

# The Sustainable Fair Trade Management System

## Possibilities and challenges with the SFTMS in Nepal



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## Introduction & background

The development of the Sustainable Fair Trade Management System (SFTMS) is an attempt by the World Fair Trade Organization (WFTO) to create a new worldwide standard for the independent certification of organisations which demonstrate Fair Trade Business practices, and will enable the labelling of fair trade handicraft products. The aim with the certification is to gain more awareness of Fair Trade on the main market, and the possibility to use the SFTMS label in marketing and guidance for new and old customer groups.

The initiative to create this certification was raised by WFTO (formerly IFAT) members in the “South”, i.e. in producer countries, who witnessed the marketing benefits gained by producers of coffee, tea, sugar and other products included in the FLO Fairtrade Certification Mark.

One of the main holdbacks often mentioned in the debate around the possibilities to set up criteria for a fair trade handicraft certificate is that handicraft production chains often are too complex to enable a proper monitoring system controlling that the fair trade principles are being followed throughout the entire production chain.

In our study, we wanted to meet with fair trade producers to hear their view on how they would like the certification mark to work, and any pros and cons they could see in the implementation process. At the same time, we wanted to try to follow the production chain backwards to try to grasp the complexity of the production. We chose to visit Nepalese fair trade textile producers. The textile production chain is normally very complicated, with a lot of suppliers and subcontractors, depending of the complexity of the product’s “table of contents” called bill of material (BOM). This naturally makes it difficult to control that the requirements for fair trade are fulfilled in all links of the production chain.

## The Nepalese Context

The political situation in Nepal has changed rapidly during the last two decades. Before 1990 the country was an absolute monarchy until king Birendra agreed to some political reforms. A parliamentary monarchy was created. The king assumed the position as head of state and the prime minister became the head of the government. The government tended to be highly unstable and seldom lasted more than two years. In 2006 a constitution was created and the king gave up his power. During 2007-2008 parliament past a bill that would make Nepal a federal republic with the prime minister as head of state. The king lost all his power and enjoys no more privileges than any other Nepalese citizen, the royal palace is now a national museum. The communist party of Nepal, which is Maoist, won a large part of the votes in the election that took place in 2008. Before the Maoist gained power they engaged in a guerrilla war with the kings military, violence against innocent Nepalese was committed by both sides. Just after we left Nepal April 2009, the Maoist prime minister left due to conflicts with the military, and a couple of weeks later a new Prime minister from the CPN-UML party was announced.

Agriculture stands for 40% of the GDP in Nepal and employs more than 70% of the workforce. The industry in Nepal mostly concern the processing of agricultural products. The unemployment is large and a lot of Nepalese people go abroad to countries like India and the Arabic countries to find work. The infrastructure is poorly developed, especially in the Himalayan mountain range. The areas are hard to reach and this has made it difficult to build roads, 22 of

the countries 75 districts has no road connection. The country has only a few natural resources of value and is almost entirely dependent on import of raw materials for its production, both handicraft and industrial. As the country is land bound, all cargo is transported either on trucks by land from India, or by air. The material that is imported is bought in all stages of refinement.

## The textile context

Looking at the textile production chain, in short, to take natural fibres as an example, cotton is mainly bought from India, and wool from New Zealand and Tibet, (but there are also for example silk, hemp, allo and many more). To illustrate the complexity in the production process, the raw material is first combed/carded, then spun, coloured, then woven, knitted, felted etc. The fabrics can also be dyed, printed, quilted, embroidered and much more. Examples of other finishing processes can be for water- and mildew resistance, fire retardant etc.

In an industrialized setting, many of the processes are performed by different actors on the market, but in a smaller scale, as common in Nepal, they are often performed by hand, and by fewer actors.

