



THE WORLD FAIR TRADE ORGANIZATION

Scaling equitable business models

This case study shows how fair trade and other mission-led enterprises can be economically viable while simultaneously generating important social and environmental benefits. In contrast to conventional business models which prioritize short-term financial returns to shareholders, mission-led businesses put social and environmental goals on a par with economic ones, thereby overcoming a key structural driver of inequality and environmental damage. The case study focuses on Ghana but shows how the WFTO, a global umbrella organization, is enabling many small mission-led businesses to spread horizontally and bring the fair trade model to scale while staying rooted in their local community. The case study suggests that scaling could be accelerated with supportive government policy.



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Cover photo: Matilda Mills, a Global Mamas seamstress since 2010, and her employees modelling baby hats. © Global Mamas

Back cover photo: Mavis Thompson, a Global Mamas batik maker since 2004. © Global Mamas

EXECUTIVE SUMMARY

Rising inequality, entrenched poverty and a deepening ecological crisis have led the global community to seek new models of business, production and trade that drive fair and sustainable economies.

Alternative business models include worker-owned cooperatives and social- or mission-led enterprises, which have social and environmental objectives. While these types of enterprises are often strongly rooted in their local communities and needs, the models have been brought to scale through support organizations, networks and certification schemes. However, over five decades since the Fair Trade movement arose from the idea of 'trade not aid', Isabelle Durant, Deputy Secretary-General of the UN Conference on Trade and Development, noted that *'there is still a long way to go before all trade relations and supply chains are fair'* (WFTO website).

The World Fair Trade Organization (WFTO) is the global community and verifier of social enterprises that practice fair trade, checking businesses according to the principles agreed across the wider movement. Those verified are mission-led enterprises that have signed up to and apply the WFTO's 10 fair trade principles in all operations and supply chains. The principles include having a mission related to poverty reduction, environmental sustainability and gender equality, and practices that include accountability and transparency, fair payment, labour and union rights, and good working conditions. WFTO is owned and democratically controlled by its more than 400 members, and it operates in over 70 countries across five regions (Africa, the Middle East, Asia, Latin America and Europe), with elected global and regional boards. Through its enterprise verification system, advocacy work and networking support, WFTO supports members to access markets and build relationships with each other, with support networks and with markets, strengthening businesses sustainability and impact. WFTO is also a voice for the Fairtrade Foundation and its members, building evidence to promote fair trade and influence trade policy and the wider trade system. In this way, it provides a route to bring fair trade to scale and increase the impact of social enterprise on poverty and inequality at all levels.

Global Mamas is an example of a WFTO member: a social enterprise and NGO in Ghana that brings together low-income women producing and selling high-quality textiles, beaded jewellery, ornaments and beauty products. It describes itself as a *'global community'* of producers, employees, volunteers, donors and customers *'working together with the mission of creating prosperity for African women and their families'* (Global Mamas website).

KEY INSIGHTS

Fair trade and other mission-led enterprises provide an economically viable alternative to conventional business models for some products. Evidence shows that guaranteeing a fair price for producers can increase efficiency and quality of products (Jennings et al., 2018). Similarly, there is evidence that providing good wages and conditions to workers increases productivity and is good for business (Lampel et al., 2017). Social enterprises can also capture new sources of long-term capital for investors seeking a social and environmental, not just financial, return. For example, chocolate manufacturing by WFTO enterprises is growing quickly and financed by social and community, rather than equity, capital.

Fair trade and other mission-led businesses provide important social and environmental benefits compared to conventional business models. Conventional business models tend to prioritize short term financial returns to shareholders over other stakeholders, workers, the community and the environment. By putting social and environmental goals on a par with economic ones, in particular by ensuring fair remuneration and a voice for workers, fair trade and other mission businesses rectify this key structural driver of poverty, injustice and environmental damage. For example, the Fair Trade guarantee through WFTO has helped Global Mamas to strengthen their own environmental practices as well as monitor their suppliers to ensure they strengthen their social and environmental practices too. More widely, evidence suggests that as well as generating income and jobs, cooperatives invest a greater proportion of surplus profits for social and environmental benefit, retain more financial benefits locally and use more local supply chains than conventional business models (for example, see CLES and Preston City Council, 2019; Capener, 2014; and High Pay Centre and TUC, 2019).

Fair trade and other alternative businesses models redistribute power to marginalized women and producers. Unlike conventional businesses where workers have little direct say over the business that they work in, alternative business models often have democratic structures. For example, cooperatives rules embody the principle of 'one member one vote' (regardless of size of investment), which enables marginalized producers to have a say over how their businesses are run. Fair trade organizations also seek to empower women, with 52% of WFTO members having female CEOs (WFTO, 2018) compared with an average of 6% for FTSE 100 companies (Institute of Chartered Accountants in England and Wales, 2019). In addition, 74% of the estimated 965,700 people who benefit from the wider Fair Trade movement are women. (WFTO website)

Fair trade and other mission-led enterprises can achieve scale. One way to scale alternative business models is for a large company to buy an existing Fairtrade branded product or source from fair trade suppliers (vertical scaling). However, these approaches risk watering down or failing to fully protect fair trade standards. An alternative, and arguably

more transformational model, provided by WFTO, is to support fair trade enterprises to grow in number (horizontal scaling) rather than in individual size. WFTO consists of 362 social enterprises that affect the livelihoods of 965,700 economically marginalized people, over 95% of whom are in developing countries and 74% of whom are women. The wider Fair Trade movement works with over 4,000 grassroots organizations, representing over 2.5 million producers and workers in over 70 countries (WFTO website). In Kenya, cooperatives are responsible for 45% of gross domestic product (Mwichabe, 2012). By 2012, approximately one billion people in 96 countries were members of a cooperative, and their joint turnover was equivalent to the ninth richest country in the world (Worldwatch Institute, 2012). As Erinch Sahan, the WFTO Chief Executive, explained in a personal interview for this paper, alternative business models such as these would achieve scale much more rapidly with a more supportive policy environment. This may include reforming company law, use of public procurement policies, and ensuring access to cheap loans, among other things. He noted that several governments have implemented policies supporting the social solidarity economy (including social enterprise), including South Korea, Ecuador, Brazil, Bolivia and several Spanish regional governments.

