1 Introduction

Coffee farmers in the Andes are finding new export markets for their organically grown crops through fair trade channels. Citrus growers in South Africa are reducing pesticide use prompted by new requirements from European supermarkets. Both are examples of a new type of environmentally-driven trade, which is starting to impact upon increasing numbers of producers in the South. These and a wide range of other examples clearly represent a positive step towards more sustainable patterns of production in developing countries. But what has rarely been asked is whether they contribute to poverty elimination and broader based development: in sum, who benefits from environmentally-driven trade?

Linking trade, the environment and poverty elimination

As the 1990s have progressed, so international flows of goods and services have become increasingly affected by environmental requirements. European governments are setting health standards for products – such as food and clothing – which affect the human ecology of production across the globe. Consumer demand for organic products is opening up new trade opportunities for producers in the South. Corporations are integrating environmental specifications into their supplier policies and some are beginning to demand independent verification of performance as a condition of doing business, notably in the forest products sector.

Behind all of this is a growing recognition that making today's patterns of production and consumption sustainable will result in substantial changes to the international flow of goods and services. This shift carries both risks and potential rewards for the developing world. In Britain, the Government has announced that it intends to encourage the integration of environmental factors into world trade and turn this to the advantage of the South.

"The Government will work with producers and importers to increase trade in sustainably produced products and services from developing countries".

DFID, 1998[1]

But the repercussions of this environmentally-driven trade (EDT) are contentious. Developing country governments have repeatedly expressed fears that integrating environmental factors into trade could result in a new wave of protectionist barriers, only adding *'further burdens'*, in Nelson Mandela's words, to exports from the South[2]. A fundamental lack of trust in the intentions that lie behind the trade and environment strategies of the industrialised world - justified to some extent by a series of unilateral measures taken by the USA in particular - has resulted in continuing policy deadlock at both the World Trade Organisation (WTO) and the United Nations. If this deadlock is to be broken, then a clearer demonstration of the links between trade, environment and development will be required.

As yet, there is no general understanding of the social impacts of environmentally-driven trade or the distribution of benefits. The reasons for this are perhaps understandable. environmentally-driven trade is new, fast-moving and diverse. The impacts on producers in the South of mandatory regulations and the opening of new market opportunities are likely to be very different. The consequences of new environmental requirements can differ significantly between market sectors and countries. Equally, the capacity of producers to respond will depend considerably on their size, resources and influence within the supply chain. Individual performance will also rely on the regulatory systems in which a company operates and its surrounding support networks – in terms of availability of information, advice and alternatives.

Pressure is mounting, however, to fill this analytical vacuum. Citizen groups engaged in trade are starting to focus on the links between environmentally-driven trade and other movements – for example, those promoting the interests of primary producers in the South (such as fair trade) or seeking to apply core labour standards to suppliers (such as ethical trade). Increasingly, governments in the North recognise the importance of understanding how environmentally-driven trade can contribute towards the elimination of poverty in the South in order to broker a deal at the WTO. And corpo-

rations are becoming interested in the efficiency gains to be achieved from a more integrated approach to social and environmental sourcing.

The report

Who benefits? is a first attempt to increase understanding of the social impacts of environmentally-driven trade. The report is based on a one year scoping initiative carried out by IIED. The aims of the exercise were two-fold: first, *'to assess the extent to which environmentally-driven trade contributes to poverty elimination in producer communities'*; and second, *'to learn lessons from fair trade initiatives for promoting a more equitable distribution of the benefits'*. The research involved a mix of reviewing existing materials, dialogue with key players in the UK and Europe and commissioning five background reports to gain new insights from actual experience. Our research method was guided by a realisation that as new forms of trade have become established in the marketplace, so policy and research interest has grown, resulting in an emerging *'interview fatigue'* among environmental and fair trade organisations. Rather than engage in another externally driven enquiry, IIED decided to work with a limited number of organisations and individuals active in the field, who shared our concern about improving impact assessment.

In order to throw some light on the social impacts of environmentally-driven trade, two studies were commissioned, one focusing on a small agricultural cooperative in Venezuela which exports organic coffee, the second analysing the introduction of integrated pest management to citrus farms in South Africa. To gain an understanding of how fair trade initiatives work to bring benefits to producer communities, assess their impacts and respond to environmental issues, studies were commissioned from two key UK fair trade organisations Twin and Traidcraft. In addition an analysis was carried out on the status of environment and socially-driven trade in Germany in order to gain some comparisons with the British situation. Summary details of the reports are contained in Box 1.

Bart Pauwels

Organic coffee from Quebrada Azul cooperative, Venezuela en route to the Dutch market

The rest of this report presents the findings of the research. The first two sections deal with environmentally-driven trade, starting with an overview of some of the key trends pushing environmentally-driven trade (Section 2) and then looking in more detail at the impact of environmentally-driven trade in particular cases (Section 3). The experience from the fair trade movement in benefit-sharing is then explored along with a review of the need for participatory monitoring systems (Section 4). The report closes with a review of the lessons learned and four key priorities for future research and action.

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Nick Robins, Sarah Roberts, Jo Abbot

Box 1 Background reports for **who benefits?**

The benefits of environmentally-driven trade to producer communities: organic agriculture in Venezuela

Bart Pauwels, CODESU

Cooperation for Sustainable Development (CODESU) is a rural development organisation based in Merida, Venezuela. Since the early 1990s, it has been working with Quebrada Azul, a farmers' cooperative that has made the shift to organic coffee production and gained access to fair trade marketing channels. The report describes the context of small-holder farming in the Andes and how the crisis in the coffee sector led to the establishment of a collective effort to help farmers regain control over their lives. In the process, the cooperative became a pioneer for the country as a whole.

A social assessment of integrated pest management in the South African citrus industry

Penny Urquhart

South Africa is an important producer of citrus fruit, accounting for 7% of world exports. As well as having to meet pesticide residue regulations in many markets, citrus farmers are having to respond to demands for integrated pest management farming from European buyers. The study examines how farmers have managed this new requirement, how it relates to the drive to attract new black farmers and the impacts on male and female farmworkers.

Traidcraft and the environment

Rob Lake, Traidcraft Exchange

Traidcraft was established in 1979 to provide trading opportunities on fair terms for disadvantaged producers in the developing world. Its trading arm, Traidcraft plc, had a turnover of nearly £8 million in 1997 and its charitable wing, Traidcraft Exchange, provides capacity strengthening for partner organisations in the South. The report focuses on Traidcraft's four-fold strategy on the environment: providing market opportunities for producers already integrating environmental protection into their operations; exploiting new market opportunities; overcoming potential environmental obstacles; and seeking to ensure that no producers' activities are environmentally harmful.

Jacques Marais/Traidcraft

A member of the Eksteenskuil Farmers Association which sells dried fruit to Traidcraft

The convergence of environmental and social trade: the German experience
Norbert Weissmann, SCC
Drawing on experience of the Network of Eco and Fair Trade initiatives in Germany, the study reviews the emergence of social and environmental factors in trade, and presents a series of regulatory, citizen and corporate case studies.

Photo: Twin

Packing fair trade cocoa

What benefit the producers? A qualitative assessment of fair trade
Anne Lavender, TWIN and TWIN Trading
Launched in 1985, Twin is a UK-based fair trade organisation, working with about 20 partner organisations in Latin America and Africa in a range of sectors to promote 'development through trade'. Twin has also helped to establish two alternative marketing companies, Cafédirect and the Day Chocolate Company. The report describes the origins of fair trade and the emergence of impact assessment as a priority. It also reviews the tangible and intangible benefits of fair trade for producer communities and looks at the 'what' and 'how' of Twin's partnering relationships.

2 The growth of environmentally-driven trade

This section reviews the extent of environmentally-driven trade between North and South, explores the factors behind its growth and outlines some of the moves towards social and environmental convergence in trade.

The widening scope of environmental trade

The globalisation of trade and investment is increasingly accompanied by an extension of social and environmental responsibility to distant places. One result is the growth in the volume and range of internationally traded goods affected by environmental criteria. To date, environmentally -driven trade has mainly been concentrated in the natural resource-based sectors of agriculture, fisheries and forestry, along with a number of manufacturing branches, notably electronics, paper and textiles. But the sectoral scope is broadening all the time, as new concerns come to the fore and increasing numbers of companies across all sectors are implementing environmental management systems such as ISO 14001, with potentially significant implications for their supply chains. Furthermore, there is a range of cross-sectoral environmental challenges facing traders from the South, notably packaging and, potentially, climate change in the future.

"Environmental consciousness has to be considered as part of the globalisation process, and any future international trading strategy has to take this factor into account".

B.Bhattacharyya and L.D. Mago, Indian Institute of Foreign Trade[3]

Some sectoral highlights include:

Agriculture

Two parallel initiatives have affected international agricultural trade: first, the explosive growth in demand for organic produce; and second, continuing retailer efforts to minimise their exposure to consumer health and safety risks.

Organic produce has commanded premium prices in niche markets in Europe, Japan and North America for several decades. But in the 1990s, organic markets have seen considerable growth rates and increased interest from the mainstream. The world market for organic produce is currently estimated at US$ 11 billion (1-2% of the total food market), around US$ 500 million of which comes from developing countries. In the US, the organic market has been growing at 25% per year for the past five years and is now worth US$ 4.5 billion[4], while in the UK organic food sales are growing at an annual rate of 40%[5].

The Soil Association estimates that by 2002 the UK market will be worth £1 billion in retail sales, accounting for 7-8% of the food market[6]. The use of the organic label is tightly controlled, third party verification is required for a product to legitimately be termed organic and many governments have strict legislation setting out what is and is not allowed under organic conditions. For developing countries, organic trade presents a range of challenges (Box 2).

Much less visible is the trend towards the use of integrated crop management (ICM) and integrated pest management (IPM) practices in conventional production. Although not organic, these approaches substantially reduce the amount of pesticides and herbicides used. Major retailers are increasingly requiring the agricultural products that they buy to be produced under ICM or IPM conditions, in order to be certain that the produce in their shops has minimal chemical residues. For example, at Sainsbury's, a major UK food retailer, 49% of the overseas crop types are now covered by ICM protocols[7].

Forestry

Potentially significant markets for environmentally friendly wood products exist in a number of industrialised nations, primarily in Europe. Since the early 1990s, forest certification schemes have been established to provide an independent guarantee to companies and consumers that products have

Box 2 Going organic in the South[8]

The growth in organic trade often provides a new opportunity for developing country producers to farm in the way that they want. According to Annette Bernd, a former food project consultant to the German fair trade organisation Gepa, *'the most important precondition for successful organic farming is the motivation of the farmers.. they must be convinced that they will profit from ecological farming in the long term. This is generally not a problem. For many producers, conservation of nature is part of their cultural tradition'.* But simply growing in an organic way is not sufficient to achieve export success.

The strong demand for organic products in the UK wholesale market has prompted Traidcraft Exchange to explore opportunities for producers with which it is working to obtain organic certification. While some small producers are 'organic by default' in that they cannot afford chemical inputs, certification is necessary to capture the significant price premium that organic produce can command.

However, certification can be a significant barrier. For example, Twin has found difficulties gaining a market advantage for organic honey from one of its Mexican partners. Obstacles in the certification process has led Twin to conclude that '*the exhortation to be organic does not always translate into accessible systems for the poor who can most quickly and directly benefit and qualify*'. In the case of the Tabora Co-operative in Tanzania, Traidcraft was able to obtain organic certification for honey production. But although Tabora honey is certified, the product label does not carry the organic mark. The label was designed before certification was obtained and has not been updated, due to lack of market demand from customers. Furthermore, while the beekeeping is organic and the income it generates provides an economic incentive for forest conservation and sustainable use, the overall sustainability of current forest use in the area is uncertain.

