



FAIRTRADE
INTERNATIONAL

JOURNEYS TO CHANGE

FAIRTRADE THEORY
OF CHANGE

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INTRODUCTION

1.1 Rationale

A Theory of Change describes the change that an initiative wishes to see in the world and its understanding of how it will contribute to that change.



Fairtrade International has developed a Theory of Change for Fairtrade as part of work to improve the Fairtrade Monitoring, Evaluation and Learning (MEL) system.

The Theory of Change captures the range of things Fairtrade does as a system (i.e. its interventions) and relates these logically to desired immediate, mid-term and long-term changes. It thereby provides a framework for identifying appropriate indicators for measuring the results of Fairtrade and progress towards Fairtrade's goals.

1.2 Principles and assumptions

The Theory of Change reflects existing and agreed Fairtrade strategy and does not seek to set new strategy or new directions for Fairtrade. Key resources used to develop the Theory of Change include:

- Fairtrade Labelling Strategic Review: White Paper (Fairtrade International 2008)
- Fairtrade Long-term Goals: Make Trade Fair, Empower Small Producers and Workers, and Foster Sustainable Livelihoods (CAN 2012)
- Fairtrade's Workers' Rights Strategy (Fairtrade International 2012)
- Unlocking the Power of the Many: Fairtrade International's 2013-15 Strategic Framework (2013)

It is acknowledged that the nature of Fairtrade strategies and activities evolves over time in line with experiences and a changing environment. However, it is assumed that the fundamental vision, purpose and principles of Fairtrade remain constant, as does the basic approach (e.g. supporting democratic organizations of small producers and workers, using voluntary standards and third party certification, etc.). The Theory of Change focuses on aspects of Fairtrade which are assumed to remain relatively stable. Nevertheless it should be reviewed periodically using data generated by the MEL system, and in the light of the development of new strategies or areas of focus within Fairtrade, to assess whether adjustments may be required.

1.3 Use of the Theory of Change

The Theory of Change is not a plan or strategy. Nor is it a logframe or other form of reporting framework which commits Fairtrade to specific activities and results. It is a generic theory which MEL staff will use as a guiding framework for the design of monitoring and research activities. However, by analysing data coming out of these MEL activities, it will be possible to test assumptions underlying the Fairtrade approach (for example, the assumption that strengthened small producer organizations contribute to sustainable livelihoods and empowerment of individual farmers) and to identify which interventions and areas of change are most critical for the achievement of Fairtrade goals. This learning can then be used to guide the development of future strategies and plans, as illustrated in Figure 1 below.

The Theory of Change can also inform communication about Fairtrade, both internally and externally, and help ensure there is a common understanding about Fairtrade's goals and approach.

1.4 Process for developing the Theory of Change

Existing strategic documents provide a solid foundation for the Theory of Change, but do not contain all the necessary elements. An extensive process of stakeholder engagement was therefore undertaken between November 2011 and April 2013, involving workshops and meetings with small producer and worker representatives in Africa, Asia and Latin America and the Caribbean¹ (in collaboration with the Fairtrade Producer Networks), Fairtrade International staff, and staff from various National Fairtrade Organizations (NFOs). A Steering Group with Producer Network, NFO and Fairtrade International representatives provided guidance to the process.

A draft of this Theory of Change document was reviewed through further engagement with stakeholders from July to September 2013. Revisions were made based on the feedback received, and Version 1.0 of the Theory of Change was published in January 2014. However it was agreed that the Theory of Change should include more detailed articulation of how Fairtrade brings about changes through interventions with supply chain businesses and consumers, and through advocacy and campaigning, along with indicators to monitor change in these areas. Additional stakeholder engagement was undertaken in 2015 to this end, resulting in the agreement of Version 2.0 of the Theory of Change in late 2015.²

1.5 From Theory of Change to Indicators and the MEL System

The Theory of Change has been used as a basis to review existing indicators used by the Fairtrade system to monitor results, and to develop an expanded set of core indicators that more fully reflect the range of themes that are in the Theory of Change.

A draft expanded set of core indicators was shared for consultation throughout the Fairtrade system during 2013, gathering feedback from a range of stakeholders and internal specialists about data requirements and feasibility. The finalized list of core indicators is being integrated progressively into monitoring and evaluation activities.

1.6 Structure of the document

Section 2 sets the scene for Fairtrade's Theory of Change by describing Fairtrade's vision, goals and approach, and the influence of context on results (summarized in Figure 5). Section 3 then details the pathways of change from Fairtrade interventions to long-term goals - the Theory of Change - first in summary form (Figure 8) and then in more detail for Small Producer Organization and Hired Labour situations separately (Figures 9 to 12). Figure 13 provides an overview of Fairtrade's Theory of Change for Making Trade Fair, with additional detail provided in Annex 2.

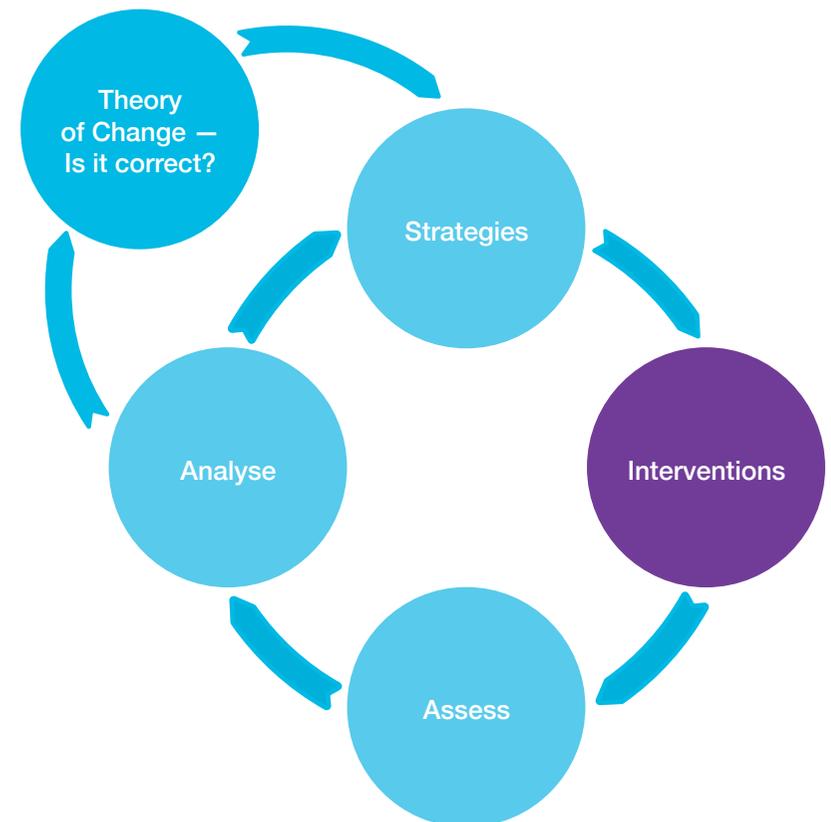


Figure 1
Theory of change and the learning cycle



2

SETTING THE SCENE FOR FAIRTRADE'S THEORY OF CHANGE

2.1 Fairtrade Vision and Goals

For multiple reasons and in many different ways, trade often fails to deliver sustainable livelihoods and development opportunities to small-scale producers and workers in poor countries.³ Fairtrade was established to contribute to efforts to correct this failure. Fairtrade's vision is a world in which all small producers and workers can enjoy secure and sustainable livelihoods, fulfil their potential and decide on their future.⁴

To fulfil this vision, Fairtrade has identified three long-term goals:

GOAL 1 MAKE TRADE FAIR

Fairtrade aims to create an environment in which small producers are able to develop sound, resilient businesses, workers⁵ are able to exercise their rights and freedoms and earn a living wage, consumers are informed and demand fair trading practices as the norm, and public and private sector policies support and enable economic, social and environmental sustainability in trade. These fairer trading conditions are both a means to the other two Fairtrade goals, and the end goal of a fair and sustainable trading system which Fairtrade aspires to.

GOAL 2 EMPOWER SMALL PRODUCERS AND WORKERS

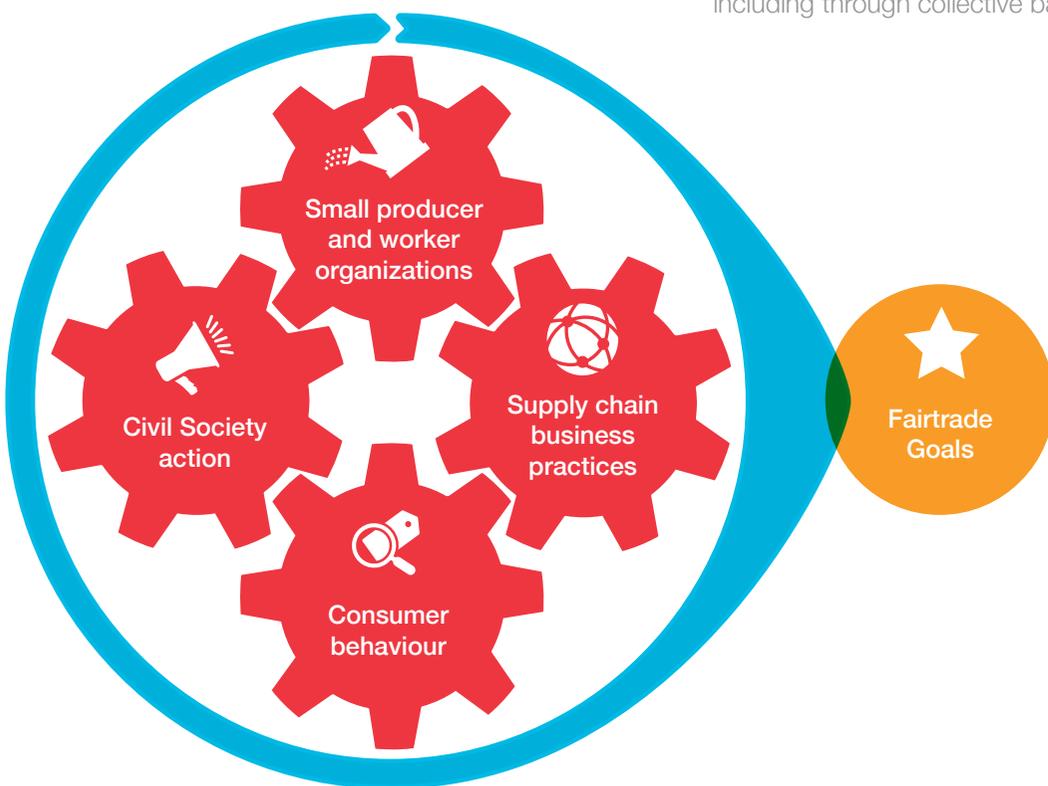
Fairtrade understands empowerment as 'the expansion of assets and capabilities of people to participate in, negotiate with, influence, control and hold accountable the institutions that affect their lives'.⁶ Fairtrade aims to support empowerment among small producers and workers by helping them build independent, democratic organizations, improve their negotiation position with buyers/employers, achieve economic stability, make joint investments and increase their collective influence.