Box 1: Key insights about fair trade enterprises

- 92% reinvest all profits in their social mission;
- 52% are led by women;
- They are four times less likely to go bankrupt; and
- 85% report actively sacrificing financial goals to pursue social or environmental goals, while retaining commercial viability.

Source: Doherty et al, 2019

Bigger is not always better. Many social enterprises are strongly rooted in their local community and its specific needs and wish to stay small and local to continue to have meaningful impact. Horizontal scaling allows many small mission-led enterprises to bring the fair trade model to scale, with organizations like WFTO providing support, a stronger voice, visibility and opportunities.

In the short term, fair trade businesses like others, may be adversely affected by economic downturn but in the medium to long term they can generate a source of decent and green jobs to help with the transition to a zero carbon future and help ensure people are resilient to future shocks.

WHAT CHANGED?

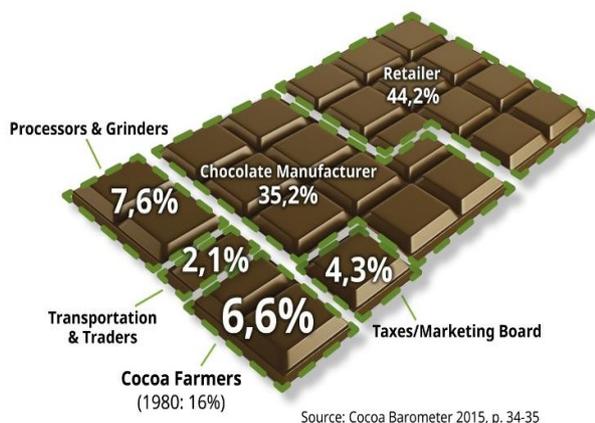
THE CHALLENGE

Global trade has grown consistently in recent decades contributing to economic growth and poverty reduction in many countries. However, the rules that govern it are often rigged in favour of the rich and can inflict serious damage on the world's poor and the environment (Watkins and Fowler, 2002).

Global and often national markets are typically dominated by large global firms who are mainly accountable to shareholders. They have the power to set the terms of trade for suppliers and wages and conditions for workers and often keep prices low and conditions poor. As Erinch Sahan of the WFTO explained in an interview for this paper, *'What's the incentive for global businesses to adopt the right trading practices if their mission doesn't require them to consider these interests?'* This often means that small producers and workers struggle to earn a living wage and are vulnerable to exploitation. In turn, low prices and short-term commitments make it difficult for producers to offer their workers good wages and conditions, as they receive only a small share of the end consumer price (see Figure 1).

At the same time, economic inequality has grown to unprecedented extremes, constituting a major threat to poverty reduction, human rights and stability. The World Inequality Report recognizes that these levels of inequality, amplified by the global economic crisis last decade, are *'largely driven by unequal ownership of capital'* and the privatization of capital across the globe (Chancel, 2018). There are also large inequalities within countries.

Figure 1: How the value of a typical 100g chocolate bar is shared down the supply chain



Women often face entrenched discriminatory social norms and practices, such as wage discrimination, bear more responsibility for unpaid care work and receive the lowest share of value in many supply chains. Women often have limited rights to inheritance and land, and in many places social norms restrict their mobility and right to control income and finance, further reducing their earning opportunities. Women are also often underrepresented among members – and particularly leaders – of producer organizations, especially in Africa. And yet, according to Business for Social Responsibility, *‘Investments in women have a multiplier effect, as women are more likely to reinvest in education, health, and economic activities at the community level’* (Global Mamas website).

Current dominant trade patterns can also have a direct negative impact on the environment, including the current climate crisis, degradation of natural resources and pollution. The UN recognizes that economic growth has been accompanied by *‘increasing environmental challenges, which risk undermining wellbeing, development, health and economic growth itself’* (WTO/UNEP, 2018). For example, the UN Environment Programme (UNEP) recognizes the ‘pollution haven’ dynamic, where poorer countries specialize in pollution-intensive activities. If trade policies were aligned to environmental and social objectives, they would be a positive force for a more sustainable, inclusive and resilient world

Ghana, which is the focus of this case study, is now a lower middle-income country but poverty and inequality are still widespread and many development indicators are similar to those of a low-income country (Institute of Statistical, Social, and Economic Research, 2015). Figure 2 provides some statistics to show how poverty and inequality still impact small businesses and traders in Ghana.

Figure 2: Ghana poverty statistics



Source: Global Mamas

FAIR TRADE AND ALTERNATIVE BUSINESS MODELS

Fair trade

Fair trade is ‘a comprehensive approach, combining commitments toward economic, social, [and] environmental development, building producer capacity, as well as the related dimensions of education and advocacy for the implementation of trade-based development’ (Arnold et al., 2020). Fair trade is a global social movement that aims to address power imbalances that marginalize producers and place fairness at the heart of economic relations to transform trade. Through certification schemes, marketing and retail activities, actors in the Fair Trade movement seek to support and promote business models run in the interest of workers, communities and the environment. They also help to address imbalances of power in global supply chains through campaigning, raising awareness and building capacity (Darko et al, 2017).

Box 2: What is fair trade?

Fair trade is a model of business, production and trading that puts people and planet before profit and fights poverty, climate change, gender inequality and injustice.