Traidcraft Exchange is now in discussions with the Soil Association to develop a scheme to build local capacity for organic certification of small farmers in southern Africa. Although this is at a very early stage, it has already been established that some organic standards may require adaptation to local circumstances. For example, the requirement to maintain uncultivated field margins of a specified width may be inappropriate for farmers with very little land.

Furthermore, the economic viability of organic conversion will depend on circumstances for individual products and even individual farmers. If lower yields after organic conversion are not outweighed by price premia, there will be no economic benefit. For example, the Herkulu tea estate in Tanzania was unable to find a sufficient market for the very expensive tea it was producing after organic conversion a few years ago. It has now reverted to non-organic production – and is one of the suppliers of tea for a new fair trade brand, Teadirect.

A hard-headed approach to organic trade is therefore required. While opportunities are certainly available, organic production is by no means a panacea or appropriate for all farmers. To be successful, it has to be supported by a package of policy and other measures that enable farmers, particularly smallholders, to gain the benefits of this premium market.

been sourced from well managed forests. Globally, the dominant certification scheme is the Forest Stewardship Council (FSC). In the UK, one of the most well developed markets for FSC products, around 100 companies, accounting for about 15% of the £4 billion UK market have committed to stock only FSC labelled wood products. Conservation organisations are also working to stimulate trade in sustainably sourced non-timber forest products (see Box 3).

Box 3 Stimulating a sustainable trade in non-timber forest products

Conservation International (CI), a US-based NGO, has been working with communities in Latin America living in areas of high biodiversity to develop trade based on natural products. CI's strategy is based on the premise that *'people will preserve their natural resources if they have an economic motivation to do so'* and is steered by four guiding principles:[9]

- the enterprise must fulfil a conservation objective and be ecologically sustainable
- the enterprise must provide financial benefits to the community
- the enterprise must be financially viable
- local capacity must be sufficient to manage the enterprise

The actual enterprise structure must be decided by the participants, with CI outlining the advantages and disadvantages of the different options which exist under national law and aiming *'to ensure that there is proper recognition of community interests and tangible contributions to programs of general benefit'*. In order that the ownership and management structure of the organisation combines motivation for entrepreneurs with ecological benefits, CI usually signs a contract with the community which *'acknowledges its primarily economic interest and CI's primarily conservation interest and defines ways that both will be supported by the other party'*.

One of CI's best known trade projects is the Tagua Initiative, which links rural harvesters of tagua nuts in the Comuna Rio Santiago-Cayapas in Ecuador – an area of high biodiversity and extreme poverty – to the international market in buttons. Between 1990 and 1996, over 70 million buttons with a wholesale value of over US$ 5 million were sold through the initiative which is now being extended to other sites in Latin America. This has sustained 1,000 jobs and created a further 1,800 and led to producers being paid higher than average prices for the nuts. Conservation International has captured a 5% premium from wholesale sales which has resulted in more than US$ 300,000 being invested in local enterprises and community development work related to conservation activities.[10]

Textiles

The textiles sector has seen a steady drive to reduce the use of toxic chemicals, particularly in the dyeing process. Government regulations initiated in Germany to ban or limit the residues of chemicals in clothing products have been accompanied by the introduction of environmental sourcing policies by individual companies (such as Marks and Spencer and C&A) along with the establishment of independent certification schemes, notably the Oeko-Tex Standard 100. Since 1992, more than 5,900 Oeko-Tex certificates have been awarded to textile producers, driven by demand from clients in European markets. Currently, more than 20% of the Oeko-Tex certificates issued are in Germany and about 10% in the developing world. But lack of awareness of the German regulations and the speed with which they were implemented raised considerable concerns among producers in the South (see Box 4).

Photo: Traidcraft

A tie dye master craftsman in the Kutch district of Gujarat

Box 4 Supporting manufacturers to phase-out azo dyes[11]

Uncertainty about the dates of the phase-in of the requirements, coupled with confusion about which dyes were restricted and a lack of approved testing systems meant that the German ban on azo-dyes caused real difficulties for many developing country textile producers. In response, the European Fair Trade Association (EFTA) launched a project in 1996 to:

- Inform producers of the health and environmental risks associated with azo dyes, and of the requirements of European legislation
- Audit processes and dyes used and advise on alternatives
- Identify problem areas and training and resource needs of producers
- Identify sources of alternative dyes, training and testing facilities and useful contacts in each country[12]

More than 80 textile producers were contacted and visits made to producers and their intermediary organisations in Bangladesh, Bolivia, Guatemala, India, Indonesia, Tanzania, Thailand and Zimbabwe. The main problems facing producers in responding to the German ban were the higher cost of non-azo dyes and the high cost of testing for dye residues. Producers also found difficulties in obtaining information on dye types because of the nature of dye supply chains. A further problem was linked to the fact that only the

German and Dutch markets were affected by the ban and hence the minimum orders accepted by dye wholesalers for approved dyes were far above producers' requirements.

The primary source of information and advice for many producers came along the supply chain from their clients in Germany. According to an environmental representative at Otto Versand, one of Germany's leading mail-order companies, the company's approach to the azo-dye issue was based on principles of co-operation and partnership: *'it was not enough to tell our suppliers what they must not use; we also gave positive lists of safe dyes. As a result, there were no negative impacts on our small suppliers'*.

The ability of producers to respond was crucially affected by the sophistication of the domestic chemical industry. In countries with a well-established chemical sector, such as India, there were few lasting problems. Traidcraft has followed up the EFTA project by working with International Resources for Fairer Trade in India to raise awareness and provide advice to producers on alternatives to azo dyes and by encouraging the use of natural dyes in the products it purchases.

Phasing out azo dyes certainly brings health and safety benefits for both workers and consumers, however greater coordination is required between regulators, buyers, producers and input suppliers to minimise unnecessary repercussions on developing country producers. The European Union is now planning the introduction of a Europe-wide ban. If this is to go forward effectively, then a far greater degree of prior assessment of the possible social impacts will be required. Otherwise, producers will continue to see such measures as merely *'taste protectionism'*, in the words of Michaela Kyere, Gepa consultant for handicrafts in Germany.

Pressures for environmentally-driven trade

Environmentally-driven trade between North and South is being driven by a number of forces, principally:

- Pioneering producers in developing countries who see improved environmental performance as central to their mission and exploit market openings in international trade to sustain their enterprise. Examples include Agrocel Rural Development Foundation in India who have helped farmers increase their exports through the use of more environmentally sensitive production techniques; the Solomon Western Island Fair Trade (SWIFT) initiative, a timber cooperative which has gained FSC certification; and Quebrada Azul, a Venezuelan coffee cooperative who are accessing both organic and fair trade markets (see Section 3).

- Public pressure by citizen organisations to raise the environmental performance of imported goods has been a major force for change, involving consumer boycotts (eg forest products), corporate campaigns and the design of codes of good practice (such as for bananas and flowers).

- Regulation in industrialised countries, particularly to ensure consumer health by restricting toxic residues (eg azo dyes or pesticides) or screening production methods (eg phyto-sanitary controls for aquaculture). Waste management requirements, particularly for packaging and electronics, have also had impacts down the supply chain.

- Buyer requirements to incorporate environmental criteria in supplier specifications are becoming increasingly widespread and significant. Buyers are often driven by risk and reputation management concerns rather than direct evidence of consumer demand. As a result, retailers are specifying environmental criteria that must be met for all purchases and not just a limited green niche. Government agencies are also engaged in initiatives to green public procurement.

- Consumer demand has matured since the 'green consumer' days of the late 1980s. It is unpredictable but is increasing for certain product categories, such as organic produce, and remains strong for a limited range of eco-labelled products (for example, recycled paper and low emission paints).

- Donor support from both governmental and non-governmental organisations agencies is also a stimulus for change, helping to underwrite the costs of transition to higher environmental standards in developing countries.

In most sectors where environmentally-driven trade is significant, a number of factors have been in play simultaneously. This is shown in Table 1, where the shaded boxes indicate the key drivers in the growth of four cases of environmentally-driven trade.

Two examples demonstrate the mix of factors at work.

Table 1 Drivers of change

	Organic	Integrated Pest Management	Forest Stewardship Council	Eco-Textiles
Producers	■		■	
Regulation		■		■
Public Pressure			■	
Consumer Demand	■			
Buyers		■	■	■
Donors	■		■	

Organic trade has always been sustained at a relatively low level by a combination of pioneering producers and committed consumers, driven by their belief in the underlying ethos. Donor agencies are supporting a variety of organic trade initiatives from developing countries, notably Germany's Biotrade programme and Sweden's EPOPA scheme.

However, what is beginning to take organic out of the niche market is the interest from more mainstream consumers and retailers. One major factor in this development has been the increasing number of health scares including pesticide residues, BSE and genetically modified organisms. Organic sales in the UK have increased by 40% over the past year, partly reflecting the recent controversy over GM foods[13].

As demand for organic produce continues to rise, so retailers are developing their own initiatives with developing

countries. In May 1999, Sainsbury's announced that it was developing a long term partnership with the Windward Islands to investigate the possibility of *'converting an entire island to organic production'*. This move is driven by a combination of increasing demand for organic bananas, the Windward Islands principal product, and Sainsbury's desire to increase the availability of exotic fruit such as mangoes, star fruit and passion fruit[14].

Initially, the main factor behind the increased sales of FSC certified timber was NGO pressure, both in terms of raising awareness of forest management problems and the development of a market mechanism to provide incentives for sustainable forest management. Once the FSC was established, the role of buyer groups committed to purchasing FSC certified timber became increasingly significant. In the early stages of the development of the FSC, some companies paid for or subsidised the cost of certification for groups in developing countries, one of the best known examples being B&Q's support to the Bainings community in Papua New Guinea. Now business interest in ensuring supply is more likely to manifest itself as pressure on its supply chain to provide sources of FSC certified timber at a competitive rate.

Towards social and environmental convergence?

Environmentally-driven trade is not taking place in a vacuum. In many cases, environmentally-driven trade is now operating alongside the rapidly expanding efforts to improve the social performance of trade from the developing world, notably through the fair trade and ethical trade movements. Furthermore, there are now growing pressures for a convergence of social and environmental tracks – holding out the promise that environmentally-driven trade could expand to become more attuned to development needs and poverty reduction.

Fair trade first arose in the 1960s among church groups and solidarity organisations as a response to unequal exchange

between North and South in international markets. Fair trade aims to redistribute the risks and rewards of trade in favour of excluded and disadvantaged producers in the South by providing better trading conditions, by awareness raising and by campaigning[15]. Fair trade has grown from a small niche market for handicrafts and foodstuffs – often of variable quality – to a strong, if small, presence of high-quality, premium-priced products in mainstream markets. Estimates suggest that retail sales of fair trade products in Europe and North America now amount to US$ 500 million per annum[16]. In Europe fair trade sales are growing at 5% per annum and certain fair trade products have captured significant market share, for example 8% of the bananas sold in the Netherlands carry the fair trade label[17].

