



A quantum leap in the impact of Fairtrade labelling

Executive summary of FLO's Strategic Plan 2003-2008

December 2003

Organisational values

The basis of FLO's activities is **Fair Trade**, defined as: "a trading partnership, based on dialogue, transparency and respect, that seeks greater equity in international trade. It contributes to sustainable development by offering better trading conditions to, and securing the rights of, marginalized producers and workers – especially in the South."

FLO is part of a worldwide network of organizations actively involved in Fair Trade that, as the definition goes on to state, "backed by consumers, are actively engaged in supporting producers, awareness raising and in campaigning for changes in the rules and practice of conventional international trade"¹.

FLO is the worldwide Fairtrade standard setting and certification organization. It facilitates the sustainable development and empowerment of almost a million disadvantaged producers and workers and their dependents in 45 countries by enabling them to benefit from labelled Fairtrade. FLO International and its member national Fairtrade labelling organisations (known as "Max Havelaar", "Transfair", and by other national names) guarantee that products with the international Fairtrade Certification Mark and other national Fairtrade labels are bought and sold respecting Fairtrade standards.

FLO as a mission-driven organisation wants a better world for poor and disadvantaged producers and workers in developing countries. Its **vision** is:

*Fair trade is the norm for poor and disadvantaged producers and workers,
and a reference for all trade across the world.*

FLO believes that trade should be undertaken in a way that enables organized small-scale producers to strengthen their position in the marketplace.

Its vision is that in 25 years, wherever and whenever applicable and possible, production and trade take place under Fairtrade conditions, and in all other situations, Fairtrade standards are a reference for efforts to improve the conditions of the world's production and trade.

FLO International's **mission** is *to enable the sustainable development and empowerment of disadvantaged producers & workers in developing countries through Fairtrade labelling by:*

- a) setting international Fairtrade standards;*
- b) certifying production and auditing trade according to these Fairtrade standards;*
- c) facilitating and developing Fairtrade business;*
- d) supporting producers in making maximum use of the opportunities offered by Fairtrade labelling;
and by*
- e) promoting the case for trade justice in debates on trade and development.*

¹. These definitions of Fair Trade and of Fair Trade Organizations are used by a global network of organizations developing and promoting Fair Trade: close to 200 producer organizations and trading organizations affiliated to the International Federation for Alternative Trade (IFAT); 11 alternative trade organizations in 9 European countries members of the European Fair Trade Association (EFTA); 3.000 shops affiliated to the Network of European World Shops (NEWS); and the 17 national Fairtrade labelling organizations affiliated to FLO. To coordinate their work and jointly promote Fair Trade, FLO, IFAT, NEWS and EFTA cooperate by means of an informal working group called FINE.

FLO's definition of "Developing countries": those countries of low and middle human development as defined by the UN HDIndex², plus those countries with extreme differences between the poorest and the richest, as defined by the UN's P10/R10 ratio³. Consequently, regarding disadvantaged producers and workers, FLO's geographical scope encompasses almost all countries in Africa, Asia and Latin America, and the poorest countries in Central Asia.

FLO's **message** conveys what, together with its member national Fairtrade labelling organisations, it tries to do in practice:

Achieve sustainable development and empowerment of disadvantaged producers and workers by creating a winning deal for all stakeholders of Fairtrade: producers, workers, traders, retailers and consumers coming together.

Strategic objectives 2003-2008

FLO's **overall aim** for the coming five years is a significant increase in development impact for organised disadvantaged producers and workers through standard-setting, certification, business facilitation, producer support, and, through its national members, labelling.

- To achieve this aim, FLO will give **priority to standard-setting, certification and trade auditing**, and these activities will always be linked to the main instruments to facilitate disadvantaged producers' access to markets: the International Fairtrade Certification Mark and other Fairtrade labels used by FLO's member NIs.
- **Market opportunities** developed by NIs will be the key reference for FLO's other core activities: business facilitation and producer support, based on the recognition that:
 - (potential) market demand developed by NIs is *conditio sine qua non* for production-based development and empowerment; and that
 - most Fairtrade markets are buyers' markets, consequently it only makes sense to invest in producers' compliance with Fairtrade standards and in their ability to respond to market opportunities when such opportunities do exist.Marketing Plans for Fairtrade-labelled products drawn up by NIs and FLO together with other stakeholders will be the main tool to ensure that market opportunities are responded to optimally.
- To achieve its overall aim of a significant increase in development impact for disadvantaged producers and workers, rather than developing new activities, **FLO will consolidate** its current activity scope, as reflected in the following qualitative objectives to be reached in the coming five years:
 - A.1. Fairtrade labelling's impact in terms of sustainable development and empowerment is widely recognized and supported by the broad public, industry, public authorities and development agencies.
 - A.2. FLO is the pioneering, principal and reference standard-setter in Fairtrade.
 - A.3. FLO has a transparent, credible, effective and efficient Fair Trade certification and trade auditing system.
 - A.4. FLO is the world-wide reference and cooperation partner of choice for disadvantaged producers and of workers, and for other mission-driven certifiers and labellers.
 - A.5. The international Fairtrade Certification Mark (CM) is the only crossborder CM for Fairtrade-products, known and appreciated by the public, polity and industry:
 - A.6. FLO is a mature, sustainable, market-responsive and highly appreciated organisation.
- To enable a quantum leap in the impact of Fairtrade on producers' and workers' sustainable development and empowerment, FLO in the coming five years seeks to support its members' activities through **solid and sustained growth**, as reflected in the following quantitative objectives to be reached in 2008:

² The UN Human Development Index (HDI) ranks countries on the basis of three criteria: per capita income, child mortality and degree of literacy. It then categorizes into three groups: High-development countries, Medium-development countries and Low-development countries (LDCs)

³ This ratio is obtained by dividing the per capita income of the richest 10% of a country's population by the per capita income of the country's poorest 10%, and thus is an indicator of the inequality of wealth in a country.

- B.1. Doubling of the number of certified organisations from 324 in 2003, encompassing almost a million producers and workers, to 650 organisations and two million;
- B.2. Extension of labelled Fairtrade from a dozen mostly food product lines in 2003, to over 30 product lines, also textiles and other non-food and handcraft and manufactured products, in 2008;
- B.3. Work with producers, traders and its member NIs to increase the turnover in Fairtrade-labelled products by more than three-fold, from 59.000 MT in 2002 to over 210.000 MT in 2008.

Implementation strategy

Re A.1. Fairtrade labelling's impact in terms of sustainable development and empowerment is widely recognized and supported by the broad public, industry, public authorities and development agencies.

- FLO's objectives regarding sustainable development and empowerment will be clarified, its tools to measure development and empowerment impact will be refined, and they will be used to regularly monitor the performance of FTL compared to the objectives;
- FLO will enhance its 'brokerage' of external assistance to producers based on market opportunities and producers' demand for assistance, using its own Producer Support experience, and through strategic alliances with other FT-producer supporters and others involved in development cooperation.
- FTL's impact, not just on producers and workers but also on markets, is inextricably linked to the work and success of other "Fair Trade organizations" (FTOs). That is why FLO will take care that its strategies stay compatible with and support these FTOs, also regarding non-labelled Fair Trade.
- FLO will continue to strive for strategic cooperation with international labor union organizations to support the empowerment of workers at FT-certified plantations and factories.
- FLO seeks public and political endorsement of its system so as to differentiate it from purely commercial certifiers and labellers, and will work with other Fair Trade organizations to improve the international trade conditions for Fair Trade.

Re A.2. FLO is the pioneering, principal and reference standard-setter in Fairtrade:

- achieve ISO conformity of the procedure to set and revise standards, in particular by improving stakeholders' participation;
- complete the standards harmonisation process and elaborate Standards Guidance documentation;
- include in standards that to be certified, producers must have Fairtrade market potential, and that to stay FLO-registered, traders must work to expand the FT market.
- promote producer Group Certification and the use of Internal Control Systems (ICS);
- extend FTL to non-food, in particular handcrafts, provided it can be made to have economic sense, in cooperation with IFAT and other Fair Trade organizations;

Re A.3. FLO has a transparent, credible, effective and efficient Fair Trade certification and trade auditing system.

- Seek *de facto* technical accreditation through compliance with ISO 65, and *de facto* accreditation on contents through participation in standard-setting for mission-driven certifiers and peer review (through ISEAL);
- Decentralisation of inspection, certification and trade auditing by progressively transferring responsibilities to the South; and increasing certification capacity in the North; and, at a later stage, consider accreditation of Southern and Northern certification/trade auditing bodies.

Re A.4. FLO is the world-wide reference and cooperation partner of choice of organisations of disadvantaged producers and of workers, and of other mission-driven certifiers and labellers.

- Because FLO believes that trade should be undertaken in such a way that enables small-scale producers to strengthen their position in the marketplace, its first concern is enhancing small-scale producers' access to Fairtrade markets and to Fairtrade benefits.
- FLO aims to increase the impact of labelled Fairtrade on workers, considering different means to ensure that workers – and not their employers – are the primary recipients of Fairtrade's financial

benefits; FLO's local producer liaison structure will be expanded; training programs for Joint Bodies will be developed; and the cooperation with labor unions will be enhanced.

- FLO will work with complimentary certification schemes such as organic certification, Eurepgap and SA8000 when this helps producer organizations to maintain or extend their market.
- FLO defines itself as a mission-driven certifier and, when it furthers Fairtrade Labelling and doesn't compromise core Fairtrade standards, cooperates with other mission-driven systems to achieve excellence and maximum joint impact. It seeks peaceful co-existence and possibly cooperation with those *bonafide* commercial systems that are genuinely concerned with the sustainable development of producers and workers in developing countries. It will, within limits, seek to advise NIs in countering *malafide* commercial certification and labelling schemes that primarily try to make money off consumers' interest in promoting sustainability.
- FLO will enhance its 'presence' in producer countries, primarily through extending and strengthening its local liaison function, as much as possible in cooperation with other locally-based organisations.