International Fair Trade networks define fair trade as:

'... a trading partnership, based on dialogue, transparency and respect, that seeks greater equity in international trade. It contributes to sustainable development by offering better trading conditions to, and securing the rights of, marginalized producers and workers – especially in the South.'

They define Fair Trade Organizations as those that:

'have a clear commitment to Fair Trade as the principal core of their mission. They, backed by consumers, are engaged actively in supporting producers, awareness raising and in campaigning for changes in the rules and practice of conventional international trade.'

Source: Fairtrade Foundation website

Oxfam research found that businesses that distribute power among, and give priority to, a broader range of stakeholders, including cooperatives and employee-owned companies, have succeeded in paying workers a living wage, sharing value more equally and giving voice and power to the most vulnerable and marginalized. (Jennings et al 2018) Equally, further research identified numerous positive effects of cooperative ownership, as higher employee engagement was found to boost productivity, harness innovation and drive entrepreneurship, with entrepreneurs being motivated to *'create change through co-operative relationships'* (Co-operatives UK website).

THE WFTO

The WFTO is owned and led by its members, who describe themselves as *'a community of social entrepreneurs and campaigners, cooperatives and family businesses, innovators and Fair Trade pioneers'* (WFTO website). WFTO seeks to strengthen the visibility and credibility of fair trade and its members through: expanding the use of its label and endorsement of the International Fair Trade Charter; facilitation of sharing and learning between members online and at events; increasing market access opportunities for members; and as a voice for its members and the wider movement, promoting and raising awareness of the fair trade model and advocating for change to trade dynamics and systems.

Since its launch in 1989, WFTO has been at the heart of the Fair Trade movement with its membership for fair trade enterprises and advocates and its own enterprise verification system. It is democratically run by its members, who own the Guaranteed Fair Trade label and, once an organization is fully-verified, it can use the label on all of its products. Members include organizations producing and trading fairly traded products, and those supporting and networking fair trade

Figure 3: The spectrum of fair trade



Source: Fair Trade International

organizations. There are 235 verified fair trade enterprises, and 127 undergoing verification. In terms of leadership, 52% of their chief executives are female (WFTO, 2018).

WFTO provides a Guarantee System, with a Guaranteed Fair Trade label that verified members can use on all of their products without a license fee according to the WFTO constitution. The label guarantees to consumers, investors or business partners that an organization has the mission and structure to empower and involve workers, farmers and artisans, and has conditions and terms of employment that uphold human rights and environmental standards. WFTO requires its members to implement the 10 Principles of Fair Trade across their business and with their suppliers (see Box 3 below). It verifies them through a process of self-assessment, peer review and independent audits. These standards are common across the WFTO members and, according to WFTO Chief Executive, Erinch Sahan, *'promote trading practices which provide stability, pricing and incentives that champion worker, farmer and community empowerment'*. He also recognises that *'Human rights needs fair trading practices, and fair trading practices depend on business structures that foster it.*

[...] the kinds of enterprises that can drive the SDG agenda in full'.
(Personal interview.)

WFTO also conducts advocacy to demonstrate the value that the alternative to profit-primacy business models is both desirable and viable and that a broad range of business models built around mission-primacy can work in a range of contexts (Doherty et al, 2020).

Box 3: The WFTO fair trade principles

Poverty reduction: The organization has a mission and a plan of action to support low-income producers and workers and enable them to move from instability and poverty to social and economic empowerment.

Transparency and accountability: The organization is transparent in its management and commercial relations, accountable to all its stakeholders and finds appropriate ways to involve workers and producers in its decision making processes.

Fair trade practices: The organization trades with concern for the social and environmental wellbeing of producers and workers and does not maximize profit at their expense.

Fair payment: The organization offers fair and sustainable pay, based on the principle of equal pay for equal work, that is mutually negotiated, agreed by all and based on a living wage.

Labour rights and standards: The organization complies with fair trade principles, UN conventions and national law on the employment of children. There is no forced labour or human trafficking in the workforce or supply chain.

Equity and freedom of association: The organization does not discriminate based on protected characteristics such as race, religion or sex. Women receive equal pay for equal work and full employment rights and benefits, and there is a clear policy and plan to promote gender equality and active leadership and participation of women. Workers' rights to form and join trade unions and bargain collectively are respected.

Working conditions: The organization provides a safe and healthy working environment with working hours and conditions that comply with conditions established by national and local laws and International Labour Organization conventions.

Capacity building: The organization develops the skills and capabilities of its workers and producers, including specific activities to help improve management skills, production capabilities and access to markets.

Promote fair trade: The organization raises awareness of the aims of Fair Trade and of the need for greater justice in world trade, providing its customers with information about its products and producers through honest advertising and marketing techniques.

Environmental sustainability: The organization ensures that raw materials are from sustainably managed sources, production technologies reduce energy consumption and minimise greenhouse gas emissions, and waste is minimized, where possible.



Figure 4: The Global Mamas logo

POVERTY REDUCTION

Scale and Reach

The Fair Trade movement works with over 4,000 grassroots organizations worldwide, representing over 2.5 million small-scale producers and workers in more than 70 countries. Around 2,000 towns in 28 countries, as well as many universities and churches, have applied for Fair Trade Town status, committing to promote fair trade and contributing to overcoming poverty and exclusion.

WFTO currently has 400 plus members, 362 of whom are social enterprises that fully practice fair trade and the remainder being national networks and support organizations that support fair trade. The social enterprises collectively impact an estimated 965,700 producers, 74% of which are women and the vast majority in developing countries. Spread

across 76 countries, they take different legal forms, including cooperatives, private businesses, social enterprises and NGOs. They have to demonstrate through their by-laws, governance and broader structure that they exist to put the interests of producers first. This means they cannot have shareholders who pressure them to maximize returns. They must reinvest the majority of their profits in pursuit of their social mission, and according to the WFTO Chief Executive, Erinch Sahan, 92% of members do this with all their profits, with the remainder reinvesting the majority (Personal interview).

