PARTICIPATORY ANALYSIS OF THE USE AND IMPACT OF THE FAIRTRADE PREMIUM

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Cover:
An organic fertilizer plant in Ecuador developed with Fairtrade Premium funds

Executive Summary

This report presents the results of a study undertaken in 2017 and 2018 on the effects of the Fairtrade Premium. It is the first of its kind in that no previous study has focused specifically on the use of the Fairtrade Premium as a means of understanding pathways to impact. The overall aim of the study was to "*analyse how the Fairtrade Premium has been used by Fairtrade organizations and how it generates benefits for Fairtrade farmers, workers and their communities.*" The results presented here will be of interest to researchers and practitioners interested in fair trade, sustainability standards more generally, innovative research methods and impact evaluation.

This study adopted a mixed-method approach to analysing the decision-making processes around the Fairtrade Premium use employed by producer organizations (POs). We carried out this work in three consecutive stages that combined innovative quantitative data analysis with participatory methods for collecting data and designing governance processes. We explored Fairtrade International's monitoring database, which carries data from 1,997 POs and the Premium use database that includes 894 reporting POs. The results reported in this study come from this sub-population of reporting POs and a smaller sample of 385 POs, which was created from the available data in both databases in order to explore trends in the functions of Fairtrade Premium use. We also adopted a "multiple-case design" that enables the comparison of processes across different contexts.[1] Fieldwork was thus completed to examine in detail the Fairtrade Premium decision-making processes in a coffee/cocoa Small Producer Organization (SPO) in Peru, a cocoa SPO in Côte d'Ivoire, a banana SPO in Ecuador, a banana SPO in Peru and a flower Hired Labour Organization (HLO) in Kenya. We analysed this diverse data following a conceptual framework that we developed from theories of innovation systems and participatory governance. It focuses on four characteristics of an intervention that influence its impact within organizations and on systems.

Use: How are Fairtrade Premium funds being used? What are the Premium funds spent on?

Direct payments to farmers, investments in operations and production, community infrastructure (basic needs) direct the Fairtrade Premium funds towards projects that address both individual and community needs. The main Premium uses are individual services to farmers and workers (52 percent), followed by investments in the POs (35 percent) with services to the communities at just nine percent. Between 2011-2016, the largest single investment of the Premium was in direct payments to farmers (15 percent of total Premium use)[2] and was three times the amount used in the second single largest investment of the Premium (five percent of the total Premium use), which was in processing facilities. A significant portion of the Premium is used to fund educational expenses – mainly of the farmers' and workers' children, but there is also evidence of educational advancement among the hired labour (HL) workers. Other uses, which constitute two percent of the reported uses, are typically the result of miscategorization,[3] although seven POs do have expenses that are unknown. This unknown amount is about one percent of our sub-set of POs, which suggests relatively good reporting practices.

Participation: Who decides how Fairtrade Premium funds are used? Who benefits?

Separating the Fairtrade Premium decision-making process from the operations management decision-making process empowers producers and workers. Premium uses and impacts depend on participation and accountability arrangements in the decision-making process. Empirical fieldwork shows that producer organizations organize the use of the Premium by different (in)formal elements that determine the visibility of the Premium. In this report, we develop two ideal types of decision-making processes: a separated decision-making process and an embedded decision-making process. The participation of individual workers and producers does make a difference in ensuring that Premium investments are responsive to their needs and those of their families and communities. Large producer organizations have a responsibility to create structures that enable producers and workers to voice their individual and collective interests and priorities. Participation needs to be ensured throughout the decision-making process from the consultation to the actual decision and evaluation of the Premium use.

Accountability: Who knows about how Premium funds have been used? Do they trust that these uses are appropriate?

Participation arrangements and the ways in which decisions are taken affect the Premium uses. Participation needs to be enabled at different hierarchical levels so that different voices (and priorities) can enter the decision-making process in a balanced way. Workers on small farmers' farms are rarely involved in the decision-making process. Levels of knowledge and trust vary across

1 This design is based on a method developed by the lead author in the EU FP7 Res-AGorA and FAO/INRA Innovative Markets projects.

2 The 'direct payments' category includes either cash payments or material goods/products that have been purchased at an economy of scale and then given to the workers or the farmers.

3 Fairtrade International developed a set of Premium categories for reporting. See Annex 4 for the list.

gender, status and level of involvement in representative and management bodies. Many representatives do not have the skills needed to carry out some of the financial and administrative duties required of Fairtrade Premium Committee (FPC) members. Capacity building can play an important role in addressing knowledge gaps but its effectiveness in terms of accountability will depend on the transparency of Premium management provided in the organization. Greater transparency and accountability stem from the existence of specific roles and responsibilities, specific strategies to improve the visibility of Premium use and distribution, as well as accounting systems clearly separated according to sources of income.

Function: What does the Fairtrade Premium do for beneficiaries?

The Premium serves to cover core expenses of certified operations and basic needs of the communities – which puts into question the viability of these enterprises (which are perhaps not yet fully autonomous). However, when participatory decision-making is working, the Premium does increase the dignity of farmers and workers by enabling them to become 'patrons' of their communities. Fairtrade certified POs finance, on average, four different categories of projects within the Fairtrade International categorization, but may be better described as the following six functional uses: collective investments for both the organization and individual members; 'productive' training for farmers and workers; quality and productivity improvement; support for the Fairtrade system and supplement to the market prices of the products; advancing the education of farmers' and workers' children, and 'private' capital investments in communities. Physical infrastructure and direct payments are those uses that are the most noticed by respondents, but the preferred use is to pay for school bursaries and productive infrastructure. No significant correlations are found between productivity investments and the percentage of Fairtrade revenue or percentage of Fairtrade sales.[4] The function of the Premium is primarily entrepreneurial and as a means to mobilize resources. Knowledge creation is also a function of the Premium through the financing of education.

The combination of these four elements provides insights into possible impacts, particularly at the level of the PO, and not at the household level, which is the level of analysis of this study. No causal pathways could be determined, but there are possibly multiple ways towards increasing farmer and worker income and well-being, and fairness and sustainability in business practices. Specifically, stronger, well-managed and democratic organizations – when this is implemented through separated decision-making processes – can result in resilient, viable and inclusive POs. Additional pathways can be envisioned based on how the different aspects of the Fairtrade International system – Standards, Fairtrade support services, and local autonomous decision-making – interact over time.

The analysis presented in this report focused on how different forms of participation and accountability may enable certain uses to serve positive functions in the system that may lead to a wider variety of impacts within Fairtrade International's Theory of Change (ToC). The existing literature has already pointed out the importance of decision-making for ensuring that the Premium makes an impact. Our study empirically underpins the importance of the decision-making process in a very detailed way – as we compared different POs (e.g., size, expenditure, geographical area, product) and different aspects of decision-making (i.e., accountability and participation). Our purposive selection of POs was beneficial to this analysis, as it allowed us to identify fundamental differences in decision-making process. A bigger sample of cases would have allowed us to identify more processes and to better work out the similarities and differences. Nevertheless, the small sample of case studies already shows that different processes lead to different levels of participation and accountability. This proposed focus on function, rather than use, may lead to a better understanding of the role that the Premium plays both within the Fairtrade International system and within the POs and their communities.

Based on the data presented in this report, we can suggest the following recommendations for optimizing the use of Fairtrade Premium funds in the future.

1. Improving Fairtrade Standards and support for producers' organizations:[5]

a. Re-examine some of the requirements/ suggestions for Fairtrade Premium use (particularly the ambiguity about 25 percent productivity expense requirement) and provide updated advice to POs.
b. Clarify how Fairtrade International logos should be used on funded projects.
c. Encourage POs to develop separate decision-making processes so that the Fairtrade Premium has its own accountable decision-making process.
d. For SPOs: Support the integration of the workers hired by the cooperatives and the producers in the decision-making process.
e. For HLOs: Support the collaboration between

4 We cannot claim any sort of causality between productivity and sales because we don't have a controlled experiment and we cannot claim any sort of causal inference about an earlier investment in productivity and a result in sales/revenue because we do not have longitudinal data. However, what we are reporting here is whether there is any likelihood that a PO which invests in productivity also has high percentages of Fairtrade sales/revenue in a given year.

5 We recommend first supporting POs to first understand and meet the Fairtrade Standards, and then perhaps revising the Standards.

FPCs in highly concentrated areas to work collectively to fund larger community projects (e.g., hospital wards, school buildings, municipal water infrastructure).

f. Offer capacity building for POs on 'organizational development' that can encourage them to build separate processes for Fairtrade Premium management that fit into their local situations without reinforcing bad practices.
g. Encourage the use of Premium 'planning' workshops by the Premium management committees so that they can elaborate their plans collectively and increase their knowledge about Premium use.

2. **Strengthening monitoring and evaluation:**
   a. Integrate the POs own evaluation of investments into the monitoring and evaluation reporting. Evaluation should be integral part of the decision-making process that is used by the POs. If the PO does not have its own evaluation mechanisms in place, support the development of simple evaluation tools.
   b. Develop a better categorization method for classifying Fairtrade Premium use that can better capture the function of the use.
   c. Ensure good data management practices for the maintenance of the original Fairtrade International databases.
3. **Improving research on Fairtrade Premium:**
   a. Develop a standard protocol for research engagement, particularly in the explanation and allocation of responsibilities for contacting different actors, mission reports, contracts and intellectual property, and timelines.
   b. Collect more data on the type of decision-making processes the POs have in place to decide on the Premium use. This would help to determine if the proposed typology is indicative of a general trend across POs or just an anomaly of five cases.

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Acronyms

ASMO	Artisanal Small Mining Organization
CFPC	Central Fairtrade Premium Committee
CLAC	Coordinadora Latinoamericana y del Caribe de Pequeños Productores (Latin American and Caribbean Network of Fairtrade Small Producers and Workers)
CP	Contracted Producer
FPC	Fairtrade Premium Committee
FLO	Fairtrade Labelling Organization (the old acronym for Fairtrade International)
FLOCERT	Fairtrade Certification Body
HL	Hired Labour
HLO	Hired Labour Organization
PO	Producer Organization
PN	Producer Network
SPO	Small Producer Organization
ToC	Theory of Change

1. INTRODUCTION

Fairtrade promotes a model of trade that is based on a fundamental ethic of using fair terms for producers and partnerships with consumers. Fairtrade has two main types of interventions to ensure that trade is fair: a set of Standards and tools which make up the 'rules' for fair trading practices and a set of strategies and policies that enable engagement with the Fairtrade worldwide network.

Fairtrade International's system of payments is unique in the world of sustainability standards. Fairtrade sets a minimum floor price (for some Fairtrade products that are particularly subject to price fluctuations) and an additional sum of money called the Fairtrade Premium, which is different from a price premium for a product. The value of the Premium is calculated based on the volumes of products that the organization sells on Fairtrade terms. The Premium is used at the discretion of the cooperative or workers' committee to invest in community projects and development of the producer organization (PO). In 2014-15, Fairtrade certified producer organizations (POs) received €117.8 million in Premium funds. Of this, 85 percent went to small producer (or – in a limited number of cases – to contract production (CP) organizations) and 15 percent went to plantations. This was an increase of ten percent on 2013-14 figures, corresponding to 15 percent increase in Fairtrade sales over the same period[6]

The Premium is just one of the tools[7] that is used by Fairtrade to bring about change at the producer organization level, through the allocation of a Premium intended to be used by farmers and workers in the Fairtrade certified organizations who decide how to spend it to support their development. Fairtrade also provides producer support and has involved producers in the governance of the Fairtrade system. All of these elements should be working together to deliver on the Fairtrade Theory of Change (ToC), which envisions a "world in which all small producers can enjoy secure and sustainable livelihoods, fulfill their potential, and decide on their future."[8]

What has happened over the years, however, is that whereas the Fairtrade Standards were, in the beginning, concentrated on the terms of trade (between marginalized producers and the importers/vendors) (Raynolds, 2009; Raynolds et al., 2007), the standardization framework increasingly concentrated on the setting of proscriptive Standards for POs and multiple layers of oversight to ensure compliance (Renard and Loconto, 2013; Arnold, 2014; Arnold, 2017; Arnold and Hasse, 2015). The need to ensure a Premium that is not only a price premium is one major result of this development and currently one of the key interventions of Fairtrade International. The idea of a Premium fundamentally contributes to the legitimation of the Fairtrade project (Arnold and Soppe, 2017) as it requires that a separate payment with its own accounting system be put into place to manage this contribution to producers' communities.

Before revision to the rules beginning in 2009, the use of the Premium was highly restricted as there was a fear of abuse of Premium funds for personal gain as had been documented previously (Loconto and Simbua, 2012; Loconto, 2014). The progressive changes in Fairtrade rules, which are continuous in nature (Arnold, 2014; Renard and Loconto, 2013), opened new possibilities for POs to have greater autonomy in decisions over the use of the Premium. Now, nearly ten years later, the time is ripe to review the influence of this intervention by Fairtrade.

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6 2016. Fairtrade International. Monitoring the Scope and Benefits of Fairtrade.

7 The Standard itself is another tool, as it provides guidance on environmental practices, democratic governance, etc. The Fairtrade Minimum Price, Fairtrade-sponsored training (on topics like gender and democratic governance), and the support from Fairtrade liaison officers are other tools.

8 Fairtrade Vision: https://www.fairtrade.net/about-fairtrade/our-vision.html

1.1 Scope and Objectives

Commissioned by Fairtrade Germany and Fairtrade International, this study seeks to bring clarity to the role of the Premium in the empowerment of workers/small-scale farmers and the (re)organization of cooperatives and hired labour organizations. Specifically, the research request was to:

"analyse how the Fairtrade Premium has been used by Fairtrade organizations and how it generates benefits for Fairtrade farmers, workers and their communities."