GOAL 3 FOSTER SUSTAINABLE LIVELIHOODS

A livelihood comprises the capabilities, assets and activities required for a means of living. It is sustainable when it can cope with and recover from stresses and shocks and maintain or enhance its capabilities and assets, while not undermining the natural resource base.⁷ Fairtrade aims to foster sustainable livelihoods among small producers and workers by enabling (via producer and worker organizations) improvements in income, decent working conditions, improved living conditions and sustainable ecosystems.

There are clear linkages and inter-dependencies between the three goals of Fairtrade. In particular, the combination of making trade fair and empowering small producers and workers is understood to be essential for the achievement of sustainable livelihoods.

Figure 2
Spheres of change in Fairtrade



2.2 Fairtrade Approach

To achieve its goals, Fairtrade aims to contribute simultaneously to change in four spheres (Figure 2):

Small producer and worker organizations

Fairtrade supports small producers and workers to build strong, independent organizations. For small producers this means cooperatives and other forms of producer-owned enterprises through which producers can gain greater access to inputs, credit and technical support and improve their selling position with buyers. For workers it means independent trade union organizations which can promote and defend workers' interests in the workplace, including through collective bargaining.

Workers are also supported to form Fairtrade Premium Committees, governed by a General Assembly, to manage the Fairtrade Premium in an inclusive, transparent and accountable way. In addition, Fairtrade facilitates organization and networking at national, regional and global levels to enable small producers and workers to influence trade policy and practices more broadly.

Supply chain business practices

Fairtrade seeks to ensure that business practices along the length of supply chains enable small producers and workers to prosper. This includes offsetting market volatility and risk and a lack of transparency in supply chains, ensuring respect for human rights and the environment, and fostering investments in agriculture and rural communities.

Consumer behaviour

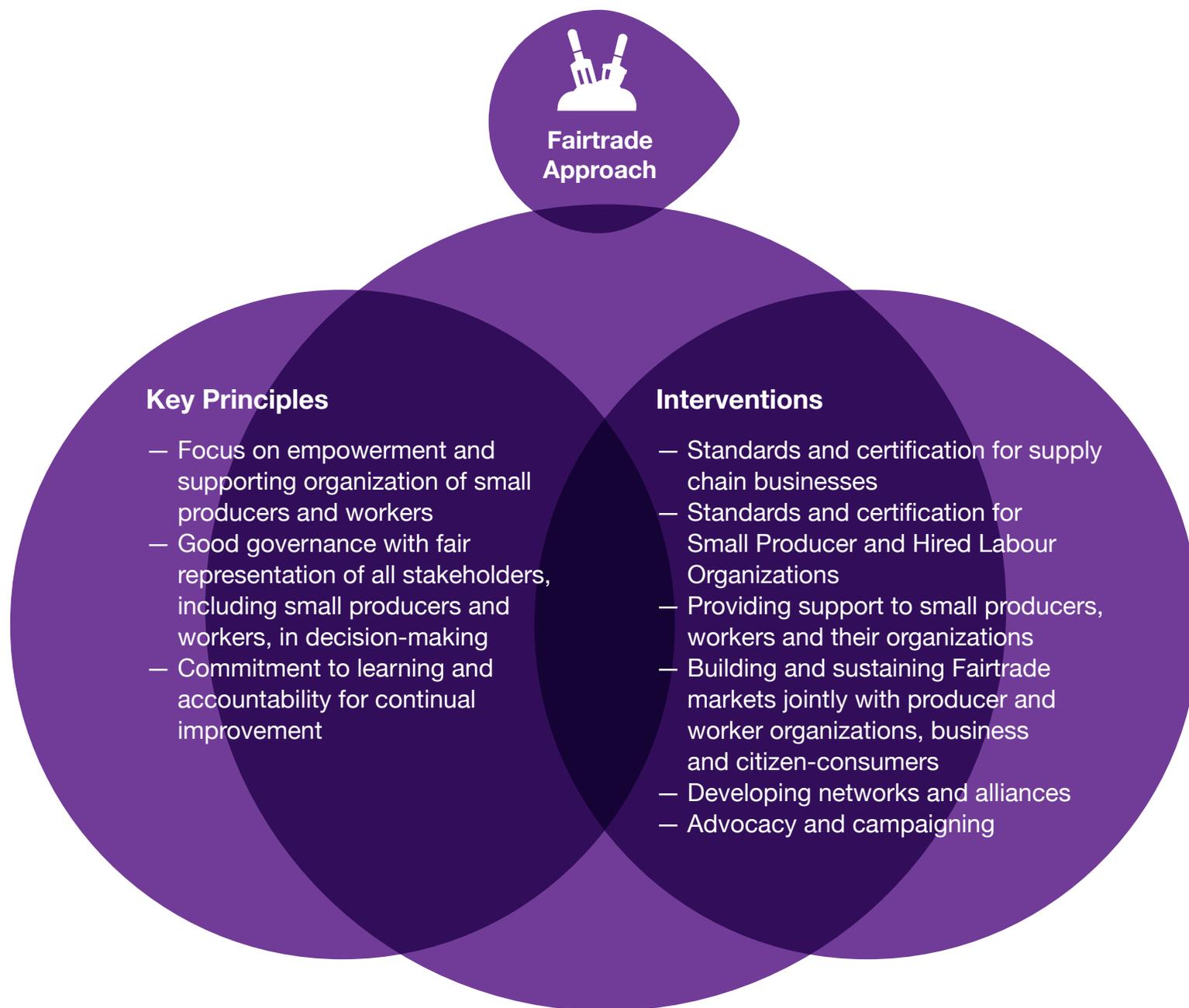
Fairtrade aims to raise awareness among citizen-consumers of the negative effects of unfair trade, and to enable them to use their purchasing decisions to show their support for small producers and workers in developing countries.

Civil society action

Fairtrade seeks to strengthen the influence of civil society on trade policies and practices, through mobilizing people at the grassroots level and engaging in national and international campaigning and advocacy for fair and sustainable trade.

Two different types of intervention are used to contribute to change in these four spheres (Figure 3):

Figure 3
Fairtrade's Approach



1 **Standards establish the 'rules' for fair trading practices and engagement in Fairtrade.** The standards include rules for supply chain businesses seeking to trade in Fairtrade products, and rules for the producer and worker organizations that participate in Fairtrade.⁸ The standards distinguish between core requirements for Fairtrade certification, and development requirements which aim to stimulate improvement over time.⁹ They codify key principles of Fairtrade, including: sustainable and equitable trading relations; good governance in organizations (democracy, participation and transparency); respect for human rights (particularly labour, child and gender rights) and protection of the environment. The standards also incorporate key tools used in Fairtrade:

- **Economic protection policies** which aim to offset price volatility and risk for Producer Organizations. These include minimum price guarantees to ensure Producer Organizations receive prices which cover the average cost of sustainable production, access to pre-finance (credit), and provision of sourcing plans. In Hired Labour situations, producers are expected to share economic benefits with workers, including through payment of living wages.
- **Empowerment policies** which support independent organizations of small producers and workers to develop and implement their strategies for sustainable development based on their own aspirations and priorities.
- The **Fairtrade Premium** which is paid to small producer and worker organizations based on sales and enables small producers and workers to invest in economic, social and environmental development, in line with their democratically-agreed priorities.

- The **FAIRTRADE Mark** used on products which have been traded according to the Fairtrade standards. The Mark enables consumers to choose products that embody Fairtrade principles. It also makes demand for Fairtrade products more visible to businesses and to policy makers.

2 **Strategies and policies which enable engagement in Fairtrade** by small producers, workers, employers, supply chain businesses, consumers and civil society organizations, and leverage this engagement to bring about wider changes in support of greater justice and sustainability in trade. These include strategies to:

- **Build and sustain Fairtrade markets** by working jointly with producer and worker organizations to raise citizen-consumer awareness and create demand for Fairtrade products, and to engage and partner with supply chain businesses seeking to contribute to sustainable development.
- **Provide support to producers and workers** to build strong, independent organizations and businesses, achieve compliance with Fairtrade standards, access Fairtrade markets, and secure better terms of trade/ employment.¹⁰
- **Develop networks and alliances**, including strengthening networks of small producers and workers at product, country and regional levels, mobilizing grassroots organizations to take action in support of Fairtrade and making trade fair, and building relationships and forming strategic alliances with organizations and institutions which have common goals.¹¹
- **Intensify advocacy and campaigning** for systemic change in trade policies and practices. This includes strategic, evidence-based lobbying and campaigning by Fairtrade organizations themselves (individually or in collaboration with others inside or outside Fairtrade),

as well as the provision of inspiration, evidence and practical support for individual and community engagement in campaigning activities

These strategies are framed around three **key principles that underpin the Fairtrade approach:**

- 1 A **focus on empowerment** of small producers and workers, particularly through supporting them to organize and network at local, national and global levels and to gain greater collective influence and power within the supply chains they are part of.
- 2 **Good governance** within the Fairtrade system, with fair representation of all stakeholders in decision-making. For example, fifty percent of Fairtrade International's General Assembly are representatives of producers and workers. The General Assembly governs the Fairtrade International Board, which has four members nominated by Producer Networks, four members nominated by NFOs, and three independents.
- 3 Commitment to ongoing monitoring, evaluation and **learning** for the dual purposes of **accountability and continual improvement.**

Fairtrade is also committed to ensuring that market growth opportunities are available to all types of Producer Organizations and traders and do not benefit some groups at the expense of others. As part of this commitment, small producers have a special place in Fairtrade, with some product categories not open to larger farms (such as coffee, cocoa, cotton, sugar).