To give the production chain at Women Skills Development Project as an example:

1. Cotton yarn is bought on the local market.
2. Check for quality ensuring the cotton has good color absorbency.
3. The cotton fabric is cleaned and sent to the dyeing unit.
4. After dyeing the cotton is dried in the sunlight.
5. Women come into the project in the morning to collect their weighed materials and prepare the threads. Apart from on-site training purposes, the women carry out the weaving in their homes.
6. The cotton threads are stretched out around wooden poles, to prepare the quantity of material needed. The color pattern is also established at this stage, and the ordered threads are then ready to be transferred onto the loom.
7. Normally a seven meter long and 40cm width cloth is prepared in two days.
8. The women bring the woven fabric into the office and once again it is weighed and the payment is made accordingly.
9. The fabric is then cut, and sewn into bags.
10. The finished products go through quality control and are then dispatched to the customer.

## The Sustainable Fair Trade Management System - certification

The World Fair Trade Organization is developing the Sustainable Fair Trade Management System (SFTMS). The cornerstone of this standard are the WFTO Fair Trade Principles and sustainability in this context means addressing social, environmental and economic issues. The SFTMS aims to provide an independent, transparent and robust third-party certification process for Fair Trade Organizations.

The SFTMS was originally designed for marginalized artisan cooperatives, groups and businesses to certify them as "Fair Trade". Currently these organizations are not catered for by the Fairtrade mark due to the complexity and variation of their products and processes. FLO's Fairtrade Certification system was designed for commodity products, which is technically difficult to adapt

to other products. Unlike the Fairtrade label which is applied and paid for on a product-by-product basis, the SFTMS applies to an entire business and all of its products and services. Primarily it covers all activities that arise between producers and the first subsequent purchasing organization (exporter, co-operative or direct importer). If activities go beyond production and exporting into retail and mainstream wholesaling, relevant trading issues must be integrated. The initiative for the certification came from “the south” and was presented at the global conference in Bangkok in 2006. The producer members of formerly IFAT made out a request to IFAT for a label on handicraft products, making it possible to enter the mainstream market. The SFTMS is intentionally designed to enable small farmers and producers to gain access to the mainstream market on Fair Trade terms.

In 2007 preliminary work was made on the SFTMS in South East Asia in concept and technical work document was developed. In August 2008 the first draft was published, and the consultation on standard draft one began. The SFTMS standard is currently in its second draft. The second draft was to be discussed and revised at the WFTO Global Conference in Nepal, May 2009.

### Requirements for the SFTMS

An organization wishing to obtain independent certification of its Fair Trade Practices shall:

- Issue a public statement of its adherence to the SFTMS principles.
- Comply with the requirements of the SFTMS standard.
- Demonstrate sustainable management practices and continuous improvement.
- Subscribe to an independent annual third-party validation of its performance and communicate its results and progress-

In order to obtain the external certification, which is valid for three years, the organization must comply with specific requirements outlined in the draft, which are divided in Planning, Implementing, Managing - Monitoring and Annual review.

Below you will find a summary of what the SFTMS require of the organization for obtaining and maintaining the external certification according to the second draft.

### Planning the SFTMS

The organization must have a written policy signed by the organization’s senior management which shall:

- State its adherence to Fair Trade Principles
- Include an inventory of customer, market and legal requirements
- The initial Baseline Assessment – they shall carry out an initial evaluation of its current work practices and those of its producers with regard to the requirements and criteria of the Standard. The process of evaluation must be described and documented.
- Facing the supply chain – they must list in a concise document all significant social, environmental, health, safety and product related aspects identified in the baseline assessment, the list should be reviewed on annual basis. It should contain two sections, one focusing on the organization itself, the other one on the workers or producers/groups and supply chains.

- The long term improvement Programme with objectives and targets - they must have a 3-year plan and in each of the three years establish a yearly improvement programme with realistic, measurable objectives and targets.