The specific objectives of this study are:

1. To identify the pathway of the use and impacts of the Fairtrade Premium and create illustrative graphics.
2. To find specific trends in use of the Fairtrade Premium (with a focus on who benefits and what challenges do they face).
3. To identify illuminating cooperatives/hired labour organizations for subsequent in-depth case studies and to justify selection (focusing on the variables).
4. Understand the reasoning for the decided use of Fairtrade Premium funds (how do different "communities/groups" decide upon the use of the Premium).
5. Understand the barriers and enablers for effective utilization of the Fairtrade Premium and its relation to empowerment of various groups in decision-making.

To address these issues, the study adopts an impacts pathway model (FAO, 2014b). This model allows us to analyse the trends found in the empirical evidence, visualizing the complex relationships between different 'variables'. It suggests that when there is a variety of inputs into an activity it leads to project-related outputs, broader outcomes and eventually impacts, which are either expected or unexpected changes (Roche, 1999; ISEAL, 2010). It is important to note that this is not an 'impact' study per se and thus we are not 'measuring impacts.' Instead, we examine how a specific intervention catalyses other activities that may lead to an impact.

There are two reasons for this:

1. The Fairtrade Premium is part of a package of interventions within the Fairtrade system and it is not possible to measure its impact as something separate from the other interventions (as they are all mutually reinforcing and interdependent).
2. When the study was commissioned, it was decided that we would not evaluate counterfactuals (i.e., situations where no Fairtrade Premium was received) due to time and resource constraints. Therefore, it is impossible to determine what causal effects the Premium has had on any outcomes. Moreover, it was decided to focus on the use of the Premium and the decision-making process in order to determine how the participation of different actors in the system affected the use of the Premium rather than on measuring impacts at household level. This is why the core unit of analysis is at the level of the PO and not at the level of individual farmers.

The scope of this study is both global and case specific. Through its monitoring and evaluation system, Fairtrade International has collected data on all of its certified POs. As of 2015, there were 1,004 small producer organizations and 236 hired labour organizations holding Fairtrade certification in 75 countries across Latin America and the Caribbean, Asia and the Pacific, and Africa and the Middle East. According to the 2016 Fairtrade Premium Use data collected by Fairtrade International, 896 POs had received money through the Premium. The trends in Premium use reported in this study are based on this population of data. In addition, in-depth case studies of five POs were conducted. In 2015, six major Fairtrade products accounted for almost 95 percent of Premium funds received. These products were coffee, banana, cane sugar, flowers, cocoa and tea with coffee, bananas and cocoa generating the most Premium. The study selected two case studies of banana POs, two cocoa/coffee POs and one flower HLO. These POs were located in four countries on two continents: Ecuador, Peru, Côte d'Ivoire and Kenya. The detailed case studies are found in **Annex 1.**

This report is organized as follows: first we review the existing literature on the impact of the Fairtrade Premium, then we explain the methodology used to collect and analyse the data presented in this report. We then present our findings following a conceptual framework that is explained in the methodology, draw conclusions about the effects of the use of the Fairtrade Premium and present a few recommendations for Fairtrade International.

2. LITERATURE REVIEW:
WHAT DO WE KNOW ABOUT THE IMPACT OF THE FAIRTRADE PREMIUM?

2.1 Scientific literature

The scientific literature on the impacts of Fairtrade is rather limited, despite the fact that Fairtrade is the second most studied sustainability standard after organic (FAO, 2014a). To gain a better understanding of the scientific literature, we conducted a search of the Web of Science database, which contains the top ranked scientific journals. We searched for the following string: "Fair trade" OR "Fairtrade" AND "Impact" OR "Premium" and came up with 278 articles. As shown in **Figure 1**, the first article was published in 2000[9] and has increased steadily since that date. 2010 and 2015 saw peak numbers of publications as some key research projects published their results those years.

We have also mapped out who the authors are who are studying Fairtrade Impacts or Fairtade Premium **(Figure 2)** and we find a rather scattered network with little collaboration among the authors. The most publications come from Belgium, then the UK. The UK authors have published with some authors from the Netherlands group and with Becchetti, who conducted the large IFAD study on the impact of voluntary standards. The journal that has shown up the most times among the different clusters of authors is Renewable Agriculture and Food Systems, which "focuses on the science that underpins economically, environmentally, and socially sustainable approaches to agriculture and food production." The other major journals for these clusters are found in the field of agricultural economics, geography, development studies, political economy and environmental economics.

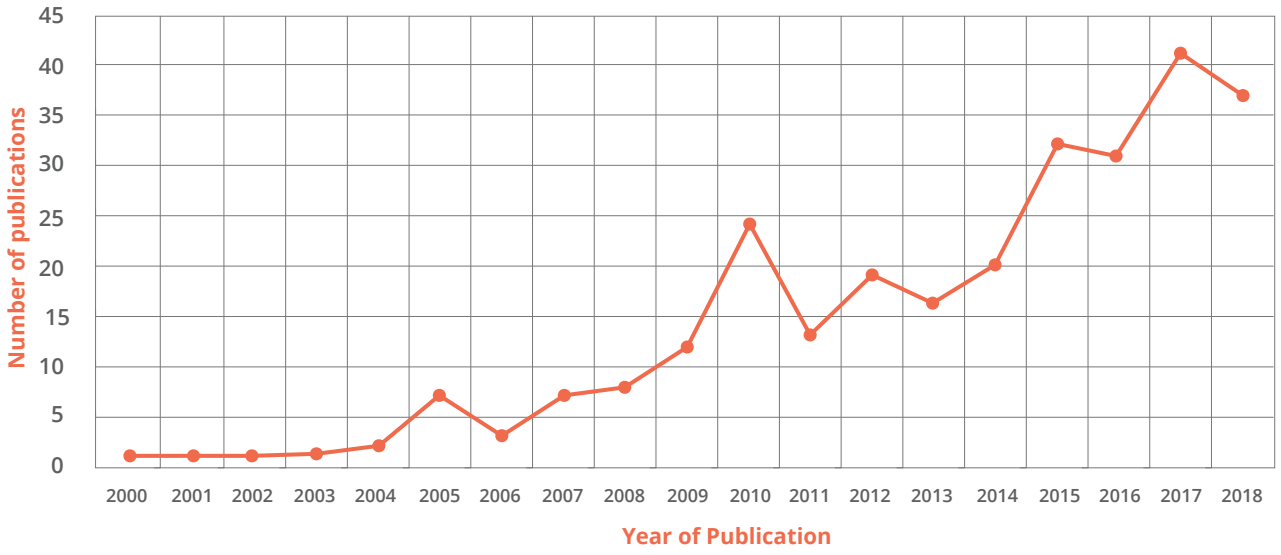

Figure 1: Publications on Fairtrade Impact or Premium in the Web of Science database

9 *Browne, A.W., Harris, P.J.C., Hofny-Collins, A.H., Pasiecznik, N., Wallace, R.R., 2000. Organic production and ethical trade: definition, practice and links. Food Policy 25, 69-89.*

Of these 278, 87 contain the word 'Premium' in their abstract and only seven actually discuss the Fairtrade Premium (as opposed to price premium funds). This means that the vast majority of the literature on Fairtrade impacts does not consider the Premium as something that can be measured separately, but as a fundamental component of the system intervention. When the Premium is discussed explicitly in these seven articles, the data usually focuses on Premium use, rather than impact, which we explore below.

Dolan's (2010) study is the earliest of the group and provides insights into some of the questions of concern for this study. Dolan argues that tangible benefits from the Fairtrade Premium – such as schools, dispensaries and clinics – were gained in tea-producing communities in Kenya. However, her observations about the function that these serve in the community and the process through which they were conferred are more telling. She notes that the decision-making process was "marked less by collaboration and consent than by patronage

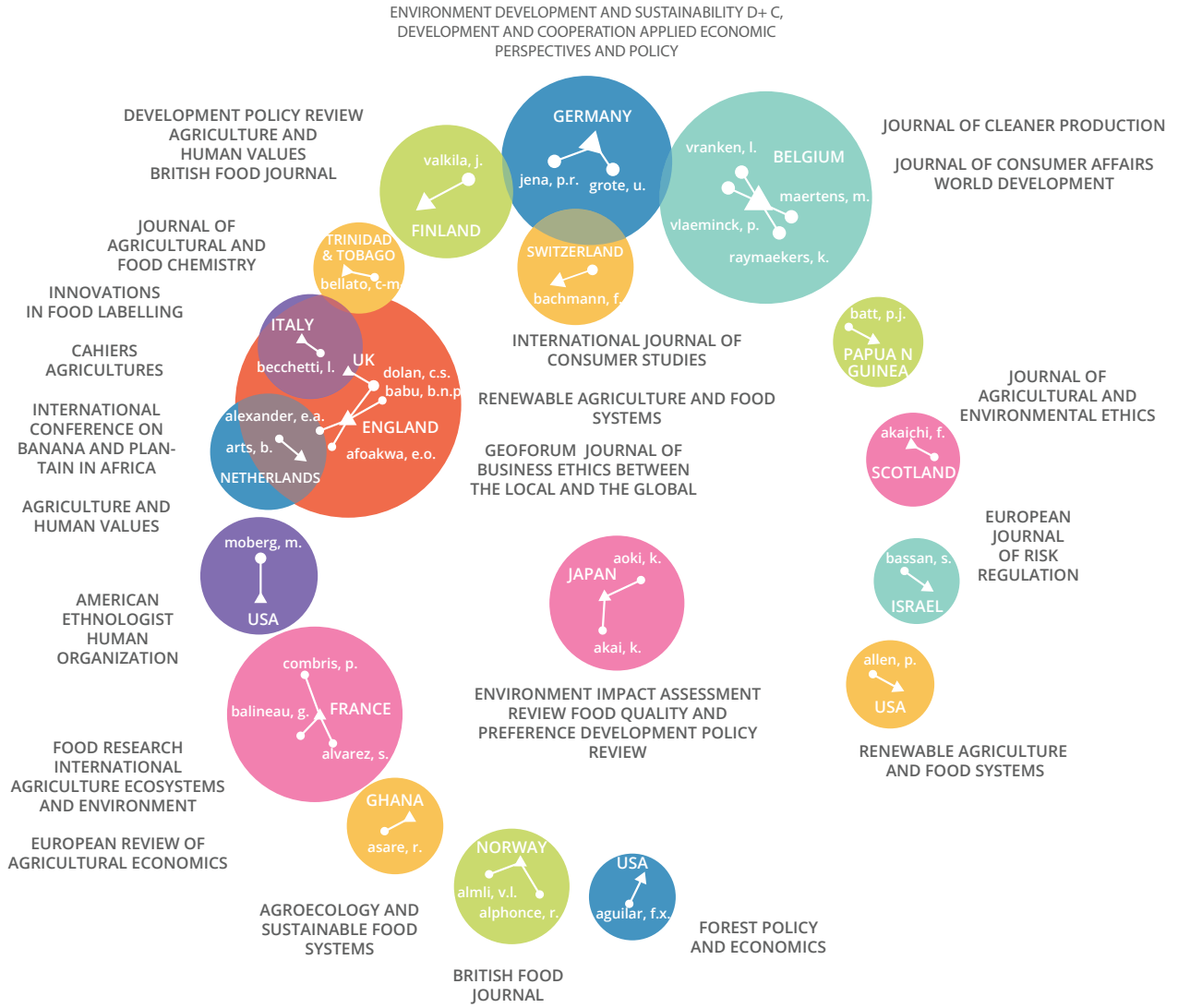

Figure 2: Top authors, countries and journals for Fairtrade Impact and Premium

and exclusion" (p. 34). Thus, the community projects did not function as clinics with stocked shelves, but rather as abandoned 'white elephants' that could not be maintained.

In the second study, Said-Allsopp and Tallontire (2014) also looked at Kenyan tea and flower communities, and specifically at the pathways to empowerment for women workers on plantations. Here again the results suggest that the way in which decisions are made and who participates is conditioned by the capacities of different people to have a voice in the process. The authors suggest that "appropriate training for members and non-members of committees alike, organizational

and spatial structures, the nature of representation, and mechanisms for strengthening voice are of great importance in ensuring empowering outcomes for workers" (p. 66).

Singh (2015) argues, in the third study, that the minimum price for cotton meets the average costs for sustainable production. The ability of farmers to invest in projects of their own choice on their farms in their communities is highlighted as an important contribution of the Premium. Meemken et al. (2017), in the fourth study, carried out a comparative study of the effects of Fairtrade and organic standards on the household welfare of small-scale coffee producers in Uganda. They found that while both positively affected consumption expenditures, organic standards increased nutrition, while Fairtrade improved education. This is because the Fairtrade Premium funds were used to pay for school uniforms, fees and materials, which required larger payments at specific times of the year. They were also used to build an input shop, a credit scheme, and a milling facility.

Using a choice experiment, this fifth study by Broeck et al. (2017) looked at the preferences of smallholder rice farmers in Benin. They found that farmers preferred to supply domestic markets rather than be included in export markets. However, if the export market contract provided them with access to fertilizer, they would be willing to comply with contracts that contained child labour restrictions and the Premium. This points to the difficulties of trying to measure the impact of the Premium in isolation from other elements of the 'package'.

In the sixth study that we found (Jena and Grote, 2017), household data was collected from 256 coffee farmers from a tribal community in southern India. This study found some improvement in the farmers' livelihoods from the Fairtrade package, but barriers to greater improvement came from difficulties in the management of the cooperative system. In another study by the same lead author (Jena et al., 2017), impact on household income of 233 smallholder coffee farmers in Nicaragua was explored. While Fairtrade farmers had experienced yield gains, the price advantage was reserved for organic and overall there was no significant impact of either on the total household income. In this case, the Premium was used to build community-level productive infrastructure, which may explain the yield gains.