WFTO is also itself set up like a cooperative (although it is legally registered as an Association in the Netherlands), as it works on the principle of one member one vote, and is owned and controlled democratically by its members. Many of its members are also cooperatives, although many adopt other legal forms to protect their social mission; for example, Mahaguthi in Nepal does not allow profits to be extracted, and Sasha in India has a board made up of producers. WFTO Chief Executive, Erinch Sahan, explained that '*such governance adaptations are the norm to build a business model that is commercially nimble, can meet local legal requirements, while also locking in the mission*'. (Personal interview).

Fair trade starts with producers working together in democratic organizations to build stronger businesses that can compete in international markets and secure improved terms of trade. Global Mamas is one example of a fair trade producer and sales organization based in Ghana and certified by the WFTO and the Fair Trade Federation. Founded in 2003 when small business advisers were asked by six women entrepreneurs to help them find new markets for their textile products, the women united to produce and export textile products under a common brand, Global Mamas.

By 2018, there were over 350 women employees and business owners operating under the Global Mamas brand, working in six specialized centres across the country (two for textiles, one for recycled glass beads and three for shea butter and soap). Global Mamas provides training and support, manages production distributes the women's products to around 400 shops in 21 countries and online, and provides customer service. Training teaches skills to improve production innovation and quality, leadership, financial goal setting, business management, marketing and sales.

Global Mamas joined WFTO in order to access and strengthen their credibility in fair trade markets and with retailers in North America, as it evidences their fair trade credentials. The co-founder explained that while they were set up as a producer group, fair trade marketing organizations were not interested in representing or marketing their product (apparel) in North American and European markets, so Global Mamas ended up managing its own distribution. In this case, according to co-founder Kristin Johnson, '*fair trade membership opened doors to sell directly to stores*' (interview with Kristin Johnson).

Improvements in poverty and wellbeing

On their website, WFTO estimates that an average member organization based in a developing economy contributes to 650 livelihoods. In 2018, the wider Fair Trade movement's 1,707 fair trade certified producer organizations covered 1.7 million farmers and workers in 73 countries. A review of evidence on the impact of fair trade found it had a positive impact on the incomes of certified producers and workers, through minimum price mechanisms and direct price benefits (Darko et al., 2017). In particular, the review found that certified producers benefited from higher prices during periods of low market prices and that fair trade certification had led to more environmentally sustainable farm practices. It also found that the Fair Trade Premium had wider community benefits, including investments in local infrastructure, health and education services; water and electricity supply projects; and scholarships, loans, services and payments to members and their families (Darko et al., 2017).

According to other research, farmer cooperative members in Ethiopia had higher incomes, more savings and reduced input costs than non-members; in Kenya, cooperative members had higher incomes and greater levels of innovation; and dairy cooperative members in Bangladesh had higher incomes than non-members (Jennings et al., 2018).

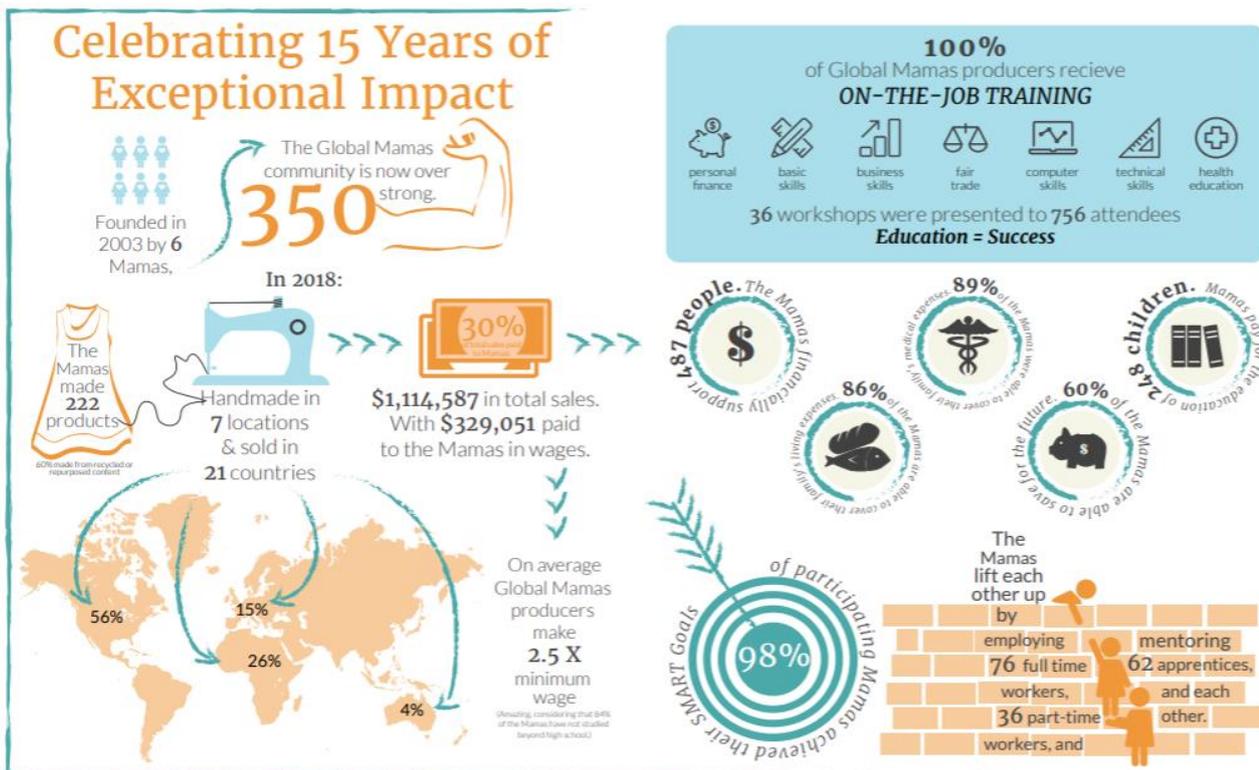
Research by Oxfam in Mali, Tanzania and Ethiopia showed that women working together in agriculture-based enterprises typically earned 70–80% more than their counterparts working alone and had increased access to credit and market information. In some women's groups, members benefited from increased freedom of movement, and in others from increased control of household expenditure or income. Women in large mixed cooperatives were more likely to gain access to inputs, services and government support, but those in small, informal women-only groups were more likely to gain confidence, leadership skills and build up savings (Jennings et al., 2018).