Photo: Traidcraft

Buying fair trade coffee

What is being termed ethical trade is a more recent phenomenon and aims to ensure that a set of core labour standards - often defined by a series of ILO Conventions - are being met in mainstream supply chains. Ethical trading initiatives have often been established in response to public pressure for European and North American corporations to take greater responsibility for the conditions of their subcontracted workforce in the South. Internationally, the SA8000 standard of the Council of Economic Priorities Accreditation Agency is making headway. In Britain, the Ethical Trading Initiative, a tripartite venture between business, trade unions and development organisations has established a base code of labour practice. As with environmentally-driven trade, considerable differences and, sometimes tensions, emerge between goals and methods of the different initiatives in the social arena.

Although efforts to improve the social and environmental performance of trade have developed in parallel, there is increasing blurring between the two. At one extreme are environmental initiatives which pay no attention to the social

conditions of production (for example, the Oeko-Tex standard or the EU Eco-label). Some standards for fair trade products contain minimum environmental measures, although this has not been the main focus of such initiatives. Some products are carrying multiple labels to demonstrate that they are both environmentally and socially sustainable and gain the market benefits of both. This is particularly notable for fair trade products, around two-thirds of which also carry the organic label in the UK.

Pushing this drive for convergence are a variety of pressures. Often there is a practical overlap between issues covered by social and environmental schemes, most notably in the case of worker health and safety. There can also be a commonality of goals between citizen groups promoting social and environmental trading. From a market perspective, there is a need for clarity as many consumers perceive fair trade products to be environmentally-sound and vice versa. There is also a cost imperative, and the potential that integrated systems could release efficiency gains, for example, through single inspections. For producers, there is an added advantage of convergence if this means getting a 'double dividend' of price premiums for both organic production and fair trade, for example. Finally, as the variety of initiatives to improve the quality of trade expands, so some form of cross-fertilisation is needed if the wider goal of sustainable development, bringing together social justice, environmental regeneration and economic prosperity, is to be achieved[18].

Approaches to convergence

There are now increasing efforts to develop a more integrated approach. In 1998, for example, the International Federation of Organic Agriculture Movements (IFOAM) agreed a set of social criteria, which would ensure compliance with ILO Conventions. At the Biofach organic trade fair in Germany in early 1999, there was open discussion about the practicalities of merging fair trade and organic standards. Many new standards cover a range of sustainability issues as exemplified by the International Banana Charter issued in

1998 and the International Code of Conduct for the Production of Cut Flowers. Below are three snapshots of current approaches to convergence from the research, NGO and policy communities.

Researching convergence[19]

In early 1999, driven by increasing fears about 'label fatigue' from consumers and producer frustration at the number of different certification systems available for the same product, the US-based Institute for Agriculture and Trade Policy initiated a project to look at ways that the organic, fair trade and forest stewardship certification systems could collaborate to increase efficiency and bring down costs.

Common environmental and fair trade labels in the UK

Using shade grown coffee as an example, the project compared the Fair Trade Labelling Organisation's (FLO) standards with those of the International Federation of Organic Agriculture Movements (IFOAM) and the Forest Stewardship Council. In addition, the project examined the work of Certi-Mex, a Mexican organic certification agency, and SmartWood and their Mexican partner CCMSS, as examples of organisations applying the international organic and FSC criteria to the specific conditions in Mexico. In March 1999, inspectors carried out a joint inspection of Mexican shade grown coffee producers according to organic, FSC and fair trade standards.

The joint inspection revealed that although each system clearly has different areas of key focus, there were large areas of overlap in both the criteria and in the inspection and monitoring processes. Table 2 below, compares the coverage of environmental, social, economic and organisational issues in the organic, fair trade and forest management standards.

Table 2 Comparing certification systems

Issue Area	**Fair Trade** (FLO)	**Forest Management** (FSC, SmartWood, CCMSS)	**Organic** (Certi-Mex, IFOAM)
Environmental			
Ecosystem Health and Biological Diversity	✓ Promotes production techniques that respect specific ecosystems	✓ Emphasises broad ecosystem perspective Standards for protecting special conservation areas.	✓ Emphasises impacts within production and processing systems. Standards to protect special conservation areas. Coffee must be grown under diversified shade (Certi-Mex)
Landscape Management	✓ Commitment to conservation and sustainable use of natural resources	✓Most comprehensive criteria for landscape management in general. Covers soil conservation. Criteria for watershed management emphasises bigger picture	✓ Demand for firewood must not lead to deforestation. Most comprehensive standards for soil conservation. Comprehensive coverage of water use and disposal in coffee processing
Harvesting and Planting/ Regeneration		✓Strong criteria for most fair trade products but not for coffee	✓Specific standards for harvesting and planting/regeneration
Chemical Inputs and Pest management	✓ Avoidance of chemical inputs where possible	✓ Focus on avoiding chemical inputs where possible and promoting non chemical methods of pest control.	✓Most comprehensive criteria prohibiting chemical inputs and encouraging the use of biological, cultural and manual/mechanical pest control
Social			
Worker/member conditions	✓Comprehensive coverage	✓	✓
Producer/ community relations		✓Comprehensive stakeholder approach	
Decision making/ rights to organise	✓Organisation must be democratically organised	✓CCMSS more detailed than FSC/SmartWood	✓
Minimum pay/ return	✓ Social premium and minimum price	✓	✓

Land tenure		✓	
Participation of Women	✓ Comprehensive coverage	✓In CCMSS criteria	✓In terms of equal opportunities and wages
Child labour			✓
Economic			
Economic Viability	✓	✓	✓
Value Adding		✓	✓
Quality Control	✓Sample is requested	✓	✓
Diversification	✓ Avoid dependence on one crop	✓Avoid dependence on one forest product	✓Avoid dependence on one crop
Access to credit	✓		
Organisational			
Management Plan	✓ Comprehensive for commercial plan	✓Most comprehensive overall	✓Comprehensive in technical programme and plans
Management Effectiveness	✓ Comprehensive for internal organisational development	✓	✓Use of internal control system
Transparency and accountability	✓	✓Most comprehensive for public disclosure of information	✓
Training and Support	✓Takes a more active role	✓Looks for evidence of adequate training of members/workers	✓ Development of system of "peasant inspectors"
Chain of Custody/ Product Flow	✓Volume based system	✓Individual product based (for timber products)	✓Volume based system

Source: Sasha Courville, IATP, 1999

This comparison highlights that each system covers almost every issue to some degree. The difference is in the emphasis and detail. For example, while the FSC and IFOAM standards have comprehensive environmental criteria, the forest management standard takes a broader ecosystem perspective with greater emphasis on management systems and landscape issues. The FLO environmental criteria remain relatively abstract with no specified indicators for measuring performance.

In terms of social issues, all systems specify minimum social standards including worker conditions, rights to organise and minimum pay, based on ILO conventions. Certi-Mex goes further than the general IFOAM social criteria to ensure that wages are in line with regional minimum standards and that any child labour does not conflict with educational or other developmental criteria. FLO have the most comprehensive social criteria, designed solely for smallholder organisations. These go into considerable depth to ensure that the organisation functions democratically and transparently and that a social premium is paid. The FSC system puts more emphasis on producer-community relations than the other systems, requiring that the views of a range of forest stakeholders on the impacts of production are taken into account.

All the systems call for economic viability, although for slightly different reasons. FLO's aim is for all its partners to be viable commercial trading partners. In the organic system, there is an emphasis on an adequate return to meet basic needs and the Certi-Mex approach emphasises the need to increase the independence of the production unit. The SmartWood standards describe economic viability in terms of providing an incentive for long term sustainable forest management. All require a management plan with the forest management systems being the most comprehensive in their requirements. FLO's criteria are the most extensive in terms of internal organisational development, while Certi-Mex focuses on product control systems.

Although the project partners felt that the joint inspection was too disruptive to the producers to be replicated elsewhere, it proved to be a very useful learning experience for all involved. Inspectors valued the opportunity to see their colleagues with specific expertise (e.g. assessing the financial health of the organisation, or the sustainability of the production process) in action. The experience clearly demonstrated that the development of systems which allowed information sharing between certifying bodies whilst respecting confidentiality, would avoid considerable duplication and reduce costs.

A number of options are now being considered by the partners in the project including harmonising the formats for information collection and launching programmes for joint inspector training on issues of overlap. For example, a standardised questionnaire of general information required from producers could be collected by the first certifying agency and used by other agencies if multiple certifications were required. Equally, sectional management plans could be developed, the sum of which would cover the requirements of all certification bodies, while specific sections would relate to one type of certification, such as organic. If measures such as these are implemented, there may be potential in the long term for a small team of inspectors to carry out multiple inspections simultaneously.

Convergence in campaigning[20]

At the end of the 1980s, mounting complaints from trade unions and human rights activists in Colombia prompted a series of NGO campaigns in Europe to improve conditions in the cut-flower sector. Concerns about the sector covered social, gender, trade union and environmental themes and attempts were made to integrate them from the start. However, the experience of the flower campaign also highlights the practical problems in developing a comprehensive standard, largely due to company resistance to high social standards (in particular to allow trade union recognition), compared to the early acceptance of technical standards for the environmental aspects of production.

The German Flower Campaign was launched on Mothers' Day 1991 - the best selling day for the flower industry in the year - by an alliance of organisations, including FIAN (Food First Information and Action Network), PAN (Pesticide Action Network), the Consumers Initiative and the Women's Solidarity organisation. A leading scientist from the state pesticide registration authority (BBA) later visited the flower farms in Colombia and confirmed most of the campaign's concerns. Initially, industry resisted change and it took until 1993 before negotiations opened between the campaign and the German Importers Association for Flowers (BGI) on a voluntary obligation to respect workers' rights and reduce risks from pesticides. Negotiations centred round a Colombian Clean Flower Declaration, proposed by BGI, which ultimately proved unacceptable to the NGOs as it only dealt with environmental issues and did not take account of workers' rights and living wages.

The breakdown of negotiations led to BGI introducing its own Flower Label Programme in 1997, which fulfilled many of the campaign's demands, with one exception: the right of workers to join free trade unions. In response, FIAN developed an international code of conduct for the production of cut-flowers with other NGOs, churches and unions. Launched in August 1998, the code aims to *'guarantee that cut flowers have been produced under socially and environmentally sustainable conditions'*.

In January 1999, the Flower Campaign, BGI, the German Association for Florists and the German Trade Union for Construction, Agriculture and Environment finally signed the Flower Label Programme which closely follows the code set out by international NGOs, churches and unions. It has 10 key principles covering:

- freedom of association and collective bargaining
- equality of treatment
- living wages
- working hours
- health and safety
- pesticides and chemicals

- security of employment
- protection of the environment
- no use of child labour
- no use of forced labour

The Board of Directors has one representative from a human rights/environment organisation, one from an international labour federation, a representative of each producer country and one representative of the import trade.

"You need a very deep breath and many partners in North and South if you want to convince the industry that there is no other way but to accept that social and ecological standards have to be respected. Today, I would no longer call our work a campaign: it has turned into something different."

Frank Braßel, FIAN, 1999[22]

Flowers produced under conditions which are verified as meeting these principles can carry a label which reads: *Flowers – Caring for Mankind and the Environment*. Unions and NGOs have the right to carry out spot checks to ensure that the criteria are indeed being met. To date, 200 shops in Germany have ordered roses carrying this label. A similar programme based on the code of conduct is operating in Switzerland with the involvement of two of the big supermarket chains, Migros and Coop, as well as importers and florists. There is also considerable interest from other producers, notably from Africa.

Henning Moeller, General Director of BGI believes that the experience of developing standards in the flower industry could serve as an example to other sectors: *'such a constellation of NGOs and trade associations can be an incentive to other industries as well'*[21].

