abishek Jani | Fairtrade India – global product management | Individual – by phone |
| 31 | Arianna Baldo | FT South Africa | Individual - by phone |

Appendix VI: Proposed agenda and questionnaire for visit to Producer Networks FTA and CLAC

Proposed agenda

Please can shortly before the visit main and most recent PN reports be made available.

| Day | Subject | Where, who |
|-----|---|--|
| 1 | <p><i>Meetings on general issues</i></p> <ul style="list-style-type: none"> • Briefing meeting, with aims of the visit, focus of the assignment, general introduction by the PN, organisational structure of PN + staffing • Brief introduction / description of the Region, main changes last 4 years, variability, main product groups, some statistics, commercial data • Main performance in last 4 years: check indicators logframe SFFP, differentiate broadening, deepening, strengthening objectives • External factors that influenced performance • PN regional strategy and theory of change: regional priorities, focus at target groups, linkages with FI theory of change or other Regions • Involvement of and influence by the PN during last 4 years in changes at level of FI, the SFFP • Collaboration internally: with national networks, FI, product networks • Collaboration externally, with government, private sector, NGOs, main competitors, main partners, new developments | <p>Some main staff of PN</p> <p>Management, Communication</p> <p>Management, M&E section</p> <p>Management</p> |
| 2 | <p><i>Meetings on specific subjects (for details on each subject see below)</i></p> <ul style="list-style-type: none"> • Governance and decentralisation process • PSR services • Monitoring, evaluation and learning; learning within the organisation (events, support) and learning among SPOs and HLOs • Lobby and advocacy and national or regional sector changes • Selected commodity sectors: flowers and coffee in FTA; bananas and coffee in CLAC, emerging new issues | |
| 3 | <p><i>Field visits / interviews SPOs, HLOs</i></p> <ul style="list-style-type: none"> • Interviews with SPOs, HLOs, either meeting representatives at HQ or field visits not too far from HQ • Interviews will mainly be on main changes last 4 years, current performance, future demands | |
| 4 | <p><i>Gaps and debriefing</i></p> <ul style="list-style-type: none"> • Follow-up on any of the above issues • Debriefing, some impressions and main findings, remaining gaps or questions, emerging new themes, added value of FT in the region, partnerships, collaboration with private sector, expected future trends | |

Some detailed subjects to discuss

Governance and decentralisation

- Support received in last 4 years to establish change process, material investments made, pace of change, efficiency of change process, have demands been met?
- Change in human resources over last 4 years, future expectations

- Management and operational systems and procedures changes last 4 years, future expectations
- Governance, level of independence / autonomy, changes last 4 years, future expectations
- Programmatic approach of working
- How has efficiency of PN governance / management changed over last 4 years?
- Remaining organisational demands and future challenges

PSR services:

- Changes that have taken place in last 4 years, with level of satisfaction
- Main services provided, differentiation product groups, types of producers, men and women
- Roles and responsibilities, collaboration with service providers: coordinators, consultants, professionals
- Focused model and products versus flexibility in meeting producer demands
- Can all demands be met? What are expected new demands?
- Good practices to share

Monitoring, evaluation and learning

- Insight in M&E system, quality of data collection and analysis
- Baseline surveys
- Impact evaluation studies
- Research supporting FT
- Learning systems and events, network events, regional / national platforms
- Exchange with other PNs

Lobby and advocacy

- Lobby and advocacy activities
- Changes in national sector and other policies, influence by FT
- Changes within industry, influence by FT

Selected commodity sectors

- Main strategy, outlook, difference with competitors
- Main statistics, changes last 4 years
- Main achievements and main impacts (from studies and by interviews)
- Future challenges, expected trends, expected support required

Questions for producer organisations

1. Are you satisfied by being a Fairtrade (FT) producer? What are the main benefits and what are possible disadvantages?
2. Are you able to sell your products on the FT market? If not, why not? Is that a problem?
3. Are you satisfied with the services being provided by FT? Have you noticed any major changes during recent years, if yes which (please mention services that have improved or the contrary)?
4. Is the FTA organisation responsive to your needs (i.e. can they be easily reached, and do they respond in time and adequately to your demands by offering solutions or support)?
5. Can you compare FT with other certification standards (e.g. Utz, Rainforest Alliance, Organic)? What are the advantages or disadvantages of FT compared with other standards? (please think about markets, prices, support, investments to make)
6. Are you able to have a decent living, being a FT producer? Are you confident about the future being a FT farmer? Will you advise your children to continue being a farmer?

Appendix VII: SFFP logframe results – 2013 targets realized

Legend:

Scores are given with respect to whether the target for 213 has been achieved.