Global Mamas define prosperity beyond financial wellbeing, including happiness and good health, but focus their impact indicators only on those who receive direct economic benefits from the organization. This, explained co-founder Kristin Johnson, is '*for our own transparency and values, to avoid over-reporting or taking credit for results that we cannot clearly attribute to their work*' (Personal interview with Kristin Johnson). The incomes of Global Mamas' producers and employees are more secure, regular and higher than many other workers in the country, with wages on average 2.5 times the national minimum wage and 30% higher than producers in equivalent trades in Ghana (Global Mamas 2018). Global Mamas' employees receive extra pay for any hours worked over a 40-hour week, and 13% of their salary is paid in social security contributions, providing access to free national healthcare and pension benefits. They are also entitled to 12 weeks paid maternity leave (Global Mamas, 2018).

Global Mamas recognize that these impacts have ripple effects, with many more people receiving economic benefits, training and support than reported, although they don't monitor that. Kristin Johnson explained that, over the years, Global Mamas has shifted from focusing just on incomes to focussing on regular, steady incomes. In doing this, she says, 'you see a difference in the impact that the women can have on their families', with more self-sufficiency and confidence to save and invest. She goes on to say that women 'start to move along a pathway from covering basic needs to taking care of family to taking care of others in the extended family and then finally to investing in business, proactive health management, and saving for future – usually through buying land and building a home.' It is this 'hierarchy of impacts' that tells the real story of change, she argues. (Personal interview with Kristin Johnson)

The Global Mamas 2018 annual report states that 86% of its mamas were able to cover their family's living expenses, and 89% were able to cover medical expenses. Mamas financially supported 487 people, employed 76 full-time and 36 part-time workers, mentored 62 apprentices, and paid for 248 children to go to school (Global Mamas, 2018).

Figure 5: Impact indicators from Global Mamas Annual Report 2018



STRUCTURAL CHANGES

Conventional business models prioritize short-term financial returns often at the expense of workers, communities and the environment. Fair trade seeks to address this key structural cause of poverty by fostering

alternative business models that integrate social and environmental goals to the benefit of people and the planet and prosperity. They work by:

- **Creating longer-term, more stable investments:** Cooperatives have a non-transferable share capital, which limits short-term volatile investments.
- **Creating social and environmental benefits:** WFTO members integrate social and environmental objectives into their missions, rules and structures in order to help create social and environmental benefits, as well as financial. Through WFTO membership and auditing, Global Mamas, for example, has strengthened its environmental sustainability by shifting its materials to fully organic or recycled sources, developing systems for sustainable disposal of batik waste water and changing its distribution model to use less air cargo, investing more in local fair trade markets at the same time. Cooperatives rules can also ban dividends and cap interest paid to investors, meaning that more surplus can be reinvested in the social mission. They may also contain an asset lock to ensure that if the organization is wound up the profits are not shared among shareholders but given to an organization with a similar mission.
- **Shifting power and gender relations in production and trade markets:** Alternative business models democratize power relations and shift power to otherwise marginalized producers, including women. For example, by allowing one member one vote regardless of the size of investment, WFTO (like the majority of cooperatives) has democratic membership structures. WFTO and its member organizations also seek to empower producers in other ways. Global Mamas' members are women entrepreneurs who, through increases in income and financial security and mentorship and training, have been able to set and reach personal and business goals, including buying their own land and property. A revolving loan fund enables 'mamas' to invest in new equipment, such as sewing machines, to increase their productive capacity and income. They also receive support on saving and investing, and setting and reaching personal goals.
- **Increasing market access:** WFTO supports its members to access markets and opportunities and strengthen the environment for fair trade. Nearly all WFTO members have sales in Europe and North America, with growing sales in domestic and emerging markets. Global Mamas recognizes that the credibility and access the WFTO verification provides is essential to their business. This includes development of markets for members' products, promotion of members through e-marketplace platforms and facilitating members' access to trade fairs. For example, with support from Misereor, WFTO set up a collective stand for 23 members participating in Ambiente, the world's most important consumer goods trade fair with 133,000 trade visitors from 168 countries, and exhibited 15 members' products at the NY NOW Summer 2018 fair. This continues annually and allows WFTO members to find new buyers and increase sales. In addition, the product label of WFTO (which members own, and cannot be charged a license fee to use) allows these Fair Trade Enterprises to demonstrate their status as fully practicing Fair Trade to consumers

and buyers. This can be an advantage in accessing new market opportunities and winning the trust of buyers and retailers in the fast growing market for ethical products.

