

**CONTESTED ACCOUNTABILITY:  
CIVIL SOCIETY AND THE INTERNATIONAL FAIR TRADE  
ASSOCIATION<sup>1</sup>**

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Contested Accountability: Civil Society And The International Fair Trade Association.

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## **Abstract**

This working paper examines the impact that engagement (or non-engagement) by civil society groups has had on enhancing the accountability of the International Fair Trade Association (IFAT) within the Fair Trade Movement. IFAT, the only global Fair Trade association that develops and regulates voluntary standards and certification mechanisms for organizations of Southern Fair Trade producers and Northern Fair Trade sellers, has the potential to play a unique global governance role within the Fair Trade Movement. Despite other global governance regulatory bodies increasingly contesting IFAT's accountability, IFAT has taken concrete steps to address gaps in its accountability. After describing the challenges IFAT is facing as a private global governance institution, the paper identifies the key components of accountability in IFAT through outlining its governance and operational structure, including its monitoring system. It then explores the extent of civil society engagement with IFAT within the context of the Fair Trade Movement. The paper then outlines and evaluates IFAT's 'New Strategic Plan', an initiative of its members that was adopted in 2007. The paper concludes with an assessment of the extent to which engagement by civil society groups have helped or hindered the accountability of IFAT and offers recommendations for strengthening its relations with civil society in order to close the current accountability gap in its global governance role.

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## **Introduction**

Global fair trade sales increased 41 percent between 2005 and 2006 totaling approximately US\$2.2 billion<sup>2</sup> (FLO; 2007b). In contrast, global merchandise trade grew only 8 percent over the period, albeit with total value of US\$11.76 trillion (WTO; 2007). Additionally, over one 1.4 million producers, workers and their dependents in developing countries worldwide directly benefited from the activities promoted by the Fair Trade Movement according to 2007 estimates (FLO; 2007b).

Since its establishment in 1989, the International Fair Trade Association (IFAT)<sup>3</sup>, which functions as a private global governance mechanism regulating Fair Trade organizations through setting widely recognized Fair Trade monitoring and certification standards, has experienced tenfold growth. IFAT currently has a membership of 330 of Fair Trade organizations, importers and retailers in 70 countries worldwide. It is the only global Fair Trade association that develops and regulates voluntary standards and certification mechanisms for organizations of Southern Fair Trade producers and Northern Fair Trade sellers and thus has the potential to play a unique global governance role within the Fair Trade Movement.

However, according to a recent study commissioned by its Executive Committee, IFAT is facing a “great danger that...it will fragment and die” if it does not adapt to the challenges posed by current realities (Myers and Wills; 2007: 5). To begin to understand the reasons behind the threats that IFAT is experiencing to its existence and authority, despite the healthy development of the Fair Trade Movement, it is necessary to identify some of the key challenges it is facing.

Given that the majority of IFAT Members focus on the production of handicrafts, the organization has been directly effected by the rapidly changing nature of the demand for Fair Trade products that has seen a decade-long shift away from the traditional handicraft products toward food products and textiles. Although IFAT’s monitoring system and

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<sup>2</sup> Calculated from an estimated Euro 1.6 billion.

<sup>3</sup> IFAT is registered under the name “International Federation of Alternative Trade” and uses the International Fair Trade Association in its advocacy and public communication activities.

standards apply to Members that produce both Fair Trade handicrafts and food products, this trend has contributed to IFAT's regulatory function being marginalized compared to those of its sister organization, the FairTrade Labeling Organizations (FLO) that regulates the labeling of Fair Trade products, and in particular food products.

An even greater challenge to the global governance role of IFAT, as well as FLO, is the threat of their private voluntary regulatory functions being replaced by the public standards-setting body the International Standards Organization (ISO), whose standards generally become binding. A resolution adopted by the ISO Consumer Policy Committee (COPOLCO) in May 2006 supported the development of new technical work in fair trade that could result in a new international standard on Fair Trade within the ISO. Within such organizations as IFAT and FLO that set voluntary standards and develop certification schemes with developmental and ethical aims foremost in mind, there is considerable concern given that "social and environmental standards are by their very nature substantially different from the technical standards ISO traditionally works on".<sup>4</sup> Additionally, from a normative perspective setting internationally binding fair trade standards through the ISO rather than the current voluntary standards as set by IFAT and FLO may undermine the success of fair trade given that as Watson (2006) argues "the success of fair trade initiatives revolves around the *voluntary* participation of consumers in the fair trade network" (438-439, emphasis added).

To a considerable extent, IFAT's tenuous situation is due to an accountability gap arising from two primary sources. First, prior to the New Strategic Plan, IFAT's Membership adopted in May 2007, inappropriate institutional structure and lack of resources resulted in IFAT not being able to respond effectively to the needs of its member Fair Trade organizations, in particular the Southern Fair Trade producers that make up two thirds of its membership. This has resulted in Southern members of IFAT being constrained from promoting their interests within IFAT. Second, IFAT and its member Fair Trade organizations have neither sought nor been the target of sustained engagement with key civil society organizations such as consumer groups and business associations despite the

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<sup>4</sup> As quoted in a letter from the International Social and Environmental Accreditation and Labelling Alliance (ISEAL) to Consumers International, COPOLCO, and the ISO Secretariat dated 10 May 2007.

clear overlap of interests. Thus, there is an accountability gap between IFAT and its key constituents of Fair Trade producers and consumers.