In sum, these articles demonstrate that there is very little knowledge about what role the Fairtrade Premium plays in making an impact on farmer livelihoods and empowerment. Moreover, there was no study in this group that looked at the relationship between the Premium and the fairness of the terms of trade.

2.2 Additional studies

Given the paucity of studies published in the scientific journals, and the fact that many studies on Fairtrade are published in books, working papers, theses, and journals that are not part of the Web of Science database, we expanded our search to include those references found on the Fairtrade Institute's database of literature on Fairtrade.[10] Their full database contains 591 publications with the first one dating from 1987. Of these, 19 are focused on impact and two mention the impact of the Premium in the text.

This group of papers contributes to the literature along the same lines as was noted above. For example, there are no studies that have focused specifically on the impact of the Premium. Thus, we explore here some of the most interesting results of these studies that contribute to building our knowledge base.

In their review of the literature, Blackman and Rivera (2010) rely solely on the work of Ruben and colleagues (Sáenz-Segura and Zúñiga-Arias, 2008; Ruben et al., 2008; Ruben and Fort, 2012; Ruben et al., 2009; Ruben and van Schendel, 2008; Ruben and Zuniga, 2011) when discussing the Premium. This is because of their exclusionary criteria of those studies that did not include a counterfactual. We learn from this body of literature that in general, producers (mainly in Latin America) have positively perceived use of the societal Premium on health services and infrastructure and other local community projects.

The focus on community projects as a priority is well documented. In their 2012 study, Ruben and Fort reported that farmers claimed that the most tangible benefits of Fairtrade were technical assistance and credit, which were some of the community projects paid for through the Premium (cf. Meemken et al., 2017). Valkila and Nygren (2010) found that in Nicaragua smaller coffee producers and landless labourers benefitted relatively more than larger farmers from the Premium because the community projects basically redistributed the funds earned mostly through the large producers' work to the wider community members. This is in direct contradiction to the findings of Cramer et al. (2017) in Ethiopia and Uganda, who documented exclusion of the poorest community members from benefitting from the community projects as they did not receive any direct bursaries and instead could not afford to pay the fees required to attend the schools or hospitals that were built with the Fairtrade funds. Tampe (2012), in a study on a large cocoa cooperative union in Ghana, claims that the POs "are strongly encouraged to channel the Premium into community projects instead of financing investments that only benefit the cooperative or individual farmers" (p. 6). Yet in an earlier study of the same cooperative in

10 *The 591 publications held in this database can be found at: http://www.fairtrade-institute.org/publications/, accessed 24/10/2018*

Ghana, a part of the US$2 million in Premium funds over ten years was paid as extra income to farmers (Doherty and Tranchell, 2005), which was reportedly the preferred approach (Ronchi, 2002). This tension over individual vs. collective use is not just reported in Africa, but also in other regions (Darko et al., 2017). In their 2008 book, Fort and Ruben presented the case of a coffee producer in Peru where community discontent had arisen from the use of the Premium only for the producers' welfare, rather than being invested in the community. They argued that this was "deficient distribution and use" of the Premium funds, which they claimed came from problems of cooperative organization and management.

According to Kilian et al. (2006) the price of coffee is so low that sometimes the Premium is the only thing that could positively impact the lives of farmers if it were used well by the farmer organization, but this impact is not measured. Sáenz Segura and Zúñiga-Arias (2008), however, did examine the impact of banana certification in southern Costa Rica on farmer households' socio-economic status. They found that income, expenditures, and profits are not significantly different for Fairtrade and non-Fairtrade households. However, Fairtrade households had higher levels of wealth and invested more in education and training. Like Fort and Ruben (2008a), the authors attribute this difference to collective decision-making about the use of Premium funds.

The results on education more generally are rather positive. Meemken et al. (2017) found that, controlling for other factors, Fairtrade increased child schooling by 0.66 years, thus confirming the results of earlier studies (Arnould et al., 2009; Becchetti and Costantino, 2006; Gitter et al., 2012; Becchetti et al., 2013). The mechanisms through which this works are educational scholarships (Bacon, 2008) and through awareness raising and other interventions aimed at eliminating child labour.

A few studies also found that the Premium was used to pay for the cooperatives' operating costs (including certification fees) or investments in improving the capacities of the SPOs. However, Valkila and Nygren (2010)[11] found that despite the use of the Premium on social projects and the institutional capacities of the cooperatives, there was very little effect on improving the working conditions of hired coffee labourers in Nicaragua. Cramer et al. (2017), in their publication of the SOAS University of London study (Oya et al., 2017), found that the employees of SPOs and hired labour on small producers farms are essentially ignored in the implementation of the Fairtrade Standards and rarely benefit from the Premium.

Again, in these studies, any documented differences in outcomes are attributed to the different types of Premium use (i.e., individual payments, investments, the capacity of the organization to invest and manage the Premium, and the decision-making process used to determine its use), but all authors were hesitant to attribute any direct impact to the Premium as there was significant co-financing of the projects with other rural development funds.

2.3 Fairtrade reports

Fairtrade International and its member organizations have always paid attention to the use of the Premium. Often reporting a variety of uses, usually in the form of short vignettes about a PO or generalized statements based on the data that has been collected through Fairtrade's monitoring and evaluation system that began collecting systematic data around 2010. Thus, Fairtrade International's 2016 Monitoring and Evaluation report explored the amount of money received by different types of POs (SPO vs. HL) and differentiated the average amount of Premium received by product and by number of producers/workers.[12] However, systematic reporting on uses or benefits received from the Premium was not done. Instead, anecdotal reporting has been done, such as that in Fairtrade's 2016 report on meeting the Sustainable Development Goals (SDGs)[13] where a few uses of the Premium were used illustratively:

- To date, members of the cooperative have devoted much of the Premium to training programmes and projects to improve coffee quality and increase productivity. Seven laboratories have also been built in different municipalities and shelters to dry coffee. (pg. 11)
- The Premium is often invested in ways to tackle women's burden of care through improving access to clean water, healthcare, childcare and transport, or through purchasing labour-saving devices, like mills for maize. These are all benefits that enable women to play a more active role in their organizations, their communities and their families. (pg. 12)
- Premium funds have been invested by some communities in building sustainable farming systems, such as better irrigation, or improving productivity and yields without using more resources. (pg. 16)
- In some communities, the Premium has been used to invest in rainwater irrigation systems or in experimental plots where pest-resistant and productive varieties of seeds can be tested for local use. (pg. 18)

11 *This article is also found in the scientific literature.*

12 *Fairtrade International. 2016. Monitoring the Scope and Benefits of Fairtrade. Eigth Edition 2016.*

13 *Fairtrade International. 2016. Sustainable Development Goals and Fairtrade: The case for partnership.*

These examples are illustrative of the type of data that was available to date, that is, reporting on the use of the Premium, but not on the outcomes of that use. The problem here is truly a lack of collected data, as was noted in the 2010 Fairtrade Impact study. Yet even this study dealt only marginally with the Premium in section 3.11, which covered just four pages out of the 48-page report. Nelson and Pound (2009) argued here that there is very little analysis of the impacts of the Premium and those few results that are reported focus on the variety of uses in specific contextualized cases. They found reports of Fairtrade International encouraging the use of the Premium for social projects, even though the final decision is left to the individual POs. They highlighted the trend that we have also reported here: a focus of Premium use on community projects, PO investments, and individual bonuses; and they called for more social (class) and gender disaggregated data on the Premium use in order to better understand who is benefitting and why. They also critiqued the call for coordinated use of the Premium to scale-up impact as this may exacerbate some of the social inequities that come with focusing funding on one particular group of farmers.

Klier and Possinger (2012) also found positive impacts from the use of Fairtrade funds, specifically an impact that extended beyond the members and workers of the certified organizations. This applies in particular to education, where both direct support of educational institutions and indirect impacts were identified such as accessibility of schools for pupils and the creation of better teaching environments for teachers thanks to infrastructural investments. This study also found benefits in the cocoa communities from the increased awareness raising about child labour.

The most recently published literature review, by the Overseas Development Institute (ODI), dedicated a whole section (4/52 pages) to looking at the benefits of the Premium (Darko et al., 2017). The authors concluded that overall, benefits are reported in all of the 14 studies that they reviewed, specifically in terms of: community-wide benefits, individual benefits such as education and loans, and investments in producer organizations. They did highlight, however, that the governance mechanisms used to manage the Premium (particularly by cooperatives) did not function well and that the cooperative's capacity to manage the Premium had weakened trust amongst the wider membership (cf. Loconto, 2014). This conclusion points to the need to focus more on the mechanisms used in the management of the Premium and its use.

In sum, while all of Fairtrade's monitoring and evaluation reports and commissioned impact studies have covered some aspects of the use and impact of the Premium, this analysis has always been in the context of understanding how a wider set of Fairtrade interventions work together to deliver change in specific product, regional or country contexts. In addition, there has been very little research, either commissioned by Fairtrade International or published in the scientific literature, that has focused in more detail on how the Premium, as a specific intervention, brings about change at the output, outcome or impact levels. This study is the first attempt to address this gap.

2.4 Conceptual framework: understanding change within the system

To begin, we follow Fairtrade International's ToC in our reading of the results presented in the above literature. This would suggest that the Premium is being used to invest in small producers and workers, their organizations and communities as a direct output of the Premium intervention. This investment should lead to resilient, viable and inclusive SPOs, improved farming performance, protection of the environment and adaptation to climate change; and enhanced influence and benefits for small producers, workers and their communities in the medium-term. The longer-term impacts should be seen in terms of improved income, well-being and resilience among small producer and worker households; enhanced gender equality and intergenerational sustainability in rural communities; and increased environmental sustainability and resilience to climate change **(Figure 3)**.

Rather than testing this proposed pathway, we began with the assumptions implicit in Fairtrade International's Theory of Change (ToC), which suggests that the process of taking collective decisions about how to use the Premium can contribute towards a greater sense of empowerment for the members of producer organizations. We therefore developed a conceptual framework grounded in theories of system innovations and participatory democratic processes. Our core assumption is that a causal relationship cannot be found from a single intervention that is part of a suite of interventions.

The issues of decision-making processes are key for the analysis because the impacts that the Fairtrade International system seeks are in sustainable farmer livelihoods, empowerment, and fair-trading relationships. Indeed, the process of implementing decisions and management processes can also significantly influence the trajectory of the impact of the Premium and cause it to deviate from its planned course. Specifically, this study puts emphasis on intra-organizational transformations provoked by the Premium. Previous research has shown, that workers highly estimate the Premium as "a sign of recognition" - an intervention that does not discriminate and takes workers' concerns seriously (Arnold and Loconto, 2017).

However, to date, there simply has not been enough data collected about how the Premium enters into ongoing processes and organizational arrangements that could either reinforce them or derail them (Nelson and Pound, 2009).

Fairtrade International interventions (as noted above in **Figure 3**), the Premium is a systemic instrument as it functions at the level of the system and is an important addition to the policy instruments portfolio as it can help to stimulate change.

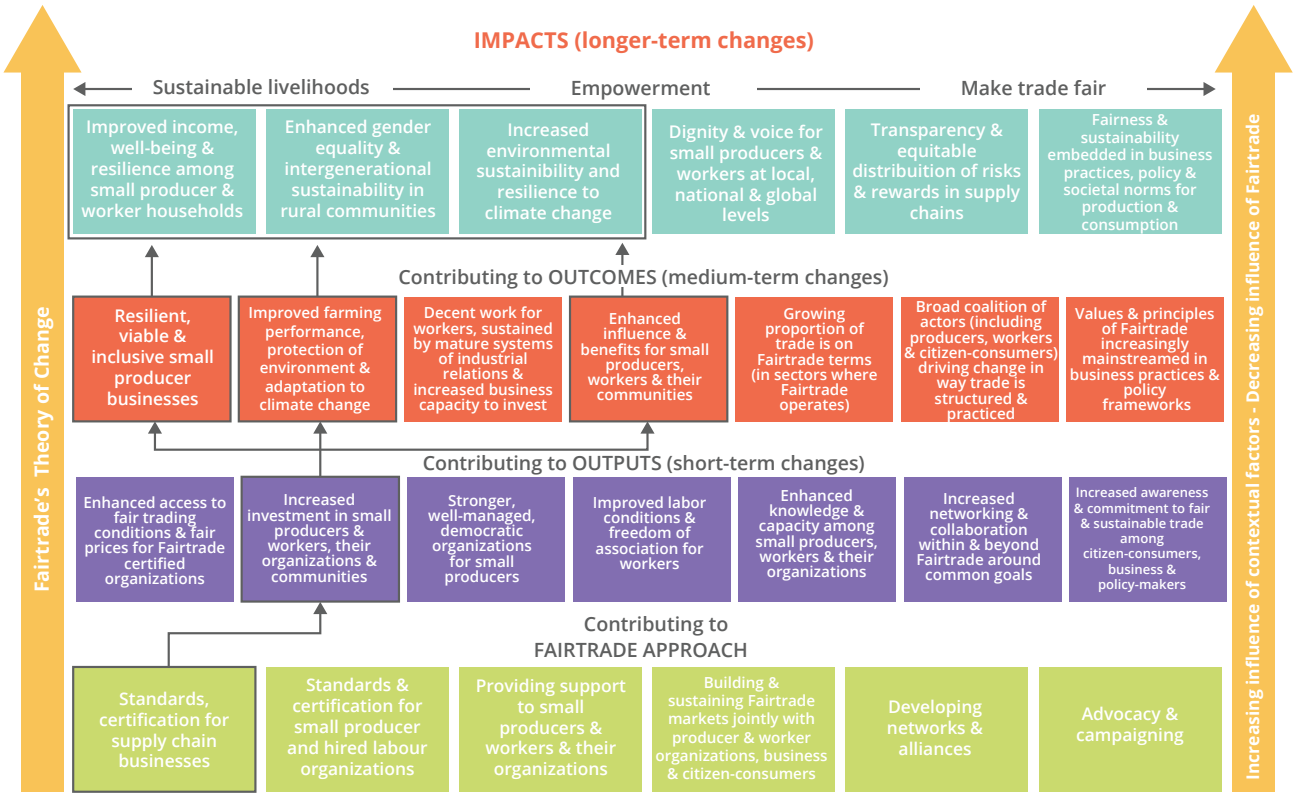

Figure 3: Hypothesized pathway from the Fairtrade Premium

We understand ongoing processes and organizational arrangements within the context of system innovations (Geels, 2004). System innovations refer to changes over time in large-scale socio-technical systems. This means making changes not just to technology, but also to the politics, institutions, markets, knowledge and socio-cultural practices. In order to make changes in systems, actors must engage these existing arrangements in order to be able to carry out activities that enable the use of the Premium. Our first level of analysis is precisely this: a mapping of the various uses of the Premium to get a more complete understanding of differences across products, geographies and types of POs.