2.3 Fairtrade's Approach to Making Trade Fair

Fairtrade's approach to making trade fair incorporates two distinct pathways:

- **Within Fairtrade supply chains:** Fairtrade's priority is to ensure trade is fair within supply chains for Fairtrade-certified products. It does this through the Trader Standard (e.g. core requirements related to contracts, price and Premium, access to finance, etc.), through producer support (e.g. strengthening Producer Organization capacity to negotiate), and through engagement with supply chain businesses and citizen-consumers (e.g. to build Fairtrade markets).
- **Beyond Fairtrade supply chains:** Fairtrade also seeks to contribute to systemic change in the way trade is structured and practised. It does so using strategies such as thought leadership, deeper engagement with business to encourage good practice in trade, and advocacy and campaigning around trade policy and practice.

Fairtrade acknowledges that systemic change cannot be achieved by Fairtrade alone, but requires:

- A broad coalition of actors working towards common goals;
- Progressive businesses (including Fair Trade businesses) to spearhead fair and sustainable trading practices and be vocal advocates within their industries and with policy makers;
- Political leadership within national governments and regional and global institutions.

Furthermore, Fairtrade's ability to influence practices beyond its supply chains depends largely on its success within its supply chains, as the latter brings credibility and influence as well as the power of example. However, its ability to make trade fair within its supply chains is often limited by systemic issues which need to be resolved before greater progress can be made (e.g. on issues such as living wages). As such, the two pathways are linked (see Figure 4).

2.4 Influence of Context

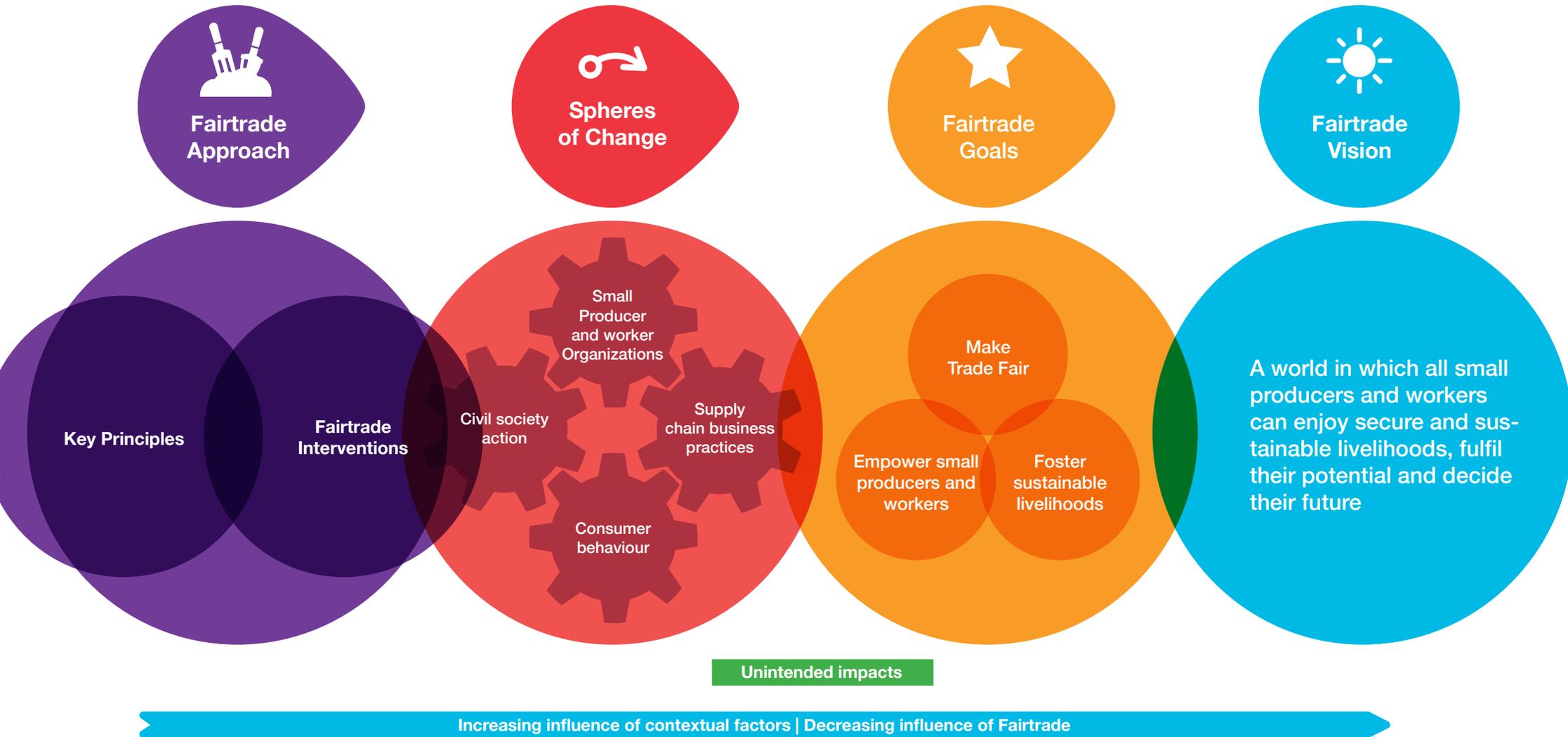
The nature and extent of change brought about by Fairtrade interventions will depend on a range of contextual factors. These include (but are not limited to): structure, capacity and resources of small producer and worker organizations; motivation and commitment of Producer Organization managers and employers; knowledge of Fairtrade among small producer and workers; level of Producer Organization access to Fairtrade markets; strength and effectiveness of trade unions in the country and sector; local agro-ecological conditions and policy environment; market conditions, including value chain dynamics and pricing; and shocks and stresses such as climate change and exchange rate fluctuations. Contextual factors may work in tandem with Fairtrade to create greater benefits and opportunities for small producers and workers, or they may act as constraints on what Fairtrade can achieve. In many cases, Fairtrade will have relatively little impact on outcomes for small producers and workers compared to external factors. The Theory of Change acknowledges that Fairtrade contributes towards change for small producers and workers, rather than being the sole determinant of change.

As the context for Fairtrade varies greatly from one situation to the next and over time, it needs to be a dynamic system in which different actors make use of its strategies and tools in line with the opportunities and constraints that exist. The Theory of Change recognizes this adaptation and innovation, rather than suggesting that pathways of change are uniform and static. It also recognizes that Fairtrade can have unexpected or unintended consequences, both positive and negative. Fairtrade's vision, goals and approach, and the influence of context, are summarized in Figure 5.



Figure 4
Fairtrade's approach to making trade fair

Figure 5
Linking Fairtrade's Vision, Goals and Approach



3

FAIRTRADE THEORY OF CHANGE



Image: Efraín Vargas at work packing Fairtrade bananas. COOBANA, Panama.
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3.1 The results chain

Section 2 (and Figure 5) highlight important aspects of the way Fairtrade operates and its interactions with its environment. For the Theory of Change itself, we need to detail the steps in the change process which lead from Fairtrade interventions (the Fairtrade Approach) to its long-term goals. In MEL language (see Glossary), the process begins with Fairtrade interventions which lead directly to one or more tangible outputs, such as improved prices, investments using the Fairtrade Premium, or increased citizen-consumer awareness. These outputs then contribute to a range of short- and medium-term outcomes, such as more viable and resilient small producer businesses, improved infrastructure in communities, and growth in Fairtrade markets. Outcomes in turn contribute to various long-term impacts, such as improved household income and assets, enhanced influence for small producers and workers, and more sustainable trading systems. The results of Fairtrade include all the outputs, outcomes and impacts which Fairtrade interventions contribute to, both directly and indirectly, intended and unintended, and positive and negative. The influence of external factors increases from outputs to outcomes to impacts. Attribution to Fairtrade depends on the degree to which results are dependent on Fairtrade interventions versus other contributory factors.

A simplified example of a ‘results chain’ is shown in Figure 6.

3.2 Theory of Change diagrams

Fairtrade’s Theory of Change (ToC) is represented in a hierarchy of diagrams, each with a different level of detail, as depicted in Figure 7. Underneath a single overarching Theory of Change are defined more detailed Theories of Change for Small Producer Organizations (SPOs), Hired Labour Organizations (HLOs) and Making Trade Fair – the part of Fairtrade’s work which is focused on generating positive changes amongst the range of institutions and actors that influence trade and trading conditions.

Starting from the base, the ToC diagrams outline the anticipated outputs from Fairtrade interventions, contributing to intended outcomes and impacts. In practice outputs, outcomes and impacts can be intended or unintended, and positive or negative, but the Theory of Change focuses on intended, positive outcomes.

The first and second level diagrams summarize thematically the different types of outputs, outcomes and impacts that are expected, while the more detailed diagrams expand on each theme to provide a more complete and meaningful framework for designing MEL processes. Greater detail on Fairtrade’s Theory of Change for Making Trade Fair is provided in Annex 2.