Convergence in policymaking[23]

In the late 1990s, there was a growing realisation among Germany's environmental policy community of the increasing importance of the social dimension to trade and the need to integrate the issues. Although Germany's Blue Angel Eco-label scheme had become the world's most established initiative with over 4500 labelled products in 79 categories by 1997, no developing country producers had won the award and the scheme only included ecological criteria. A meeting between the Blue Angel board and fair trade organisations in 1996 produced a common agreement that *'the promotion of ecologically and socially sound products from*

developing countries is an important contribution for sustainable development' and that *'ecologically motivated initiatives should include social requests, social initiatives should include ecological requests into their criteria'*. The group agreed that stronger cooperation and networking was required. There were signs that consumers were becoming confused by the proliferation of different approaches, labels and certificates and there was also the danger of parallel developments wasting energy and money. As a result, in 1997, the German Federal Environmental Agency established a new Network on Eco- and Fair Trade initiatives to develop a common strategy between the hitherto parallel movements.

The Network's first step was to establish a database of the various social and environmental trade initiatives. A set of common guidelines and criteria were adopted by a broad-based council representing fair trade organisations, labelling initiatives, environmental associations, campaigns, consumer groups, trade unions and development agencies (such as GTZ). The 11 criteria were based on Agenda 21 and covered: ethical aims, credibility, transparency, participation, third world 'preference', working conditions, health and safety, environmental sustainability, fair trade conditions, economic sustainability, consumer protection and societal engagement.

The Network has held a series of consultations and workshops and found that social and environmental concerns are very often linked in real world situations, such as the flower campaign, work on pesticide use in cotton growing areas and the promotion of organic produce through fair trade channels. All organisations faced common challenges in working with business, such as achieving transparency, awarding premium prices to producers and accepting NGOs in the monitoring process.

The Network has proved to be a useful learning exercise. As one participant from an environmental organisation noted *'the networking of ECO and SOCIAL initiatives opens an excellent chance to jump over the provincialism which is often the restriction of eco groups'*. Although a 'super-

"Networking of different activities will surely stimulate synergies for the benefit of producers in the third world and for the environment".

Meinolf Kuper, Africa – Art of the People

sustainability' standard is unlikely even in the long term, the main social and environmental labelling organisations are now moving towards mixed criteria, which are likely to be rewarded in the marketplace.

Taking stock

Environmentally-driven trade looks set to expand further in the years ahead. In some sectors, there is a strong demand-pull from consumers; in others, producers see new production practices and trading relations as a way of securing livelihoods in liberalised markets. Much of environmentally-driven trade is market-driven, influenced by new notions of corporate responsibility along the supply-chain. Government policy has also been significant in the fields of health and safety and packaging. Looking ahead, many of today's voluntary initiatives could prefigure new types of national and international regulation that could lead to importing countries influencing the social and environmental performance of exporters' production patterns.

"All over the continent, one can observe project cemeteries leaving farmers and their communities often more confused than they were before, without the will or the capacity to continue on their own"

Bart Pauwels, CODESU

It is also clear that environmentally-driven trade is relatively new, fast-moving and far from maturity. It still faces market inertia, scepticism and sometimes outright resistance from vested interests. Policy frameworks still provide many incentives for unsustainable production and trade. Many environmental initiatives are also in competition with one another, with different visions of the future, for example, integrated pest management and organic farming.

Although environmentally-driven trade holds out much potential for increasing export earnings in developing countries, it is by no means a 'one way bet'. Many producers wanting to adopt more sustainable production patterns continue to face considerable obstacles to turning this aspiration into successful trading. Certification systems are often in their infancy and can prove prohibitively expensive if European consultants are required. Credit and financial inputs can be scarce. Market information is often lacking, which can lead to a mismatch between production and

actual demand. Consumers can be fickle and, despite all the surveys to the contrary, only a tiny minority are prepared to pay higher prices for more sustainable goods. Sometimes international NGOs and donor agencies seeking to promote new forms of trade initiate schemes that only generate conflict and frustration.

A balanced approach is therefore required, seeking to understand the real benefits of environmentally-driven trade and place these in the context of particular sectors and countries. This is the issue tackled in the next section.

Emmanuel Herman/Traidcraft

Collecting organic honey in Tanzania for sale in the European market

3 The benefits of environmentally-driven trade

This section evaluates the direct and indirect benefits of environmentally-driven trade in two case studies: organic coffee from the Quebrada Azul cooperative in Venezuela and the impacts of integrated pest management in the South African citrus industry.

Scoping the benefits

The benefits of environmentally-driven trade can come in many different forms. The most obvious deal with changes in the *environment*, such as improved soil fertility, reduced deforestation, pollution prevention and water and energy conservation. Beyond this, the primary impacts are undoubtedly *economic* and deal with questions of price and the possibility of gaining a premium, entering new markets, securing or expanding market share and achieving greater resilience, for example, through long-term relationships. There are also a range of potential *social* benefits to do with working conditions, health and safety, gender implications and how the rewards of environmentally-driven trade are distributed between enterprise, workforce and community. Issues of *governance* are also involved including greater accountability of trade, increased participation of stakeholders and the way that environmentally-driven trade relates to the *policy* framework. Finally, there is a host of *intangibles* that go to make up social capital, such as the way in which environmentally-driven trade affects trust, reputation and self-esteem.

These bundles of benefits occur at many different levels, from the enterprise along the supply chain to the national and international policy arena. The question of **who benefits?** is thus critically dependent on, for example, the ownership structure and policies of the enterprise, who holds market power and extracts rent along the supply chain

and the degree to which a supportive infrastructure exists at the national level in terms of funds for transition, technical assistance and certification systems.

What is overwhelmingly clear is that the exact nature of these benefits and their impacts are poorly understood. The rest of this section explores two very different case studies of environmentally-driven trade, one a small coffee cooperative in Venezuela and the other the citrus industry in South Africa.

CASE STUDY

Quebrada Azul and organic coffee in Venezuela[24]

In many developing countries, the decision to make the transition to organic farming is not exclusively inspired or motivated by the market. Often, more important pressures for change include the desire to introduce practices appropriate for local conditions, regain independence and safeguard community traditions, religion and culture. Added to this are conditions of poverty that preclude the widespread use of artificial inputs. Organic production systems can also help to promote local food security, revalue indigenous knowledge and avoid the leakage of finance from the community to outside industries.

"What a funny thing: on Sunday we used to confess and hit our chests. On Mondays, we would destroy without remorse God's creation with herbicides and other poisons"

Farmer from the Quebrada Azul Cooperative, Venezuela

The Quebrada Azul Cooperative was born out of the collapse of the International Coffee Agreement in 1989 – a crisis that also led to the Cafédirect initiative in the UK. Comprising 36 families, the cooperative is situated in the municipality of Andres Bello in the Venezuelan Andes. The area is part of the River Capaz watershed, which has been gazetted as part of a government protected area with extensive guidelines for agricultural practice. But a fundamental lack of human, financial and institutional resources has meant that the government's good intentions have not been translated into practice.

The failure of the International Coffee Agreement led to a slump in world prices to historically low levels, dramatically

affecting the earnings of small growers who saw their incomes fall by up to 60%. In Venezuela, the traditional government framework was unable to cope and the sector was liberalised, exposing small growers accustomed to the paternalistic treatment of the state, to the rigours of the free market. The result in Andres Bello was that many campesinos were thinking of leaving coffee in favour of pasture for milk and beef cattle – with potentially serious implications for forest cover and the region's water cycle.

In this context, CODESU, a local sustainable development organisation proposed the introduction of organic coffee production. Since the 1970s, local farmers had been encouraged to apply the green revolution package of pesticides and fertilisers, boosting production, but also increasing costs and their dependence on external inputs. Organic production was seen as a starting point for a wider strategy of sustainable rural development. The first phase of the project focused on consciousness building and coping with the scepticism of farmers scarred by the failure of previous policy initiatives. A critical spark for change was drawing on traditional beliefs, which emphasised the need for responsible stewardship of the environment.

The Quebrada Azul Cooperative was established with multiple goals of education, organic management, self-sufficiency via crop diversification, integration of livestock, quality control, the recycling of coffee waste, improved administrative management of each farm and community services. The 1991/92 crop was the first to be marketed through the cooperative rather than through the traditional state channels. Focusing on the domestic market, the cooperative established direct links with 'Café la Mata', a Venezuelan coffee house, whose manager was sensitive to social and environmental concerns and gained a 16% premium above the national price.

The first season also brought some early lessons, notably that quality control was essential and that a combination of quality and the organic character of the coffee could mutually benefit the producer, trader and consumer. Although

Bart Pauwels

The view from a Quebrada Azul member's farm

quality control implies considerable extra work and investment, it also enables farmers to raise their knowledge levels. The farmers' success also attracted the hostility of coventional buying agents.

The next step was to expand into the international market. The cooperative was attracted by the growth in consumer demand for organic coffee and the potential for higher prices. Fair trade certification was also investigated for its alternative marketing channels, the provision of advance payment as well as the price guarantee and social premium. The cooperative was approved for inclusion on the international fair trade coffee register managed by the Max Havelaar Foundation in the Netherlands and simultaneously the cooperative started working with the UK Soil Association for organic certification. The 1993/94 'in conversion' crop was exported to the Netherlands at US133 cents per pound at a time when the New York prices were oscillating between 64 and 91 cents. Since then, the cooperative has been exporting about 16 tonnes a year to Switzerland. Each bag is labelled with a tag identifying the name of the farmer and the farm – enabling any quality issue to be traced directly. Not only has the cooperative been a commercial success, but it has been recognised through a series of regional and international television documentaries.

Bart Pauwels

Quality control: comparing member's samples

Tracing the benefits

According to Bart Pauwels of CODESU, *'a relatively small, well-organised and competent group have succeeded in inducing farmers, NGOs and the official sector to combine their efforts in a complementary way towards a shared goal'*. The key benefits have been:

- **Economic:** The clearest gain was the ability to earn a price premium which has sometimes been 100% above the New York exchange prices. The cooperative decides on the allocation of the surplus: in 1998, 25% went to the construction fund, 35% for the cooperative's capital base, 20% for a roasting unit and 20% to be divided for each member. The emphasis on investment in collective

initiatives is seen as critical to maintain the viability of the cooperative. Nevertheless, the costs of external certification by the Soil Association placed a heavy load on the cooperative. Although international trade remains central, discussions are underway to establish a small organic market to stimulate the creation of domestic demand.

- **Environmental:** The cooperative has became a point of reference in the region for the Ministry of Environment and its reputation enabled it to protect its water supply from the effects of deforestation and pesticide use upstream.

- **Social:** The success of the cooperative had a number of knock-on effects. Good relations were established with the municipality which led to the introduction of lighting, footpaths and a sewage system.

- **Governance:** For the first time farmers at Quebrada Azul are engaging directly in the trading system, instead of relying on intermediaries, thereby increasing their knowledge and self-sufficiency.

- **Policy:** The cooperative's pioneering activities helped to lend credibility to organic production in Venezuela and catalysed the establishment of a national certification body. This organisation will be crucial to broaden the base of organic exports in the country as it will enable certification to be carried out locally rather than by international inspectors, who often have little understanding of tropical agriculture. Local inspectors are now qualified to carry out certification on behalf of the Soil Association, cutting costs by 80%. Ultimately, the aim is to install a national system that is mutually recognised by the European Union. A conversion fund has also been set up to ease the transition process to organic production for farmers. In addition, the local state has incorporated organic agriculture into its environmental strategy.