Within this systems approach, "the activities that contribute to the goal of innovation systems (both positive and negative), which is to develop, apply, and diffuse new technological knowledge, are called functions of innovation systems" (Hekkert et al., 2007). These activities usually include the deployment of specific instruments that enable action. Systemic instruments are those that function at the level of the system. If we think of the systems put into place with the package of

Hekkert et al. (2007) identified seven functions that influence each other in non-linear ways through multiple interactions that will affect the overall performance of the system. In the context of the Fairtrade Premium as the systemic instrument, we can define them as follows:

1. **Entrepreneurial activities** refer to the actors' - and their collaborators' or competitors' – attempts to implement the Premium-financed projects.
2. **Knowledge development** refers to the creation of new knowledge within the system. This can be achieved through general education, tailored training, or experimental activities. With regard to Premium expenditures, this refers to payment for capacity building and training on topics such as new sustainable agricultural practices (e.g., composting, IPM), awareness about child labour or new business models based on more democratic management and engagement by workers or farmers.
3. **Knowledge diffusion through networks** is the essential function of sharing knowledge among different actors in the system. This is usually referred to as the capacity building activities of the

Fairtrade International system, particularly through the regional coordination organizations[14]. There are records of the Premium being used to pay for farmer exchange visits and attendance at international trade fairs.

4. **Guidance** is the process of directing the use of the Premium towards specific parts of the system that the decision-makers feel help them to achieve their goals.
5. **Market formation** is usually the creation of protected spaces for new projects and ideas and creating the commercial linkages between producers and consumers.
6. **Resource mobilization** refers to both financial and human capital. Specifically, we are looking at the mobilization of the Premium funds to catalyse the mobilization of other financial or human resources.
7. **Creation of legitimacy/counteract resistance to change** can be seen as the core socio-political function of the Premium. Here we can see how the Premium may legitimize the activities of POs in the eyes of members and within their communities. There are possibilities here to see this legitimacy through the increased interest by others to join the POs.

By identifying the functions of the specific uses of the Fairtrade Premium we can compare the performances between systems with different institutional and organizational arrangements, map determinants of new activities that may create different pathways for change, and better understand the targets of change and the activities that might lead to that change.

The guidance function in the above set of seven functions is where we are most concerned about the decision-making process. Theories of participatory democratic processes and their importance for empowerment suggest that who sits at the table is important for ensuring different outcomes of the decision-making process (Cornwall, 2003). Nonetheless, sitting at the table is not quite enough; there is also the quality and type of discussion that takes place during the decision-making process that will determine who benefits from decisions (Cheyns, 2014). Moreover, the ways through which decisions are then implemented can change the effectiveness of the action if accountability mechanisms are not put into place or not seen as legitimate (Kraft and Wolf, 2016; Cashore, 2002).

As a result, we further ask the following questions that will help us to understand the possible pathways of change:

- What are the processes of **decision-making** about Fairtrade Premium use? Who formally participates in the decision-making process? Who actually influences the decision-making processes? What are the potential disagreements/conflicts and how are they solved? What are the rationales for specific uses of the Premium? But also: do producers and workers know about the various possible uses of the Premium and to what extent are they involved in the processes of decision-making (i.e., what accountability is there for the decisions)?

- What are the **implementation processes** of the decisions about Fairtrade Premium use? Who implements the decisions taken and who reflects on the process? What are the challenges and potential conflicts in the implementation process? Who is accountable to whom for carrying out the projects?

- What are the corresponding **effects** of specific Fairtrade Premium uses? Based on the Fairtrade ToC, what are the short-term (outputs), medium-term (outcome), and longer-term (impacts) changes of specific interventions? Specifics areas of interest are the differences between individual investment (e.g., cash payments to farmers) vs. organizational investments (e.g., infrastructure and training). Whether or not these types of questions can be answered with the available data will also be addressed.

Following these exploratory questions, it is important to go one step further and address questions that will provide action-guiding knowledge:

- What is an **(in)effective utilization** of the Fairtrade Premium?
  - Are there 'golden' Fairtrade Premium change pathways (that could be used as a benchmark)?
- What are the **barriers and enablers** for effective utilization?
  - On what does (in)effective utilization of the Fairtrade Premium depend?

In this report, the results are thus presented conceptually, as a way to capture the different elements that are important in understanding the possibilities for change in this system: the use of the Premium, the participation and accountability of the decision-making processes and the functions of Premium use. We use the language presented in this section throughout the report and draw our conclusions about the effects of the use of the Premium based on how these different elements of the system interact. First, however, we explain how we collected and analysed the data.

14 *Referred to as Producer Networks: https://www.fairtrade.net/about-fairtrade/fairtrade-system/producer-networks.html*

3. METHODOLOGY

We adopted a mixed-method approach to conducting desk and field research and carried out this work in three consecutive stages that combine innovative quantitative data analysis with participatory methods for collecting data and designing governance processes.

3.1 Stage One: An innovative approach to quantitative data analysis of documents

Fairtrade holds a significant database from its Monitoring, Evaluation and Learning (MEL) system, which offers the possibility of conducting quantitative analysis to identify the trends in Premium use, hotspots related to a range of variables and qualitative justifications of use with a high level of statistical confidence. We used the two databases kept by Fairtrade International to create a sub-database that we used for statistical analysis (**Table 1**).

The **Product Database** contains product and organizational data that was collected from 1,997 POs through the Fairtrade International audit process since 2009,[15] while the second database (**Premium Database**) contains data that was collected from 1,215 POs through a questionnaire used by Fairtrade's MEL team to monitor the impact of Premium use; only **894 POs** had valid expenditure data from the range of reporting years.[16] In order to create a sub-database that would allow us to quantitatively compare the Premium use of POs that have different product and PO attributes, we could only select those POs that were included in both databases and had reported data from the same year. After comparing the data available for all POs in the two databases, we were able to create a **Statistical Database** that contained all of the selected relevant variables for a total of **385 POs**. In addition to conducting correlation analysis with the data in this statistical database, we also used the full Premium Database (894) in order to better understand the range of uses and functions of the Premium. In order to avoid confusion, each time we present data in the text, we specify which database is being used for the analysis.

In terms of the Premium reported, there are discrepancies between the three databases, which are a result of the quality of the data. In the **Products Database**, the amount reported is the amount declared by POs in a given financial year (€117 million).[17] In the **Premium Database**, the number (€101 million) captures the expenditures of the Premium from those POs that reported their Premium use separately (this was not all POs, thus explaining the discrepancy in numbers). In the **Statistical Database** of 385 POs, we have comparable data for only about half of the Premium received (€50.8 million), which also explains the discrepancies between

15 There are currently 1,411 active POs and there were 905 active in 2010. This number of 1,997 is thus the cumulative number of POs that were registered at some point in time between 2009 and 2016 and does not reflect the current number of registered POs.

16 Due to data inconsistencies across these two databases, we could only use the data from a reduced number of POs. For example, 292 POs had 'n/a' as the input data in the Premium Database. Only 894 POs had reported valid data. In this database, the most recent reported data is used and thus the year of that data ranges between 2011 and 2016.

17 These numbers are different from the official Fairtrade International reported statistics because of the use of different databases. Fairtrade uses the data reported by buyers ('Premium generated' data), while this data is based on the data reported by the POs ('Premium spent'). There is also a delay between when the Premium is paid by the buyers and when that money is spent by the POs, which also contributes to explaining these discrepancies (see Case Box 6).

Databases[1]	*Selected Variables*	*Total POs*	*Year Range*	*Total Premium Amount Reported*
1) Product Database	Standard, Country, Region, Product #Farmers/Workers - % Female, Annual Revenue – % Fairtrade, Total Sales - % Fairtrade, Total land - % Organic	1997	2009-2016	€117,846,130
2) Premium Database	Major-, Minor-, Sub-categories, Expenditures Year of Audit, Product	894	2011-2016	€101,065,214
3) Statistical Database	Standard, Country, Region, Product Major-, Minor-, Sub-categories, Expenditures #Farmers/Workers - % Female, Annual Revenue - % Fairtrade, Total Sales - % Fairtrade, Total land - % Organic	385	2015	€50,827,715

Table 1 : Databases used for analysis

1 *We used the 15/08/2017 version for the Product Database and the 27/10/2017 version for the Premium Database.*

data reported in the Fairtrade International Monitoring and Evaluation report and this study.

The characteristics of the data included in the **Premium Database** are summarized in **Table 2**. As the table illustrates, there are clear differences across product sectors where there are only HLOs (like flowers and sportsballs), while in others there are only SPOs (like coffee, cocoa and sugar). Overall, HLOs represent only 22 percent of the POs that report their Premium use, and all of the POs are distributed across the three regions as follows: Africa and the Middle East (31 percent), Asia and the Pacific (25 percent) and Latin America and the Caribbean (44 percent). Total Premium expenditures across the 894 POs was €101,065,214, and the average Premium per product group was €65,548. On average, the product groups are spending their Premium on two major categories and 4.2 sub-categories. Given that Fairtrade International has identified six major categories and 156 sub-categories, this means that the POs are consolidating their expenditures on a very limited range of projects.

The characteristics for the selected POs in the Statistical Database are summarized in **Table 3**. Generally, the trends are similar to those portrayed in **Table 2**, which means that the conclusions we draw from the Statistical Database should be similar to those drawn from the Premium Database. In our Statistical Database, on average, 30 percent of the farmers or workers are women and 29 percent of the land is certified organic. On average, the POs that reported reliable data have an average of 56 percent of their annual revenue coming from Fairtrade sales, while 68 percent of their product volume is sold as Fairtrade. This means that they are receiving 44 percent of their revenue from the sale of 32 percent of their volume, which is not sold on Fairtrade terms. So, on average, they are receiving higher revenue from non-Fairtrade sales.

POs in the Statistical Database spent a total of €50,827,715 on Premium projects in 2015 with an average expenditure of €110,563 per PO across the product groups and with average regional expenditures of €139,136. The country with the most Premium expenditures across product groups was Peru. The top ten countries spent an average of €1.15 million, which amounts to €20.6 million and represents 41 percent of the total Premium funds expended in 2015. There are some slight regional differences, where Africa and the Middle East, and Asia and the Pacific receive the greatest amount of Premium funds from tea production, while Latin America receives the most from coffee. Producers of these two products spent €22.9 million on Premium projects in 2015, which represents 45 percent of the Premium funds spent in 2015. This data suggests that our sample of 385 is rather concentrated in terms of the number of products that dominate the Premium and the countries where they are produced.

These data were analysed using Excel, SPSS and IRAMUTEQ. Excel was used to clean the data, anonymize the data, and extract descriptive tables of the data. SPSS was used to calculate descriptive crosstabs, bi-variate

Product	*#POs*	*%HLO*	*%Africa and Middle East*	*% Asia and Pacific*	*%Latin America and Caribbean*	*Total Fairtrade Premium Expenditures (EUR)*	*Average Fairtrade Premium*	*Avg. # Fairtrade Major categories per PO*	*Avg. # Fairtrade sub-categories per PO*
Banana	106	42%	4%	1%	95%	€16,367,718	€154,412	2.5	6.6
Cane sugar	69	0%	52%	17%	30%	€9,300,413	€134,789	1.9	3.6
Cocoa	80	0%	53%	4%	44%	€10,447,577	€130,595	2.3	6.4
Coffee	324	0%	11%	9%	80%	€48,176,696	€148,694	2.0	4.5
Cotton	16	0%	44%	56%	0%	€829,099	€51,819	1.9	4.3
Dried fruit	7	0%	71%	14%	14%	€101,900	€14,557	1.3	2.4
Flowers and Plants	51	100%	80%	4%	16%	€5,263,828	€103,212	2.5	5.7
Fresh fruit	52	33%	44%	15%	40%	€1,931,194	€37,138	2.0	3.9
Fruit juices	4	0%	0%	25%	75%	€103,044	€25,761	2.3	5.0
Gold and associated Precious Metals	2	0%	0%	0%	100%	€392,456	€196,228	2.5	6.0
Herbs, herbal teas and spices	19	11%	68%	26%	5%	€484,296	€25,489	2.1	3.8
Honey	14	0%	0%	7%	93%	€428,581	€30,613	1.5	2.7
Nuts	12	0%	8%	25%	67%	€177,500	€14,792	1.6	2.3
Oilseeds and Oleaginous fruit	9	11%	67%	33%	0%	€44,410	€4,934	1.6	2.4
Quinoa	5	0%	0%	0%	100%	€243,402	€48,680	2.0	3.4
Rice	8	0%	0%	100%	0%	€218,742	€27,343	2.0	3.6
Sports Balls	5	100%	0%	100%	0%	€111,160	€22,232	2.2	3.8
Tea	71	52%	44%	56%	0%	€5,066,870	€71,364	2.2	5.0
Vegetables	8	13%	13%	0%	88%	€269,846	€33,731	1.8	2.9
Wine grapes	32	72%	59%	0%	41%	€1,106,482	€34,578	2.1	5.2
Totals or Averages	**894**	**22%**	**31%**	**25%**	**44%**	**€101,065,214**	**€65,548**	**2.0**	**4.2**

Table 2: Characteristics of the Fairtrade Premium Database (n=894), 2013-2016
NB: This data is taken from the cleaned Fairtrade Premium database, consisting of data from 894 POs. The data contained therein is based on the last reported data, which ranges in date from 2013 to 2016.