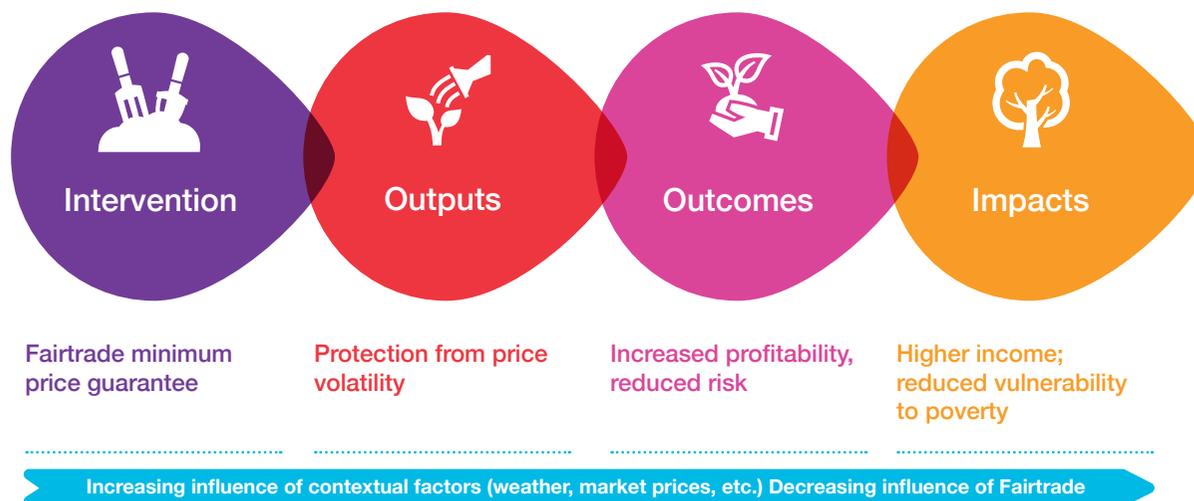


Figure 6
Simplified example of a results chain

Figure 7

Hierarchy of Fairtrade Theory of Change diagrams





Interventions

Standards & certification for supply chain businesses

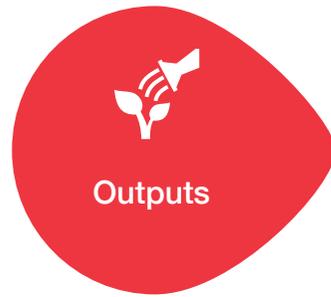
Standards & certification for Small Producer & Hired Labour Organizations

Providing support to small producers & workers & their organizations

Building & sustaining Fairtrade markets jointly with producer & worker organizations, business & citizen-consumers

Developing networks & alliances

Advocacy & campaigning



Outputs

Enhanced access to fair trading conditions & fair prices for Fairtrade-certified organizations

Increased investment in small producers & workers, their organizations & communities

Stronger, well-managed, democratic organizations for small producers

Improved labour conditions & freedom of association for workers

Enhanced knowledge & capacity among small producers, workers & their organizations

Increased networking & collaboration within & beyond Fairtrade around common goals

Increased awareness & commitment to fair & sustainable trade among citizen-consumers, business & policy-makers



Outcomes

Resilient, viable & inclusive small producer businesses

Improved farming performance, protection of environment & adaptation to climate change

Decent work for workers, sustained by mature systems of industrial relations & increased business capacity to invest

Enhanced influence & benefits for small producers, workers & their communities

Growing proportion of trade is on Fairtrade terms (in sectors where Fairtrade operates)

Broad coalition of actors (including producers, workers & citizen-consumers) driving change in way trade is structured & practised

Values & principles of Fair Trade increasingly mainstreamed in business practices & policy frameworks



Impacts

Improved income, wellbeing & resilience among small producer & worker households

Enhanced gender equality & intergenerational sustainability in rural communities

Increased environmental sustainability & resilience to climate change

Dignity & voice for small producers & workers at local, national & global levels

Transparency & equitable distribution of risks & rewards in supply chains

Fairness & sustainability embedded in business practices, policy & societal norms for production & consumption



Fairtrade Vision

A world in which all small producers and workers can enjoy secure and sustainable livelihoods, fulfil their potential and decide on their future

Figure 8

Fairtrade's Theory of Change

Increasing influence of contextual factors
Decreasing influence of Fairtrade



Interventions

- Standards & certification for supply chain businesses

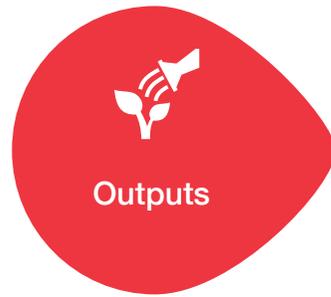
- Standards & certification for Small Producer Organizations

- Providing support to small producers & their organizations

- Building & sustaining Fairtrade markets jointly with producer & worker organizations, business & citizen-consumers

- Developing networks & alliances
 - Strengthening networks of producers & workers
 - Building alliances with others

- Advocacy & campaigning



Outputs

- Enhanced access to fair trading conditions & fair prices for Fairtrade-certified SPOs

- Increased investment in small producers, their organizations & communities

- Stronger, well-managed, democratic organizations for small producers

- Enhanced knowledge & capacity among small producers & their organizations & networks

- Increased networking & collaboration within & beyond Fairtrade around common goals

- Increased awareness & commitment to fair & sustainable trade among citizen-consumers, business & policy-makers



Outcomes

- Resilient, viable & inclusive small producer businesses

- Strong & inclusive SPOs

- Improved farming performance, protection of environment & adaptation to climate change

- Enhanced benefits for small producers & their communities

- Increased influence for small producers (from local to global levels)

- Growing proportion of trade is on Fairtrade terms (in sectors where Fairtrade operates)

- Values & principles of Fair Trade increasingly mainstreamed in business practices & policy frameworks



Impacts

- Improved household income, assets & standard of living

- Less risk & vulnerability, increased food security

- Improved access to basic services

- Increased environmental sustainability & resilience to climate change

- Inter-generational sustainability of rural communities

- Increased cooperation & gender equality within communities

- Increased dignity, confidence, control & choice

- Enhanced influence & status of small producers

- Fairer & more sustainable trading system



Fairtrade Vision

A world in which all small producers and workers can enjoy secure and sustainable livelihoods, fulfil their potential and decide on their future

Figure 9
Simplified Fairtrade Theory of Change
for Small Producer Organization situations



Increasing influence of contextual factors
 Decreasing influence of Fairtrade



Interventions

- Standards & certification for supply chain businesses
 - Price guarantees
 - Fairtrade Premium
 - Pre-finance
 - Sustained trade

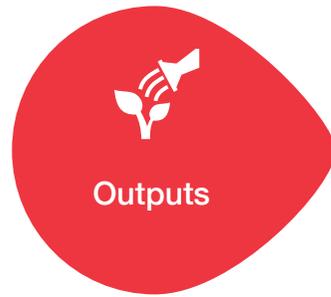
- Standards & certification for Small Producer Organizations
 - Business development
 - Democracy, participation & transparency
 - Labour conditions
 - Environmental protection

- Providing support to small producers & their organizations
 - Support for organizational strengthening & compliance with standards, incl. financial
 - Facilitating market access
 - Facilitating support from others

- Building & sustaining Fairtrade markets jointly with producer & worker organizations, business & citizen-consumers
 - Establishing Fairtrade concept, values & brand
 - Engaging with business & citizen-consumers

- Developing networks & alliances
 - Strengthening networks of producers & workers
 - Mobilizing civil society
 - Building alliances with others

- Advocacy & campaigning
 - Coordinated, evidence-based campaigns
 - Engaging with policy-makers & business leaders



Outputs

- Enhanced access to fair trading conditions & fair prices for SPOs
 - Significant & sustained access to Fairtrade markets
 - Supportive trading relations
 - Fair prices & protection from price volatility

- Increased investment in small producers, their organizations & communities
 - Collective investments & individual disbursements using Fairtrade Premium
 - Increased access to working & investment capital

- Stronger, well-managed, democratic organizations for small producers
 - Management systems for business & production
 - Enhanced democracy, participation & transparency
 - Transparent systems for managing Fairtrade Premium
 - Linkages to communities to support local development
 - Participation in Fairtrade networks & governance

- Enhanced knowledge & capacity among small producers & their organizations & networks
 - Management & technical capacity in SPOs
 - Capacity among small producers to improve productivity and quality, protect health & environment, & adapt to climate change
 - Awareness of & commitment to human rights (labour, gender, child)
 - Understanding of Fairtrade principles & practices

- Increased networking & collaboration within & beyond Fairtrade around common goals
 - Improved coordination & partnerships for enhanced impact

- Increased awareness & commitment to fair & sustainable trade among citizen-consumers, business & policy-makers
 - Rise in ethical consumption & grassroots campaigning
 - Business incentivized to trade fairly
 - Policy-makers influenced to address unfair trade & help 'good' business thrive



Outcomes

- Resilient & viable small producer businesses
 - Development of markets
 - Enhanced negotiation power, control &/or ownership in supply chains
 - Increased profitability, reduced risk

- Strong & inclusive SPOs
 - Strong, accountable leadership
 - Proactive child protection policy
 - Inclusion of young adults
 - Gender equity
 - Improved labour conditions for workers

- Improved farming performance, protection of environment & adaptation to climate change
 - Increased productivity & quality
 - Optimal use of inputs/ management of outputs
 - Individual & joint ownership of productive assets
 - Elimination of harmful production practices
 - Sustainable management of natural resources
 - Development of environmental services
 - Implementation of adaptation measures

- Enhanced benefits for small producers & their communities
 - Improved services & support for SPO members
 - Improved services & infrastructure in communities
 - Support for vulnerable & marginalized groups

- Increased influence for small producers (from local to global levels)
 - Ability to influence Fairtrade policies & regulations
 - Ability to influence local, regional & international policy

- Growing proportion of trade is on Fairtrade terms (in sectors where Fairtrade operates)
 - Growth in Fairtrade markets (local, regional, global)
 - Growth in volumes sourced on Fairtrade terms
 - Opportunities for businesses of all sizes (particularly SPOs)

- Values & principles of Fair Trade increasingly mainstreamed in business practices & policy frameworks
 - Business & governments take action in support of fair & sustainable trade



Impacts

- Improved household income, assets & standard of living

- Less risk & vulnerability, increased food security

- Improved access to basic services

- Increased environmental sustainability & resilience to climate change

- Inter-generational sustainability of rural communities

- Increased cooperation & gender equality within communities

- Increased dignity, confidence, control & choice

- Enhanced influence & status of small producers

- Fairer & more sustainable trading system



Fairtrade Vision

A world in which all small producers and workers can enjoy secure and sustainable livelihoods, fulfil their potential and decide on their future