- **Intangibles:** Farmers have regained pride in their work and attained higher levels of knowledge, which they can now share with the rest of the community.

It is also possible to categorise the benefits as direct or indirect and at farm, cooperative and national levels (see Table 3).

Table 3 Benefits of organic coffee trade

	Direct Benefits	**Indirect Benefits**
Farm	Increased income Guaranteed prices	Training and education Family relations Self-confidence Social prestige Networking
Cooperative	Capital investments Negotiating capacity	Political profile Influence on other matters
National	Development of certification systems New funds for conversion	Change in policy mentality

Learning the lessons

Four important lessons emerge for understanding the benefits of environmentally-driven trade at Quebrada Azul:

1. **Trade is not an end in itself:** Trade and even organic production are not regarded as ends in themselves, but as pathways for community renewal. Significantly, the commercial factor was not mentioned in the start-up phase. However, the financial incentives provided by trade have proved crucial to sustain the enterprise.

2. **Social benefits are not guaranteed:** Organic production does not necessarily lead to social benefits. Quebrada Azul found that organic certification bodies give little or

no attention or importance to socio-economic aspects, such as gender relations, health or income distribution.

3. **Local experience can shift policy:** The leverage role of pioneering initiatives such as Quebrada Azul can often be of strategic importance for spreading sustainable production. Often there is considerable resistance to the introduction of more sustainable techniques, particularly those such as organic which can be perceived as high risk. The economic success and international reputation of Quebrada Azul had a significant demonstration effect in the country at large, stimulating policy shifts that have dramatically lowered the entry costs for other farmers and communities.

4. **NGOs can play catalytic roles:** CODESU was instrumental in building up farmers' belief that they had the ability to farm successfully in the manner that they wanted. The NGO also played a crucial role in introducing organic and quality control techniques and accessing new marketing channels.

CASE STUDY

Integrated pest management in the South African citrus industry[25]

During the 1990s, South Africa's citrus industry has undergone considerable change. The end of apartheid has brought social reform, opening up to the world market and the deregulation of the export marketing system. A series of employment policy measures has been introduced to improve the conditions of farm workers and a land reform programme is underway to encourage the entry of black farmers into a sector still dominated by white commercial farms (see Box 5).

Production and exports are growing. Two-thirds of the citrus crop is sold overseas, and exports grew by 60% between 1993 and 1997. South Africa now accounts for 7% of global exports, and forecasts predict this could increase to 11% by 2005. For 70 years, citrus was successfully exported solely

Box 5 Rural development and citrus

Citrus has the potential to make a contribution to South Africa's pressing problems of rural development, integrating IPM in the process. As part of the land reform programme, the Elandskloof community returned to its land in 1996, after being forcibly removed more than 30 years previously. The 3,149 hectare farm currently has about 15 ha of citrus and the families are employing a white commercial farmer as a consultant, while the agricultural committee undergoes training and develops their skills.

The committee members are aware of the health and safety and possible economic benefits of IPM and are intending to farm fully under IPM conditions. The committee and farm workers have attended pest identification courses and workers have been trained to monitor traps in the orchard. The community is intending to expand the cultivated area, but currently lacks the finance to do so.

Other schemes have their origins in agricultural development projects run by the former homeland governments, such as the Alice Kat Citrus Project in the Eastern Cape, formerly part of Ciskei. The scheme aimed to develop a number of white-owned farmers, prior to allocating to black farmers. However, some ten years down the line, many farmers are still waiting for the title to be handed over to them, and in the meantime are experiencing increasing financial problems. The inability to afford chemical inputs has been one factor in the growing interest in IPM, with increasing numbers of farmers attending training courses offered by the Co-op. The low levels of pesticides used by the black farmers in this area may facilitate a switch to IPM methods, as predator populations may still be sufficiently healthy for effective biological control.

Penny Urquhart

Citrus orchard at Elandskloof, showing the historic mission church

through the Outspan cooperative. Thus, in 1995, Outspan co-ordinated the export of 600,000 tons of citrus from 1,200 producers through four harbours onto 140 refrigerated ships to more than 50 countries. In the process, Outspan became one of the world's top 300 brands. Single channel marketing ended with deregulation in 1997 and Outspan was made an independent company. In January 1999, it merged with Unifruco to form Capespan, covering both citrus and deciduous fruit.

Many challenges lie ahead. In the global marketplace, oversupply is becoming a real threat in traditional markets such as the EU, and South Africa is targeting Japan, Canada, Eastern Europe and the USA as potential growth markets. The US market is particularly attractive, since it is seasonally undersupplied and consequently offers high returns. However, tough residue regulations and stringent phytosanitary controls make access to the US market difficult and are perceived by many as disguised protectionism. South African competitiveness is also hampered by agricultural subsidies, particularly in the EU.

Environmental and social issues

Certain farming practices in the citrus industry have widespread environmental and social effects, pesticide use being one of the most significant. South African agriculture uses more pesticides than any other Sub-Saharan African country which has significant health and safety impacts, with women particularly exposed. In the past, few farm owners had taken these seriously: a 1992 survey found that no worker had received formal training in pesticide safety. The industry is dependent on high levels of irrigation and growing water scarcity is viewed as a major barrier to further expansion, while indiscriminate use of fertiliser has also led to the eutrophication of rivers.

Citrus production is both capital and management intensive, with high establishment costs, posing a barrier to new black entrants. Despite progressive policy reforms and positive moves by enlightened farmers, conditions for the 100,000

"IPM is the way to go in order to distinguish your fruit from your competitors. In the future it will, however, become the norm for the industry globally."

Representative of a citrus packhouse, South Africa

permanent workers and even larger number of temporary workers on citrus farms remain extremely harsh in many cases, particularly for women who tend to be employed seasonally and still receive lower wages for equal work. Farm workers do not benefit from the new minimum wage and remain marginalised and under-represented by trade unions. Low levels of education of workers has also been identified as a constraint.

The shift to IPM

Integrated pest management aims to limit pest populations in an ecologically sound fashion and involves a mix of biological control, cultural practices and moderated chemical applications. In South Africa, local campaigns to reduce pesticide use have led to little change in practice. However, recent demands from international buyers, coupled with increasing pesticide resistance, are leading to a widespread shift towards integrated pest management.

A broad consensus exists in the sector that four factors have been driving the introduction of IPM in South Africa.

1. Requirements of the international market both regulatory and buyer specifications prescribed by supermarkets, particularly in the UK.

2. Evidence of increasing pest resistance and the downside of the 'insecticide treadmill'.

3. Environmental responsibility among pioneering growers.

4. Reaction among poorer black farmers to the high price of chemicals.

The critical need to sustain exports has been the pre-eminent factor in change, since the price differentials between markets are so large. For example, the price per carton of clementines in 1998 varied from R50-100 in the USA, to R40 for selected outlets in UK and Western Europe, R30 for wholesale in Western Europe and only R25 for Eastern Europe.

Buyers, aiming to minimise any threat to their reputation, often have more stringent requirements than those prescribed by government regulations and it is European retailers, who have been the driving force behind the shift to IPM in South Africa. For instance, the British supermarket chain Tesco is unrolling its Nature's Choice programme, which covers environmental issues, worker conditions and good agricultural practice, including IPM, across all the countries it sources from, now that all of its British suppliers are meeting the criteria. Tesco is planning to work with Capespan to ensure that all its citrus purchases from South Africa meet the Natures Choice standard[26].

Implementing IPM

Compared to conventional pest control practices, IPM is knowledge and management intensive, requiring constant monitoring of pest populations and involving a much greater administrative burden.

The transition to IPM is reportedly problematic. It generally takes time for pest/predator populations to achieve balance, which results in a short-term drop in yield and consequently income. In the long run, however, shifting to IPM should not reduce profitability and in some cases can improve it.

Often farmers need some courage to switch from the 'calendar spraying' of conventional chemical-intensive controls. Some farmers are unwilling to take on the increased management burden; *'they want to spray and go on holiday'* according to one industry observer. Consequently, the shift to IPM is a contributory factor in the change in ownership which is occuring in much of the citrus industry. For instance, in the Olifants River Valley up to a third of farms are expected to change hands in the next five years, opening up opportunities for new entrants attuned to the need for environmentally-sensitive growing.

Experience has shown that farm size can have an impact on the adoption of IPM. On the one hand, there appears to be a better adoption of integrated strategies on smaller farms,

with larger farms tending to be more chemical-intensive. The reduced input costs of IPM may also serve to reduce the entry costs for resource poor farmers. On the other hand, large farms have more resources, and the lack of government support during transition could hit small-scale farmers. Furthermore, deregulation could mean that Capespan will be less keen to expend extension resources on small-scale farmers. Ultimately, however, the critical success factor is a business-orientated approach to farming, with a willingness to take on the intensive management and administration that IPM involves.

It is difficult to quantify the extent of adoption of IPM due to differing definitions, embracing biological control as well as simply substitute chemicals. This divergence can result in confusion and disillusionment. To counter this, some organisations, such as the fruit company Skaaprivier Plaas, are developing their own standards in the absence of internationally agreed criteria for IPM. Skaaprivier's standards include not only issues around pesticides and technology, but also environmental concern, soil analysis, hygiene and safety aspects, as well as social and workplace practices. Skaaprivier is currently exporting directly to a French company that markets specifically IPM-produced fruit, for which a small premium is paid. Skaaprivier is also highly progressive in other aspects, actively promoting female employees and running an employee share ownership scheme amounting to a quarter of its stock to promote empowerment of previously disadvantaged employees.

Deregulation and increasing importer demand is leading to segregation of IPM and conventional fruit. Outspan's orchard accreditation scheme, which was initially developed as part of their quality assurance programme has now been modified to cater for export to markets with strict pesticide residue requirements. Adherence to the criteria will be monitored through a self-audit system by growers and/or packers, with additional ad hoc visits from large buyers. In some cases, orchard accreditation schemes have been adapted to local conditions, for example, at the Goede Hoop Co-op (see Box 6).

Box 6 Goede Hoop: promoting sustainable citrus production

The Goede Hoop Citrus Co-op was established in 1926 and has the second highest export volume countrywide. The Co-op represents some 180 growers, who cultivate citrus on around 5,300 hectares in the Olifants River Valley of the Western Cape. In order to build up a long-term relationship with its major customers, Goede Hoop now requires farmers to enter into a contract stipulating that each of their orchards must be accredited before they can sell to the Co-op. This goes beyond residue regulation requirements and the accreditation criteria developed by Outspan. At this stage the Co-op does not test for residues, relying on grower disclosure. Growers are required to present a spraying programme to the Co-op and based on this and quality levels, their fruit is assigned to one of three channels:

- non-export: lower quality fruit, residues, incorrect sprays
- normal export: destined for Canada and the Far East
- special markets: multiples like Sainsbury's and Tesco

In contrast to the previous system where all produce was pooled, fruit in what is termed the Quality Block – destined for special markets – will receive a premium in the Co-op. From the new season, growers will receive a quality feedback statement after the delivery of fruit, which will indicate for which market their fruit is destined. Goede Hoop has found that growers with the worst quality fruit have higher spraying costs than those with good quality fruit, indicating that quality depends more on good management than chemicals, and is associated with lower production costs.