- **Raising awareness and campaigning for a more supportive policy environment:** These events, and others such as World Fair Trade Day, are also an opportunity to promote the fair trade model and values to visitors and other exhibitors. Fair trade towns help build support and awareness, and WFTO campaigns aim to relate the issues to important events such as International Women's Day to build deeper engagement and interaction. Advocacy and campaigning on fair trade values and issues has, over the last half century, brought awareness and pressure to bear on exploitative production and trade dynamics. For example, the Fairtrade Foundation estimates that 93% of UK shoppers recognize the FAIRTRADE Mark, and 83% trust it when deciding whether a product is ethical (Fairtrade Foundation, n.d.).

Trade Fair Live Fair is an EU-funded coalition to raise awareness of and support for sustainable consumption and production, which has already resulted in a 2019 EU directive to prevent unfair trading practices by brands and supermarkets. The coalition has run campaigns for government procurement policies to prioritize fair trade, to strengthen monitoring and transparency of supply chains, to promote a living income in cocoa and to increase sustainable sourcing.¹

CHALLENGES AND TRADE-OFFS

There is long-standing evidence that fair trade can be transformative in its impact on individual entrepreneurs and businesses, their wider communities and relationships. However, there is no guarantee that alternative models of business consistently result in producers receiving a greater share of the value of the final product. Many other factors, such as market conditions, play a key role, and there is a risk of businesses failing, whatever their structure. Oxfam notes that there is limited rigorous research with which to directly compare the impact of different business structures and arrangements on producers' income and wellbeing (Jennings et al., 2018).

Fair trade advocates recognize that business structures alone cannot guarantee fair value and social and environmental justice or call for changes to trade, investment, industry standards, regulations and trading terms. Nor can business structures alone ensure support for women's empowerment, ownership and voice. Contextual factors such as land distribution patterns, national labour laws and social gender norms affect the nature and degree of fair trade impacts for different producers and communities.

Fair trade, like any other trade, depends on the dynamics of the market. Producers can only obtain a fair price for their goods and products as long as there is a buyer willing to pay it. Some studies suggest that oversupply of fair trade certification products meant that very little

produce classified as fair trade was actually sold on fair trade markets, in some cases just enough to recoup the costs of certification (Darko et al 2017).

Other studies suggest that weak enforcement of fair trade standards can allow organizations to profit from the certification without meeting the standards and values the consumer expects. Fair trade depends on trust, from consumers who buy fair trade products and from those who invest in new services and programmes. To protect that trust, the movement, and WFTO, are strengthening their standards of integrity, transparency and accountability, and striving for continual improvement through learning from monitoring and evaluation of their work. Erinch Sahan of WFTO explained: *'The vision of WFTO is to guard against co-option of Fair Trade by companies who may want the label for some time, but will only commit to it where it increases their profits, and drop it once it is no longer useful. WFTO is an alternative business model to mainstream profit-maximising models of business, and the verification, label and community is set up around this ambition'* (Personal interview with Erinch Sahan).

For WFTO members like Global Mamas, fair trade and social justice is part of their make-up. Global Mamas states that *'From the very beginning we operated under the principles of fair trade; however we didn't know there was a name for what we were doing'* (Global mamas website). WFTO membership is essential to its operations, to accessing the fair trade markets for its products, and although the costs and workload involved in maintaining the WFTO guarantee are quite high, Johnson explains *'we learned a lot and we learned to document more, which has been helpful as we have grown to new locations'*. The culture of continuous improvement built into the Guarantee System has encouraged Global Mamas to learn and grow, including building a stronger focus on environmental sustainability. They also use the WFTO fair trade principles to monitor the practices of the women-owned businesses they employ.

While there are benefits to a business growing, it can create a tension for some social enterprises, which may have an optimal size above which they would have trouble remaining mission led. Many fair trade enterprises need to stay close to their producers and staff in order to remain embedded in their community and fulfil their social mission. Kristin Johnson of Global Mamas explained that long-term commitment to producers is fundamental to their model, and therefore growth can only be through increasing the pool of producers with whom they work. Rather than *'hop from group to group of producers to build a product line'*, they are committed to the producers and whatever products they want to produce. The WFTO member-owned network structure provides an opportunity for smaller enterprises to enjoy some of the benefits of scale, with a stronger collective voice and visibility, opportunities for networking and support, and for the socially transformative fair trade models and values to be represented at global and regional scales.

DURABILITY

Worker or farmer-owned cooperatives are perhaps the best-known alternative business models, although there are many different legal forms. Research in the UK shows that cooperative businesses are typically more economically resilient, with 72% in the UK surviving their first five years compared with only 43% of companies (Co-operatives UK, 2019). Greater community-based ownership means more people are invested in the long-term success of cooperatives, which, like other models of fair trade enterprises, are underpinned by a common set of values and principles, including employee and community benefits. As the Nobel laureate Joseph Stiglitz put it, '*the first reason for the success of cooperatives is that democracy, just ordinary democracy, is a value in itself*' (Jennings et al., 2018).

Fair trade enterprises have been joined by many mainstream commercial companies that recognize the importance of supporting fair trade as part of their sustainability programmes. Companies come together to strengthen sustainability and resilience in their supply chains, through targeted programmes on issues such as child labour or women's rights for farmers and producer cooperatives. For example, Ben & Jerry's ice-cream supports projects for the farmers that produce the cocoa, vanilla and sugar they use, helping them improve climate resilience, strengthen their cooperatives and increase their incomes.

HOW HAS CHANGE HAPPENED?

PATHWAYS TO SCALE: BRINGING A MISSION-BASED MODEL TO SCALE

As Olivier De Schutter, the former UN Special Rapporteur on the Right to Food, said: 'Fair Trade Enterprises are not just a niche; they are a laboratory for what all business should become. In a world of scarce resources and growing inequalities, the corporate world must reinvent itself.' (WFTO website). The Fair Trade movement seeks to promote alternative business models, supporting enterprises with a social and environmental mission, connecting producers and consumers to transform trade dynamics and building a strong and credible collective voice to push for fairer trade rules and dynamics. Over the last five decades, fair trade has helped develop broader ideas, like social enterprise, inclusive business and ethical supply chains, and helped make mainstream business – and the public – more aware of their social and environmental responsibilities. The movement is engaged in debates

with political decision makers in European institutions and international fora on making international trade fairer.