Figure 10

Detailed Fairtrade Theory of Change for Small Producer Organization situations

Increasing influence of contextual factors
Decreasing influence of Fairtrade



Interventions

Standards & certification for supply chain businesses

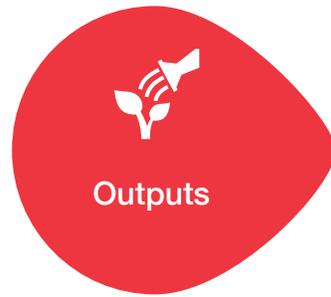
Standards & certification for Hired Labour Organizations

Providing support
- To workers & their organizations (trade unions, Premium Committees & General Assembly)
- To employers

Building & sustaining Fairtrade markets jointly with producer & worker organizations, business & citizen-consumers

Developing networks & alliances
- Strengthening networks of producers & workers
- Building alliances with global trade union movement & others

Advocacy & campaigning



Outputs

Enhanced access to fair trading conditions & fair prices for HLOs which respect labour rights

Improved labour conditions

Increased freedom of association

Increased investment in workers, their organizations & communities

Enhanced knowledge & capacity
- Workers & managers
- Worker organizations & networks

Increased networking & collaboration within & beyond Fairtrade around common goals

Increased awareness & commitment to fair & sustainable trade among citizen-consumers, business & policy-makers



Outcomes

Increased business capacity to invest in workers

Decent work

Mature systems of industrial relations & collective bargaining

Inclusive, worker-led management of Fairtrade Premium & enhanced benefits for workers & their communities

Protection of environment

Increased influence for workers beyond the workplace (from local to global levels)

Growing proportion of trade is on Fairtrade terms (in sectors where Fairtrade operates)

Values & principles of Fair Trade increasingly mainstreamed in business practices & policy frameworks



Impacts

Improved household income, assets & standard of living

Less risk & vulnerability, increased food security

Improved access to basic services

Increased environmental sustainability & resilience to climate change

Increased cooperation & gender equality within communities

Increased dignity, confidence, control & choice

Enhanced influence & status of workers

Fairer & more sustainable trading system



Fairtrade Vision

A world in which all small producers and workers can enjoy secure and sustainable livelihoods, fulfil their potential and decide on their future

Figure 11

Simplified Fairtrade Theory of Change for Hired Labour situations

**Increasing influence of contextual factors
Decreasing influence of Fairtrade**



Interventions

Standards & certification for supply chain businesses

- Price guarantees
- Fairtrade Premium
- Pre-finance
- Sustained trade

Standards & certification for Hired Labour Organizations

- Labour conditions & living wages
- Environmental protection
- Democratic management of Fairtrade Premium

Providing support

- Supporting workers & their organizations (trade unions, Fairtrade Premium Committees & General Assembly)
- Enabling compliance with standards
- Facilitating market access
- Facilitating support from others

Building & sustaining Fairtrade markets jointly with producer & worker organizations, business & citizen-consumers

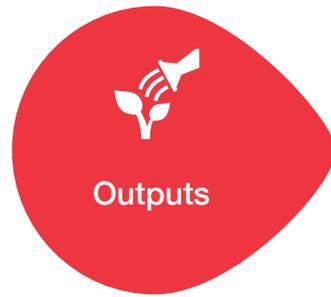
- Establishing Fairtrade concept, values & brand
- Engaging with business & citizen-consumers

Developing networks & alliances

- Strengthening networks of producers & workers
- Building alliances with global trade union movement & others
- Mobilizing civil society

Advocacy & campaigning

- Coordinated, evidence-based campaigns
- Engagement with policy-makers & business leaders



Outputs

Enhanced access to fair trading conditions & fair prices for HLOs which respect labour rights

- Significant & sustained access to Fairtrade markets
- Supportive trading relations
- Fair prices & protection from price volatility

Improved labour conditions

- Compliance with Fairtrade standards & national law
- Effective grievance procedure

Increased freedom of association

- FOA protocols & Right to Uniozine guarantees
- Removal of barriers to organizing
- Independent trade union organization

Increased investment in workers, their organizations & communities

- Collective investments & individual disbursements using Fairtrade Premium
- Linkages to communities to support local development

Enhanced knowledge & capacity (workers, managers, & their organizations & networks)

- Awareness of & commitment to human rights (labour, gender, child)
- Capacity to protect health & environment
- Understanding of Fairtrade principles & practices
- Democracy, participation & transparency in Premium Committees & General Assembly
- Worker participation in Fairtrade networks & governance

Increased networking & collaboration within & beyond Fairtrade around common goals

- Improved coordination & partnerships for enhanced impact

Increased awareness & commitment to fair & sustainable trade among citizen-consumers, business & policy-makers

- Rise in ethical consumption & grassroots campaigning
- Business incentivized to trade fairly
- Policy-makers influenced to address unfair trade & help 'good' business thrive



Outcomes

Increased business capacity to invest in workers

- Enhanced business viability & profitability
- Incentives for socially & environmentally sustainable production

Decent work

- Living wages
- Improved terms & conditions
- Health & safety
- Ability to voice concerns & exercise rights
- Increased equality & opportunities

Mature systems of industrial relations & collective bargaining

- Effective trade union representation
- Social dialogue
- Collective bargaining in good faith

Inclusive, worker-led management of Fairtrade Premium & enhanced benefits for workers & their communities

- Non-wage economic support for worker households
- Improved services and infrastructure in communities
- Support for vulnerable & marginalized groups

Protection of environment

- Elimination of harmful production practices
- Sustainable management of natural resources

Increased influence for workers beyond the workplace

- Ability to influence Fairtrade policies & regulations
- Ability to influence local, regional & international policy

Growing proportion of trade is on Fairtrade terms (in sectors where Fairtrade operates)

- Growth in Fairtrade markets (local, regional, global)
- Growth in volumes sourced on Fairtrade terms
- Opportunities for businesses of all sizes (particularly SPOs)

Values & principles of Fair Trade increasingly mainstreamed in business practices & policy frameworks

- Business & governments take action in support of fair & sustainable trade



Impacts

Improved household income, assets & standard of living

Less risk & vulnerability, increased food security

Improved access to basic services

Increased environmental sustainability & resilience to climate change

Increased cooperation & gender equality within communities

Increased dignity, confidence, control & choice

Enhanced influence & status of small producers

Fairer & more sustainable trading system



Fairtrade Vision

A world in which all small producers and workers can enjoy secure and sustainable livelihoods, fulfil their potential and decide on their future

Figure 12

Detailed Fairtrade Theory of Change for Hired Labour situations

Increasing influence of contextual factors
Decreasing influence of Fairtrade



Interventions

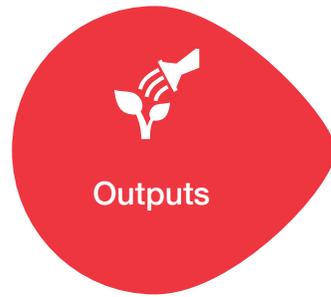
Standards & certification for supply chain businesses

Providing support to small producers & workers & their organizations

Building & sustaining Fairtrade markets jointly with producer & worker organizations, business & citizen-consumers

Developing networks & alliances

Advocacy & campaigning



Outputs

Enhanced access to fair trading conditions & fair prices for HLOs which respect labour rights

Improved labour conditions

Increased freedom of association

Increased investment in workers, their organizations & communities

Enhanced knowledge & capacity
– Workers & managers
– Worker organizations & networks

Increased networking & collaboration within & beyond Fairtrade around common goals

Increased awareness & commitment to fair & sustainable trade among citizen-consumers, business & policy-makers



Outcomes

Increased business capacity to invest in workers

Decent work

Mature systems of industrial relations & collective bargaining

Inclusive, worker-led management of Fairtrade Premium & enhanced benefits for workers & their communities

Protection of environment

Increased influence for workers beyond the workplace (from local to global levels)

Growing proportion of trade is on Fairtrade terms (in sectors where Fairtrade operates)

Values & principles of Fair Trade increasingly mainstreamed in business practices & policy frameworks



Impacts

Improved household income, assets & standard of living

Less risk & vulnerability, increased food security

Improved access to basic services

Increased environmental sustainability & resilience to climate change

Increased cooperation & gender equality within communities

Increased dignity, confidence, control & choice

Enhanced influence & status of workers

Fairer & more sustainable trading system



Fairtrade Vision

A world in which all small producers and workers can enjoy secure and sustainable livelihoods, fulfil their potential and decide on their future

Figure 13
Fairtrade's Theory of Change
for Making Trade Fair

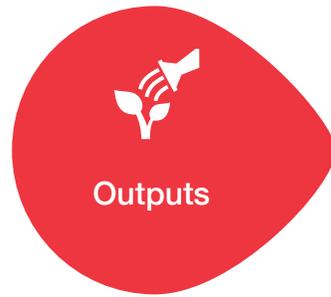
Increasing influence of contextual factors
Decreasing influence of Fairtrade

3.3 Pathways of Change

Not all outputs, outcomes and impacts in the Theory of Change will be relevant in all Small Producer Organization/Hired Labour situations. The exact pathways of change will vary case by case, given the different capacities, resources and contexts of each Fairtrade Producer Organization (as explained in Section 2.3). A single Fairtrade intervention may lead to very different results from one Producer Organization to the next. Examples of possible pathways of change are shown in Figures 14 (Small Producer Organizations) and 15 (Hired Labour). For each figure, one potential pathway is highlighted using red text, and another in blue. These diagrams illustrate that there are often many linkages and inter-dependencies between and within different stages of the pathway of change. The pathways highlighted represent only some of the outputs, outcomes and impacts linked to each area of intervention - many other potential pathways could be traced in addition to these.

Equally, there may be outputs, outcomes and impacts which are not represented in the Theory of Change. The Theory of Change aims to identify the most common changes which are expected to occur overall, and the most important preconditions for achievement of Fairtrade's goals. The views of small producers and workers (gathered through regional workshops) were particularly important for this process, especially for identifying the most important areas of impact from their perspective as primary stakeholders in Fairtrade.