Product	*# of POs*	*% HL*	*Avg. # Farmers or Workers*	*Avg. % Female*	*Avg. Annual Revenue (€)*	*Avg. % Fairtrade of Annual Revenue*	*Avg. Total Sales (MT)*	*Avg. % Fairtrade of Total Sales*	*Avg. Total land (ha)*	*Avg. rage % Organic of Total land*	*Avg. Expenditures (€)*	*Top Country/ Product for Premium Expenditures*	*Amount of Premium Spent in Top Country / Product (€)*
Bananas	57	42 %	174	15 %	3,985,467	60 %	1,013,784	71 %	25,423	15 %	120,369	Colombia	2,835,151
Cane Sugar	30	0 %	990	24 %	4,490,476	56 %	1,510,925	67 %	8,837	25 %	161,066	Paraguay	1,870,790
Cocoa	42	0 %	3,461	16 %	2,152,254	53 %	684,698	66 %	3,296	18 %	95,460	Peru	1,688,931
Coffee	140	0 %	2,334	21 %	3,456,491	55 %	8,225,752	71 %	5,594	35 %	145,697	Peru	5,749,022
Flowers and Plants	26	100 %	967	51 %	5,394,968	40 %	20,500,798	52 %	672	29 %	122,409	Kenya	2,077,085
Fresh Fruit	16	25 %	206	26 %	2,120,892	48 %	2,762	66 %	1,036	20 %	79,263	South Africa	495,153
Herbs, herbal teas and spices	8	25 %	333	47 %	1,630,360	28 %	2,517	46 %	41,477	47 %	37,267	Madagascar	136,928
Honey	8	0 %	115	10 %	1,571,214	53 %	1,775	59 %	10,574	0 %	47,820	Mexico	199,544
Nuts	5	0 %	268	25 %	7,480,282	53 %	3,139	68 %	2,659	20 %	158,586	Peru	792,930
Rice	3	0 %	453	34 %	557,933	70 %	8,331	40 %	1,212	36 %	154,274	India	409,106
Sports balls	3	100 %	1,151	30 %	578,850	82 %	6,027	99 %	3,708	33 %	38,341	Pakistan	38,341
Tea	25	60 %	3,550	39 %	3,976,485	38 %	2,131	53 %	2,014	21 %	270,231	India	3,193,407
Vegetables	3	0 %	318	26 %	6,210,159	51 %	8,192	67 %	2,198	32 %	121,146	Guatemala	353,188
Wine grapes	14	86 %	86	34 %	3,985,163	53 %	1,961,907	54 %	6,436	0 %	39,083	South Africa	475,297
Product averages	***23***	***26 %***	***1,335***	***31 %***	***4,383,905***	***56 %***	***2,785,707***	***65 %***	***8,482***	***25 %***	***110,563***	***Peru (most frequent)***	***1,216,080***
Absolute Totals	***385***	***22 %***	***657,009***	***24 %***	***1,403,976,348***	***53 %***	***1,871,026,965***	***66 %***	***3,318,112***	***26 %***	***50,827,715***		***20,673,354***
Regions													
Africa	114	37 %	3,958	33 %	3,778,762	48 %	4,848,677	61 %	2,020	21 %	106,439	Tea	3,101,976
Asia and Pacific	51	31 %	2,291	27 %	2,709,854	53 %	3,298,210	67 %	9,447	32 %	175,856	Tea	3,653,808
Latin America	220	13 %	404	19 %	3,795,432	56 %	5,227,587	69 %	11,846	27 %	135,114	Coffee	16,189,988
Regional averages	***128***	***27 %***	***2,218***	***26 %***	***3,428,016***	***52 %***	***4,458,158***	***66 %***	***7,771***	***27 %***	***139,136***	***Coffee (most frequent)***	***7,648,591***
Absolute Totals	***385***	***22 %***	***657,009***	***24 %***	***1,403,976,348***	***53 %***	***1,871,026,965***	***66 %***	***3,318,112***	***26 %***	***50,827,715***		***22,945,772***

Table 3: Characteristics of the Statistical Database used for analysis (n=385 POs), 2015
NB: This is static data from 2015 gathered in the statistical database of 385 POs. The data for the following products are not displayed for confidentiality purposes, in line with Fairtrade International rules on data aggregation: dried fruit, oilseeds and oleaginous fruit, seed cotton. However, their data is used in the calculation of the product and regional averages and the absolute totals, which explains the discrepancies between them. The discrepancies between regions is due to the different way of disaggregating the data. The vegetables product category includes pulses and potatoes. The full names of the Fairtrade International categorized regions are: Africa and the Middle East, Asia and the Pacific, Latin America and the Caribbean.

correlations, multi-linear regression and creation of indices for productivity investments. IRAMUTEQ, a textual analysis software based on the R statistical language, was used to analyse the individual investments noted in the database as a means to identify and characterize the functions of Premium use.

There are some limitations in the Fairtrade International databases, which suggests that caution should be used when extrapolating this data. There were a number of data entry practices that may have influenced the reliability of the data. The researchers found that sometimes FLOIDs were used as dummy numbers (or placeholders) for some of the variables in the Products Database. There also seems to have been a practice of carrying forward Premium expenditure amounts from year to year if no data was available for a given year. Instances of double counting of Premium were noted for some POs, while multiple languages (Afrikaans, Indonesian, English, French, Spanish) were found in the Premium use data and there was inconsistent coding of Premium use categories across the different regions. Since there was no way for the researchers to be able to compare the original data to that found in the Fairtrade databases, we opted to eliminate those POs for which these validity concerns applied. The result is that the database we were able to create includes just 385 POs out of the 894 that reported Premium use and while this is a sample of the database, we cannot make the claim that it is a representative sample as we did not select these POs randomly, but rather based the selection on the availability of data. In addition, given the inconsistency of reporting between years, we were not able to conduct longitudinal comparisons. This was an original interest of the research team and would have provided a better understanding of the impact pathways.

During Stage One, we also used CorTexT[18] manager to conduct network analysis that was used in our sampling procedure and in our systematic literature review of the studies that have been carried out to date on the impact of the Premium. CorTexT is a digital platform designed by members of LISIS and maintained by INRA. CorTexT platform has created and developed tools for the analysis of textual databases including language processing, linguistic statistics, co-word analysis and metrics and algorithm implementation. The systematic literature review was carried out following the method previously developed by the lead author to study the impact of voluntary standards (FAO, 2014b) and was explained in the previous chapter.

3.2 Stage Two: A participatory approach for collecting data and designing governance processes

We adopted a "multiple-case design" (Yin, 1984) based on a method developed by the lead author in the Res-AGorA and Innovative Markets projects (Lindner et al., 2016; FAO, 2016). This method consists of conducting case studies that collect qualitative and quantitative data on processes, rules and organizational practices that can be compared across the cases. Based on the identification of patterns and outliers in the audit data, we purposively selected (Patton, 1990), in collaboration with Fairtrade International staff, five different cases that enabled us to identify commonalities across contextual differences and to represent some of the key characteristics of the POs found in the database developed in stage one.

3.2.1 PauIFPrem Sampling Procedure

To conduct the sampling for identifying the field cases, we relied upon the full databases (Product and Premium Databases) provided by Fairtrade International, rather than our reduced statistical database that we developed for the statistical analysis. This approach provided us with the full range of POs to choose from, making our sample more representative of the entire population. We relied upon three methods for identifying countries and organizations within those countries to be examined in-depth through field visits.

1. We loaded the Product and the Premium databases into the CorTexT platform (http://www.cortext.net/) to visualize relationships between the variables in the database.
2. We used Excel to calculate quantities of specific variables to determine the importance of certain variables within our selected categories.
3. Within our group of researchers, we discussed the results of these two means of looking at the data and compared what we were seeing with some other trends that we spotted across the three databases, the analysed data contained within the Fairtrade databases and with our existing knowledge of Premium use.

We followed a step-wise approach to purposive sampling to select first countries that are the most important (in terms of volumes produced) within the Fairtrade network and specifically with regard to the amount of Premium received.

18 *https://www.cortext.net/, accessed 26/10/2018*

1. The selection of individual organizations from which to collect data could not be decided solely through the analysis of the databases. This is because we do not have information on the geographical distance from one organization to the next within each of the selected countries, which also needed to be taken into consideration in determining the feasibility of the sampling.
2. 2. Regardless, we conducted a number of additional steps in the analysis of the databases so as to identify variables that can maximize the diversity of situations, which are used in the purposive sampling.
3. The final step of purposive sampling, and the identification of individual organizations, was the discussion of our results with Fairtrade International in order to match our results with their priorities.

In the first step, we identified which countries were the most important countries in terms of number of organizations and products **(Figure 4).**

We then queried which Products are the most important (in terms of volume certified) **(Figure 5).**

By comparing the above two results and taking into consideration the importance of cut flowers (as noted in the Fairtrade International database), we identified the top three countries for the four priority products (in terms of numbers of producer organizations).

1. Coffee – Peru (640), Colombia (472), Mexico (335)
2. Banana – Peru (152), Colombia (231), Dominican Republic (229)
3. Cocoa –Côte d'Ivoire (298), Peru (131) Colombia (46)
4. Flowers – Kenya (229), Ecuador (74) Zimbabwe (41)

The second step was to identify the most important countries and products for Fairtrade Premium.

The most important products are: Coffee, Banana, Cocoa, Tea, Flowers and Plants **(Figure 6).**

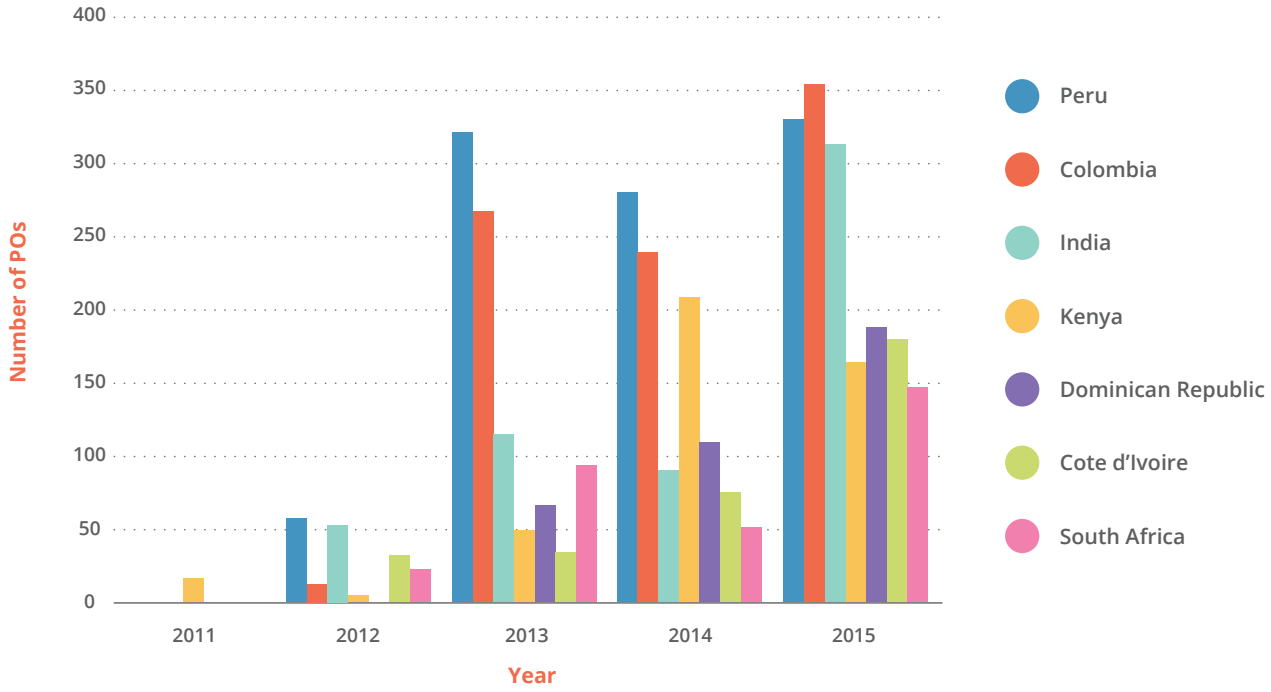

Figure 4: Most important countries for the Fairtrade Premium (2009-2016)
Source: Fairtrade Premium database (n=894)