### Implementing and structuring the SFTMS

- Allocation of human resources and responsibilities - they must designate a senior member of its management team as the person responsible for administrating the SFTMS.
- Capacity building - they must identify and document a yearly training and support programme to assist producer groups in their business skills, environmental stewardship and organizational development.
- Sustainable business processes and procedures - they must develop in writing or visual form a set of working rules governing its internal and external operating and business practices.
- Fair price and wage policy - they shall have a documented procedure to demonstrate how the agreement on prices is reached with trading partners and there they also shall ensure that a fair wage is paid to its employees.
- Trading practice with producer groups – they shall ensure that payments are made within a time period mutually agreed with its producer groups. Cash payments may be made to small suppliers on delivery.
- Internal communication – they shall on regular basis communicate the results of its trading activities and any variation of its trading policy to its staff and workers.
- Communication with relevant stakeholders – they shall communicate at regular intervals with its suppliers, producers, and/or artisan groups. To demonstrate its commitment to continuous improvement, the organization shall plan and execute a programme of producer visits at least once a year with national producers, and at least once every two year in international business relationships.
- Preventive management of incidents and accidents – they shall develop and apply good management practices to prevent and manage accidents and environmental pollution.

The administration of the entire SFTMS system should be overseen by a wider multi-stakeholder group, to be called the Governance Body (GB) consisting of 6 representatives plus the Chair. The Governance Body will be composed by 3 from Fair Trade Organizations, 1 from government agencies, trade unions or UN bodies, 1 from NGOs working in the field of nature conservation and consumer protection representing civil society and 1 from the business sector representing retailers, federations or business initiative networks. The president of WFTO will be chair.

### Managing and monitoring a SFTMS

- Monitoring, performance indicators and internal audit on annual basis – develop a system to monitor and evaluate its achievements against targets on a periodic basis, they shall develop an internal audit plan and also audit a representative sample of its supply chain.
- Continuous improvement of fair trade management practices – they shall have a procedure in place to identify and correct failures in compliance with system requirements, achievement of targets and objectives and daily working practices. Corrective and preventive actions must be recorded and reviewed by management on appropriate intervals.
- Feedback from workers, producers and their stakeholders in the supply chain – they shall have a procedure in place to obtain feedback at least once per year from all significant

stakeholders, The results shall be considered in the management reviews and provide inputs to the continuous improvement process.

#### Annual review and external communication of SFTMS

- The management review – at least annually the organization shall review the outcomes of its international audit and producer group feedback, and assess its progress against objectives and targets.
- External communication – the organization shall on an annual basis publish a sustainability and Fair Trade report. Special attention should be given to a summary of the initiatives the organization is undertaking with its producers, workers and supply chains. Social dividends have to be identified and highlighted. Before publication, the organization shall submit its report for independent external verification.

#### External auditing

Every three years the organization shall submit its entire management system to an external independent Third-party Assessment and data validation.

On an annual basis, the organization shall submit its SFTMS report to an independent external auditor or agency for the validation of the information.

The individual auditor or certification agency must be accredited by the WFTO registration agency.

The standard is valid for 5 years and its revision will be started in an open process in the 4th year under the management control of the board of governance.

#### The certification

After a successful, independent third party audit a validation of a published report, the product sold by the certified and registered organization may carry a label communicating that this item was sourced and produced under Fair Trade principles and practices.

The accreditation of the certification agency will follow separate procedure established by the WFTO registration agency and validated by the Governance Board. This agency will execute peer reviews and participate in witness audits on a random basis. It may review and follow-up complaints from third parties.

#### Certification withdrawal

If the organization does not wish to re-submit to the annual audit process, its name and record will be deleted with immediate effect from the international website. Products produced and traded after this date may not carry the Logo.

## Textile producers we visited

The producers we chose to visit are members of Fair Trade Group Nepal and WFTO. Two are located in Patan (south of Kathmandu) and two are located in Pokhara. We met with the management of the organisations and spent approximately four hours at each visit. Then we had time both for interviews and time to walk around and see the premises and the different production units.

### Kumbeshwar technical school (KTS)

KTS was founded and registered as an NGO in 1983 by Siddhi Bandhur Khadgi in Patan. The school's main purpose is to educate and provide training opportunities for low cast people and other socially and economically disadvantaged children, men and women.

We met with director Kiran Bahadur Khadgi and his daughter Ms Sanita Khadgi (business officer) on the 5<sup>th</sup> of April. At their premises there is a nursery and primary school for approx 240 children and home to 20 disadvantaged children. There is also vocational school with training in carpet weaving, carpentry and knitting. Every year over 100 students graduate vocational school. To provide job opportunities and make the school self sufficient they have established carpet and knitwear production units. The carpet unit has approx 30 employees and most come to work at their premises. For the knitwear they have 350 home-based producers directly employed by KTS and about 2000 indirect (family members helping out).