Re A.5. The international Fairtrade Certification Mark (CM) is the only crossborder CM for Fairtrade-products, known and appreciated by the public, polity and industry:

- through the activities of NIs, in particular in raising consumer awareness, the international Certification Mark and the remaining national Fairtrade Marks are widely acknowledged as the reference point for labelling in Fairtrade, making FLO the partner of choice.
- in the coming five years, FLO's activities will remain directly linked to the use of the CM and the national Fairtrade labels mentioned above;
- integration of other certification and labelling systems in the area of Fair Trade, and/or extension of FTL to more products currently sold as "fair trade", when asked for by NIs and economically viable for FLO;
- FLO will work with NIs and other Fair Trade organizations to achieve international and national public and political endorsement for FT labelling, as basis for public procurement, preferential treatment and other public and political support for labelled Fairtrade.

Re A 6. FLO is a mature, sustainable, market-responsive and highly appreciated organisation.

- Consolidation of the organisation's internal split into two legal entities: FLO Certification Ltd. for inspection, certification and trade auditing, and FLO e.V. for all other activities (the Ltd. company being wholly owned by the "charity" e.V.);
- Enhancement of producers' and commercial partners' participation in FLO's governance, in particular by improving their representatives' communication and cooperation with their constituencies;
- Significant improvement of information exchange and communication within FT labeling as well as with producers, commercial partners, the public and the media;
- Enhancing the attractiveness of working for FLO;
- Compliance, by 2008 at the latest, of both FLO e.V. and FLO Cert Ltd. with a relevant quality management system (ISO 9000 or other);
- Move towards financial sustainability by covering FLO e.V.'s core operating costs out of NI contributions (i.e. out of product label license fee income), by covering most of FLO-Cert Ltd.'s core operating costs out of producer and trader fees for certification and trade auditing, as well as NI contributions, and by obtaining long-term external funding (also corporate) for producer liaison and support, work on new products, and for covering the e.V.'s and the Ltd.'s investment costs,

Re B.1. Doubling of the number of certified organizations from 324 in 2003, encompassing almost a million producers and workers, to 650 organizations and two million producers and workers:

- Extend access to FT markets for those disadvantaged producers and workers for whom there is an immediate FT market potential;
- Increase the average FT turnover per certified producer organization;
- Increase the average FT turnover per registered trader by only registering those new traders that stand to increase the market for FTL products.

Re B.2. Extend labelled Fairtrade from a dozen mostly food product lines in 2003, to over 30 product lines, also textiles and other non-food and handcrafted and manufactured products, in 2008:

- progressive elaboration of standards for all those products from developing countries produced by Fairtrade Labelling's target group for which a worthwhile Fairtrade market is likely.
- on NIs' indication, prioritise the development of those new products that caterers and retailers need to develop the overall impact of Fairtrade Labelling.

Re B.3. Work with NIs in particular, producers and commercial partners to increase the turnover in Fairtrade-labelled products more than three-fold, from 59.000 MT in 2002 to over 210.000 MT in 2008.

- Development, by FLO, NIs and other stakeholders of a joint Marketing Plan containing joint strategies to make optimal use of market opportunities for labelled Fairtrade;
- development of a joint NI/FLO policy on relating to transnational companies (TNCs) and to encourage TNCs' serious investment in labelled Fairtrade;
- consider mechanisms to encourage quality improvement by producers;
- support of the establishment and FLO-membership of new National Initiatives, both in other developed countries (Australia/New Zealand, Spain) and in developing countries (Mexico, Brazil) – welcome at least one new NI to FLO per year.

What FLO will not do in the coming 5 years

- FLO will not seek to expand its scope beyond those disadvantaged producers and workers in developing countries for whom Fairtrade Labelling can facilitate their sustainable development and empowerment.
- FLO in the coming five years will not become involved in marketing or licensing the international Fairtrade Certification Mark.
- It will not certify producer organisations when they have no intention to have their products Fairtrade-labelled.
- It will not enable the Fairtrade labelling of products from developed countries.
- It will not take initiatives to support NIs or promote their cooperation unless a majority of NIs explicitly ask FLO to do so.
- FLO will not become directly involved in awareness-raising or general advocacy regarding international trade issues (but will support the work of others in this area, and will work with other organizations in the Fair Trade movement regarding advocacy focussing on Fair Trade and Fairtrade labelling);
- It will not become involved in Codes of Conduct or Best Practice schemes, and will cooperate with other certifiers and labellers only when doing so will strengthen Fairtrade-labelling.

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