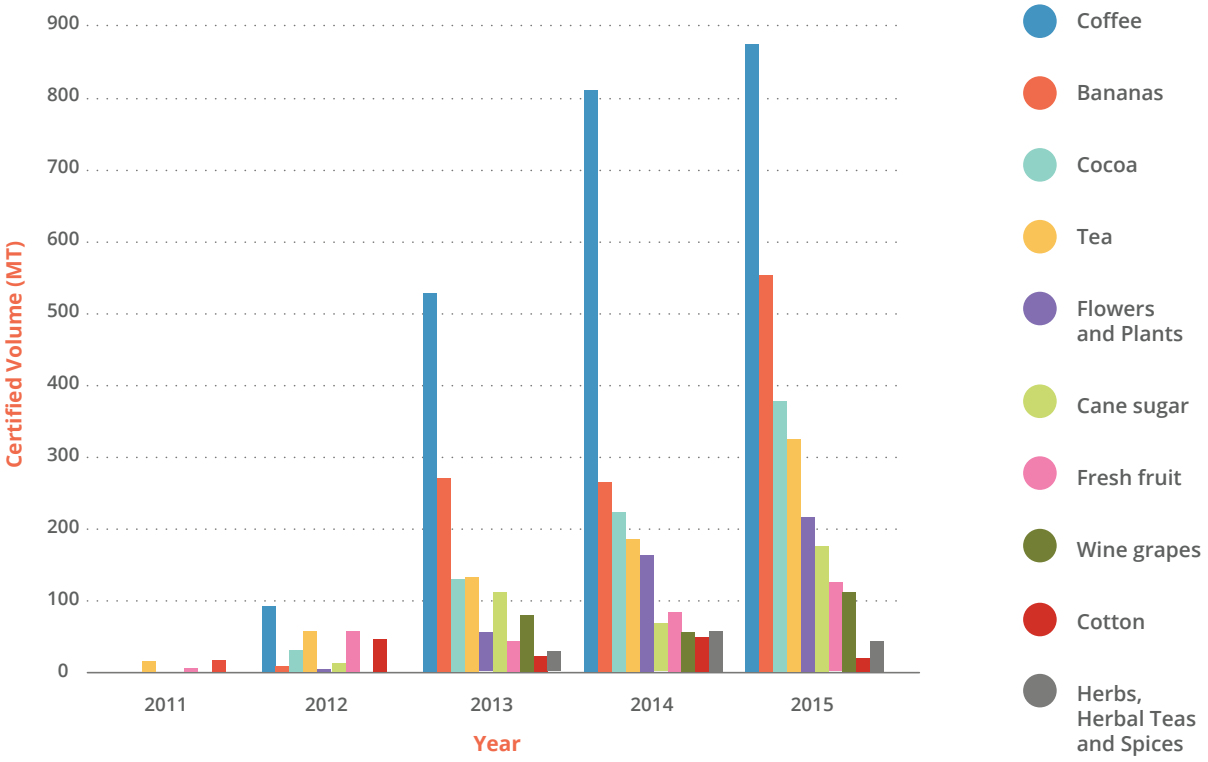

Figure 5: Most important products (volume) for Fairtrade Premium (2009-2016)
Source: Fairtrade Premium database (n=894)

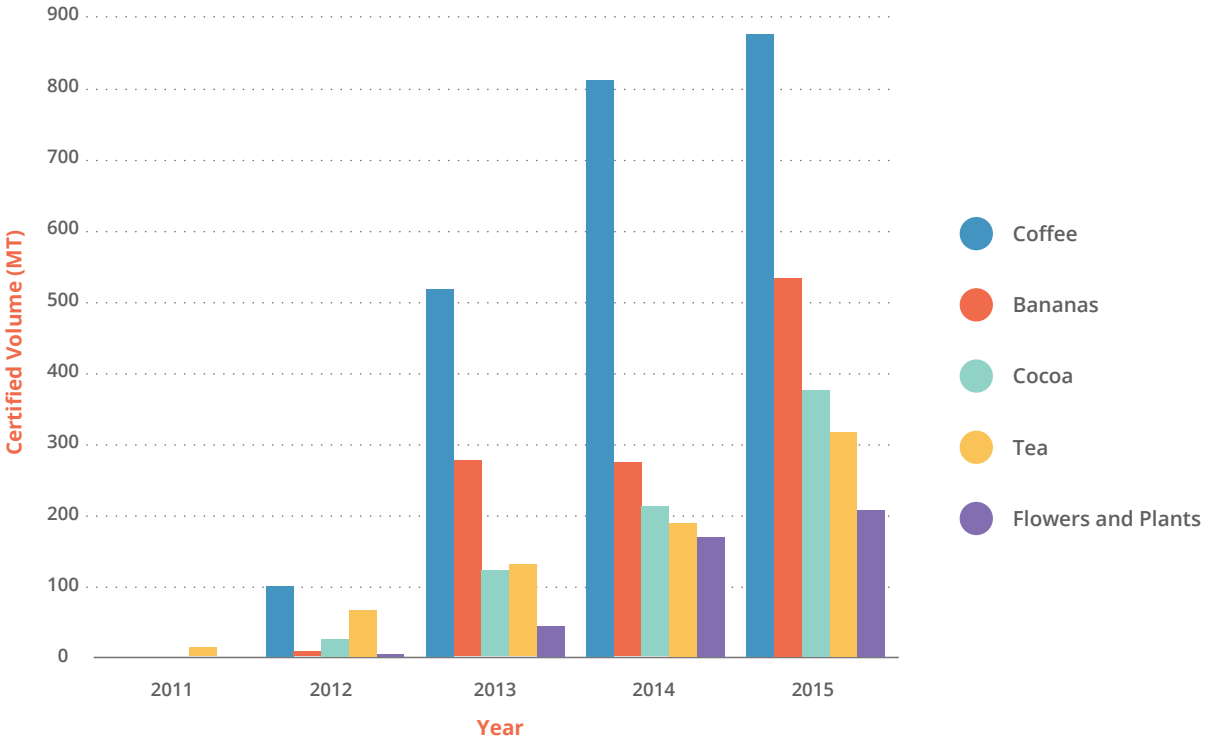

Figure 6: Top 5 products for the Fairtrade Premium 2011-2015
Source: Fairtrade Premium database (n=894)

If we look at top six countries more closely, we can see that there is rapid growth in Premium received in the banana sector and more steady growth in cocoa. Growth is levelling off in coffee and flowers, while it is decreasing in tea, dried fruit, herbs and gold **(figure 7).**

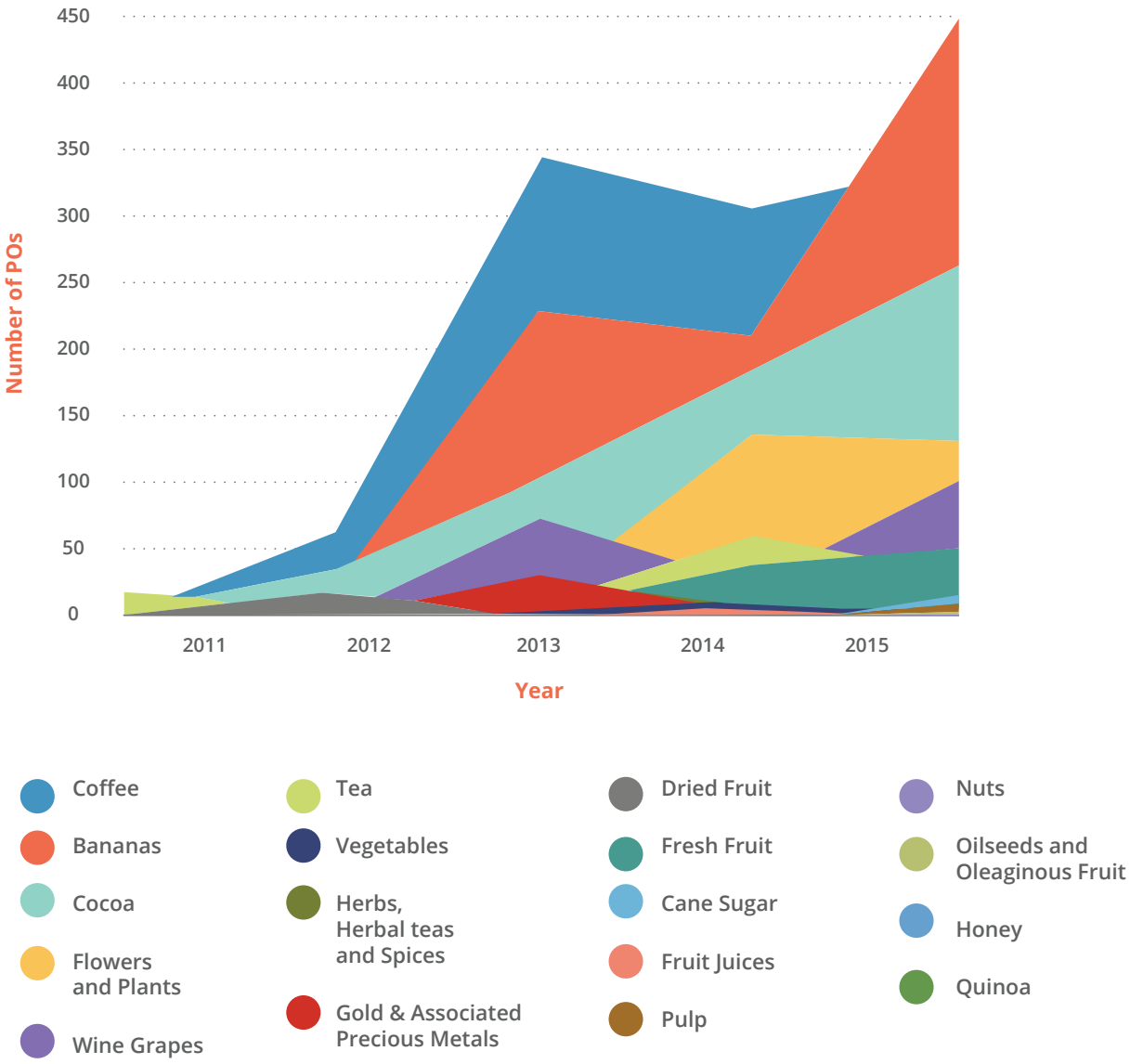

Figure 7: Evolution of Fairtrade Premium in Top 6 countries (2011-2015)
Source: Fairtrade Premium database (n=894)

The countries with the highest number of Premium-funded projects as of 2015 were: Peru, Colombia, India, Kenya, Dominican Republic, Côte d'Ivoire and South Africa. Since the study planned to focus on countries in Africa and Latin America, we excluded India from our sampling at this stage **(Figure 8).**

We also wanted to have a feel for the dynamics over time, particularly in terms of the number of projects that the POs are investing in. From Figure 8 below, it looks like there is growth in the top six countries, with Côte d'Ivoire and the Dominican Republic showing the steadiest growth. South Africa and Colombia have uneven growth and Peru's growth is slower than in the past. It also looks like Kenya is in decline **(Figure 9).**

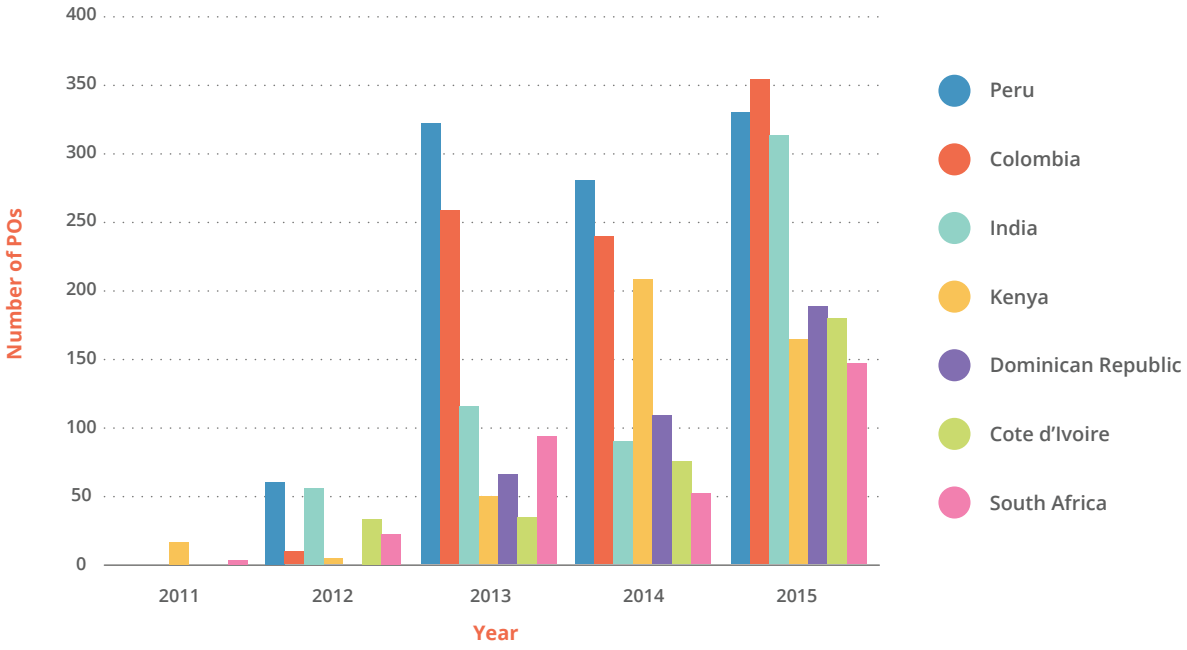

Figure 8: Top 6 countries in Fairtrade Premium funded projects (2011-2015)
Source: Fairtrade Premium database (n=894)

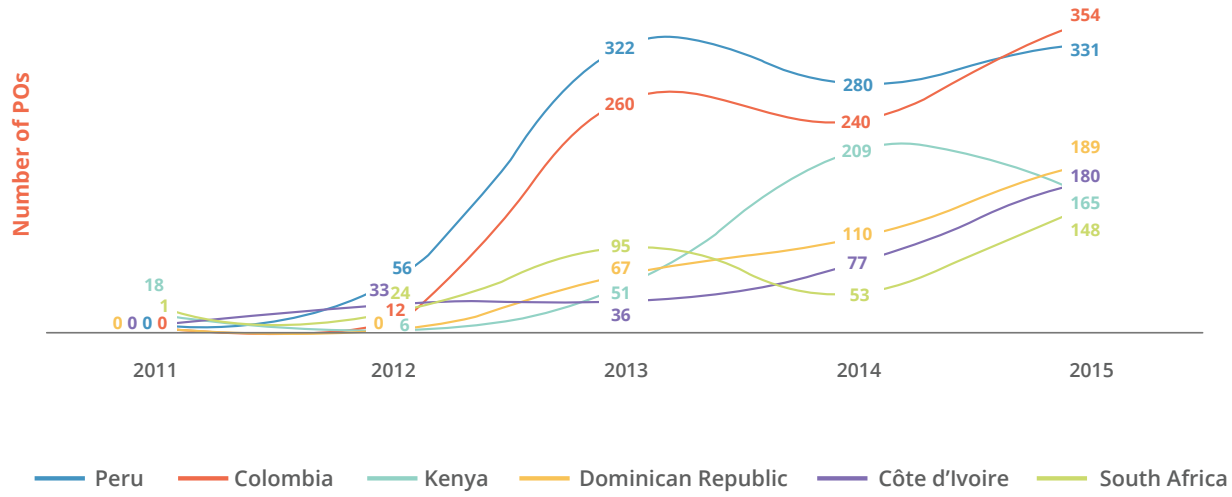

Figure 9: Growth in number of Fairtrade Premium projects in Top 6 countries (2011-2015)
Source: Fairtrade Premium database (n=894)

The most frequent major category is 'investment in producer organizations', which has increased steadily since 2011 when it was barely used and 'services to farmer members' was the most frequent. In 2015, the gap between these two uses has decreased drastically **(Figure 10).**

The most frequent minor categories are: human resources and administration, and facilities and infrastructure, provision of agricultural tools and inputs and payments to members. In 2015, there was a decrease in human resources and administration and increases across the capacity building categories. In our analysis, we pick up this point to interrogate why so much of the Premium money is spent on human resources and capacity building (and what types) **(Figure 11)**.