The wool for the carpets is imported from Tibet, and for the knitwear they import wool from New Zealand. The dyeing of the wool is made with AZO free colours at their premises but also in the same dyeing factory in Patan that NLT uses. They have started to use alternative raw material as allo, hemp and banana fibre and are active in the lobby for domestic wool farming. They also do the spinning and washing before weaving or knitting. KTS sell about 95% on the fair trade market to 16 countries. The biggest markets are UK, Japan, Italy, USA and Australia. In Sweden you can buy their products at Afroart and at People tree retailers. Each year they have a design competition which they compile into a catalogue with other existing designs and offer to their customers. It is also possible for the customers to get their own design. Feedback from People tree among other customers has helped them to develop and adapt their production and design process to fit the demanding markets in the north.

### Nepal Leprosy Trust (NLT)

NLT is a non-profit NGO established in 1972, working to socially and economically empower and rehabilitate people affected by leprosy, handicap and other marginalized groups by running mainly three programmes:

1. Income Generation Programmes (IGP)
2. Social Support Programmes (SSP)
3. Capacity Building Programmes (CBP)

We met with Chief Executive, Kamal Shrestha on the 6<sup>th</sup> of April at NLT's head office in Patan. We visited the production units they have there: leather and felt production within their IGP, and where also given the opportunity to visit one of their homeworkers making batik prints, and the dyeing factory they use to dye their wool for the felt production.

NLT have approximately 18 employees working with leather production, and 8 engaged in felt production, together with 20 home workers producing batik cards.

NLT buy their wool from New Zealand, and then have it dyed at Guru Nanak Pashmina & Textiles Pvt. Ltd. in Lalitpur. After that they make different felt products, as purses, bags, slippers, mats etc.

NLT exports to among others IM Soir in Sweden, and other buyers can be found in Great Britain, Germany, USA, Canada etc via their trading company Lydia Trading in Kathmandu.

## Women's Skills Development Project Pokhara (WSDPP)

The Women's Skills Development Project, Pokhara was established in 1975. WSDPP was created to provide handicraft skills to underprivileged Nepalese women. It started off as a government funded training center, where local women would come and learn how to weave, cut and sew textile. After 1989 the project began to decline as the government was no longer able to continue funding and Mrs. Ramkali Khadka together with three colleagues, Shanti Thapa, Lalu Gurung and Surya Panday, saw the potential of the project and took action. In 1990 they began to commercially produce handicraft, and the WSDPP gradually transformed into a self-sufficient NGO and a non profit organization. We met with Mrs Ramkali Khadka, executive director on the 9<sup>th</sup> of April. Their Japanese volunteer Ms. Yuki Toda and her son Mr. Anup Khadka helped us with translation.

The primary objective of WSDP is still to provide handicraft-related skills training to poor, unfortunate Nepalese women so that they may become self-supportive. The women being trained at the WSDP come from a variety of social, economic and ethnic backgrounds. Many of them come from rural villages and are widowed, divorced, disabled or abused. After arriving at the WSDP, they are provided training in the following disciplines: material cutting, sewing, weaving, dying, business management and various other skills related to handicraft production. There have also been some classes in health awareness and English language, all freely provided by local and foreign volunteers.

There are 16 employed teachers, WSDP provide more than 70 traineeships a year and have more than 250 producers in the outskirts of Pokhara. WSDP has always manufactured bags but they also produce Nepali woven fabrics, jackets, caps, handkerchiefs, towels, moneybags, bed-sheets, slippers Yak and Yeti dolls, and other decorative items and fashion accessories.

Their main export goes to Europe, Japan and the United States. Currently their products can not found in Sweden.