HORIZONTAL SCALING

The WFTO promotes horizontal scaling in a number of ways. One key mechanism is networking and collaboration. It provides its members with the space and tools to share learning, collaborate, develop new products and access markets. It also aims to give members a collective voice in promoting the principles and products of fair trade organizations. This strategy is key in bringing the model of mission-based enterprise to scale. Many of the members of WFTO are small enterprises, close to their workers and suppliers and rooted in their communities, that have grown out of local needs and demands. Studies have shown a relationship between the size of an enterprise and its ability to coherently meet social and environmental objectives. One review of sustainability in fair trade coffee supply chains, for example, found '*an inverse relationship between firm size and demonstrated commitment to sustainability ideals*'. In its essence, WFTO seeks to meet the needs of these smaller mission-based enterprises through networking, access to markets and the concept of verification of fair trade organizations, providing a fair trade label that covers all of the products they sell.

Another key mechanism of horizontal scaling is labelling. Fair trade labelling – of products and organizations – is one of the core mechanisms of the fair trade system, facilitating consumer choice, providing visibility and enabling fair trade goods and products to be sold in mainstream shops and supermarkets. The first fair trade label was the 'Max Havelaar' label, which was established in the Netherlands in 1988. Within a year, coffee with the label had a market share of almost 3% (WFTO website). In 1997, Fairtrade International was created to set international standards and labelling for fair trade *products*, working with an independent certification and verification organization, FLO-CERT, to monitor the standards (WFTO website).

In parallel, WFTO (then the International Federation of Alternative Trade) developed its own labelling system, the FTO Mark, for monitoring and verifying fair trade organizations, which started being used in 2004. This label aimed to strengthen the credibility of verified member organizations for political decision makers, mainstream business and consumers. In 2013, after the rebrand to WFTO, the new WFTO Guarantee System was launched, with membership application and verification procedures improved and strengthened through including self-assessment, peer review, monitoring audit and the Fair Trade Accountability Watch.² The system can be used to verify the fair trade compliance of any type of trading organization, which is important considering that many WFTO members are small, produce a variety of different products and are dependent on market demands and trends. Members that successfully complete the process become guaranteed members and are able to use the WFTO Product Label on their products.

Figure 6: WFTO's three areas of assessment



Source: World Fair Trade Organization

In contrast to commodity certifiers, such as Max Havelaar and Fairtrade International, the WFTO Guarantee System assesses the whole business, not a specific product, ingredient or supply chain. WFTO producer members are peer reviewed and audited on three fronts: for social conditions that uphold human rights and create positive social impact; for trading practices that ensure such conditions are met, including payment terms and trading relationships; and for structures that embed the fair trade system and ensure the business is set up to empower workers, farmers and artisans. Producer organizations undergo site visits at least every three years and regular monitoring and reporting in between. Members pay for audits on a four-year cycle, but Erinch Sahan explained that the system, built and maintained by members, is *'more nimble than enterprise verification schemes and a fraction of the cost'*. (Personal interview). Members who are fair trade networks must ensure that their members only make well-founded fair trade claims about the products they sell; educate their members about fair trade; systematically oblige their trading and retail members to fulfil their membership requirements, based on the 10 principles; and follow up on complaints about members. According to WFTO, to be a member, *'an enterprise or organization must demonstrate they put people and planet first in everything they do'*. (WFTO website)

The Guarantee System is based on the WFTO Fair Trade Standard, which defines compliance criteria that are linked to a set of principles established by WFTO members and based on the movement's Fair Trade Charter and other international standards. The International Fair Trade Charter is the single international reference and common vision for the global Fair Trade movement, and was established by organizations from across the movement. It was re-launched in 2018, and is

recognized by over 400 organizations, including Oxfam International and 135 WFTO members.

VERTICAL SCALING

The Fair Trade movement was started to raise awareness of trade injustices and imbalances of power in conventional trade structures and to advocate changes in national and global policies to favour fair trade and equitable business models, with the aim of making them the norm.

Over the years, the Fair Trade movement has increased and professionalized its awareness-raising and advocacy work, and the movement now has an advocacy office in Brussels to harmonize and strengthen its influence on European policy. The European Parliament passed several resolutions on fair trade (in 1994, 1998 and 2006) and many European ministers and prime ministers have publicly endorsed fair trade. Ever more public institutions and local authorities include fair and sustainable criteria in their public tenders. Increasingly, representatives from developing countries promote fair trade because it enables small and marginalized producers in their countries to live and work in dignity. Fair trade is increasingly on the agenda of policy makers throughout the world.

The growing presence of fairly trade products in mainstream markets illustrates the power consumers wield in their consumption choices. By informing people about the impact of their buying choices, it contributes to responsible consumption. Fair trade shops have been one of the most effective methods of awareness raising, especially through including producer stories on product packaging and mobilizing consumers to campaign for global justice. The Network of European World Shops (NEWS!) coordinates European campaigning and awareness raising activities and, in 1996, established European Worldshops Day. This is now known as World Fair Trade Day, and is coordinated by WFTO and celebrated every year on the second Saturday in May.