The most frequent sub-categories are focused on certification and audit costs, other HR and administration costs, other services to members and office running costs. Other services to members increased significantly in 2015. Our analysis in the next chapter explores what these services are **(Figure 12).**

Closer examination of the six countries identified earlier show that these same trends are reproduced across these countries.

Our third step consisted of looking across the individual projects and organizations within the top six countries that were selected. The purpose of this step was to look for correlations that would help us to identify additional criteria for selecting individual producer organizations within these countries. A second criterion was the type of organization: SPO (large/small) and HL (large/small) (ASMO is only for gold). We had to select for different sizes of employees and members. Based on **Figure 13** below, proportionally, we had a 4-1 ratio of SPO to HL case.

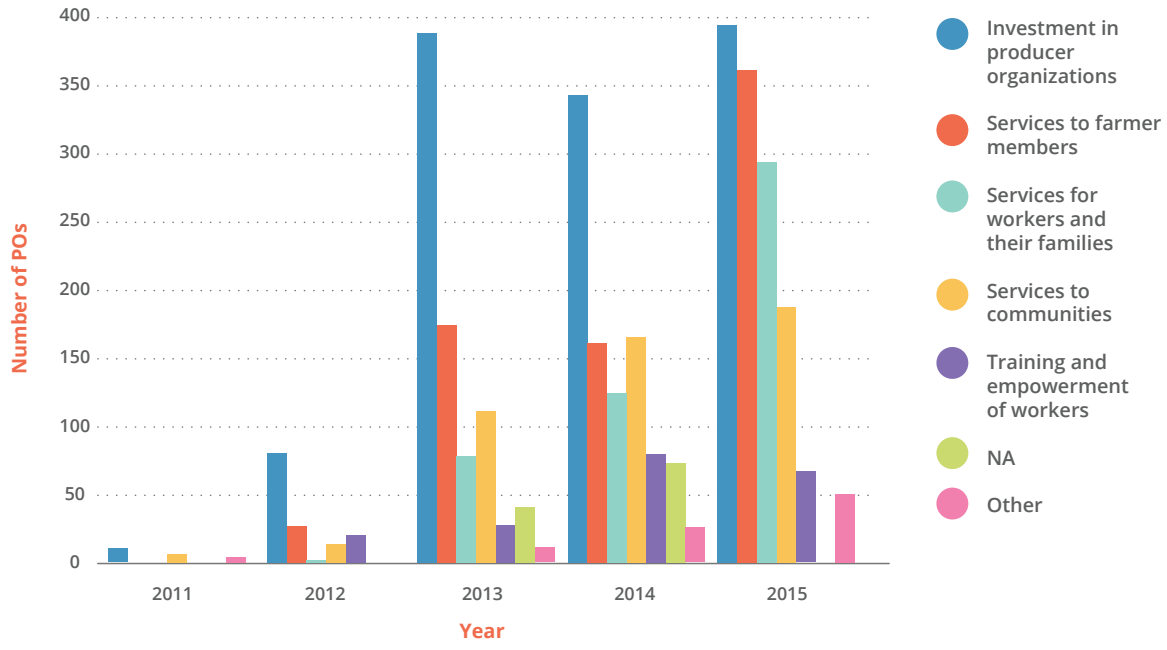

Figure 10: Most frequent Major Categories of Fairtrade Premium use (2011-2015)
Source: Fairtrade Premium database (n=894)

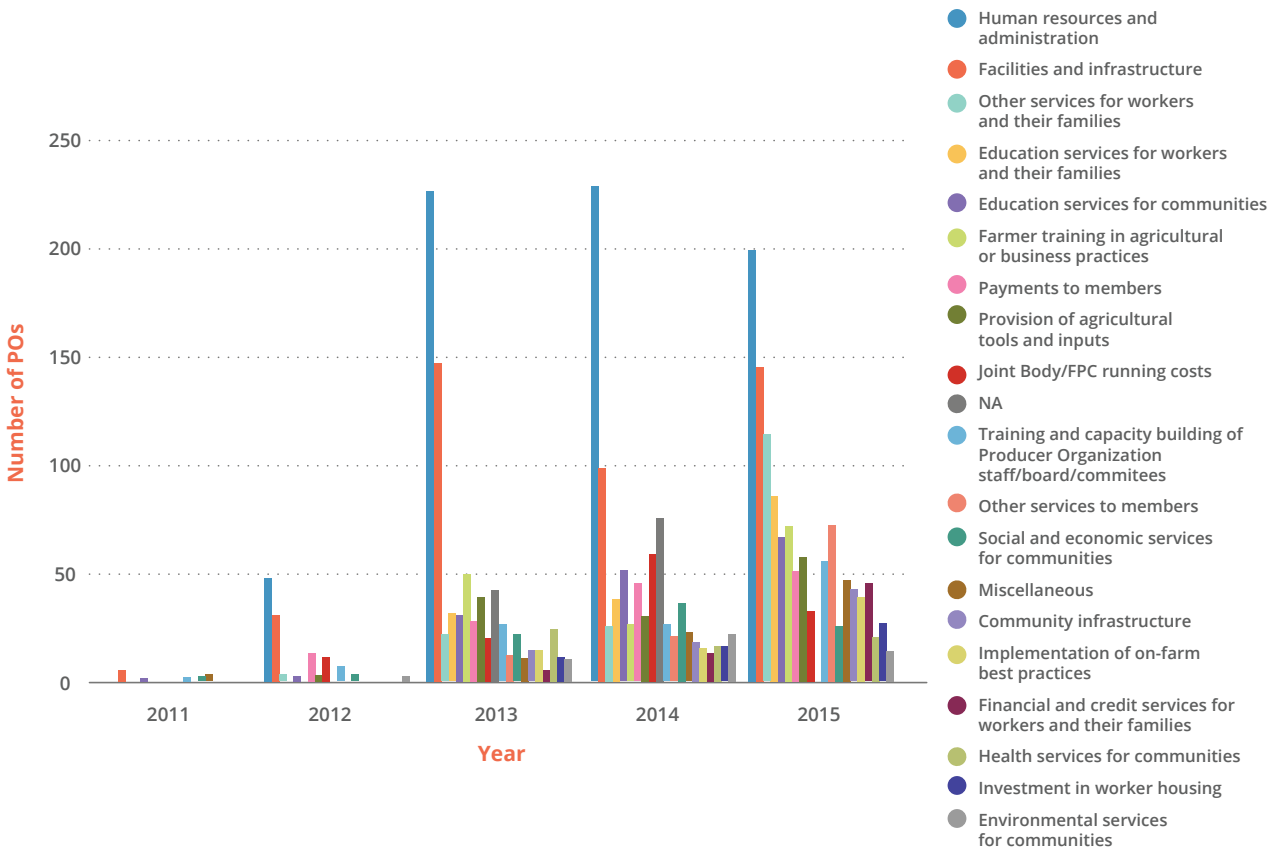

Figure 11: Most frequent Minor Categories of Fairtrade Premium use (2011-2015)
Source: Fairtrade Premium database (n=894)

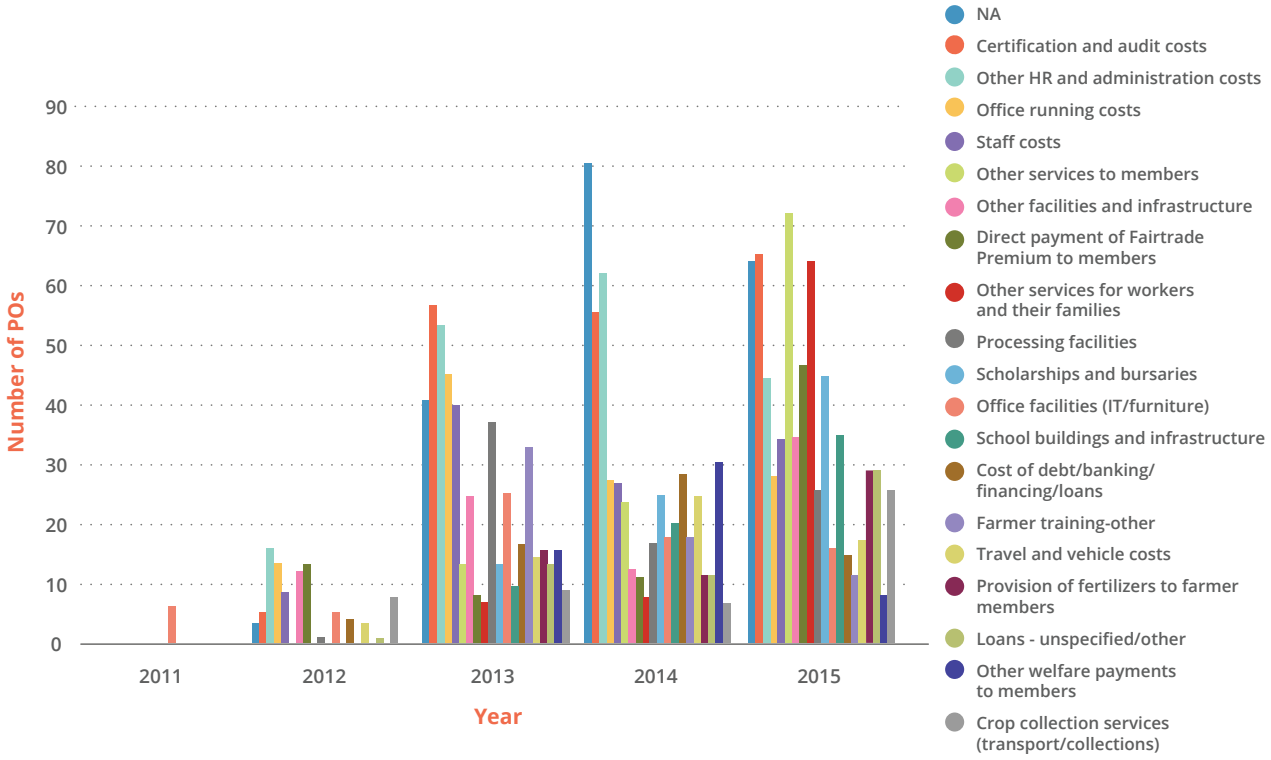

Figure 12: Most frequent Sub-Categories of Fairtrade Premium use (2011-2015)
Source: Fairtrade Premium database (n=894)

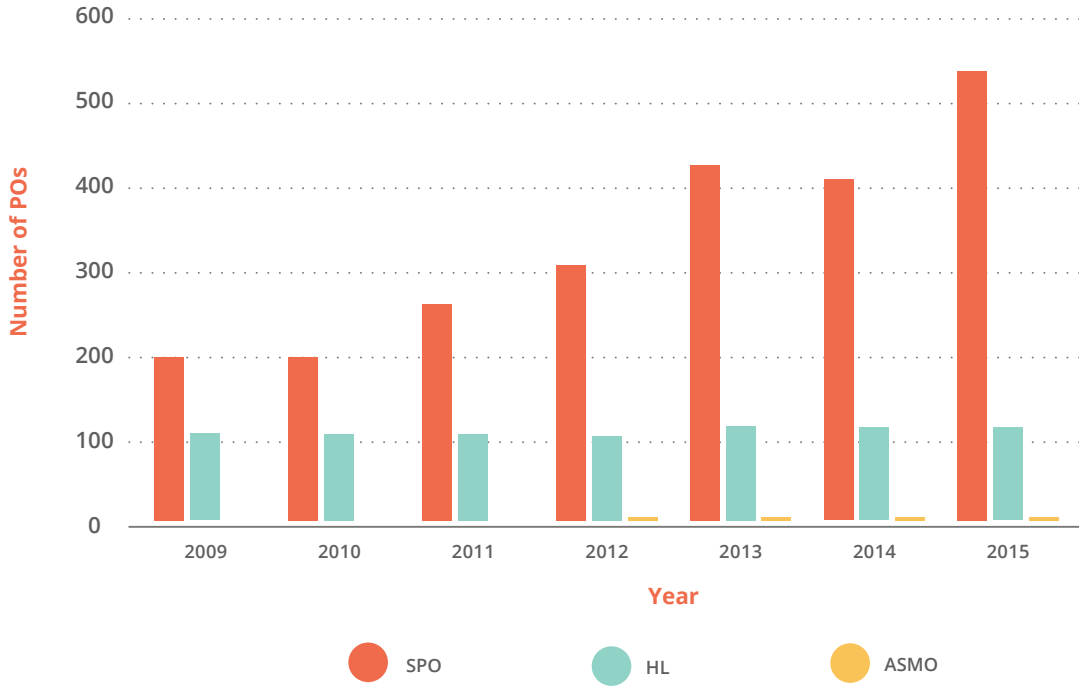

Figure 13: Type of PO using the Fairtrade Premium (2009-2015)
Source: Fairtrade Premium database (n=894)

Network analysis that we conducted revealed that HLOs are concentrated mostly in Kenya, South Africa and Dominican Republic (in that order) in the flowers and plants and banana sectors (which were identified as a priority for Fairtrade International). For SPOs the greatest concentrations are in Peru, Colombia and Côte d'Ivoire and the most important products are coffee and cocoa.