## Children Nepal (CN)/Suraymukhi

Children Nepal is a non-profit NGO based in Pokhara, and consists of two parts. One part of the organization is the ongoing work with vulnerable children and their families, the people who live on the margins of the Nepalese society. Children Nepal provides, among other services, consultations with social workers for children and families, small loans for families who want to start their own business. Besides working with different families the organization also works with whole communities and is involved in lobbying and advocating children's rights at a central level.

The organization was created in 1995 by a group of Nepalese businessmen who wanted help disadvantaged people to get away from discrimination, exploitation and violence.

We met with Mr. Ram Chandra Paudel, Executive Director and Mr Dilly Prasad Sharma, Manager Finance and Admin.

The other half of Children Nepal is Suraymukhi handicrafts, which started production in 1999, and is a project intended to give an income to poor women. Women are provided with vocational training in sewing, knitting and embroidery and some of the women eventually get a job at Suraymukhi handicrafts. Today there are approximately 30 women working there. Suraymukhi is a member of both Fair Trade group Nepal and WFTO.

Suraymukhi produce toys, clothing, holiday decorations and bags for export in the same building as Children Nepal. Their main export goes to Italy but also Canada and the United States. Currently they have no products available on the Swedish market. Besides production of Suraymukhi handicrafts, Children Nepal has a vocational training program for young women, a computer room where young people learn how to use the computer, a youth self-help group, family based programme, workshops and other types of education.

## Possibilities and challenges with SFTMS according to the organizations we visited

At our visits to KTS, NLT, WSDPP and CN/Suraymukhi we have asked about their view on the new labeling for handicraft, SFTMS (Sustainable Fair Trade Management System). What are the possibilities, challenges and problems that come from implementing the new label? Besides our study visits, we also had a chance to talk to Mr. Chandra P. Kachhipati, Executive Director of Sana Hastakala and Ms. Meera Bhattarai, Executive Director of Association for Craft Producers, both members of Fair trade group Nepal. The organisations we met do not know much about the labelling, the matter will be discussed further during the WFTO Global Conference held in Nepal mid May 2009, but they seem willing to meet the demands of the initiative.

- Possibilities
- To penetrate the mainstream market and increase the sales and promotion of Fair trade products.
  - Increased sales will give job opportunities to the people in Nepal.
  - The fair trade organisations in Nepal already work close together with marketing and administration which will be an advantage in order to scale up and grow the handicraft sector.
  - The change from NGO to business concept, guided by the demand, is already discussed within the new strategy plan and new marketing model.
  - Co-operation between the organisations will not only give them opportunities to pressure the importers of raw-material for better price and to have eco-cotton for example, but also to take on the bigger orders from customers.
  - The label will hopefully protect the products and the design and stop the copy of the products sold in the marketplace.
  - If the products could be kept unique they will have a better chance on the mainstream market.

## Challenges

- Complex concept, might not been realized from the beginning when the organisations asked for it.
- The monitoring and audit of home- based producers might be too extensive. Difficult to audit informal producers regarding working hours, working environment, child labour and fair wage.
- There is much work to be done in the beginning of the process of scaling up; mapping of the producers, control of raw material and identifying which products that could be scaled up. Will there be resources for this?
- Ground reality in Nepal is that it is difficult to find domestic supply of raw materials and therefore very hard to control the whole product chain backwards. Many middle hands and corruption makes it difficult to know if the imported ecological cotton really is ecologic.
- Little support from the government for fair trade and ecologic development.
- Fair trade business is today possible due to long term relations with the customers, where they help each other and have mutual respect for their context. Entering the mainstream market and changing the organisations business orientation can make them much more vulnerable.
- Who will do the lobby, PR and marketing for fair trade, increasing the awareness, entering the mainstream market?

## Summary & conclusions

We set out on this project to see how the labelling of fair trade handicraft would work in the minds of Nepalese textile producers within Fair Trade Group Nepal.

Now, we find ourselves even more confused and hesitating. The idea of fair trade handicraft labelling is very good in theory, but if its too hard and too expensive to manage, then the same group as the labelling is set out to support will be the ones left out of the system.

And, being a group of small scale handicraft producers, if the aim of reaching the main market is actually achieved – will the producers then have the capacity to meet that challenge?