The argument taken in this study is that this accountability gap has resulted in IFAT's accountability being contested by other global governance regulatory bodies, namely FLO and the ISO. The contestable nature of accountability has previously been noted in the literature. Ebrahim and Weisband (2007) argue that: "we live in a world in which numerous types of accountability battle for recognition and legitimacy" (10).

### *Structure and Methodology*

This chapter examines the impact that engagement (or non-engagement) by civil society groups has had on enhancing the accountability of the IFAT within the fair trade movement. This chapter first briefly explores the history and nature of Fair Trade initiatives. Second, the chapter identifies the key components of accountability in IFAT through outlining its governance and operational structure, including its monitoring system. The discussion then examines IFAT engagement with civil society organizations, with a specific focus on consumer groups. The following section outlines and evaluates IFAT's New Strategic Plan. The chapter concludes by assessing the extent that engagement with civil society groups has shaped the accountability of IFAT arguing that recent increases in interaction between its membership as well as with consumer groups has resulted in a narrowing of IFAT's accountability gap.

Given the lack of previous analysis on IFAT, the methodology used in the preparation of this study relies heavily on primary research such as interviews with IFAT members, including Southern producers and Northern importers and retailers, various IFAT staff, executive committee, and regional forum members as well as consumer organization representatives. Documentation, primarily web-based, produced by IFAT and other Fair Trade Organizations constituted a major source of background information. Additionally, participation at the biennial IFAT Conference and annual general meeting in May 2007 resulted in significant insights that critically informed the analysis.

## **The History and Nature of Fair Trade Initiatives**

Throughout the evolution of the Fair Trade Movement and in its ongoing transformation into an increasingly mainstream system of ethical developmental trade, interventions by some civil society organizations, such as religious relief agencies, and the notable lack of interventions by others, including consumer groups, continue to contribute to shaping the structure and strategy of IFAT.

The concept of alternative trade was based on serving as an alternative to the widely accepted neo-liberal trading system. Rather than being motivated by profit, emphasis was placed on economic justice and equity (Waddell; 2002: 21). A key component of alternative trade was the notion of providing small, and often poor, Southern producers a means to improve their livelihoods through increased trade with the North. Alternative trade items were produced, imported and sold through global networks of Alternative Trade Organizations consisting of producers, importers and retailers. Thus, from the outset the key constituencies of alternative trade included poor and marginalized producers in the South, Northern importers and retailers, as well as consumers worldwide given their economic opportunity and greater choice.

The idea of alternative trade spread to Europe in the late 1950s with initial activity occurring in the U.K. and the Netherlands. Mirroring the growing political activism of developing countries within such groupings as the G77 and the UN Conference on Trade and Development in shaping the New International Economic Order, throughout the 1960s and 1970s Southern alternative trade organizations became increasingly proactive in advancing the interests of small producers and marginalized sections of society.

The expansion of the range of alternative trade items beyond the traditional handicrafts to include food products such as coffee, tea and cocoa resulted in an increase in awareness and interest among certain segments of the population in the North, particularly in Europe, throughout the 1980s. As demand for alternative food products grew among Northern consumers, conventional market outlets such as grocery chains and coffee shops began to stock alternative trade products. By 2007, over two-thirds of Fair Trade products were being sold in mainstream retail and catering outlets (IFAT; 2007c).

Increasing demand for alternatively traded food products, as well as a downturn in the demand for alternative traded handicrafts, necessitated a re-evaluation of the system of exchange by the mid-1990s. Exclusive use of separate 'alternative trade systems' throughout the production and exchange process were overly expensive due to low economies of scale. In contrast, a 'fair trade system' in which only certain key functions such as production were certified as adhering to fair trade standards while using existing means of transport, storage and other conventional links ensures fair trade products remains competitive (Waddell, 2002: 23). Thus, the transition in terminology from 'alternative trade' to 'fair trade' can be attributed more to economic reasoning than any ideological fervor associated with civil society intervention, and in particular the emergence at this time of a vocal civil society responding to the perceived threats of globalization.

Correlated to the growth in demand, Fair Trade Organizations were established in countries across the world, particularly in Europe, at an increasing pace beginning in the 1970s. Initially these Fair Trade Organizations met periodically on an informal basis in order to learn from each other and coordinate their activities. As part of the transition from a system of alternative trade to the development of the Fair Trade Movement, a complex web of global and regional Fair Trade Associations and Fair Trade Networks evolved. This network developed through the initiative of domestic Fair Trade Organizations as a means to increase their effectiveness and face common challenges.

In addition to IFAT, the primary umbrella groups are the FairTrade Labeling Organizations International (FLO), the European Fair Trade Association (EFTA), and the Network of European World Shops (NEWS!). Together, these member-driven associations represent more than one million Fair Trade producers and over 200 Fair Trade importers, 3,000 World Shops and thousands of volunteers (Fair Trade Advocacy Office; 2007a).