CONTRIBUTION OF WFTO

Research into the impact of fair trade certification has found clear differences in producers' incomes and growth compared with their non-certified peers (Darko et al, 2017). However, some state that it is not clear whether these differences are a consequence of certification or in fact reflect differences in the types of producers and organizations that seek certification in the first place. In relation to environmental impacts, some studies question whether the marked difference in uptake of sustainable farming practices among fair-trade certified producers could be related to the fact that many of them are also certified organic, rather than impacts of the fair trade certification system itself.

Crucially, WFTO members have to demonstrate they are working with economically marginalized people. This means they operate in

communities where it is harder and more complex for businesses to invest. Most members report that they could save costs by relocating or employing better-trained workers. By and large, they measure their business success by their additionality (e.g. working with former prostitutes who otherwise wouldn't have employment, working with refugees who others won't employ or working in slums that large export industries may consider too risky to enter).

FURTHER DETAILS

HISTORY

The WFTO was formed from the International Federation of Alternative Trade in 1989 but grew out of a long history of fair trade dating back to the 1940s and spanning the world.

In the 1940s, two not-for-profit organizations, Ten Thousand Villages and SERRV, in the USA, began importing handicrafts directly from poor producers in Latin America, and the first formal fair trade shop opened in the USA in 1958. Since then, these shops have played a crucial role as points of sale and for campaigning and awareness raising. By the late 1950s, Oxfam GB, started to sell crafts made by Chinese refugees in their shops, and in 1964 they created the first fair trade organization. The scheme was called Helping by Selling and then Bridge.

Over the 1960s and 70s, the Fair Trade movement grew, with alternative trading organizations set up across Europe with the aim of creating greater equity in international trade and to shifting traditional paternalistic models of charity towards greater self-reliance and development, with the motto 'trade not aid'. In this way, free trade advocates supported Southern producer organizations to develop and create fair trade marketing organizations to advise, assist and support them.

In the early days, fair trade organizations mostly traded handicrafts, which are of crucial importance to women-headed households who have limited employment opportunities. However, in the early 1970s, imports of fair trade coffee from small farmer cooperatives began, and this was later expanding to other commodities such as tea, cocoa, sugar and cotton. These products allowed fair trade organizations to open new markets such as supermarkets and health food shops.

Networking between fair trade organizations grew, and in the 1980s two formal associations were created: first the European Fair Trade Association (EFTA), an association of importers in Europe, and the International Federation for Alternative Trade later called WFTO which included producers in the global south. There are also regional and national networks, many of which have become affiliated to, or part of, the WFTO.

In the 1990s new Fair Trade institutions formed to sell products meeting Fair Trade criteria in the mainstream food retail outlets, co-ordinated by an international network, Fairtrade Labelling Organizations International based in Bonn.

ANNEX: AT A GLANCE

<i>Case study name and key organization</i>	<i>The World Fair Trade Organization: Bringing small social enterprise to global scale</i>
<i>Key implementing organisations</i>	The World Fair Trade Organization (WFTO) is a global community of fair trade enterprises with regional boards in Africa, the Middle East, Asia, Latin America and Europe. Global Mamas is a member of WFTO which operates in
<i>Geographical location and type</i>	Ghana: Income: lower middle-income country; 23% of the population live in poverty https://data.worldbank.org/indicator/SI.POV.NAHC Inequality: Palma ratio of 2.3 (WIID, 2019) HDI: ranked 142nd of 189 countries in 2015 (HDR, 2019) Gender Gap: ranked 107 th out of 153 (WEF, 2020) Civic space: 'Narrowed' (CIVICUS, 2019) Fragility: 'Warning' (Fund for Peace, 2019) Climate risk index: ranked 113 out of 181 countries for 1999-2018 (Eckstein et al; 2020)
<i>Time period</i>	WFTO was created in 1989 from fair trade organizations and networks that pioneered fair trade from as far back as the 1940s. Global Mamas was created in Ghana in 2003.
<i>Systemic challenge</i>	Economic inequality Gender injustice.
<i>Type/s of poverty reduction</i>	For WFTO members: income, voice (ownership and control over livelihoods) and fair and dignified work. For Global Mamas: income, voice, education and social security (maternity leave, healthcare and pension).
<i>Scale of poverty reduction</i>	WFTO members include 362 social enterprises – around two-thirds of which have fully completed verification and achieved Guaranteed Fair Trade Enterprise status – and 52% of which have female CEOs. WFTO affects the livelihoods of around 965,700 economically marginalized people, over 95% of whom are in developing countries and 74% of whom women. Overall, the wider Fair Trade movement

	<p>(including commodity certifications such as Fairtrade International) works with over 4,000 grassroots organizations, representing over 2.5 million producers and workers in over 70 countries.</p> <p>Global Mamas directly impacts around 350 women – 90 employees and 260 women business-owners and their employees. These women earn on average 2.5 times the Ghana minimum wage and 30% more than other producers in equivalent trades.</p>
<i>Structural Changes</i>	<p>Company business models and practices</p> <p>Power and gender relations in production, trade and markets</p>
<i>Pathways to scale</i>	<p>Horizontal, through networking and connections and verification scheme.</p> <p>Vertical, through policy advocacy.</p>
<i>Quality of evidence</i>	<p>Global Mamas' impact on the pay and conditions of employees and suppliers in Ghana is evident in the pay rates and conditions they provide to workers. More widely, WFTO collect data on the adherence of their members to fair trade principles, but did not share evidence about the impact of WFTO verification on producers or the environment. However, there is wider independent research about the benefits of fair trade and cooperative enterprises from which positive impacts has also been inferred.</p>

NOTES

1 For more information on Trade Fair Live Fair, see <https://wfto-europe.org/trade-fair-live-fair-project-a-look-back-at-2018-and-important-results/>

2 Fair Trade Accountability Watch is an online system that allows WFTO members and the public to raise issues or concerns about a member's compliance with the standard in order to strengthen the robustness and ownership of the Guarantee System.

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