There are also different possibilities for pathways of change towards making trade fair, depending on national contexts and the positioning and influence of Fairtrade and other civil society organizations in relation to public policy and business practice. In countries where Fairtrade is relatively new the focus is likely to be on making trade fair within Fairtrade-certified supply chains, whereas in more mature Fairtrade markets and/or in countries with strong grassroots campaigning around corporate responsibility, there are likely to be greater opportunities for engaging in collaborative work to bring about systemic change. Two of the potential pathways of change for making trade fair within and beyond Fairtrade supply chains are illustrated in Figure 16.



Standards & certification for supply chain businesses

Standards & certification for Small Producer Organizations

Providing support to small producers & their organizations

Building & sustaining Fairtrade markets jointly with producer & worker organizations, business & citizen-consumers

Developing networks & alliances
 – Strengthening networks of producers & workers
 – Building alliances with others

Advocacy & campaigning

Enhanced access to fair trading conditions & fair prices for Fairtrade-certified SPOs

Increased investment in small producers, their organizations & communities

Stronger, well-managed, democratic organizations for small producers

Enhanced knowledge & capacity among small producers & their organizations & networks

Increased networking & collaboration within & beyond Fairtrade around common goals

Increased awareness & commitment to fair & sustainable trade among citizen-consumers, business & policy-makers

Resilient, viable & inclusive small producer businesses

Strong & inclusive SPOs

Improved farming performance, protection of environment & adaptation to climate change

Enhanced benefits for small producers & their communities

Increased influence for small producers (from local to global levels)

Growing proportion of trade is on Fairtrade terms (in sectors where Fairtrade operates)

Values & principles of Fair Trade increasingly mainstreamed in business practices & policy frameworks

Improved household income, assets & standard of living

Less risk & vulnerability, increased food security

Improved access to basic services

Increased environmental sustainability & resilience to climate change

Inter-generational sustainability of rural communities

Increased cooperation & gender equality within communities

Increased dignity, confidence, control & choice

Enhanced influence & status of small producers

Fairer & more sustainable trading system

A world in which all small producers and workers can enjoy secure and sustainable livelihoods, fulfill their potential and decide on their future

Figure 14
Examples of Pathways of Change
for Small Producer Organization situations

Increasing influence of contextual factors
Decreasing influence of Fairtrade



Interventions

Standards & certification for supply chain businesses

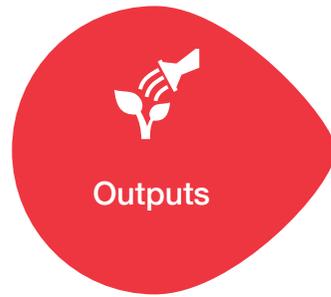
Standards & certification for Hired Labour Organizations

- Providing support**
 - To workers & their organizations (trade unions, Premium Committees & General Assembly)
 - To employers

Building & sustaining Fairtrade markets jointly with producer & worker organizations, business & citizen-consumers

- Developing networks & alliances**
 - Strengthening networks of producers & workers
 - Building alliances with global trade union movement & others

Advocacy & campaigning



Outputs

Enhanced access to fair trading conditions & fair prices for HLOs which respect labour rights

Improved labour conditions

Increased freedom of association

Increased investment in workers, their organizations & communities

- Enhanced knowledge & capacity**
 - Workers & managers
 - Worker organizations & networks

Increased networking & collaboration within & beyond Fairtrade around common goals

Increased awareness & commitment to fair & sustainable trade among citizen-consumers, business & policy-makers



Outcomes

Increased business capacity to invest in workers

Decent work

Mature systems of industrial relations & collective bargaining

Inclusive, worker-led management of Fairtrade Premium & enhanced benefits for workers & their communities

Protection of environment

Increased influence for workers beyond the workplace (from local to global levels)

Growing proportion of trade is on Fairtrade terms (in sectors where Fairtrade operates)

Values & principles of Fair Trade increasingly mainstreamed in business practices & policy frameworks



Impacts

Improved household income, assets & standard of living

Less risk & vulnerability, increased food security

Improved access to basic services

Increased environmental sustainability & resilience to climate change

Increased cooperation & gender equality within communities

Increased dignity, confidence, control & choice

Enhanced influence & status of workers

Fairer & more sustainable trading system



Fairtrade Vision

A world in which all small producers and workers can enjoy secure and sustainable livelihoods, fulfill their potential and decide on their future

Figure 15
Examples of Pathways of Change
for Hired Labour situations

Increasing influence of contextual factors
Decreasing influence of Fairtrade



Standards & certification for supply chain businesses

Providing support to small producers & workers & their organizations

Building & sustaining Fairtrade markets jointly with producer & worker organizations, business & citizen-consumers

Developing networks & alliances

Advocacy & campaigning

Enhanced access to fair trading conditions & fair prices for HLOs which respect labour rights

Improved labour conditions

Increased freedom of association

Increased investment in workers, their organizations & communities

Enhanced knowledge & capacity
 – Workers & managers
 – Worker organizations & networks

Increased networking & collaboration within & beyond Fairtrade around common goals

Increased awareness & commitment to fair & sustainable trade among citizen-consumers, business & policy-makers

Increased business capacity to invest in workers

Decent work

Mature systems of industrial relations & collective bargaining

Inclusive, worker-led management of Fairtrade Premium & enhanced benefits for workers & their communities

Protection of environment

Increased influence for workers beyond the workplace (from local to global levels)

Growing proportion of trade is on Fairtrade terms (in sectors where Fairtrade operates)

Values & principles of Fair Trade increasingly mainstreamed in business practices & policy frameworks

Improved household income, assets & standard of living

Less risk & vulnerability, increased food security

Improved access to basic services

Increased environmental sustainability & resilience to climate change

Increased cooperation & gender equality within communities

Increased dignity, confidence, control & choice

Enhanced influence & status of workers

Fairer & more sustainable trading system

A world in which all small producers and workers can enjoy secure and sustainable livelihoods, fulfil their potential and decide on their future

Figure 16
Examples of Pathways of Change
for Making Trade Fair





Image: Cooperative Mabale Growers Tea Factory Ltd., Uganda.
© Nathalie Bertrams

ANNEX 1: WHY IS FAIRTRADE NEEDED?

The starting point for developing a Theory of Change is to set out the issues that the initiative seeks to address. For Fairtrade, this can be summarized as the failure of much conventional trade to deliver sustainable livelihoods and development opportunities to small-scale producers and workers in developing countries. There are multiple causes for this failure, linked to structural issues at global, national and local levels, as explored below.

Economists refer to ‘market failures and imperfections’ as a way to understand ‘unfair’ outcomes of trade, i.e. outcomes which are not ‘efficient’ in terms of delivering maximum benefits to society. Amongst other causes, market failures arise when there is an imbalance of power in markets (i.e. where a small group of businesses control the majority of trade in one or more stages of the supply chain), when a particular set of actors faces structural disadvantages in terms of ability to engage in markets (e.g. in terms of access to capital, business services or market information) or when the ‘true costs’ of production and consumption are not taken into consideration (e.g. costs such as the depletion of natural resources, damage to ecosystems or human health). Governments use a variety of policy instruments to regulate markets and to correct for market failures, such as taxes and subsidies, import and export quotas, and wage and price controls.

Transnational regulatory bodies also intervene in markets, for instance through trade agreements and international conventions. Which policies are adopted depends on underlying political and economic ideologies and complex political processes influenced by different actors in society (business, civil society, media etc). As such, policy interventions are themselves not neutral and can bring their own problems, including unintended consequences and unequal outcomes for different groups.

Since the 1980s neoliberalism has been the foundation for economic policy in most parts of the world and in the influential World Trade Organization and International Monetary Fund. Neoliberalism is associated with support for the private sector, deregulation and reduced state involvement and intervention in markets, and promotion of ‘free trade’ between nations. In the same period, globalization has accelerated the integration of markets, facilitated by improvements in technology, transport and communications. Whilst this has brought significant benefits in terms of global economic growth and development, the outcomes have not been consistently positive across and within different countries. Imbalances of power in supply chains have become more common, with large national and multinational trading, manufacturing and retail companies dominating

many sectors, while producers are typically widely dispersed and fragmented. The emergence of liberalized international financial markets and increased speculative trading, as well as a culture of short-termism in stock markets, has contributed to price volatility in commodity markets and shareholder pressure for high returns on investments. Meanwhile, extreme competition on the high street has created a vicious circle of consumer expectations of ever lower prices, exacerbated by the disconnect between production and consumption and consumers’ lack of awareness about the people and conditions of production behind the goods they buy.

In general terms, for suppliers this combination of factors has meant downwards pressures on prices, higher costs and increased risk, as dominant buyers use their market power to pass costs and risks on to others (for example through not entering into contracts with suppliers, using just-in-time sourcing strategies with short lead times, demanding discounts and contributions towards marketing costs, and delaying payments to suppliers). As part of efforts to increase productivity and reduce waste, there has also been increased use of harmful production practices that damage human health and local ecosystems, contribute to climate change and are unsustainable for the planet’s resources.

In this context, small producers in developing countries have been largely marginalized from the benefits of international trade. Although they often account for a high proportion of production (depending on the sector and country), they typically lack the necessary skills, resources, information, institutions, access to markets and bargaining power to secure a decent return for their labour. The spread of neoliberalism and structural adjustment requirements in the 1980s and 1990s led to a dismantling of state support for small producers, particularly in the agricultural sector. Although there has been renewed interest among national governments and bilateral and multilateral agencies in supporting small-scale production in recent years, this is largely within a political framework which focuses on increasing productivity and does little to address other structural issues outlined above.