Due to the need for certification of Fair Trade food products and the proliferation of Fair Trade labeling initiatives, FLO was founded in 1997 by 20 developed country national

fair trade labeling initiatives, such as TransFair in North America, Max Havelaar in Europe, and the Fairtrade Foundation in the U.K., to serve as the standard setting organization for Fair Trade commodity products and develop a standardized certification mark. To ensure efficiency in their operations, FLO is divided into two organizations. FLO International develops and reviews Fair Trade product standards and promotes a common Fair Trade certification. FLO-CERT works to ensure that producers comply with Fair Trade standards through a transparent and accountable process of inspection, audit, and review. In 2002, FLO launched the blue and green International Fair Trade Certification Mark (see Appendix) to create an image of common standards on Fair Trade food products sold under the various Fair Trade Labeling groups. In the five years since its development, the Certification Mark has gained significant recognition in many of the countries in which FLO is active.

Although IFAT and FLO serve as private global regulatory mechanisms for Fair Trade organizations and Fair Trade products respectively, the European Free Trade Association (EFTA) and the Network of European Worldshops (NEWS!) are regional associations with membership in IFAT. EFTA, representing eleven Fair Trade importers in nine European countries<sup>5</sup>, was founded in 1990 to assist in the exchange of information and cooperation among its members to increase their efficiency. EFTA also provides its members with a database of Fair Trade producers of both handicrafts and food products. NEWS! was established in 1994 and represents approximately 3,000 World Shops through 15 national associations<sup>6</sup> in 13 Central and Western European countries. Similar to EFTA, it serves as a means of coordination among national associations of world shops and to lobby the institutions of the European Union

For purposes of global advocacy and campaigning, since 1998 these four civil society organizations have cooperated under the acronym of F.I.N.E, derived from the first letter of the four associations: FLO, IFAT, NEWS!, and EFTA respectively. Working from a

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<sup>5</sup> The members of EFTA are located in Austria, Belgium, France, Germany, Italy, The Netherlands, Spain, Switzerland, and the UK.

<sup>6</sup> The national members of NEWS! are Austria, Belgium, Denmark, Finland, France, Germany, Italy, The Netherlands, Portugal, Spain, Sweden, Switzerland, and the UK.

small Fair Trade Advocacy Office located in Brussels F.I.N.E. coordinates raising of awareness among stakeholders, advocacy activities at regional institutions such as the European Commission and European Parliament as well as international organizations such as the World Trade Organization (WTO) and the ISO. Through F.I.N.E, the Fair Trade Movement has been active at recent WTO Ministerial conferences. For example, at the WTO's 6<sup>th</sup> Ministerial Conference that took place in Hong Kong in December 2005, F.I.N.E. coordinated the Fair Trade Movement's first joint statement on Fair Trade as well as its participation in a Fair Trade Fair. F.I.N.E. coordinated activities with trade-related NGOs including OXFAM and the Institute for Agriculture and Trade Policy. Achievements at the European level include adoption of resolutions concerning Fair Trade by the European Parliament in 1994 and 1998 and a Communication on Fair Trade passed by the Commission in 1999 (IFAT; 2007d).

These Fair Trade umbrella organizations have been instrumental in creating partnerships between Northern Fair Trade importers and marginalized Southern producers. Their activities have resulted in raising awareness of Fair Trade among Northern consumers, business representatives, and politicians as well as creating standards for Fair Trade organizations and food products. However, scope remains for them individually and as a group to increase the accountability of their structure and activities.

### **IFAT and Accountability**

Before identifying the core elements of IFAT's accountability, it is necessary to briefly outline IFAT's governance and operational structure prior to the recent changes that were adopted in May 2007. IFAT is divided into a tripartite structure consisting of its Members, Executive Committee and Secretariat.

As a federation consisting of Members, IFAT's Member Fair Trade Organizations, consisting of Fair Trade producers, Southern exporters, Northern importers and World Shops retail outlets, play the key role in the direction that the organization takes. Membership is divided into five regions consisting of Africa, Asia, Europe, Latin America and a combined North America and Pacific Rim. Over the last several years, in

addition to the existing European Fair Trade Association, several other regions have established regional chapters including Cooperation for Fair Trade in Africa, Asia Free Trade Forum, and *Asociacion Latino Americana de Comercio Justo*. However, prior to the adoption of the New Strategic Plan, these regional chapters were independent, autonomous bodies with no institutional link to IFAT. Thus, Regional Directors did not take part in governance body activities.

The Executive Committee serves as the governance body of IFAT. The Committee consists of at least five but no more than eight representatives elected by the Members at the annual general meeting for a term of four years with the ability to stand for two terms. Executive Committee members elect a Chairperson, Vice Chairperson, Secretary and Treasurer. Its members are responsible for the development and implementation of decisions agreed to by the Membership at the annual general meeting. Although decisions are generally made by consensus, in matters where significant differences exist, simple majority voting takes place.

The IFAT Secretariat, based in Culembourg, the Netherlands, is charged with overseeing the implementation of agreed policies and decisions. The Executive Director of the Secretariat works with the Chairperson of the Executive Committee to ensure that activities remain within budgetary limits.

The highest decision-making body in IFAT is the annual general meeting. All Members have equal voting rights. While in the early 1990s, Northern Members outnumbered Southern Members, this balance has shifted with Southern Members now making up two-thirds of IFAT's Membership. Thus, Southern Fair Trade Organizations have the majority of votes in the annual general meeting. All major decisions require approval among Members, including on issues of market access, monitoring and advocacy. Additionally, Members are required to approve the appointment of the Executive Director as well as all financial issues such as financial accounts, budgets and the selection of auditors.