To support its promotion of IPM, Goede Hoop has developed an insectary to breed parasitoids and predators for use in biological control and 80 growers are currently purchasing false coddling moth parasitoids from the Co-op. The drive behind IPM at the Co-op can be traced to the influence of committed individuals at high levels in the organisation, who are able to play a championing role for the adoption of the technology. There is also the recognition that future market share will depend on IPM production.

Tracing the benefits of IPM

To date, the main impacts of the move to IPM have been:

- **Economic:** A detailed assessment of the costs of an IPM compared with a chemical-intensive approach in South Africa demonstrated average savings of 10% due to reduced inputs. There is also the potential of increased prices if marketed separately to special markets, even though orchard accreditation brings added administrative costs. However, where IPM has resulted in increased profits to the farmer, there is no evidence that this has resulted in

any additional benefits for farm workers or led to poverty alleviation.

- **Environmental:** Positive results have included reduced pesticide pollution to land and water, improved ecosystems and improved biodiversity.

Penny Urquhart

Production of parasitoids at the Goede Hoop Citrus Cooperative, Citrusdal

- **Social:** The reduced handling of pesticides has led to significant health and safety benefits for workers, their families and other farm dwellers, especially women. Overall, IPM does not lead to a reduction in employment but it has changed the nature of employment with labour switching from spraying to biological control. This has led to greater opportunities for women, who tend to be offered many of the biological control related jobs, whereas spraying was traditionally a male preserve. The IPM requirements also give women the opportunity to earn an income throughout the year rather than just in the picking season.

- **Intangibles:** IPM requires specialised training for orchard monitors, which can lead to improved pay, responsibility and self-esteem. However, the extent to which this leads to any empowerment very much depends on the type of farm management.

Looking ahead

Four main themes emerge from this assessment of the social impact of IPM:

1. **A lack of attention to social impacts:** There has been a general lack of attention paid to identifying and understanding the social impacts of IPM, notably the distribution of costs and benefits, and further research is required.

2. **The need for a systems' approach:** The pressures for IPM have come through a variety of market channels with little coordination or development of common definitions or strategies for the country. In addition, government support for the IPM transition is needed to ensure that the

benefits from IPM are distributed more equitably, especially for emerging farmers. This is particularly necessary if IPM becomes the market standard, as many believe.

3. **Linking social and environmental requirements:** Many of the foreign buyers who have been specifying IPM are now also requiring good labour practice from their suppliers – in the UK, for example, through the Base Code of the Ethical Trading Initiative[27]. But in most cases there appears to be little linkage between these two processes. At a minumum, social issues could be incorporated within orchard accreditation systems, or more ambitiously, the two themes could be integrated into a single set of supplier specifications.

4. **Promoting new entrants:** Experience so far suggests that IPM does not appear to be a barrier to the critical task of expanding the number of black farmers – indeed if sufficient training is given, IPM could help reduce the capital costs of new entrants. However, this will require better coordination between the Departments of Land Affairs and Agriculture, to ensure meaningful support after land titles have been transferred. Farmer development schemes should target black women and promote awareness of the cost effectiveness of the IPM approach.

Drawing conclusions

On different continents and in different sectors, the cases of Quebrada Azul in Venezuela and the introduction of integrated pest management in South African citrus nevertheless point to some important analytical themes for those trying to understand the development impacts of environmentally-driven trade.

The most striking observation is that there was a general lack of attention to the social impacts of more sustainable production for both organically certified and IPM systems. This social blindness appears to be a potentially major weakness of standards evolved in the industrialised world and then applied in very different circumstances. Sensitivity to social impacts and capacity

building to enable smaller producers to participate are critical preconditions for a wider contribution to poverty elimination.

Linked to this, there is also no guarantee that efficiency gains or premium prices generated by environmentally-driven trade will be passed on to workers or local communities. This is perhaps an obvious point, but means that attention needs to be given to how enterprise structures and supply chains can be reformed to ensure that the initial producers and their communities receive a greater share of the rewards of environmentally-driven trade. There is also the risk that the growth in environmentally-driven trade could simply result in commercial monocultures which meet organic or other standards, but provide few benefits for producer communities.

Furthermore, the nature of the benefits generated is more complex and multi-layered than simply an increase in price or volume for a single producer. Many of the more significant benefits of new trading arrangements turned out to be 'intangible', to do with the strengthening of social capital: trust, confidence and self-esteem. The need for a systems' approach was highlighted in both cases: how Quebrada Azul's pioneering experience prompted policy changes that will reduce the entry costs for other producers converting to organic; and how a transition strategy from the South African government is required to enable smaller producers to respond to external demands.

The overlap of social and environmental agendas was strongest in the case of Quebrada Azul which achieved both fair trade and organic certification. In South Africa, there is the potential for a bringing together of the new ethical demands of British supermarkets with existing IPM requirements.

Clearly, a more comprehensive approach to environmentally-driven trade is required that goes beyond an understanding of the techniques of production and encompasses the social dimension. Doing this will require the use of new types of participatory tools which enable producers to help set the terms on which benefits are measured and distributed. The next section looks at experience in monitoring and assessing benefits, drawing on the experience of fair trade and the use of participatory approaches in a range of sectors.

4 Assessing who benefits

This section reviews the experience of fair trade organisations in generating and monitoring benefits, and draws out lessons for evaluating the social impacts of environmentally-driven trade. It also explores the potential of using participatory methodologies to assess these impacts.

Learning from fair trade

Over the past decade fair trade has emerged as a practical way of reducing poverty and empowering disadvantaged producers in developing countries. As fair trade products continue to capture market share, so interest has grown in measuring the development impacts, in order to improve ownership, accountability and effectiveness. Participatory methodologies are being explored as a potentially useful way of understanding the benefits of fair trade, as they are in harmony with the fundamental principles of producer empowerment and partnership on which fair trade initiatives are based.

One of the central aims of **who benefits?** was to learn lessons from fair trade about the benefits of new types of commercial relationships and how these can be monitored and assessed. The intention was to see how these lessons could then be applied to understanding the benefits of environmentally-driven trade. Twin and Traidcraft are two of the key players in the UK fair trade movement and the first part of this section looks at their experience in understanding and monitoring the impact of their work (see Box 7 for Traidcraft). The rest of the section then looks at how emerging participatory monitoring and evaluation techniques might help to overcome some of the challenges of impact assessment.

"A few years ago, before initiatives like Cafédirect and Max Havelaar, it seemed as if farmers were only good for walking long distances with coffee on their backs...The comerciantes (local traders) just couldn't imagine that one day we'd be working directly with people from outside. They never thought we'd learn to trade ourselves."

Interview with coffee farmer in North-East Peru, 1994 by Pauline Tiffen

Box 7 Traidcraft's experience of the benefits of fair trade[30]

The key development benefits generated by fair trade are increased incomes, leading to improved educational, nutritional and other opportunities; empowerment, and increased capacity to manage organisations, deal with personal circumstances and – for some producers and organisations – move into mainstream trade with northern buyers.

In the case of Traidcraft plc, these benefits are secured through a trading relationship that is usually conducted with an organisation representing individual producers.These organisations are highly varied, and provide a wide range of benefits and services to their members. Agricultural cooperatives might provide centralised marketing services, training and group purchasing of agrochemicals. Some producer organisations run community development programmes embracing sanitation, health education, microcredit, alternative income generation, etc. Traidcraft plc's technical inputs to these organisations relate primarily to product and production standards (quality specifications, hygiene, packaging requirements, etc.) and new product design and development.

For Traidcraft Exchange (TX), the focus is on capacity development and the provision of services to intermediary organisations. These organisations' clients may in turn be organisations representing producers, or individual small enterprises or producers.

Neither Traidcraft plc nor TX is involved in determining in any detail what services or benefits are delivered to producers, or how these are distributed. Traidcraft's focus is on ensuring that systems are in place to ensure that benefits are indeed generated, and that decision-making on their allocation involves final beneficiaries to the maximum extent possible. An example is the relationship established with the South African Dried Fruit Co-operative (SAD). SAD purchases vine fruits from a number of farmers, including the members of Eksteenskuil Farmers' Association (EFA) whose members are small-scale 'coloured' farmers most of whom do not have title to the land they farm[31]. Traidcraft plc pays a levy on its purchases from SAD, and this is targeted specifically to EFA. EFA make their own decisions on how to use the levy. In the first year they decided to pay for training for some of their members; in future they plan to buy agricultural machinery to be used cooperatively.

Although Traidcraft has not yet had problems, if it were to come to light that producers were using a levy/premium in ways that Traidcraft did not consider acceptable, Traidcraft would enter into discussion with the producer to try to remedy the situation. If it was not possible to find a mutually acceptable outcome, Traidcraft would have to stop buying from that producer. This would mean, effectively, that the producer no longer matched the conception of 'fair trade' as agreed with Traidcraft at the outset of the relationship.

The benefits of fair trade: Twin's experience[28]

Twin has been working to provide trading skills and a greater share of the benefits of trading to small-scale agricultural producers for almost 15 years and has played an active role in developing new approaches and methodologies to expand the concept and operation of fair trade. Twin currently works closely with about 20 producer partners, with a total of over 200,000 small-scale marginalised farmers in Latin America and Africa. Twin has also helped to establish two alternative marketing companies, Cafédirect and the Day Chocolate Company. Founded in 1991, by Equal Exchange, Oxfam, Traidcraft and Twin, Cafédirect was one of the first 'fair trade' coffees to break into the supermarket sector. The Day Chocolate Company was established more recently in 1998 as a joint venture between Twin and Kuapa Kokoo, a cocoa producer in Ghana: the producers contribute 33% of the equity and receive 66% of the profit.

For Twin, trade is seen as an important means of reducing poverty and empowering the producers and their representative organisations. Twin focuses on improving the ability of small farmers to trade by strengthening their bargaining power. Its four core principles are set out in Box 8.

Box 8 Twin's core fair trade principles

1. A l*ong term partnership*, in accordance with producer partner needs, adding value throughout the chain and including long term *technical assistance*.
2. Guaranteed *minimum price* (for coffee $1.26/lb arabica and $1.06 robusta). If the world price is above the minimum price Twin will match it, if it is below the minimum price they will pay the difference.
3. *Premia* to farmers (10% of the current world market price) for social or other investment purposes.
4. A *secure market* for farmer's products

Twin's experience suggests that fair trade supply chains can provide a range of tangible and intangible benefits at the farmer, farmer organisation, national and international levels (see Table 4). Twin's partnering methodology aims to enable cooperatives and their members to improve the quality and

"The self-confidence and professionalism which [alternative trading organisations] have learned... have enabled them to become much more effective in their own country markets and in advancing the general development programmes of their countries".

Michael Barratt-Brown, founder of Twin[29]

quantity of their production, to develop more transparent and accountable governance structures and to gain increased influence and control over their lives. Some use the premium for community managed development projects. Others use it to purchase equipment for the members or for organisational development.

Although the premium appears to offer the most direct benefit of fair trading, often the more intangible impacts prove most significant. In many cases, only a relatively small percentage of producers' output is sold through fair trade channels and so the premium accounts for a small fraction of total income. Furthermore, there can be considerable difficulty in making causal links between the inflow of funds from fair trade and farmer/family benefit.