The first question raised in the fair trade circle in the “North” is how will it be possible to control all stages of the production chain as “fair trade”, and how far back is reasonable to control? If not controllable, will the labelling it be credible?

In the Nepali context today, with little support from the government, no access to domestic raw material and therefore many middle hands, corruption and no possibilities to be sure on what you get, the answer is no. It’s only possible to control the in-house production. But in a long-term perspective it could be possibilities for change due to co-operation between the organisations being able to negotiate on a bigger scale and the increased demand globally for “good” raw material.

Here, meeting the producers, we also realized that another big question is that of the high cost for education of third party audits, and the monitoring of the control system.

Furthermore, there’s a significant difference between the first and the second draft, in the first draft the definitions were written down, explaining the intentions and meaning behind the different standard requirements. The part of the defined supply chain said: “The Fair Trade Supply Chain encompasses all individuals and organizations directly involved in the production, distribution, retail and/or wholesale of Fair Trade products, goods and services. To the furthest extent possible, raw material inputs to Fair Trade products are sourced on Fair Trade principles.”

In the second draft the definitions are left out and under the headline of definitions it is written: “A number of concepts or definitions shall be clarified in a SFTMS guidance document. This guidance shall be published after the SFTMS standard has been developed. The document will be based on experience coming from the field and the pilot testing of the SFTMS in different countries and settings”.

So it’s very interesting what will come out from the global WFTO conference.

A summary of the identified critical areas for further discussion and investigation:

Capacity	Clustering of the producers in order to monitor and scale up Co-operation between the organisations – new marketing model and new strategy plan Different settings for producers of different sizes Development from NGO to business orientation
Cost	Will it be too expensive for the small-scale organisations and leave the marginalized producers behind? There will be costs for : <ul style="list-style-type: none"><li>• Education</li></ul>

- Administration
- License - per producer or per organization?
- Monitoring

Monitoring & control	How to control the home-based producers, for example regarding the working environment, working hours etc. Will it be possible to control the production chain when domestic raw material is difficult to find in Nepal?
Administration and Guidelines	Will there be resources to set up the programmes for continuous improvement (PCI)? Increased demand for internal and external communication.
Different context in different countries	Not an equal market situation regarding the supply of raw material, support from the government, infrastructure etc.
Credibility	Will there be a clash between labelled and unlabeled fair trade products, creating A (with label) and B (without label) products? Will the customers understand this difference? If it's not possible to guarantee that the products are made according to the fair trade principles from start to finish, will the certificate be credible?
Capacity building	Will the future mainstream customers have the same interest in capacity building, helping with product development and design?
Marketing	Who will do the lobby and PR, raising the awareness of Fair Trade, entering the mainstream market. Now the importer organisations can help, will they have the same role in the future? Will the customers be ready for a new label or will it only be more confusing?
Comparisons with FLO experiences	There are many similarities in the process with developing a certification mark, with similar worries and experiences to learn from.

In conclusion, the SFTMS will be a very welcome addition to the FLO fairtrade certificate, to put more fair trade products on the main market, but there are many areas that need careful investigation for it to work well. It will be important to tread carefully, to ensure that in carrying out this work, it doesn't end up doing more harm than good to the small scale handicraft producers.

## Appendix: Interviews on SFTMS, the Swedish perspective, learnings from FLO and impressions from the WFTO Global Conference 2009

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### Interview with Mona Bengtsson at La Maison Afrique, May 5<sup>th</sup> 2009

The SFTMS who will certificate handicrafts that are produced within Fair Trade is good in the theory. But if the certificate is too costly **and difficult** to administer, is there a possibility that the same group that the labeling is designed for will be left out of the system?

In the first draft several countries in Europe directed criticism against that the education criteria were far too weak and they also criticized the tracking in the production chain, they wanted to be able to trace the production chain down to the raw material. There has been criticism with the second draft regarding the administration process, were the certificate might be too complex to handle.

Is it possible to control that the entire production chain is Fair Trade? How far back in the chain is it reasonable to control?