### *The Components of Accountability*

A precise definition of accountability is problematic given that, as noted by Ebrahim and Weisband, “the reality is...ambiguous – ...it is a socially-embedded, politicized, pluralistic, and value-heavy construction” (2007; 3). However, the authors outline the core components of accountability as related to global governance: transparency, answerability or justification, compliance, and enforcement or sanctions (Ebrahim and Weisband; 2007: 5).

In terms of internal transparency, IFAT, specifically its Executive Committee and Secretariat, receive mixed results. Some IFAT members interviewed for this study noted that the governing body and Secretariat provide regular information in the form of a bi-monthly newsletter on activities, issues of interest, and enquiries by businesses for Fair Trade products. Representatives of Fair Trade Organizations also note that there are regular communication flows between members, Executive Committee and the Secretariat. The Secretariat, despite being extremely short-staffed with only three staff and two volunteers based at the Secretariat and three external staff members as of July 2007, will directly contact individual Fair Trade Organizations when a particular issue of interest arises. However, there was also evidence that much more could be done to increase internal transparency in terms of adequate and timely information and discussion on common threats and strategic plans. Members also cited that collecting and providing statistics on Fair Trade sales and areas of growth potential was an activity that IFAT should provide to its members.

External transparency to non-members, other civil society organizations and the general public is an area that could be strengthened. Although IFAT has a useful website (see: <http://www.ifat.org/>), key governance documents such as its constitution, annual report, and statistics on turnover of Fair Trade sales are not available to the public.

With respect to answerability, or explaining their actions or non-actions, IFAT, specifically the Executive Committee, performs well. Minutes of meetings of the

Executive Committee and annual general meeting are distributed to all members so that the reasoning behind their decisions can be known. Another example of IFAT explaining the reasons behind its actions is the recent adoption of the New Strategic Plan. This was the result of an open and inclusive process within the IFAT membership in which the Secretariat and Executive Committee provided the reasons why such an action was necessary and coordinated the development of several options that were distributed to Members, and explained the details prior to the vote at the 2007 annual general meeting.

For IFAT, the component of compliance, with particular reference to the monitoring of processes applied by its Members and certifying that they are meeting the standards of Fair Trade as agreed by the membership, is arguably the core of its activities. The IFAT monitoring system will be discussed in detail below. Regarding compliance to issues of governance, one of the responsibilities of the Executive Committee is to act as guardian of the IFAT Constitution. The Minutes of their meetings are recorded and approved by the Secretariat and then distributed to all Members for reasons of transparency.

The IFAT Constitution provides provisions for enforcement or sanctioning of both Member Fair Trade Organizations as well as members of the Executive Committee. Article IX sets out the reasons for termination of membership to IFAT including noncompliance with the provisions set out in the Constitution, such as abiding by IFAT principles (IFAT; 2006). Members of IFAT also have the ability to remove a member of the Executive Committee from office through the adoption of a resolution (IFAT; 2006: Art. IX).

#### *What IFAT is Accountable for*

An assessment of the extent to which engagement by civil society associations have advanced the accountability of IFAT necessarily must first clarify the source and targets of that accountability. Key issues to be addressed include what IFAT is accountable for, to whom it owes this accountability and the means with which it seeks to practice this accountability.

According to its Constitution, IFAT is responsible for working to:

- 1) improve the livelihoods of marginalized producers and workers, especially in the South;
- 2) change unfair structures of international trade;
- 3) improve and co-ordinate the co-operation of *its member* organizations;
- 4) promote the interests and provide services to its member organizations and individuals (IFAT; 2006 Art. III – emphasis included).

*To Whom IFAT is Accountable*

Derived from the above points, IFAT is accountable to three primary groups. Firstly, to marginalized Fair Trade producers and workers, with an emphasis on those operating in developing countries. Since the majority of IFAT producer organizations are co-operatives who work with poor and unskilled workers, there is a direct link between the Fair Trade producer groups and marginalized workers.

Secondly, IFAT is accountable to its member organizations. Article V of the IFAT constitution identifies three types of members consisting of:

- 1) Fair Trade Organizations – companies, partnerships or other legal entities whose primary activity is Fair Trade;
- 2) Fair Trade Networks – organizations that serve as national or international associations of Fair Trade producers and Fair Trade organizations;
- 3) Fair Trade Support Networks – organizations that provide technical, financial, general business among other activities that promote Fair Trade (IFAT; 2006: Art. V).

Thirdly, the IFAT Constitution states that the organization shall be accountable to individuals. There is clear mention in Article V of Individual Associates who show interest in increasing their knowledge of and promoting Fair Trade as well as Honorary Members who are internationally recognized experts that have played a significant role in the Fair Trade Movement. It is also implied that individuals may be considered to be consumers who purchase Fair Trade products (IFAT; 2006: Art. V).

#### *The Means to Practice Accountability*

The IFAT Constitution clearly sets out the means through which its objectives or responsibilities are to be achieved:

- 1) Promoting, stimulating and enabling co-operation and exchange of information between its members in the fields of marketing, market research, product development, campaigning, etc.;
- 2) Co-ordinating international campaigns, initiated or decided on by the annual general meeting;
- 3) Promoting, stimulating and enabling co-operation in the field of marketing of goods and commodities from member organizations, especially in the South;
- 4) Promoting, stimulating and enabling the financing of Fair Trade and marketing, product development, etc.;
- 5) Issuing a periodical newsletter;
- 6) Organizing and convening a conference in combination with the annual general meeting;
- 7) All other activities decided on by the annual general meeting or the Committee (IFAT; 2006: Art. IV).