The pressures on producers have in turn been passed to workers, with low wages and a marked increase in exploitative labour practices such as use of casual, fixed term and sub-contracted employment to reduce costs, and long working hours with compulsory overtime to meet short lead times. ‘Flexibilization’ of labour markets has been used to enhance competitiveness, but this has weakened the content and enforcement of national labour laws in many countries. Workers in most developing countries have been unable to prevent this decline, with little engagement in independent trade union organization (especially in agriculture), not least because poverty and informality of employment undermines workers’ capacity and willingness to organize. In addition, in many places trade unions and employers have a history of antagonistic relations, with trade union rights either explicitly or implicitly suppressed and few examples of good social dialogue. Although most UN member countries have ratified the core ILO Conventions for decent work

(requiring labour rights to be incorporated into national legislation), and buying companies increasingly have codes of labour practice that their suppliers are expected to comply with, there remains a huge gap between theory and practice in terms of workers’ access to labour rights. As suggested above, poverty is both a cause and a consequence of the marginalization of small producers and workers in trade. It manifests itself in multiple ways, including low and insecure income, a lack of productive resources, little access to social services and social protection, little influence over institutions that affect their lives, and an inability to take advantage of opportunities to invest in assets or exercise rights. Poor people are also most affected by environmental degradation and climate change, as they often live in vulnerable areas and are dependent on agricultural production and direct access to natural resources; they also often lack the capacity and knowledge for adaptation and sustainable natural resource management.

Finally, patterns of inequality are also exacerbated by trade, including within the categories ‘small producers’ and ‘workers’. Trade takes place in a social context in which some people have less access to productive resources, institutional support, information, markets and employment because of their gender, race, ethnicity, religion, age, marital status or other aspect of social differentiation. Unless efforts are made to address discrimination and social exclusion, the most marginalised and vulnerable people are unlikely to gain much from trade.

ANNEX 2: FURTHER DETAIL ON FAIRTRADE'S THEORY OF CHANGE FOR MAKING TRADE FAIR

This annex sets out the detail behind the Theory of Change for Making Trade Fair which is presented in Figure 13 of the main body of this document. The content was developed in 2015 as part of a project coordinated by Fairtrade International and supported by a multi-stakeholder advisory group. As for other aspects of Fairtrade's Theory of Change, an extensive process of consultation was carried out to arrive at the final content.

Fairtrade's approach to making trade fair builds on its analysis of why trade is currently failing small producers and workers in developing countries (see Annex 1). The end goal is to achieve a 'fairer and more sustainable trading system', characterized as follows in the Theory of Change:

- Trade enables small producers and workers to achieve sustainable livelihoods and communities;
- Risks and rewards in supply chains are distributed transparently and equitably;
- Commitment to fair and sustainable trade is a key element of business success;

- Costs and risks of pursuing unfair trading practices outweigh any commercial benefits;
- National and international policies shape trade in ways which promote fairness and sustainability;
- Fairness and sustainability are embedded in societal norms for production and consumption.

As indicated in section 2.3, the Theory of Change for Making Trade Fair encompasses pathways to making trade fair within Fairtrade supply chains as well as pathways to systemic change in the way trade is practised and regulated (making trade fair beyond Fairtrade supply chains). Fairtrade acknowledges that systemic change cannot be achieved by Fairtrade alone, but requires:

- A broad coalition of actors working towards common goals;
- Progressive businesses (including Fair Trade businesses) spearheading fair and sustainable trading practices and acting as vocal advocates within their industries and with policy makers;
- Political leadership within national governments and regional and global institutions.

The majority of Fairtrade's efforts are directed at making trade fair within Fairtrade supply chains, in line with its primary function as a standards system. Furthermore, Fairtrade's ability to influence practices beyond its supply chains depends largely on its success within its supply chains, as the latter brings credibility and influence as well as the power of example. However, its ability to make trade fair within its supply chains is often limited by systemic issues which need to be resolved before greater progress can be made (e.g. on issues such as living wages). As such the two pathways are linked.

In the following tables, more detailed information is provided for each of the themes in the Theory of Change diagram for Making Trade Fair, starting at the level of Fairtrade interventions (i.e. the Fairtrade Approach) and proceeding through output and outcome levels.

Intervention

Detailed Description

Standards and certification for supply chain businesses

- Setting core requirements for businesses trading in Fairtrade products which establish the moral base for trade and address key challenges for small producers and workers, including product-specific examples of unfair trading practices.
- Establishing voluntary standards for best practice in fair and sustainable supply chain business practices.
- Quality, independent monitoring of compliance with core and voluntary Fairtrade standards, and benchmarking of company performance against the standards to encourage uptake of best practices (i.e. non-public feedback to companies).
- Promoting greater transparency around business compliance with Fairtrade standards and the values and principles of Fair Trade, through public reporting of aggregated and/or company specific compliance data.

Providing support to small producers and workers and their organizations

- Support to strengthen small producer organizations and enable collective action to secure better terms of trade and (where necessary) build their capacity as competent and reliable business partners
- Includes training and capacity building on Fairtrade Standards (including Trader Standard), financial and commercial skills, and negotiation skills.
- Support to strengthen worker organizations and enable collective action to secure better terms and conditions of employment
- Includes training and capacity building on Fairtrade Standards, labour rights and negotiation skills.
- Support for value addition and entrepreneurship at origin, enabling producers to retain a greater share in the value of end products.
- Facilitating linkages between Fairtrade-certified organizations and buyers, including direct relationships with end buyers.
- Ensuring SPOs can gain and retain access to Fairtrade markets in commodities where they are competing with large plantations.

Intervention

Detailed Description

Building and sustaining Fairtrade markets jointly with producer and worker organizations, business and citizen-consumers

- Establishing the Fairtrade concept and brand in emerging markets and deepening public understanding of Fair Trade values and principles as markets mature.
- Providing opportunities for citizen-consumers to use their purchasing power to demonstrate their support for small producers and workers and their opposition to unfair trade.
- Engaging with businesses and public bodies to encourage and facilitate sourcing on Fairtrade terms.
- Championing and investing in relationships with businesses with deeper commitment to Fair Trade values and principles, including partnerships to implement joint sustainability initiatives.
- Building constructive relationships with influential businesses (major retailers, brands and traders) in product sectors within Fairtrade's scope.

Developing networks and alliances

- Networking and coordination across the Fairtrade system to analyse unfair trade, prioritize areas for action, and design and implement strategies for making trade fair (including within the Fairtrade system).
 - Strengthening networks of small producers and workers at product, country and regional levels as co-owners of the Fairtrade system.
 - Relationship building and cooperation with the wider Fair Trade movement and other key institutions (e.g. cooperative movement, trade union movement, ethical investment community) around a common cause agenda for fair and sustainable trade.
 - Development of strategic alliances and joint actions with businesses, government and multilateral bodies, civil society organizations, sustainability initiatives, and funders, where common goals and interests exist.
-

Intervention

Detailed Description

Advocacy and campaigning

- Implementation of diverse campaign strategies (public and private) to incentivize businesses & governments to make trade fair.
 - Coordination of advocacy and campaigning activities across the Fairtrade system so that Fairtrade speaks with one voice and articulates small producer and worker experiences effectively, thereby achieving greater influence.
 - Evidence-based advocacy and campaigning around agreed priorities and emerging opportunities for bringing about systemic changes in trade practice and policy, in partnership with others.
 - Relationship building and structured engagement around prioritized advocacy objectives with policy makers and business leaders, and those in a position to influence them (e.g. progressive businesses, the media, the investment community).
 - Providing inspiration, evidence, practical support and action opportunities for individual and community engagement in campaigning for Fairtrade and making trade fair.
 - Working with educational bodies to build awareness of the need for sustainable production and consumption among children and young people.
-

Table A2.2 Outputs in Fairtrade's Theory of Change for Making Trade Fair

Output	Detailed Description
Enhanced access to fair trading conditions and fair prices for Fairtrade-certified organizations	<ul style="list-style-type: none">• Small producers and workers are more organized, informed and able to demand fair trading/ employment practices and from buyers/ employers.• Fairtrade Standards help protect certified organizations from low prices and price volatility, increase their access to finance and market information, enable more stable and transparent trading relationships, and promote decent work.• Continual growth in global sales of Fairtrade-certified products and better and more sustained market opportunities for Fairtrade-certified organizations, including in domestic and regional markets.• Supply chain business practices improve over time due to growth in Fairtrade sales and increased compliance with voluntary best practice standards.• Enhanced market access for smaller scale producers (SPO and HLO) which face competition with larger scale, more capitalized producers.
Business incentivized to trade fairly and to engage with Fairtrade, and challenged on unfair practices	<ul style="list-style-type: none">• Business derives or perceives benefits associated with good trading practices, and reputational or commercial costs and risks from unfair trading practices.• Business engagement with Fairtrade contributes to achievement of commercial and sustainability goals for both parties.• Customized models of engagement with business deliver enhanced impacts for small producers and workers and opportunities to influence conventional trading practices, and help sustain business interest in Fairtrade.• Fairtrade Standards for trade are used as a benchmark for performance among business, civil society, the investment community and government.• Individuals and communities actively choose Fairtrade products and support businesses which go furthest to deliver on the values and principles of Fair Trade, and reject those which fail to demonstrate fair trading practices.• Businesses and sectors with unfair trading practices come under increasing pressure from citizen-consumers, civil society, governments, the media and investors to reform the way they trade.• Policy makers make strong statements about the need to address unfair trading practices and create an enabling environment for businesses to trade fairly.