We discussed this question with starting point of the different countries' raw material accesses and for a country like Nepal (and many other countries) it might become difficult to control the production chain down to raw material. Nepal is a country depending on import and the global market. It is of importance that the "South" force through the certificate so that the final draft will be anchored in the practical reality.

Can there be outsourcing of services within the production chain?

The craft producers might not have resources to deal with the complete production chain alone, and therefore must submit the product to - or buy details - from other artisans. The question is the same as the question about sourcing of raw materials; it is not yet clear what SFTMS demands of the FTO. Regarding the generally difficult situation for craft producers (today only 5-10% of the Fair Trade market), clearer and producer - positive solutions are certainly needed.

Who will do the lobby and PR for the SFTMS, raising the awareness of Fair Trade, entering the mainstream market?

According to the WFTO Europe, WFTO have no funds for this allocated in the present situation. But probably it will be the GB who will be responsible for the marketing, but how the process and the marketing is intended to function is still unclear. In Sweden, it is Rättvisemärkt who are responsible for the marketing and the overview of the FLO-labeling.

What are the differences between FLO and SFTMS?

FLO certifies that a single product is Fairtrade, while the SFTMS is a labeling of an entire organization. When the organization is certified it can use the label on all its products, throughout the production chain within the organization, this could become a problem if the organization also sell products who are not Fair Trade. Might it then be possible for the organization choose not to put the label on the non Fair Trade handicraft? What if this non Fair Trade handicraft is “that product” who brings in most of the liquid capital and brings the organization to balance? This is just one of the many questions that are being discussed at the WFTO at the moment.

A FLO-product has a criteria that say in order to obtain the Fairtrade label the product must be at least 51% Fair Trade, since the SFTMS will certify the organization, and not the product, you can not apply this percentage on the SFTMS.

Thus this means that it is of the utmost importance that the SFTMS is not seen as a stiff document applied on each and every country instead it should be seen upon as a vivid document and to be interpreted and worked with on the basis of its geographic context and to seem for the marginalized producers, for whom the SFTMS is designed for.

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## Interview with Maja Hamskär at Rättvisemärkt, May 20<sup>th</sup> 2009

Is there a risk that the most vulnerable and marginalized producers will be shut out from a labeling system?

WFTO is more successful than FLO when it comes to integrating the smallest producers. A producer can only be labeled by FLO if they have certain capacity for administration, to at least own a computer and have internet access. There is a possibility for producers to apply for financial help to be able to pay the certification cost. Your expectations on the labeling system has to be realistic, it's not the answer to all the worlds problems it's just a step in the right direction.

When the FLO labelling system was launched where the producers afraid that they would not be able to live up to the demands set by FLO? For example the certification cost?

From the beginning the FLO system was financed completely by other participants in the production chain for example traders and businesses, in Sweden for instance, who wanted to put the label on their products. Since 2004 all the participants, from producers to businesses, finance the system. This change was something that everybody wanted, even the producers. You can look at the certification cost as an investment in your company.

How is the administrative process handled?

FLO has employees that work on a regional level. And they are supposed to help the producers interpret the FLO criteria. There's also hired inspectors who make sure that the producers live up to the criteria. They are not employed by FLO but get education and wages from the organisation when they carry out the inspections.

What is the certification cost?

It varies, depending on how many members there are in the cooperative or how many employees a producer has. It is higher when it's a big cooperative because it takes longer for the inspector to carry out the inspection of the producer. The highest cost is when a producer gets certified and then a smaller amount has to be paid every year.

Is there a conflict between products sold on the conventional market and products sold on the fair trade market?

There's still not a market large enough for fair trade products, this makes it difficult for producers to sell all their stock to fair trade buyers. If a producer is certified by FLO they still have to be able to meet the criteria regardless of how much they're selling as fair trade. The fair trade premium is based on how much you sell on the fair trade market and unfortunately for the producers they lose part of the premium this way. Producers also lose money when they have to sell some of their products on the conventional market, where they do not receive a higher price.

The situation is different depending on what kind of product the producers sell. There's a high demand for fair trade bananas for example but less demand for certified coffee and tea.

What is FLO's view on outsourcing of services within the production chain?