The score varies from 1.0 (fully achieved), to 0.5 (partly achieved) to 0.0 (not achieved).

| Outcome | Outcome indicator | Score | Explanation |
|---|--|--------------|---|
| Disadvantaged producers have a strengthened connection to consumers, improved market access and are empowered to combat poverty | 1. Number of individual producers in Fairtrade certified organizations | 0.0 | There has been a gradual and steady growth from 1.1 million producers in 2008 to 1.5 million in 2013. However, the growth is far below the set target for 2013 (2.2 million). Although the average growth is steady, growth per sector shows great variation, some with rapid increase and others with decline. |
| | 2. Total value of Fairtrade premium | 0.5 | The total value of the Premium has shown increase from €52 million in 2010 to € 86 million in 2012 and is expected to show further increase in 2013. However, the data for 2013 are not yet known. It is expected that the 2013 value will be near the target set for 2013 (€ 110 million). |
| | 3. Revised approach to standards & certification “empowerment model’ | 1.0 | Since 2011 the NSF is being rolled out, reaching a 3 year cycle by the end 2014. In the mean time an adjusted version of the standards has been finalised and adopted by the end of 2013, based on a new round of consultations. |
| | 4. Average level of trust in Fairtrade label in 15 selected countries | 0.5 | There have been considerable changes to this indicator in different logframe versions (looking at 10, 15 or 17 countries), which is confusing. It seems that the level of trust (estimated at 69% in 10 countries and 62% in 17 countries) has not increased, contrary to the set targets that predict a slight increase. |
| | 5. Average retail sales of fairtrade certified products | 0.0 | The global growth in sales increased from €4.9 billion in 2011 to a projected € 5.0 billion in 2013, which is hardly a growth and also 41% below the set target. Underlying reasons mentioned are the departure of Fairtrade USA and growing competition with other standards. |
| Output | Output indicator | Score | Explanation |
| 1. The global FAIRTRADE system is <u>strengthened</u> (streamlined, efficient, maximizing direct impact and leveraging | 1.1 Effective and representative governance of Fairtrade | 1.0 | Changes in the composition of the Board reflect producer equality (equal representation of PNs and NFOs). The governance manual was replaced by a guidance document. |
| | 1.2 Effective and representative producer networks | 0.5 | The target for 2013 refers to transition plans to be completed for all PNs end of 2013. However, it has only been finalised for FTA (in mid 2014) and is still |

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| wider impact) | | | ongoing and to be finalized for CLAC (expected in 2015) and NAPP (not yet clear when). Progress is ongoing but the speed is less than expected. |
| | 1.3 Percentage of women in governance / leadership position in fair-trade | 0.0 | The percentage of women in governance / leadership positions in 2013 is 34%, which is much lower than target 51%. |
| | 1.4 Credible, affordable and efficient allocation of financial resources within Fairtrade | 0.5 | A new financial model is being developed, but it is not yet finalized nor being agreed upon (as targeted for 2012). In spite of the fact that a new financial model is not yet agreed upon, substantial cost-cuts were realized in 2013. |
| | 1.5 Availability of high quality and consistent system-wide data for monitoring and performance improvement of Fairtrade | 0.5 | Although major improvements have been made, the target for 2013 (information management system is fully functional) has not been achieved. For instance, KPIs are not mainstreamed, but still being developed. |
| | 1.6 Total Fairtrade sales volume in metric tonnes (for banana, cocoa and coffee) | 0.5 | The expected increase in Fairtrade sales volumes was probably achieved for banana and for cocoa (projections), but will certainly not be achieved for coffee (almost 50% below set target). |
| | 1.7 Proportion of FLO budget financed by funding partners | 0.0 | The 2013 level of dependency (35%) is still far from the set target for 2013 (21%) although it has come down substantially (from 52% in 2011), and is expected to reach 25% in 2014. |
| | 1.8 Number of sectoral or longitudinal studies measuring Fairtrade impacts | 1.0 | The number of studies is according to the target (5), but we would like to comment that an indication of the quality of these studies would appear to be important as well. |
| | 1.9 Implementation of ISEAL code of good practice for impact assessment | 1.0 | Compliance of the Fairtrade monitoring and evaluation system was approved by ISEAL in 2014. |
| | 2. The scope of Fairtrade is <u>broadened</u> (number of producers, products and countries) | 2.1 Number of fair-trade certified organisations | 0.0 |
| 2.2 Number of countries with fair-trade certified producers | | 1.0 | The number reached in 2013 is 74, which is considerably higher than the set target (65). |
| 2.3 Number of low-income countries with Fairtrade certified producers | | 0.5 | The decline of low income countries is due to the reclassification of countries, in the absence of which the target of 32 would have been realized. However, it is still valid that Fairtrade could have focused on lower income countries. |
| 2.4 Ratio of number of products and product categories announced / | | 0.0 | This is a complex indicator that seems to reflect the need to keep certain balance between the number of product groups and certified POs. The target |