Notably, the Constitution emphasizes that all of the above will be carried out “through member organizations and individuals” (IFAT; 2006: Art. IV). However, the IFAT

Secretariat manages these means of practicing accountability in three primary ways: market access, fair trade monitoring, and advocacy.

First, IFAT works to increase market development opportunities through linking Northern Fair Trade importers and retailers with Southern Fair Trade producers. Southern producers have access to business support services that assist them in designing products that meet the design and quality standards of Northern consumers. IFAT provides forums that bring Northern retailers and Fair Trade producers together including international and regional conferences and as well as through their website.

Second, upon the request of its Members, in 1997 IFAT developed a Monitoring System whose goals include to build trust Fair Trade products in order to increase sales, to encourage IFAT's Member Fair Trade Organizations to improve their working practices through a system of control that requires stakeholder dialogue and measures their adherence to the Fair Trade Standards. Table 1 outlines the ten IFAT Standards for Fair Trade Organizations.

<b>Table 1: IFAT's Standards for Fair Trade Organizations</b>	
1	<b>Creating Opportunities for Economically Disadvantaged Producers</b>
	Fair Trade is a strategy for poverty alleviation and sustainable development. Its purpose is to create opportunities for producers who have been economically disadvantaged or marginalized by the conventional trading system.
2	<b>Transparency and Accountability</b>
	Fair Trade involves transparent management and commercial relations to deal fairly and respectfully with trading partners.
3	<b>Capacity Building</b>

	<p>Fair Trade is a means to develop producers' independence. Fair Trade relationships provide continuity, during which producers and their marketing organizations can improve their management skills and their access to new markets.</p>
4	<p><b>Promoting Fair Trade</b></p> <p>Fair Trade Organizations raise awareness of Fair Trade and the possibility of greater justice in world trade. They provide their customers with information about the organization, the products, and in what conditions they are made. They use honest advertising and marketing techniques and aim for the highest standards in product quality and packing.</p>
5	<p><i>Payment of a Fair Price</i></p> <p>A fair price in the regional or local context is one that has been agreed through dialogue and participation. It covers not only the costs of production but enables production which is socially just and environmentally sound. It provides fair pay to the producers and takes into account the principle of equal pay for equal work by women and men. Fair Traders ensure prompt payment to their partners and, whenever possible, help producers with access to pre-harvest or pre-production financing.</p>
6	<p><b>Gender Equity</b></p> <p>Fair Trade means that women's work is properly valued and rewarded. Women are always paid for their contribution to the production process and are empowered in their organizations.</p>
7	<p><b>Working Conditions</b></p> <p>Fair Trade means a safe and healthy working environment for producers. The participation of children (if any) does not adversely affect their well-being, security, educational requirements and need for play and conforms to the UN Convention on the Rights of the Child as well as the law and norms in the local context.</p>
8	<p><b>Child Labor</b></p>

	Fair Trade Organizations respect the UN Convention on the Rights of the Child, as well as local laws and social norms in order to ensure that the participation of children in production processes of fairly traded articles (if any) does not adversely affect their well-being, security, educational requirements and need for play. Organizations working directly with informally organized producers disclose the involvement of children in production.
9	<b>The Environment</b>
	Fair Trade actively encourages better environmental practices and the application of responsible methods of production.
10	<b>Trade Relations</b>
	Fair Trade Organizations trade with concern for the social, economic and environmental well-being of marginalized small producers and do not maximize profit at their expense. They maintain long-term relationships based on solidarity, trust and mutual respect that contribute to the promotion and growth of Fair Trade. Whenever possible producers are assisted with access to pre-harvest or pre-production advance payment.

Source: IFAT; 2007e

The IFAT Monitoring System is based on a three-tier process incorporating clear standards and indicators, self-assessments by Members and supported by Mutual Review reports from trading partners.

<b>Table 2: IFAT's Monitoring System</b>
<b>Step 1: Self-Assessment</b>
Every two years IFAT members must assess themselves against the IFAT Standards for Fair Trade Organizations through applying the self-assessment guidelines, standards and accepted indicators. The process of self-assessment includes three parts consisting of 'Having a look' in which members complete checklist, 'Having a Chat' in which the Fair Trade Organization is required to consult with their stakeholders including producers and consumers, and finally ranking their compliance to the IFAT standards. The Fair Trade Organizations prepare a report that identifies the degree of compliance

with the IFAT standards.
<b>Step 2: Mutual Review</b>
Fair Trade Organizations send their self-assessment report to the IFAT Secretariat and their trading partners for review in order to ensure transparency and accountability. This process provides trading partners to verify the credibility and reliability of the Fair Trade Organizations.
<b>Step 3: External Verification</b>
Each year, between 5 and 10 percent of IFAT Members taking part in the self-assessment exercise are randomly selected to have the findings of their self-assessment report verified by an independent inspector in order to validate the process. Inspectors visit the selected Fair Trade Organizations, and in the case of Southern Members also visit some of their producers as well as collect information through telephone and e-mail interviews. The process of external verification, in effect an independent audit, ensures that Fair Trade Organizations are complying with the IFAT standards and the self-assessment reports are credible.

Source: IFAT; 2007g and IFAT Monitoring Coordinator, Mike Muchilwa.

Upon the successful completion and verification of the self-assessment review, Members are registered as having met the demands of the IFAT monitoring system.