These indirect benefits range from improved farming practices to more accountable and transparent ways of doing business from the village right through to the port. Farmers and the employees of their representative organisations learn how to trade, which implies increased understanding of both internal and external market demand, of the quality

Table 4 Twin's experience of the benefits of fair trade

Level	Direct Benefits	Indirect Benefits
Farmer	Increased income Guaranteed prices	Growth in self-esteem Women's involvement
Farmer Organisation	Commercial viability Increased volumes Community projects Trading skills Organic production	Quality Trust Empowerment Accountability Transparency
National	Market cooperation	Access and influence Inspiration by example
International	Alternative trading chains Alternative company structures	Professional relations Long-term partnerships

and other product specific specifications that command higher premiums, and of the actual mechanics of trade. Producers also learn how to develop long-term partnerships with key trading actors, which can lead to improved governance both along the supply chain and in producer organisations themselves.

Fair trade relationships can also help to build the self-esteem of farmers. Because they are valued, they are proud of their work. Through interactions with the partner organisations, producers gain a greater awareness about what happens to their product and are keen to engage the consumer on issues of quality and price. Fair trade can also contribute to improved financial and management capacity, although the relationship is not always linear. Twin aims to support their partner organisations through both the good and the bad times by helping them to develop a range of skills and experience, with the emphasis on developing accountable and transparent decision-making processes. Finally, fair trade relationships can enable local farmers and their representatives to gain greater access and influence over wider decision-making.

However, there is growing awareness that statements about the benefits of fair trade are often being made without rigorous baselines in place or the necessary downstream data – beyond the anecdotal – to demonstrate how benefits are distributed and how (or whether) this leads to positive development impacts at the local level. Most fair trade organisations are only now coming to terms with the challenges of developing a system for monitoring their impact in a more structured way. Other studies suggest a real need to explore the distribution of benefits, both within producer communities and along the supply chain[32]. Pressures are mounting for a more concerted approach to impact assessment.

"When Twin began its work... over a decade ago there were few widely known approaches to participatory monitoring and evaluation. There was certainly no systematic gathering of baseline data of Twin producer partners, their families and their representative organisations."

Twin,1999

The need for assessment

Without monitoring and evaluation, it is impossible to know whether activities are being carried out as planned and are

achieving the desired outcomes and how to improve the effectiveness and efficiency of activities. Furthermore, monitoring and evaluation are needed to assess whether the activities are having unanticipated impacts, and also to provide the basis for communicating the results to others, including policy makers[33].

Increasingly, approaches to monitoring and evaluation are emerging that involve multiple stakeholders, which seem relevant for fair trade organisations. By engaging local people in monitoring, some of the problems with conventional assessment can be overcome. Participatory monitoring and evaluation (PM&E) shifts the emphasis away from externally-defined and driven processes and stresses the importance of a locally-relevant process for gathering, analysing and using the information[34]. The main differences between conventional and participatory monitoring are laid out in Table 5.

Table 5 Conventional and participatory evaluation contrasted[35]

	Conventional	**Participatory**
Who	External experts	Community members, project staff, facilitator
What	Predetermined indicators of success, principally cost and production outputs	People identify their own indicators of success, which may include production outputs
How	Focus on 'scientific objectivity;' distancing of evaluators from other participants; uniform, complex procedures; delayed, limited access to results	Self-evaluation; simple methods adapted to local culture; open, immediate sharing of results through local involvement in evaluation processes
When	Usually upon completion of project/programme; sometimes also mid-term	More frequent, small-scale evaluations
Why	Accountability, usually to determine if funding continues	To empower local people to initiate, control and take corrective action

Recent work on participatory monitoring and evaluation identifies four types of benefits of assessing impact in a way that has value for local stakeholders:

- *Empowerment*, encouraging internal learning to further the objectives of empowerment and locally appropriate development;
- *Increased accountability*, monitoring progress and evaluating impacts has long been considered important to ensure that money is well spent and that objectives are being met;
- *Improved planning*, there is increasing awareness that planning can be improved by a locally-driven monitoring process;
- *Capacity development*, impact assessment should add value rather than add costs and should contribute to the skills base of a range of stakeholders.

Participatory approaches to impact assessment have been most developed in the NGO sector. Box 9 describes a pioneering example in Brazil, where resources have been allocated to ensure that monitoring is a process which goes hand-in-hand with extensive discussion, negotiation and capacity development.

Box 9 Experimenting with participatory monitoring in Brazil[36]

In Brazil, a participatory monitoring approach has been established to help assess the impact of sustainable agriculture activities undertaken by *Projeto Paraíba*. This three year research project started in January 1996 and is a partnership between a local NGO (AS-PTA), a rural workers' union, a university and IIED, who is facilitating the process. *Projeto Paraíba* can claim a range of impacts, mostly relating to more sustainable use and conservation of natural resources through developing and disseminating less destructive agricultural practices. Progress is occurring through the strengthening of social sustainability arising from more secure livelihoods and more cohesive social organisation and collective action. The team feels that it is clearly on the right track, however, while promising, results are not yet overwhelming either in terms of their scale or local impact. To understand better what was actually happening as a result of *Projeto Paraíba*, it was felt that participatory monitoring of project impacts was necessary.

Several reasons led *Projeto Paraíba* to undertake more systematic monitoring of impacts. Annual evaluations suffered due to a lack of data or lessons to analyse. Early attempts to monitor fieldwork were mainly driven by AS-PTA staff, with little or no participation of other partners. While producing some results, it conflicted with the participatory principles of its work and provided insufficient data. AS-PTA hoped that by involving more of the local stakeholders, more accurate and relevant data could be collected. Developing a participatory monitoring and impact assessment was also considered an important capacity-building process for the entire project team. As expressed by an agronomist working for AS-PTA: *'I want the monitoring to continue independently of us. What use is it to choose indicators and use complicated and expensive monitoring methods that will be dropped as soon as we pull out?'* .

The continual reviews of the monitoring system have improved data collection to the point that the data quality is thought to be satisfactory. But for whom is the information useful? Who 'owns' the information and where is it currently located? These are the questions that have guided the development of the participatory monitoring framework. Individual farmers, farmer organisations and NGOs do not have the same information needs and interests. For example, the number of farmers adopting contour planting is important information for AS-PTA and, perhaps, for rural trade unions. But it is hardly so for the individual farmer. Most of the data has been useful for AS-PTA reports and project documentation, although the challenge remains of how to get the direct involvement of funding agencies in discussing what information needs they have and how to incorporate that into the monitoring process.

The question is whether these approaches are relevant for the specific impact assessment needs facing fair trade.

Building on existing approaches

Currently, impact assessment in fair trade is being driven by three main forces. First, where donors are involved, they require their assistance to be audited and its impact evaluated in terms of the objectives set. Second, organic and fair trade certification, labelling and accreditation require initial assessments and periodic reviews which can initiate, or feed into on-going, monitoring and evaluation systems (see Box 10 for international experience with fair trade monitoring). Third, many producers are interested in developing monitoring systems that can improve the management of their enterprise.

Each of these groups has different objectives for assessing impact and thus different approaches to developing

methods, indicators and feedback mechanisms. Where a product is both certified and supported by an external donor, then there may be overlapping pressures for assessment. Where a product is uncertified and not supported by an external donor (e.g. many handicrafts), the pressure to monitor may come from only the local level.

But there has been little work to date to try and bring these different approaches to assessment together. In part, this is due to a number of constraints to assessing the impact of fair trade:

- The nature of fair trade means that impact has to be measured at a number of different levels, including: policy, organisational, developmental and operational.

- The key benefits of fair trade include intangibles, such as self-confidence and empowerment, which are difficult to measure.

- Fair trade accounts for a small proportion of the total marketed output of producer groups, and the fair trade premium is a tiny proportion of revenues.

- It is difficult to identify causality between income from fair trade (an output) and benefits at the individual, household or community level and beyond (an outcome).

- There are opportunity costs for poor producers, their communities and representative organisations in participating in impact assessment.

However, none of these constraints are unique to fair trade. Similar issues are faced in attempts to evaluate development assistance or environmental regeneration. The challenge is to develop cost-effective and transparent systems which provide all the partners along the chain with the information they need to better understand and better plan their operations.

Box 10 International experience with fair trade monitoring[37]

Monitoring fair trade performance depends very much on the type of partner organisation. European fair trade organisations aim to work in partnership with producer cooperatives and respect their autonomy. Thus, the members of the cooperative decide how to use surplus amounts of earnings from fair trade. Private firms and plantations are more intensively controlled, and standard questionnaires which depend on the country and product types are used for tight monitoring of the business practice and working conditions.

At its recent conference in Milan, the International Federation of Alternative Trade (IFAT) agreed to introduce a monitoring system for its members. In addition, a number of European Fair Trade organisations – including Gepa, Claro, Oxfam and Fair Trade Organisatie – are presently establishing a Partner Data System, in which information on partner organisations in the South will be collected, exchanged and evaluated in a common format. Trade partners could be evaluated according to the three dimensions of sustainability: economic (eg management, processes, financial, quality, logistics...), social (protection and promotion of rights, working conditions, improvements of overall situation...) and ecological (energy consumption, effects on eco-systems...). Fair trade performance could be monitored using a number of indicators, including turnover, market projections, premium payments and pre-financing. A harmonised Partner Data System will place the exchange of experience with organisations from the other sectors (eg organic) or commercial firms (such as The Body Shop) on a more scientific and transparent basis.

The Fair Trade Labelling Organisation (FLO) is the world-wide umbrella organisation of 17 national labelling organisations, an independent certification body which sets the standards for products covered by the Fairtrade label (currently coffee, cocoa, bananas and orange juice). In order to ensure that Fairtrade labelled goods are truly traded fairly, FLO operates the following system:

1. Criteria are laid down on a product specific basis after intensive negotiations with all parties involved.

2. Producers are regularly monitored by regional representatives of FLO.

3. Reports of producers about contracts with trade organisations go to the central monitoring office of FLO.

4. Reports of trade organisations are made which list the turnover of products sold under Fair trade label.

5. Independent audits of book-keeping are carried out by independent accountants.

Clearly impact assessment in the more commercial and international setting of fair trade will require some adaptation. Within business, it is large organisations that are often best able to develop and experiment with innovative methods of supplier partnership and assessment[38]. The issue for small and medium-sized enterprises, with fewer resources, is to develop evaluation systems that can track both the operational issues related to their business as well as the development dimension and impact on livelihoods. Operational issues could include questions of organisational transparency, accountability and capacity, the number of fair trade and other markets developed, quality and timeliness, while developmental impacts could incorporate empowerment, security and the use of improved and sustainable agricultural practices.

A number of key issues will need to be considered when applying participatory monitoring and evaluation tools to fair trade:

- Understanding the maturity of the relationship between different organisations along the trade chain, particularly the extent to which the organisations have common objectives and recognise commonality as well as divergence;

- Understanding different organisational priorities and needs from a participatory monitoring and evaluation process;

- Developing monitoring themes which can be compared across organisations (internationally) as well as those which are organisation-specific;

- Sensitising organisations to the benefits (and costs) of impact assessment and raising awareness of organisational learning;

- Being aware of the level of technology, the capabilities and the resources (time and financial) of the organisations.

- Starting simply, gathering information that is usable and appropriate and can feed directly, and where possible quickly, into planning and management;

- Expanding the monitoring system as experience grows and capacities are built to include a broader range of aspects that are required to assess overall impact.

Looking ahead

Twin is now endeavouring to design and implement a participatory monitoring and evaluation framework jointly with its producer partners. The aim is both to understand what has and hasn't worked and the reasons for this, and also to develop participatory approaches to learning that are based on farmer and organisational realities. As part of this, Twin has recently begun to explore the level of interest and priorities for monitoring and evaluation between itself, Cafédirect and its coffee partners.