| | | | |
|---|---|-----|---|
| | number of certified producer organizations | | ratio for 2013 (1/120) is by far not achieved (current level estimated at 1/7), reflecting a strong growth in product categories with small number of POs. |
| | 2.5 Number of licenses in global south | 1.0 | The target of 30 in 2013 has been largely surpassed (68), including growth in southern countries. |
| | 2.6 Number of marketing organizations agreements for marketing fairtrade in new markets | 1.0 | The 2013 target of 5 new FMOs has been realized. |
| | 2.7 Number of countries in which the fairtrade mark is filed and registered | 1.0 | The 2013 target of 140 countries with the Fairtrade mark filed and registered has been surpassed by 15%; the current number is 161, up from 121 in 2008. |
| | 2.8 Fairtrade mark recognition (example UK) | 1.0 | The indicator apparently looks at the level of trust within the UK only. For the UK the level of trust has remained 78%, which is according to set target. |
| 3. The impact of Fairtrade is <u>Deepened</u> (increased value for each producer from their involvement in Fairtrade) | 3.1 Proportion of women members in producer organizations / workers in hired labour organizations | ? | In 2012 the target % women registered as members in POs was lower than the set target (19% as compared to the target of 26%), while for HLOs the % was higher (47% as compared to the target of 43%). There were no significant changes between 2011 and 2012. It is unclear whether the targets for 2013 (27% / 44%) will have been reached. |
| | 3.2 Proportion of small POs selling minimum 30% exportable production on fair-trade terms | ? | This proportion has been higher than the set target in 2011 (55% as compared to the target of 50%), then lower in 2012 (51% as compared to the target of 52%) and expected to be 56% (as compared to the target of 54%) in 2013. However, the data are not yet available and the basis of the projection is unclear. In coffee, for instance, sales have much declined. |
| | 3.3 Ratio producer inspection costs versus fair-trade premium received by POs | 1.0 | This ratio has been consistently increasing between 2010 (1/15) and 2012 (1/29) and is expected to further increase in 2013 to 1/32. These values are consistently higher than the set targets. |
| | 3.4 Proportion of premium flowing to low income countries | 0.0 | This proportion has been declining and is considerably lower than the set targets, which is partly due to the reclassification of low-income countries (12% in 2012 with reclassification; 22% without). Even if the value for 2013 is yet unknown it will be much lower than the set target of 32%. |
| | 3.5 Fairtrade operations in conflict affected regions: number of regions in which strategy is implemented | 1.0 | Fairtrade is active in several countries affected by conflicts, e.g. Afghanistan, Colombia, Palestine, DRC, Cote d'Ivoire. |
| | 3.6 Total investment on a technical | 0.0 | The achievement of this indicator is delayed and has not been achieved in any |

| | | | |
|--|---|-----|--|
| | assistance facility to support financial capacity building of POs | | year. |
| | 3.7 Total funds available exclusively for Fairtrade certified producers (credit and loan funds facilitated by FI) | 0.0 | The achievement of this indicator has been lower than set targets in every year, as also in 2013 |

Appendix VIII: Changes in staffing over the period of 2008-2013

2008

| | |
|--|-----------|
| Management (including communication and quality manager) | 6 |
| Standards unit | 14 |
| Producer business unit | 17 |
| Finances and central services unit | 11 |
| Total | 48 |

2009

| | |
|------------------------------------|-----------|
| Management | 5 |
| Chief Operation Office | 10 |
| Standards unit | 14 |
| Producer services and relations | 18 |
| Strategy and policy unit | 4 |
| Finances and central services unit | 11 |
| Total | 62 |

2013

| | |
|--|-----------|
| CEO | 2 |
| Chief Operation Office | 5 |
| Commercial | 7 |
| Global product management | 6 |
| Producer services and relations | 13 |
| Standards & pricing unit | 13 |
| Strategy & Policy | 9 |
| Brand & communications, strategic relations & partnerships | 12 |
| Global resources | 12 |
| Total | 79 |

2014

| | |
|--|-----------|
| CEO | 2 |
| International development | 10 |
| Commercial | 4 |
| Global product management | 8 |
| Producer services and relations | 11 |
| Standards & pricing unit | 16 |
| Monitoring, evaluation & planning + learning | 7 |
| Brand & communications, strategic relations & partnerships | 14 |
| Global resources | 8 |
| Human resources and legal | 8 |
| Total | 88 |

FAIRTRADEA - 2013

| | |
|-----------------------|-----------|
| Regional support team | 9 |
| Regional teams | 12 |
| Specialist roles | 3 |
| | 24 |

CLAC 2014

| | |
|-------------------------|-----------|
| Realised positions core | 11 |
| Specialist roles | 3 |
| Suggested positions | 10 |
| Total | 24 |

NAPP 2013

| | |
|-------------------------|-----------|
| Realised positions core | 11 |
|-------------------------|-----------|