Cotton can be certified by FLO but never a whole clothing article. The production chain is too complicated and contains too many parts. It is important to try and convey this to consumers. Refinement of raw materials, for instance drying of the tea leaves could be done by anyone, there is no need for this business to be certified by the FLO. The only part of the chain that is controlled by the FLO is the producer. There is no interest, capacity or possibility to control every step of the production chain. It would make the labelling too expensive and the consumer would not be able, or willing, to pay a much higher price. Unfortunately this creates uncertainty for the consumer when the labelling cannot guarantee fair working conditions for everyone involved in the production.

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Interview with Therese Skoglund, Världsbutikerna för Rättvis handel,  
participant at WFTO Global Conference 2009 in Nepal, June 9<sup>th</sup> 2009

What were your impressions from the WFTO Global Conference in Nepal?

Questions that have sprung up during the presentations are, in short:

- Can we afford it?
- Are we ready?
- How will it work in practice?

Another comment has been – “SFTMS”, is it even possible to pronounce!?

The draft is still under development, and pilots have been made during 2008. The benchmark is that there is a need for a certification for Fair Trade products, but it is not unquestioned. Asia

and Africa are positive, while Latin America wants a continued discussion and wants to add the aspect of cultural identity to the criteria.

SFTMS will cost a lot of work and investment. A participant from Uganda, said, on the topic if we are ready: "Don't say that Africa isn't ready. Tell us what you want, we can apply for financial support from EU or other actors. We have the raw material and the will. Let us start. Don't slow down out of fear that we won't make it."

What were said about the pilots?

Daniel Apepo from Uganda Society (KISAC fairtrade) said that they could start using the system already after three weeks. Before they started the pilot, the organization completely lacked documentation. Now they were given a tool to be able to follow up how well they work according to the criteria.

Adidas Jacob from the Indian organization ASHA noted that SFTMS is built on the dream of WFTO. The tool is a way to make the dream come true in a substantial way. A certified product, that shows that the production is made according to the dream of the organization. We have to believe in our own trade mark, and we want to increase surveillance. SFTMS is a way for the organization to improve the feedback, make it more open for consumer observations and increase accessibility of information to retailers.

Carra Sommer from Pachacuti (England) has also pilot tested the system with their product the Panama Hat. She thinks the pilot have strengthened the collaboration, and that they have been able to identify immediate and long term improvements with the help of the SFTMS tool. Pachacuti have written a pilot report: [http://www.panamas.co.uk/profile\\_fairtrade.htm](http://www.panamas.co.uk/profile_fairtrade.htm)

They all point that the mainstream market is waiting for this, and they think that the sales figures will rise dramatically if the certification mark becomes reality.

The FLO have been welcomed to participate and help with technical knowledge.

How would you summarize your impressions from the conference?

What we all in the Fair Trade movement have in common is that we need to find our voice, one voice and one name. We need to peel of the ambiguities that surround our products. There are methods, and they are being planned at this very moment. The question how the name can help us was asked. What values and positive feelings should we add with that name? How do we do that? There is no straight answer to that question – we all need to help figure it out.

## Links

Asia Fair Trade Forum (AFTF)	<a href="http://www.asiafairtradeforum.com/">http://www.asiafairtradeforum.com/</a>
Children-Nepal	<a href="http://www.children-nepal.net/">http://www.children-nepal.net/</a>
Fairtrade group Nepal	<a href="http://www.fairtradegrouppnepal.org/">http://www.fairtradegrouppnepal.org/</a>
Fairtrade Labelling Organizations International (FLO)	<a href="http://www.fairtrade.net/">http://www.fairtrade.net/</a>
Kumbeshwar Technical School (KTS)	<a href="http://www.kumbeshwar.com/">http://www.kumbeshwar.com/</a>
Nepal Leprosy Trust (NLT)	<a href="http://www.nlt.org.uk/">http://www.nlt.org.uk/</a>
Women Skills Development Project	<a href="http://www.wsdp.org.np/">http://www.wsdp.org.np/</a>
World Fair Trade Organization (WFTO)	<a href="http://www.wfto.com/">http://www.wfto.com/</a>