Jo Abbot

Smallholder coffee farmer, Uganda

A first workshop in London highlighted the information needs of Twin, Twin Trading and Cafédirect. This was followed by a workshop with the Bugisu Cooperative Union in Uganda. The workshop was attended by 35 farmers and representatives of Twin, Twin Trading and Cafédirect and explored farmers' expectations of their trading relationship with Twin/Cafédirect. The farmers picked four key objectives and, for each, identified indicators of success. The range of objectives chosen by coffee farmers in Uganda for monitoring shows the importance of exploring linkages between operational issues and their impact on local development processes. Improved coffee management is not an

Table 6 Indicators for fair trade assessment

Objective	**Example indicator**
Increased coffee price	Price difference between fair trade and local coffee
Increased production	Acreage, number of employees, number of drying facilities
Improved coffee quality	Demand from people with high standards, Number of rejections of coffee
Improved standard of living	Ability to pay school fees on time, ability to pay local taxes, quality of house, self confidence.

end in itself for Ugandan coffee farmers', they see improving their well-being as an important outcome of increasing the quality and production, and therefore the price, of their coffee. Examples of some of the indicators chosen for each of the four objectives by the farmers are set out in Table 6.

The four objectives identified by the farmers overlapped with many of the information needs identified by Twin, Twin Trading and Cafédirect. Additional interests of Twin, Twin Trading and Cafédirect included indicators of organisational development and efficiency. The next step is to operationalise monitoring using the four objectives and indicators chosen by the farmers. A second workshop is planned in Uganda to work with the farmers to develop methods of collecting, recording, compiling and sharing data among themselves as well as with their trading partners.

As the monitoring develops, the objectives and indicators are likely to change as farmers link the monitoring to their own planning systems for managing coffee at the local level in their local farmers groups known as 'coffee circles'. However, it is clear that there are broad areas of shared interest in assessing impact between the supply and demand side of the coffee chain which provides a real basis for developing a participatory framework for impact assessment.

Making assessment integral

Many claims have been made about the development impacts of environmental, ethical and fair trade. But this report has shown that we are still a long way from getting a clear answer to the question **who benefits?** for any of these more inclusive forms of trade. In most cases, impact assessment has been a low priority for organisations struggling to establish their initiatives in often hostile market and political settings. Many have been able to postpone the need for systematic assessment because of the high degree of trust placed by the public in environment and development organisations. But this trust will not last forever, particularly at a time when a growing number of conventional businesses are now exploring options for independent verification of their social and environmental performance. As a result, the challenge for environmentally-driven trade, and equally fair trade, is to make assessment an integral part of their operations.

5 From assessment to action

This section summarises the findings of the **who benefits?** study and outlines action which would help to ensure that environmentally-driven trade delivers greater social benefits.

Thinking strategically

During the last decade, the imperative of moving to more sustainable patterns of world trade has become increasingly acute, both to drive ahead with the elimination of global poverty and also to reduce the pressures on the environment. Considerable innovation has taken place in the development of new forms of trade which bring tangible social and environmental benefits in the absence of policy reform – although these positive examples still remain the exception.

This report has highlighted some of the driving forces behind this environmentally-driven trade. Pioneering producers, consumer demand, new regulations in importing countries, public pressure, donor support and supply chain requirements are all involved in stimulating exports of sustainably produced goods and services from the South. Alongside, and overlapping with this, has been the equally powerful trend to strengthen the social dimension of international commerce, notably through the fair trade and ethical trade movements.

Now that environmentally-driven trade is becoming established as a mainstream phenomenon, it is time to think strategically and identify the opportunities for building in the social dimension. Designed to increase understanding of the social impacts, this study has identified a number of practical options for action to tackle some of the weaknesses in the current situation.

To start with, a number of overall conclusions emerge from the **who benefits?** study.

1. Environmentally-driven trade is on an upward curve

In the years ahead, environmentally-driven trade looks set to expand further, moving out of market niches. But neither this trajectory, nor the benefits flowing from it, can be taken for granted. For example, premium prices and other forms of market advantage have usually relied on a temporary imbalance between surging demand for sustainable goods and inadequate supply. As this gap is closed and as environmental criteria become part of mainstream trading, many of the market advantages will disappear. The question will then become whether additional mechanisms such as those developed by fair trade will be necessary to sustain premium prices for those involved in environmentally-driven trade.

2. Environmentally-driven trade can be socially blind

What has become evident in this report is that not only are the social impacts of environmentally-driven trade poorly understood, but that few, if any, attempts have been made to systematically monitor and evaluate the distribution of benefits. Organic farming, integrated pest management production, azo dye-free textiles and other schemes have all grown in importance, but mostly without any explicit focus on the impacts of changes in production methods on farmers, workers and communities. Furthermore, there is no guarantee that the gains from environmentally-driven trade will be passed on to workers and communities.

3. The greatest benefits are often the least tangible

A range of benefits, social, economic and environmental, can and do flow from the growth in environmentally-driven trade. As with fair trade, the most significant and enduring benefits from environmentally-driven trade are often the hardest to measure, such as increased self-esteem, knowledge, social prestige, trust, reputation and pride in production.

4. Sustainable trade is relationship-intensive

The benefits that are critical to the long-term sustainability of environmental and fair trade initiatives, particularly the most intangible, are related to the strengthening of relationships and require significant investments of time, effort and trust.

5. The impacts are multi-layered and complex

Just as the most significant benefits of environmentally-driven trade are not necessarily the most obvious (such as income), so the impacts reach out far beyond the individual producer to encompass the community and national levels. A systems approach is required that captures these wider impacts. Likewise, policy makers will need to take a comprehensive view of response strategies to environmentally-driven trade. Investment is required to put in place regulatory and other systems (eg certification standards and capacity) that can help reduce the entry costs of producers wanting to shift to sustainable trade.

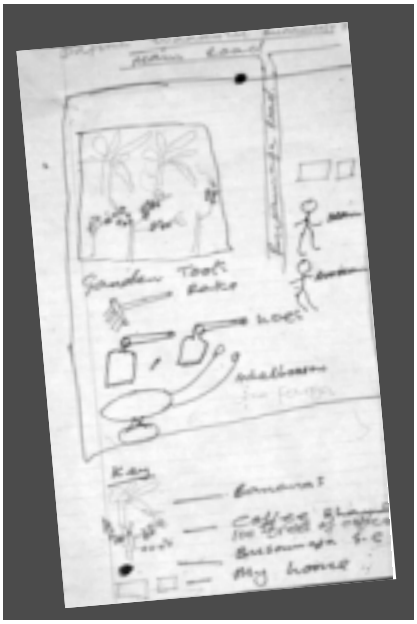
6. Environmentally-driven trade is not conflict-free

Resistance to improvements in social and environmental standards comes from many quarters and for a multitude of reasons. Environmentally-driven trade challenges existing ways of doing business and requires new types of knowledge and commitment that established actors may not be willing to develop. Traditionally excluded producers – such as the farmers of the Quebrada Azul cooperative – can also encounter opposition as they become more self-reliant. Tensions emerge when the value added shifts between members of the chain. Strategies are required that recognise the presence of competing interests and ensure that these lead to healthy tension rather than the suppression of innovation.

7. Assessing the impacts of fair trade is equally new

Fair trade organisations are only recently coming to terms with monitoring the impacts of their work. As a result, they do not have the ready stock of techniques and tools that the

Jo Abbot



Testing mapping in Uganda to help monitor changes in coffee production

who benefits? project initially assumed could be transferred to environmentally-driven trading. Nevertheless, there are a number of positive indications that fair trade organisations are looking at applying participatory monitoring and evaluation (PM&E) approaches as a way of helping to empower producers, improve accountability and strengthen capacity. The key challenge will be to develop relevant systems of PM&E which can cover both operational and livelihoods impacts.

8. The momentum for convergence is growing

Across a range of sectors, there appears to be growing evidence of a convergence of social and environmental dimensions in new trading strategies. There are many powerful reasons why "super-sustainability" standards will not develop, but there is also an opportunity for moving beyond the peaceful co-existence of social and environmental initiatives towards more active collaboration and in some cases integration. In the future, market pressures and the need to generate productivity benefits from social and environmental programmes could become powerful forces for convergence. New mechanisms for learning across sectors are therefore required, perhaps building on initiatives such as the joint inspection of shade coffee and the German Network of Eco- and Social Trade Initiatives.

Recommendations for action

There are six main ways of moving forward, focusing on the UK situation.

1. Build capacity in participatory assessment of trade impacts

There is a clear gap in capacity in trading organisations in the use of participatory monitoring and evaluation techniques to

assess impacts. Resources need to be found to build up this capacity, drawing on and adapting the rich experience of participatory learning in the international development community to the trade arena.

2. Improve collaboration between social and environmental initiatives

There are obvious efficiency and cost benefits to be gained from closer collaboration between the various different certification systems. Certification and standards bodies should test out the suggestions from recent collaborative initiatives, such as those proposed by IATP (see section 2). If successful, these might be the precursors to multiple inspections at a single site carried out by a small team.

Jo Abbot

Cocoa from Belize that meets organic and fair trade standards

3. Reduce the burden on producers

Similarly efforts should also be made to find ways of reducing the burden on producers. One option would be for a graded or modular certification scheme which would allow producers to move progressively to higher grades. This could open wider export opportunities as the capacity to meet higher standards was developed.

4. Pilot environmental issues in the ETI

In the UK, the government-supported Ethical Trading Initiative is becoming a useful mechanism for developing common principles for codes of conduct on labour standards. However, the ETI does not currently include environmental issues within its remit. A pilot initiative could be usefully developed to explore the strengths and weaknesses of integrating social and environmental measures in a number of sectors as a precursor to possible inclusion in a later stage of the ETI's work.

5. Develop policy tools for screening social impacts

Environmentally-driven regulation in the EU can have serious social implications for producers and communities in the South. Formal mechanisms for screening forthcoming environmental legislation – for example, the proposed EU measure on azo dyes – are needed to integrate the social dimension and identify priorities for transition support.

Bart Pauwels

Training organic inspectors in Venezuela

6. Invest in building up national systems

The UK Government has expressed its commitment to support the expansion of sustainable goods and services. One way in which this can be usefully achieved is to focus on investing in the national level systems of regulation, certification and technical expertise that are preconditions for broad-based benefits from environmentally-driven trade.

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18. See also M. Blowfield, *Coherence and Divergence: The advantage and disadvantages of separating social and environmental issues in developing standards and codes of practice for agriculture*, Natural Resources Institute, Chatham, 1999.

19. This section is based on the draft final report of the project by S. Courville, *Promoting biological diversity through sustainable certification and fair trade*, Institute for Agriculture and Trade Policy, forthcoming 1999.

20. Based on the background report by Norbert Weissmann.

21. FIAN, Cut Flowers from FIAN email release, May 5th 1999.

22. Based on background report by Norbert Weissman.

23. Based on the background report by Norbert Weissmann.

24. Based on the background report by Bart Pauwels.

25. Based on the background report by Penny Urquhart. A longer version of this case study is published as an IIED Gatekeeper, *IPM and the Citrus Industry in South Africa*, August 1999.

26. Peter Fry, Fresh Produce Manager Tesco, personal communication, June 1999.

27. See, for example, S. Barrientos, S. McClenaghan and L. Orton, *Gender and Codes of Practice: A Case Study from Horticulture in South Africa*, forthcoming, 1999.

28. Based on Twin background report for *Who Benefits?*, 1999.

29. M. Barratt-Brown, *Fair Trade*, Zed Books, London, 1995.

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