In response to the mainstreaming of Fair Trade products as well as the development of labels for Fair Trade food products, IFAT Members recognized the importance of certification of Fair Trade Organizations to ensure their credibility among consumers, businesses and politicians. In 2004, IFAT officially launched the Fair Trade Organization Mark (see Appendix) that was granted to registered IFAT members who have successfully met the standards and requirements. The Fair Trade Organization Mark serves to distinguish Fair Trade Organizations from commercial traders, such as Starbucks, that are involved in Fair Trade only through the purchase of products labeled under the FLO certification system.

IFAT members, both Northern importers and retailers as well as Southern producers, note similar concerns regarding the existing monitoring and labeling system. A key point of concern is that the IFAT monitoring and certification system is not rigorous enough to ensure compliance with Fair Trade standards. Mandatory external verification was identified as a way in which the system could be strengthened. An additional issue raised by Southern IFAT Fair Trade producers was that Northern IFAT importers were not purchasing Fair Trade items exclusively from IFAT producers. With respect to the labeling system, although the Fair Trade Organization Mark for organizations was credited with increasing the credibility and sales of Fair Trade products, the lack of a label for textiles was seen as a significant weakness in the promotion of sales. These issues were major points of discussion during the May 2007 annual general meeting in the context of the New Strategic Plan.

Third, IFAT promotes Fair Trade through playing an active role in global advocacy and campaigning activities that aim to raise awareness of Fair Trade among the general public and politicians. As detailed later in the study, outreach activities of IFAT and three other Fair Trade organizations are carried out by the Fair Trade Advocacy Office they established for this purpose. Activities include the organization of an annual World Fair Trade Day, a Global Journey that promoted Fair Trade around the world through various public events between January 2004 and May 2007, and campaigning for recognition of Fair Trade standards at the regional and global level.

As outlined by the 2005 International Non-Governmental Organizational Charter, the principles of best practice in good governance include:

a governing body which supervises and evaluates the chief executive and oversee program and budgetary matters,... written procedures covering the appointment, responsibilities and terms of members of the governing body, and preventing and managing conflicts of interest..., (and) a regular meeting with the authority to appoint and replace members of the governing body (INGO; 2005: 4).

IFAT, despite not being a signatory to the Charter, generally rates relatively high. In terms of its governance structure, IFAT meets nearly all of the requirements including a governing body that supervises the chief executive, directs programmed and budgetary issues; written procedures governing the appointment and terms of reference of governing board members, and a regular general meeting at which governing members may be replaced (INGO; 2005).

However, as the following section shows, IFAT scores less well on stakeholder engagement. According to the Charter, to be more accountable, international non-governmental organizations must “listen to stakeholders’ suggestions on how...[to] improve our work and will encourage inputs by people whose interests may be directly affected” (INGO; 2005: 4). IFAT will need to improve its engagement with its stakeholders, including consumer groups, environmental organizations, business associations, and trade unions to close its current accountability gap.

### **IFAT and Civil Society Organization Engagement**

Scholte (2006) has defined civil society as:

a political space where voluntary associations of people seek, from outside political parties, to shape the rules that govern one or the other aspect of social life. As such, civil society encompasses *inter alia* anti-poverty initiatives, business forums, clan and kinship unions, community associations, consumer advocates, environmental campaigns, ethnic lobbies, faith-based organizations, human rights promoters, labor unions, peace advocates, peasant groups, philanthropic foundations, professional bodies, relief organizations, research institutes, women’s networks, and youth associations (2-3).

While this study applies the above definition, it will focus on the engagement of civil society organizations such as Southern Fair Trade producers, Northern Fair Trade importers and World Shops with consumer organizations.

Civil society engagement within the Fair Trade Movement has consisted primarily of the activities of Fair Trade Organizations including producer cooperatives and associations, importers, retailers (i.e., World Shops), as well as to a lesser extent developmental cooperative financial institutions. Fair Trade Organizations, in particular volunteer associations of retailers, importers and producers of Fair Trade products, have shaped the evolution of fair trade from its origins as an alternative trade system through its transition to the Fair Trade Movement. Notably, leading Fair Trade Organizations developed the widely accepted definition of fair trade:

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. (IFAT; 2005c).

The continued growth in demand and increasing trend toward the mainstreaming of alternative trade into the commercial trading system have been significant on the Fair Trade Movement in terms of regulatory and accountability impact. The types of civil society associations that have chosen to, or not to, engage in the regulation of Fair Trade as it has evolved have shaped the Fair Trade Movement in profound ways. Their interventions, or lack thereof, have been largely responsible for the achievements of IFAT as well as the challenges to its role as global regulator of Fair Trade Organizations that it currently faces.

With respect to both accountability as well as representation, it is significant to note that until the last few years civil society groups with a stake in the activities and outcomes of the Fair Trade Movement, such as consumer organizations, environmental groups,

business forums, and trade unions have not been engaged to any significant extent in the Fair Trade Movement, and have been particularly absent with respect to the activities of the global Fair Trade standards and certification associations. This lack of engagement may be attributable to the Fair Trade Movement being a lesser priority than the larger commercial trading system given frequently limited resources among these civil society groups. However, with the growth in Fair Trade and increased interest in ethical trade and corporate social responsibility, these civil society groups are beginning to dedicate greater resources to the setting of standards and norms related to Fair Trade.

