

# Assessing the Impact of Fairtrade on Poverty Reduction through Rural Development

Response from the commissioning agencies TransFair Germany and Max Havelaar Foundation (Switzerland) to an Independent Impact Study on Fairtrade conducted by CEval





## **A new study that looks beyond producer organizations**

On occasion of the 20<sup>th</sup> anniversary of both TransFair Germany and the Max Havelaar-Foundation (Switzerland), the two organizations jointly commissioned a study that provides answers to the question if and how Fairtrade impacts on poverty reduction through rural development. The study employs a scientifically ambitious design with target and control groups and presents findings from an extensive qualitative and quantitative data analysis based on six case studies on six different producer organizations (three small producer organisations, two hired labour situations, and one contract production set-up) in South America, Africa and Asia. With its specific focus on rural development, the study provides useful insights onto the impact of Fairtrade beyond the level of producer organizations.

The results are enlightening, including also some critical aspects. The study shows that Fairtrade can significantly impact on rural development, namely through higher savings and investment ratios of farmers and workers, through investments into local infrastructure by producer organizations, or through premium projects targeted at the wider community and following a participatory approach in project implementation. Furthermore, the strengthened market position of organized producers can – under certain circumstances – even influence the terms and prices paid by conventional buyers.

However, in order to realize the full potential of Fairtrade, producer organizations must be well organized, ensure a high level of awareness on and information about Fairtrade among farmers and workers and have a management highly motivated for and by Fairtrade. It becomes apparent from the study that this is not yet the case in all six investigated producer organizations, especially in cases where Fairtrade sales do not account for a significant portion of the organization's total sales volumes, and where very low education levels in rather remote rural areas persist. Hence, opening up new market opportunities as well as deepening the commitment of existing trade partners remains the key task for the commissioning agencies.

## **The empowerment model is at work**

Apart from these general findings, the study provides a key to better understanding how and why Fairtrade impacts on rural development. Thereby, the researchers from the CEval institute single out functional organizations as the key transmitter of social change and find that Fairtrade significantly increases the participation of small farmers and workers in local organizations and institutions. According to the researchers, Fairtrade means a unique *“opportunity to plan, design, and implement development projects for their communities”* which gives farmers and workers *“new responsibilities and creates a sense of ownership over the implemented projects”*.



What is striking from the report is the finding that although other (mainly business-driven) initiatives also have development projects with the communities of farmers and workers, the projects funded by the Fairtrade premium are much more embedded and owned by the local population and that there is a widespread level of awareness among farmers and workers that they have actively earned the funds that financed these projects. As best-practice, these projects are not only planned and implemented by the producer organizations themselves but also in collaboration with local institutions as illustrated by the example of the flower case study.

We conclude that it is the unique emphasis of Fairtrade on participatory and democratic structures, organizational strengthening and the involvement of producers and workers in decision-making processes that is responsible for the positive results identified in the study. This confirms the importance of Fairtrade's focus on producer empowerment and its relevance as an instrument for rural development and poverty reduction.

## **There is still a long way to go**

Nevertheless, the study also identified weaknesses that need to be addressed in order to deepen the impact of Fairtrade in certain areas. One such area is that the basic knowledge and sense of ownership on Fairtrade must be brought to all farmers and workers within the Fairtrade system. They need to understand how Fairtrade works and what their role within their organization is so that they can make effective use of their decision making power. Sometimes, this requires first and foremost an effort towards higher literacy rates as it is done by many Fairtrade-certified producer organizations. Also, the remoteness of many Fairtrade Producer organisations and even more so of their members poses a challenge for Fairtrade.

Another area concerns gender roles which disadvantage women, an issue deeply rooted in many societies and cultures. Although Fairtrade alone cannot overcome these realities, initiatives by producer organizations such as women or gender committees should be encouraged and mutual exchange and learning among producer organizations and with NGOs promoting Gender equity must be enhanced. The same applies to initiatives that aim at raising the awareness on child labour. Although the study did not analyse this issue in detail, it perceives school absenteeism during harvest season to be a widespread problem in some specific crops and regions.



## What needs to be done

The best way to deepen the impact of Fairtrade is to further strengthen the producer organizations and increase the volumes producer organizations sell under Fairtrade conditions. The study at hand provides a powerful argumentation in order to convince consumers, retailers, importers, manufacturers, NGOs and governmental agencies that Fairtrade is a unique tool to promote development among rural communities in the producer countries of Fairtrade-certified products. Now, it needs the commitment of all partners in the Fairtrade system to deliver an even more significant impact by giving these producers the opportunity to sell more of their products as Fairtrade.

The other way to improve the benefits of Fairtrade for producers is to learn from the findings of this study – be it to further advance the relevant Fairtrade standards when they are under review, or to provide guidance for Fairtrade International as well as the different regional producer networks in their efforts to strengthen producer representation in the system and to create platforms of mutual learning. As a first step, the commissioning agencies have shared the findings and recommendations of the study with the responsible expert team at Fairtrade International, which is working out an action plan to adequately follow-up and respond to the different recommendations.

## Making the difference together

In that sense, we are both pleased by the results of the study at hand and motivated by its recommendations on how to further improve the efficacy of the Fairtrade system. In response, we call upon all our partners and supporters to help us to step by step achieve Fairtrade's vision of a world in which all producers can enjoy secure and sustainable livelihoods, fulfil their potential and decide on their future. It is in our hands to make a difference for these producers. Together, we can achieve it.

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