

PARTICIPATORY ANALYSIS OF THE USE & IMPACT OF THE FAIRTRADE PREMIUM

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FAIRTRADE
INTERNATIONAL

INTRODUCTION

Researchers from LISIS conducted a mixed-methods-based study to analyze how the Fairtrade Premium has been used by Fairtrade organizations and how it generates benefits for Fairtrade producers and their communities. Five cases were explored: a coffee/cocoa small-scale producer organization (SPO) in Peru, a cocoa SPO in Côte d'Ivoire, a banana SPO in Ecuador, a banana SPO in Peru and a flower plantation in Kenya. Using a combination of analysis of data from literature and the case studies, the researchers looked at four characteristics of Fairtrade Premium – use, participation, accountability, and function – as well as barriers and enablers for effective Premium use. Finally, the researchers analysed the pathways from Premium investment to six Fairtrade impacts (related to income, gender equality, environmental sustainability, dignity and voice for producers, transparency, and fairness and sustainability of business practices, policy and societal norms). As a key benefit of Fairtrade that generated €178 million for farmers and workers in 2017 [€117.8 million in 2014-2015 as cited in the study], Fairtrade Premium offers significant opportunity for producers to invest in their businesses and communities. This study provides insights that can enable farmers and workers to make transparent and informed decisions about their Premium use.

LISIS

KEY FINDINGS:



Use: How is the Fairtrade Premium being used? What is it spent on?

The use of Fairtrade Premium by organizations depends on needs and the priorities of each producer organization and its farmer members or workers. Individual services to farmers and workers make up 52% of all Premium expenditure. This includes direct cash payments to members, which at 15% is the largest single category of investment of all Premium spending. Investments in the producer organizations (35% of total expenditure) include processing facilities, administrative and office costs, and capacity building (e.g. in governance or marketing). Community projects (9%) include health and education infrastructure and services, water and sanitation, and environmental projects.



Accountability: Who knows about how Fairtrade Premium has been used? Do they trust that these uses are appropriate?

Levels of knowledge and trust vary across gender, status and level of involvement in representative and management bodies. There are some gaps in knowledge among Fairtrade Premium Committee members, such as in budgeting and financial accounting. Capacity building can play a role in addressing knowledge gaps, and interviewees emphasized that training can only be effective if there is sufficient transparency and participation. Having specific roles and responsibilities increases transparency, as does having strategies to improve visibility of Premium projects.



Participation: Who decides how Fairtrade Premium is used? Who benefits?

Plantations are required by Fairtrade Standards to establish a separate committee of worker representatives to decide on Premium use. SPOs may have a separated decision-making process such as a committee, or an embedded process in which Premium decisions are managed along with other types of investment, while still required to develop an annual plan for approval at the organization's General Assembly. The participation of individual workers and producers does make a difference in ensuring that Premium investments are responsive to their needs and those of their families and communities. Large producer organizations have the responsibility to create structures that enable producers and workers to voice their individual and collective interests and priorities. Workers hired by small-scale farmers often do not participate in the decision-making process.



Function: What does the Fairtrade Premium do for beneficiaries?

The function of the Premium is primarily entrepreneurial and as a means to mobilize resources. When participatory decision-making works, the Fairtrade Premium increases the dignity of farmers and workers by enabling them to become 'patrons' of their communities. Opinion on 'best' use of Premium varied, with school bursaries and investments in productivity often mentioned by organizations with separated and embedded decision-making processes, respectively.



Interventions in stronger, well-managed and democratic producer organizations offer the greatest number of pathways to impact

Based on Fairtrade's own model of how it effects change, the researchers identified a number of possible pathways from Premium investment to longer-term impact. For instance, stronger, well-managed and democratic producer organizations provide enhanced influence and benefits for small producers, workers and communities and lead to greater dignity and voice for these actors at local levels. Improved labour conditions and enhanced knowledge and capacity also lead to multiple impacts. Every producer organization has the capacity to develop its own pathway to impactful Premium use, depending on context and need.

RESEARCH METHODS

The study is a qualitative-led mixed-method study. It combined quantitative data analysis with participatory methods for collecting data. Fieldwork was conducted to examine the Fairtrade Premium decision-making processes in five cases in more detail. This included field observation (on-site visits of local Premium-funded projects); document analysis (audit reports, websites, additional documents accessed in the field); 27 focus groups (with producers,

workers on plantations and on small-scale farms, supervisors); eight co-construction workshops with decision-makers (especially Fairtrade Premium Committees) and 166 individual interviews with members of the producer organizations.

It is important to note that this study did not intend to measure the extent of Fairtrade's impacts, and as such did not include any counterfactuals (e.g. non-Fairtrade organizations that could serve as comparisons).

KEY LEARNINGS AND RECOMMENDATIONS



Support SPOs to increase participation in decision-making

Some practices that are required for plantation workers could also be encouraged for small-scale producer organizations. These include having a separate decision-making process for Premium use, and maintaining a separate bank account for the Fairtrade Premium. Support SPOs to integrate hired workers into Premium considerations and decision-making.



Encourage visibility of Fairtrade Premium planning and use

Fairtrade Premium Committees or similar entities responsible for Premium management could increase participation in planning by holding workshops to elaborate the plans collectively and increase knowledge about Premium use. Clarifying and encouraging appropriate use of Fairtrade logos on projects funded by Premium would increase transparency and accountability of how the funds are spent.



Support multi-organization funding of larger community projects in high-concentration areas

Support the collaboration between Fairtrade Premium Committees of plantations in close proximity to work collectively to fund larger community projects (e.g. hospital wards, school buildings, municipal water infrastructure). In these densely certified areas, workers can thereby avoid redundant investments and community imbalances, while leveraging Fairtrade benefits for collective gain.



Strengthen standards, monitoring and evaluation related to Fairtrade Premium

The researchers suggest several ways to improve data on Premium use, including further encouraging producer organizations' own evaluation of Premium projects. Clarifying Premium categories will improve understanding of the purpose and impact of a project. Standards and accompanying guidelines can be reviewed to support these areas, as well as to clarify specific requirements such as for coffee productivity spending.

FAIRTRADE RESPONSE

Fairtrade welcomes the overall insights regarding Fairtrade Premium use and decision-making as well as the case study detail. The Premium and empowerment to decide how to invest it are core benefits of Fairtrade, and we are encouraged that pathways to impact of Fairtrade's Theory of Change are validated through this study. The findings, including the perspectives of farmers and workers on what they value and decision-making best practices from the case studies, will inform how Fairtrade supports effective use of the Premium, through its Standards and support for producer organizations.

For more information The report and Fairtrade's full response are available on the [Fairtrade International Impact and Research pages](#).