At the same time, Fair Trade umbrella groups and Fair Trade Organizations have historically been deficient in proactive outreach to their broader stakeholders. In particular, Waddell notes that within IFAT although “participation of stakeholders is a highly valued quality...the stakeholder definition appears under-developed” (Waddell; 2002: 25). This lack of stakeholder definition results in the situation that when issues related to Fair Trade do not emanate directly from the Fair Trade community, engagement with other stakeholders is not forthcoming (Waddell; 2002: 18).

*Engaging with Consumer Groups: A first step toward narrowing the Accountability Gap?*

In May 2006, the ISO Consumer Policy Committee (COPOLCO) adopted Resolution 23/2006 inviting the global consumer organization, Consumers International, to “develop a proposal for new technical work in fair trade, including certification (INNI; 2007),” which would likely result in an eventual international standard on Fair Trade within the ISO. The initiative arose due to the concern expressed by consumer organizations of the growing confusion that exists among consumers between the various alternative approaches to conventional trade, including Fair Trade, ethical trade, and social accountability, as well as numerous Fair Trade labeling schemes (see Appendix).

At the same time, IFAT and FLO are concerned that their “social and environmental standards are by their very nature substantially different from the technical standards ISO traditionally works on” (ISEAL, 2007). Concerns raised by F.I.N.E include that such

standards would likely be less ambitious than IFAT and FLO standards, meeting and monitoring ISO standards involves a lengthy and expensive process which would adversely effect the small and marginalized organizations that make up the majority of Fair Trade producers, and that IFAT and FLO's responsibility to serve the interests of Fair Trade producers would be reduced.

Following a year of concerted efforts on behalf of the Fair Trade Advocacy Office and a small number of IFAT Members against future ISO standardization of Fair Trade, in May 2007 members of COPOLCO passed Resolution 10/2007 Fair Trade that acknowledged that it was premature to incorporate Fair Trade certification within the scope of ISO. In order to develop greater understanding of the "potential for problems associated with accurate unreliable claims concerning the ethical dimension of consumer products and services" (ISO, 2007), a joint fact-finding process was to be established including representatives of IFAT, FLO, and Consumers International as well as other interested stakeholders.

The ruling of COPOLCO reduces the immediate threat of IFAT responsibility for Fair Trade monitoring and certification being transferred to the ISO. However, it also provides IFAT with a window of opportunity to institutionalize engagement with key members of civil society, in particular consumer organizations and global standard setting bodies and address their concerns related to Fair Trade certification.

In a move that signals a move toward greater engagement with consumer groups and other stakeholders, in April 2007 IFAT and FLO stated:

...recognizing the need to protect consumers against misleading ethical and 'fair' claims, the Fairtrade Labeling Organization International and the International Fair Trade Association invite interested stakeholders to participate in a dialogue on how to improve transparency, accessibility and participation within Fair Trade as soon as possible.

This dialogue will allow us to work together to improve Fair Trade, to make it a more open system, more transparent for consumers and with a wider participation from other sectors of the society, and at the same time strengthen Fair Trade contribution to sustainable development and poverty reduction (Fair Trade Advocacy Office; April 2007a).

Activities such as the noted above indicate that IFAT is recognizing the importance of greater interaction with relevant civil society organizations. Regular and effective implementation of dialogue with these groups is a first step toward narrowing IFAT's accountability gap

### **IFAT's New Strategic Plan: Advancing Accountability?**

This section outlines and assess IFAT's recently adopted New Strategic Plan in terms of the extent they advance the institution's accountability to its Members and broader constituents.

#### *New Strategic Plan*

Recognizing the need for IFAT to adapt to the challenges facing it, in September 2006 the Executive Committee instructed the Executive Director to manage the development of options for ways in which the structure, governance and strategy of IFAT could be strengthened in order to better reflect the interests and needs of its Members. As part of the process, two Fair Trade Movement experts who were Honorary Members of IFAT, consulted with the membership and offered recommendations. In January 2007, the consultants presented their 'Agenda for Change' to the Executive Committee. Following these consultations, a 'New Strategic Plan' that incorporates many of the Agenda for Change recommendations but reflects the networking characteristics of the Fair Trade Movement, was presented to the membership and adopted at the annual general meeting in May 2007.

The key features of the New Strategic Plan in terms of structure, governance and strategy include:

#### Structure

- Decentralization: The IFAT structure is to decentralize in order to give the five regions greater responsibility in terms of capacity building, identifying market access opportunities, monitoring, communication, and membership recruitment. The regions will also take lead responsibility for specific global activities as requested by IFAT Global.
- Recognition of Regions: According to a Memorandum of Agreement that will be in effect between May 2007 and May 2009, the five regions are to have the status of ‘organized branches’ that will have the right to “manage their own affairs and develop their own plans to meet the needs of members as long as these are in line with the overall IFAT strategic direction and membership criteria” (IFAT; 2007f: 2)
- Secretariat: The IFAT Secretariat is continue to be a small international office, but its location will be determined on the basis of where the most strategic location is judged to be.

#### Governance

- Board to replace Executive Committee: The Executive Committee is to be re-named ‘Board’ and expand in size from five to nine ‘Board Directors’.
- Broader Representation on Board: Five Board Directors, proposed by the Regional branches and approved by the annual general meeting as well as three independent Board Directors, elected by Members, are to sit on the Board.