Output	Detailed Description
Greater knowledge and understanding of unfair trade, its root causes and how to address it (across society)	<ul style="list-style-type: none"> • Greater awareness and understanding across societies, including among children and young people, of the need for fairer and more sustainable systems of production and consumption. • Greater clarity around specific changes in policy and practice required for trade systems and trading practices to be fair and sustainable, and where responsibility for change lies. • Increased public awareness and understanding of Fairtrade, the values and principles it embodies, and how it addresses unfair trade. • Increased acknowledgement among businesses of unfairness in trade arising from market failures, their responsibility to address it, and how engagement with Fairtrade can help. • Evidence of Fairtrade's contribution to sustainable livelihoods and empowerment for small producers and workers provides examples of good practice for others to learn from, while being transparent about shortcomings.
Increased collaboration within and beyond Fairtrade (including among producers, workers and citizen-consumers) to make trade fair	<ul style="list-style-type: none"> • Increased understanding, coordination and collaboration across the Fairtrade system in relation to Making Trade Fair. • Stronger partnerships and alliances between Fairtrade and other civil society organizations and institutions to promote fair and sustainable trade collectively. • Improved opportunities and more efficient use of resources to implement Fairtrade interventions, provide support to small producers and workers, and test new approaches and tools for making trade fair. • Fairtrade participates and is seen as a credible voice in industry and multi-stakeholder platforms on fair and sustainable trade, providing high quality inputs informed by small producer and worker perspectives.
Policy makers influenced to address unfair trade and create an enabling environment for 'good' business to thrive	<ul style="list-style-type: none"> • Small producer and worker organizations and networks, alongside National Fairtrade Organizations, challenge national and regional policies which impede fair trade and advocate for greater support for small producers and workers. • Campaigning and advocacy themes and objectives of Fairtrade and allied institutions are taken up and reinforced by civil society and the media. • Citizen-consumer support for Fairtrade and engagement in grassroots campaigning around unfair trade demonstrates level of public concern to policy makers. • Leading businesses express support for policy changes proposed by Fairtrade and its allies. • Fairtrade's experience, expertise and learning is valued and sought out by policy makers and those who influence them.

Table A2.3 Outcomes in Fairtrade's Theory of Change for Making Trade Fair

Outcome

Detailed Description

Fairtrade supply chains exemplify fair and sustainable trade which empowers small producers and workers

- Fairtrade-certified organizations have sufficient business management skills, negotiation power and market access on fair trading terms to build resilient, viable businesses.
- Fairer terms of trade, alongside organizational, technical and financial support, put Fairtrade-certified organizations in a better position to provide living incomes for small producers and living wages for workers, and to ensure environmentally sustainable production.
- Fairtrade supply chains are transparent and risks and rewards are shared equitably along the chain.
- Public recognition and commercial success for businesses with deeper commitment to values and principles of Fair Trade encourages and reinforces long-term, supportive trading relationships between buyers and certified organizations.

Growing proportion of trade is on Fairtrade terms (in sectors where Fairtrade operates)

- An increasing proportion of total volumes traded are sourced under Fairtrade terms.
- Continual improvement in trading practices and increased investments in sustainability by supply chain businesses.
- Growing proportion of citizen-consumers actively choose products which are verified as fairly traded and reject products which are not, and encourage others to do the same.
- Governments take action to address key aspects and root causes of unfair trade, including through incentives and sanctions for business.

Values and principles of Fair Trade increasingly mainstreamed in business practices and sustainability agendas

- Fairtrade influences conventional trading practices and business approaches to sustainability through direct engagement, thought leadership and public campaigns.
- Engaged retailers, brands and traders see Fairtrade as a valued partner for achieving sustainability outcomes and are advocates of Fair Trade values and principles in the commercial contexts they operate in.
- Businesses increasingly recognize that supportive trading relationships and ensuring small producers and workers receive decent returns are key to achieving economic, social and environmental sustainability.
- Values and principles of Fair Trade are increasingly reflected in the way the mainstream investment community measures business performance on ethics and sustainability.

Outcome

Detailed Description

Broad coalition of actors (including producers, workers and citizen-consumers) driving change in way trade is structured and practised

- The Fair Trade movement unites citizens in their roles as producers, workers, consumers and activists around a global agenda for change in the way trade is structured by governments and practiced by business.
- Fairtrade Producer Networks influence national and regional policies through their position as a credible platform for small producers and workers.
- Collective voice of grassroots campaigners, civil society, ethical investors and supportive media ensures making trade fair stays on the agenda of policy makers and business leaders.
- Growing public awareness and understanding of the negative consequences of unfair trade influences social and cultural norms around consumption.

Policy makers take action to end unfair trading practices and enable fair and sustainable trade

- Policy makers recognize and respond to the collective power of citizens and civil society in setting fairer terms for trade.
- Evidence and analysis generated by the Fair Trade movement on the causes and consequences of unfair trade, and policy changes which are needed to address them, influences the terms of the debate in policy circles.
- Government officials and business leaders publicly reference and respond to policy asks of the Fair Trade movement, including Producer Networks and their members, and allied institutions calling for action on unfair trade.
- National governments and key regional and international institutions (e.g. European Union, United Nations) adopt a proactive strategy to create an enabling environment for fair and sustainable production and consumption.
- Regulation and sanctions are introduced at national and international levels to eliminate the worst forms of unfair trade.



Image: Worker loading sugar canes on cart.
© Didier Gentilhomme

Glossary¹³

Attribution	The action of ascribing a causal link between observed (or expected to be observed) changes and Fairtrade.	Monitoring	A continuing function that uses systematic collection of data on specified indicators to provide decision-makers and other Fairtrade stakeholders with indications of the extent of progress and achievement of objectives.
Citizen-consumers	The term 'citizen-consumers' refers to people in their intersecting roles as citizens and consumers. As citizens they put pressure and make demands on the state and other actors in society, including business. As consumers they use their purchasing decisions to express their preferences directly with business.	Outcomes	The short- and medium-term effects of Fairtrade outputs, intended and unintended.
Evaluation	The systematic and objective assessment of Fairtrade, its design, implementation and results. An evaluation should provide information that is credible and useful, enabling the incorporation of lessons learned into decision-making processes.	Outputs	The processes, goods and services which result directly from Fairtrade interventions, and other immediate, tangible changes resulting from Fairtrade interventions which are relevant to the achievement of outcomes.
Goal	A higher-order objective to which Fairtrade is intended to contribute.	Producer Organizations	Fairtrade-certified Small Producer Organization (SPOs) and Hired Labour Organizations (i.e. larger scale producers dependent on hired labour) (HLOS).
Impacts	Positive and negative, primary and secondary, long-term effects produced by Fairtrade, directly or indirectly, intended or unintended.	Results	The outputs, outcomes and impacts (intended and unintended, positive and negative, direct and indirect) of Fairtrade.
Indicator	Quantitative or qualitative factor or variable that provides a simple and reliable means to measure achievement, to reflect the changes connected to Fairtrade, or to help assess the performance of a Fairtrade actor.	Trade Union	A trade union is a permanent organization established to represent workers, including through collective bargaining over the terms and conditions of their work.
Intervention	An instrument used by Fairtrade to achieve its objectives, such as standards, policies, producer support programmes, and engagement with businesses.	Worker organizations	In the Theory of Change, 'worker organization' refers to independent organizations with democratically elected worker representatives, principally trade unions. It is also used in reference to Fairtrade Premium Committees which are constituted by democratically elected worker representatives (as well as a minority of management representatives without voting rights) and overseen by a General Assembly of workers.

Footnotes

- 1 Seven workshops were held with Small Producer Organization and Hired Labour representatives in Asia, Africa, and Latin America/Caribbean between September 2012 and April 2013, with 48 participants from 39 Small Producer Organizations and 28 participants from 24 Hired Labour workplaces (27 workers and 1 manager). This included participants from countries and 13 product categories for Small Producer Organizations, and 11 countries and product categories for Hired Labour.
- 2 Version 2.0 also includes some changes to the Theory of Change for Hired Labour Organizations based on the Workers' Rights Strategy and associated revisions made to the Fairtrade Standard for Hired Labour in 2014.
- 3 See Annex 1 for a full exploration of why Fairtrade is needed and the issues it seeks to address.
- 4 Fairtrade's official vision uses the single term 'producer' to denote both small producers and workers in Hired Labour situations. However, employers and managers in Hired Labour situations are also commonly referred to as producers. For clarity, this paper refers specifically and separately to small producers, workers and employers/management.
- 5 For workers, Fairtrade's primary focus is on workers employed in Hired Labour situations, i.e. companies (large farms, plantations, factories, etc.) which depend on hired labour. Some change is also desired and expected for workers hired by Small Producer Organizations and their members, but more emphasis is placed on gradual improvement in labour practices proportionate to the economic situation of small producers, and enabling workers to participate in benefits derived from the Fairtrade Premium.
- 6 Definition sourced from: World Bank (2002) Empowerment and Poverty Reduction: A Sourcebook. PREM, World Bank: Washington, D.C. p.11.
- 7 Definition sourced from: Scoones, I. (2009) Livelihoods perspectives and rural development. Journal of Peasant Studies, Vol. 36 (1): 175.
- 8 Fairtrade standards for 'Producer Organizations' cover three types of production system: Small Producer Organizations, Hired Labour Organizations and Contract Production. Hired Labour Organizations are larger producers which are dependent on hired labour (e.g. plantations, factories). Contract Production relates to small producers which are currently dependent on an intermediary organization (a 'Promoting Body') to market their goods. The Promoting Body is responsible for supporting producers to organize and, over time, become autonomous Small Producer Organizations.
- 9 Voluntary Best Practice standards were added to the Trader Standards in 2014, with the aim of promoting good practice in supply chain business practices.
- 10 In addition to ongoing support provided by local Fairtrade Liaison Officers, Fairtrade provides programmatic support on Child Protection and Child Labour and on Climate Change, and enables access to finance through the Fairtrade Producer Certification Fund and the Fairtrade Access Fund.
- 11 These include the wider Fair Trade movement, the global trade union and cooperative movements, development organizations and donors, the ethical investment community, and other certification/standards bodies.
- 12 The Theory of Change is generic and not prescriptive enough to use as the basis for developing strategies focused on specific unfair trade issues. As such, Fairtrade acknowledges that its interventions need to be based on ongoing analysis of the root causes of unfair trade, what needs to change (e.g. specific to particular commodities, or at different levels of supply chains), who has the power to change things, and the best ways to get those power-holders to make changes. Layered on top of this are considerations of whether and how Fairtrade is positioned to act, including questions around resource allocation.
- 13 Adapted from the OECD Glossary of Key Terms in Evaluation and Results-Based Management (2002).



FAIRTRADE
INTERNATIONAL

A Theory of Change describes the change that an initiative (organization, network, project, etc.) wishes to see in the world and its understanding of how it will contribute to that change.

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Cover image: Woman helping with the rice harvest at Sunstar-Federation of Small Farmers of Khaddar Area, India. © Didier Gentilhomme

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