- Independent President of Board: The President of the Board, re-placing the term of 'Chair' will be independent and granted an allowance of between Euros 10,000 to 12,000 annually as an honorarium. The Chair will be elected for a term of 2 years and may be re-elected for up to three terms.

## Strategy

- Phase 1 implementation of New Strategic Plan: Phase 1, to take place between 2007-2009, is to focus on uniting and strengthening the Fair Trade Movement through building trust, promoting market access and strengthening IFAT (Wills, 2007).
  - o Strengthening of Monitoring System – to retain the credibility and authority of IFAT standards for Fair Trade Organizations and ensure compliance, a review of the Monitoring System occurred in early 2007 and was reviewed at the annual general meeting later that year. A feature of the strengthened Monitoring system includes the ability of the Regional branches to comment on the system and self-assessment reports. Additionally, the development of an impact assessment is to be developed during 2008-2009.
  - o Development of Craft and Food Product Label – to respond to the trends in Fair Trade demand and production, IFAT is to urgently develop an Fair Trade Organization label for handicrafts products and food by the end of 2008.
  - o Branding of IFAT – In order to “gain greater consumer and official recognition”, IFAT is to hire a professional branding firm by November 2007 (Myers and Wills; 2007: 12).
  - o Updating Mission and Vision Statements – IFAT’s Mission and Vision statements are to be updated to reflect greater ambition.

- Phase 2 implementation of New Strategic Plan: Phase 2, to take place between 2009-2011, will involve a review of progress and development of plans to move IFAT forward (Wills, 2007).

### *Advancing Accountability?*

The New Strategic Plan responds well to several of the challenges facing IFAT due to the changes that have occurred within the organization as well as the Fair Trade Movement over the last decade. Many of the elements within the Plan will strengthen the ability of IFAT to carry out its responsibilities toward its Members, including the development of a product label for Fair Trade handicrafts and food products and the strengthening of the Monitoring System. Additionally, the decentralization in IFAT's structure to provide greater institutionalized responsibility and input from the regions reflects its membership balance and thus increases the democratic nature of its governance as well as the accountability to its Southern Members. However, some Members voiced their concerns over the significant differences in the strengths of the five regions. While the Asian region is extremely active and organized with many Members, the North American and Pacific Rim is smaller with less coordinated activity.

However, inclusions as well as omissions in the New Strategic Plan also raise the question of to what extent it advances the accountability of IFAT. While the Plan incorporates extensive changes to the structure and governance of IFAT, it does not directly address the issue of closing the accountability gap with its broader constituents, such as consumers through such means as greater transparency. Nor does the New Strategic Plan incorporate concrete steps to increase engagement with key civil society groups such as consumer organizations, environmental groups, business associations and trade unions or its long-term relationship with FLO and COPOLCO within the ISO.

Thus, there is some concern whether IFAT is placing too much emphasis and dedicating too many of its resources to organizational and governance issues rather than on engaging

with its constituents and other stakeholders to work together to improve the livelihoods of marginalized producers and workers, especially in the South as well as to bring about real change to international system of exchange to ensure that trade is more fair.

### **IFAT and Civil Society: Efforts to Narrow the Accountability Gap**

This study has provided an analysis of the extent to which engagement by civil society groups, including IFAT's Member Fair Trade Organizations and consumer groups, have helped or hindered the accountability of IFAT. It argued that an accountability gap between IFAT and its key constituents, specifically Fair Trade producers and consumers, resulted in IFAT's accountability being contested by other global governance regulatory bodies, such as FLO and the ISO. However, recent moves by IFAT to address the causes of its gap in accountability, specifically in the core components of accountability consisting of transparency, answerability, compliance, and enforcement, provide some evidence that the organization is making efforts to narrow its accountability gap.

With respect to IFAT's interaction with civil society organizations, as the Fair Trade Movement continues to generate greater interest among consumers, business organizations and other stakeholders, the ability of IFAT to retain its authority as the private regulator of Fair Trade Organizations and limit the contesting of its accountability will depend largely on greater and more effective engagement with its stakeholders. Recent communications by IFAT to consumer groups and other relevant stakeholders signal a positive first step. However, in equal measure, relevant civil society organizations will need to increase their efforts at transparent and effective interaction with IFAT. Working together to strengthen transparency through dialogue, IFAT and civil society organizations can increase IFAT's accountability in the global regulation of Fair Trade Organizations.

Regarding IFAT's answerability, compliance and enforcement, the recently adopted New Strategic Plan goes some way to narrow the accountability gap. However, several recommendations may still be suggested. First, to increase answerability, the membership

of IFAT should consider how best to balance the establishment of an institutionalized democratic and bottom up approach to governance. Second, to clarify matters of compliance, IFAT needs to resolve the issue of whether IFAT Members will be 100 percent Fair Trade in terms of production process as well as exporting and importing activities or whether the focus should be on increasing market access opportunities by focusing on mainstream trade. Third, to strengthen enforcement factors, IFAT should ensure that its Monitoring System includes mandatory rather than random external verification. Such verification would increase the credibility of IFAT's Southern Producers.

## Appendix

<b>Fair Trade Certification Labels</b>		
Organization	Certifying	Label
IFAT	Fair Trade Organizations	
FLO	Fair Trade Products, especially food products	
Transfair (USA and Canada)	Fair Trade Products	
Max Havelaar (Switzerland)	Fair Trade Products	



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