Based on an analysis of our Statistical Database for SPOs **(Figure 14)**, it looks like the most frequent size for an organization is 27 members. The median size in the distribution is 332, the average size is 1,937 and the largest SPO has 100,588 members. This is a cocoa cooperative in Ghana. The majority of cooperatives with over 5,000 members are found in Africa (40 percent in Kenya) and Asia and the Pacific. For the HLOs, the most frequent number of workers is 147, while the median value is 245 and the average number of workers is 849. The HLO with the highest number of workers has 11,592 and is a tea plantation in India. The majority of plantations with more than the average 849 workers are found in India (40 percent), Kenya (30 percent) and Ethiopia (10 percent). These data are also representative of the POs in the full Products Database.

We then followed with a more detailed analysis of the individual organizations, starting from the primary products that we identified above (coffee, cocoa, bananas and flowers) and paying attention to the above identified countries. We substituted a generic PaulFPremID number for the FLOID[19] in order to anonymize the data. Following the above hypotheses, we first examined the amount of Premium expenditure for each of the four products. We selected the five organizations which had the greatest combined expenditures, the five with average expenditures and five with the smallest expenditures. As there is an abnormal distribution with a few earning a lot of funds, and many earning very little, we used the Median number as a proxy for the smallest expenditures rather than the actual smallest (as for many this was zero and, in consultation with the Fairtrade International team, we decided against mobilizing this counterfactual in the selection of cases). This selection was made in an attempt to better understand how Premium use creates the desired impacts within the Fairtrade International Theory of Change and it is clear that resource constraints (in terms of how much Premium funds are made available) fundamentally change the impact of the funds.

19 *FLOID is a unique number assigned by Fairtrade International to each certified PO. In order to protect the identity of the POs, we created the PaulFPremID, which is a set of dummy numbers (1-1997) and they are not the same as the FLOID numbers.*

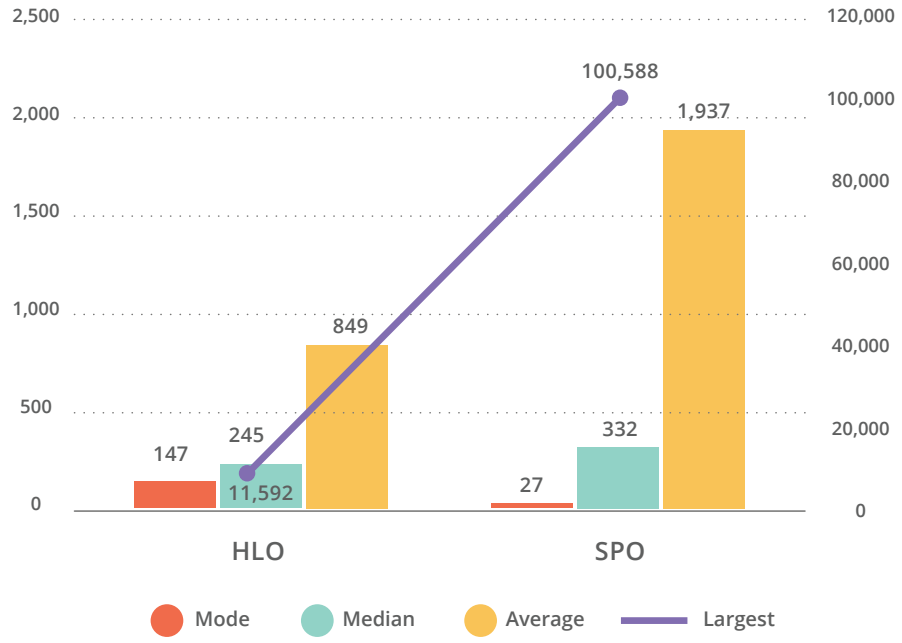

Figure 14: Organization size: Mode, Median, Average and Largest numbers of farmers and workers
Source: Statistical database (n=385)

	Coffee		Cocoa		Bananas		Flowers	
	PaulF-PremID	Amount €	PaulF-PremID	Amount €	PaulF-PremID	Amount €	PaulF-PremID	Amount €
Largest Expenditure	272	2,639,300	111	1,742,486	193	1,026,728	908	648,219
	359	1,875,363	54	801,868	378	796,443	391	552,884
	513	1,860,480	496	544,628	497	770,824	910	382,348
	783	1,607,825	972	533,357	492	683,705	537	330,373
	221	1,490,234	979	512,564	384	678,072	328	304,996
Average Expenditure	226	124,288	743	101,244	457	139,959	454	106,420
	668	124,078	2858	100,575	263	137,163	534	99,768
	105	123,294	428	93,165	650	136,928	223	94,320
	38	122,676	406	87,019	1105	135,734	657	87,385
	388	122,251	658	86,052	394	132,318	550	73,854
Least Expenditure	254	29,542	50	35,059	902	80,402	1193	50,764
	98	29,412	746	34,689	1072	78,121	415	50,577
	45	29,206	205	34,598	1187	77,057	895	47,461
	23	28,800	163	34,188	420	76,412	1079	43,172
	342	27,861	1191	33,330	854	73,667	927	41,318

Table 4: PO selection by Fairtrade Premium expenditure

We then looked at the size of the organizations for each product. The impact that the Premium funds can have is very different based on the number of members and number of workers in each organization. We conducted this selection from within the above identified organizations in order to select two large and two small from each of the Premium Expenditure Groups **(Table 5)**.

We then selected three organizations from each group that had the highest, closest to average and lowest percentage of their revenue as Fairtrade sales. The percentage of sales as Fairtrade sales provides an indication of either the capacity for scaling up the impact of the Premium or the limits of the organization to do more with their Premium revenue **(Table 6)**.

	Coffee		*Cocoa*		*Bananas*		*Flowers*	
	PaulF-PremID	#	PaulF-PremID	#	PaulF-PremID	#	PaulF-PremID	#
Largest Expenditure	272	2,228	111	100,588	497	470	908	3,528
	221	3,227	972	5,224	384	460	391	3,416
	359	192	54	4,666	193	161	910	2,217(1,029)
	513	359	496	3,568	378	158	328	405
Average Expenditure	388	5,581	428	2,698	1,105	129	550	1,166
	38	712	406	1,268	457	90	223	815
	668	46	2,858	621	263	44	657	348
	226	348	658	239	394	45	534	524
Least Expenditure	45	53,776	163	614	854	1,001	1,193	1,031
	342	3,621	1,191	1,061	1,187	192	927	713
	254	186	746	125	1,072	37	415	307
	23	257	205	162	420	35	1,079	558

Table 5: PO selection by Fairtrade Premium expenditure and size

	Coffee		*Cocoa*		*Bananas*		*Flowers*	
	PaulF-PremID	% Fairtrade	PaulF-PremID	% Fair-trade	PaulF-PremID	% Fair-trade	PaulF-PremID	% Fairtrade
Largest Expenditure	513	100	54	100	497	85	908	24
	359	49	496	74	193	76	391	22
	272	12	972	43	384	34	910	18
Average Expenditure	38	100	658	100	263	100	550	29
	668	43	428	62	1,105	95	657	48
	226	0	2,858	7	457	76	223	12
Least Expenditure	23	100	1,191	49	420	71	1,193	17
	254	11	163	45	854	50	415	13
	342	0	205	0	1,072	11	927	4

Table 6: PO selection according to percentage of Fairtrade sales

In our prior analysis, we found that there are generally three categories for the most frequent uses of the Premium: investment in producer organizations, services to farmer members and services to communities. The most frequent minor categories were: HR and administration, facilities and infrastructure, provision of agricultural tools and inputs, and payments to members. We want to ensure that we can examine these different uses of the Premium funds, so we ranked the existing organizations in descending order according to whether or not they used their Premium funds across all four minor categories. In the top four for cocoa and coffee we ensured that there is also an organic certified organization and we have noted the certification status as was listed at the time of data collection.[20]

From these eight organizations, we re-ranked them according to the identified priority countries and used those POs listed in **Table 7** as the basis for our selection. In consultation with the Fairtrade International team, we selected five POs for field visits based on this list of sampled POs and the following criteria: presence in list of POs prioritised in supply chains and identified as priority POs (or comparable to those on the list), saturation of POs due to inclusion in other ongoing Fairtrade International sponsored studies, availability and willingness of the POs to participate in the present study.

The final sample consists of a coffee/cocoa SPO in Peru, a cocoa SPO in Côte d'Ivoire, a banana SPO in Ecuador, a banana SPO in Peru and a flower HLO in Kenya.

Rank in Use Diversity	*Coffee*			*Cocoa*			*Bananas*			*Flowers*		
	PaulF-PremID	Org	Cert	PaulF-PremID	Org	Cert	PaulF-PremID	Org	Cert	PaulF-PremID	Org	Cert
1	513	n/a	Cert	54	n/a	Susp	497	No	Cert	908	n/a	Cert
2	38	n/a	Cert	658	Only	Cert	263	No	Cert	657	n/a	Cert
3	342	n/a	Cert	1,191	Only	Cert	420	No	Cert	1,193	No	Susp
4	272	n/a	Susp	972	No	Cert	384	n/a	Cert	910	n/a	Cert
5	23	n/a	Cert	2,858	n/a	Cert	1,072	No	Cert	550	n/a	Cert
6	226	Yes	Cert	205	Only	Cert	193	Yes	Cert	927	No	Cert
7	359	Only	Cert	496	No	Cert	854	Only	Cert	391	n/a	Cert
8	254	n/a	Cert	428	No	Cert	457	n/a	Cert	415	n/a	Cert

Table 7: POs ranked according to the diversity of their Fairtrade Premium use (4 products)

Rank in Use Diversity	*Coffee*		*Cocoa*		*Bananas*		*Flowers*	
	PaulF-PremID	Country	PaulF-PremID	Country	PaulF-PremID	Country	PaulF-PremID	Country
1	272	Colombia	54	Peru	497	Colombia	908	Kenya
2	23	Colombia	2,858	Côte.d.Iv	263	Colombia	910	Kenya
3	359	Peru	205	Colombia	420	Colombia	550	Kenya
4	513	Honduras	658	India	457	Colombia	927	Kenya
5	38	Mexico	1,191	Indonesia	384	Dom.Rep	391	Kenya
6	342	Kenya	972	Ghana	1,072	Dom.Rep	415	Kenya
7	226	Nicaragua	496	Ghana	193	Ecuador	657	Tanzania
8	254	Brazil	428	Dom.Rep	854	Dom.Rep	1,193	Ethiopia

Table 8: Shortlist of POs sampled for field visits

20 Because certification status is very fluid, and only a static status of certification was captured in the data at the time of collection, we did not base any selection decisions or data analysis on the certification status.

3.2.2 Case study fieldwork

Qualitative and quantitative data were collected during fieldwork in order to research how the Fairtrade Premium, as an intervention, creates changes at output, outcome and impacts levels. This primary data was collected using an innovative and participatory approach based on the conceptual framework explained in the previous section. We did this by working in teams of two researchers who conducted field visits together. Three periods of research were carried out: in October and December in Africa and in January in Latin America. All members of the research team were trained on Fairtrade International's Protection Policy for Children and Vulnerable Adults and applied a research protocol based on prior informed consent.

What follows is a brief overview of the data collection methods used in the field. The research protocol, including consent forms, interview guides and questionnaires, can be found in **Annex 2**. Complete back-to-office reports were written for each field visit and shared immediately with the participating POs and the Fairtrade International liaison.

Field Observations each visit to the case study area included a visit to the sites where the Premium money had been spent (the number of sites depended upon the number of investments that have been made). This provided the research team with the ability to evaluate the quality of the investments and their condition of maintenance. A field observation guide was developed and used to facilitate data collection.

Semi-structured interviews took place with the managers (including the certification officers) and members of the Fairtrade Premium Committees (FPCs) in hired labour situations. In cooperatives, we interviewed members of the cooperative governing body. The interviews were based on a structured questionnaire[21] with questions adapted to the agro-ecosystems, the specificities of the crop production and processing, sectoral, organizational and institutional conventions and socio-cultural contexts of each PO. We divided the questionnaire into sections that specifically asked questions about what Premiums are spent on (function), how Premium funds are being used (use), who decides how they are used (participation) and who knows about how they have been used (accountability). We conducted a total of 166 interviews, with an average of 33 per case **(Figure 15)**. The demographic data about the respondents for each case study can be found in Annex 1. These interviews provide both quantitative and qualitative data that are used in this report to qualify the data found in the audit reports and the observation data collected through the field visits.

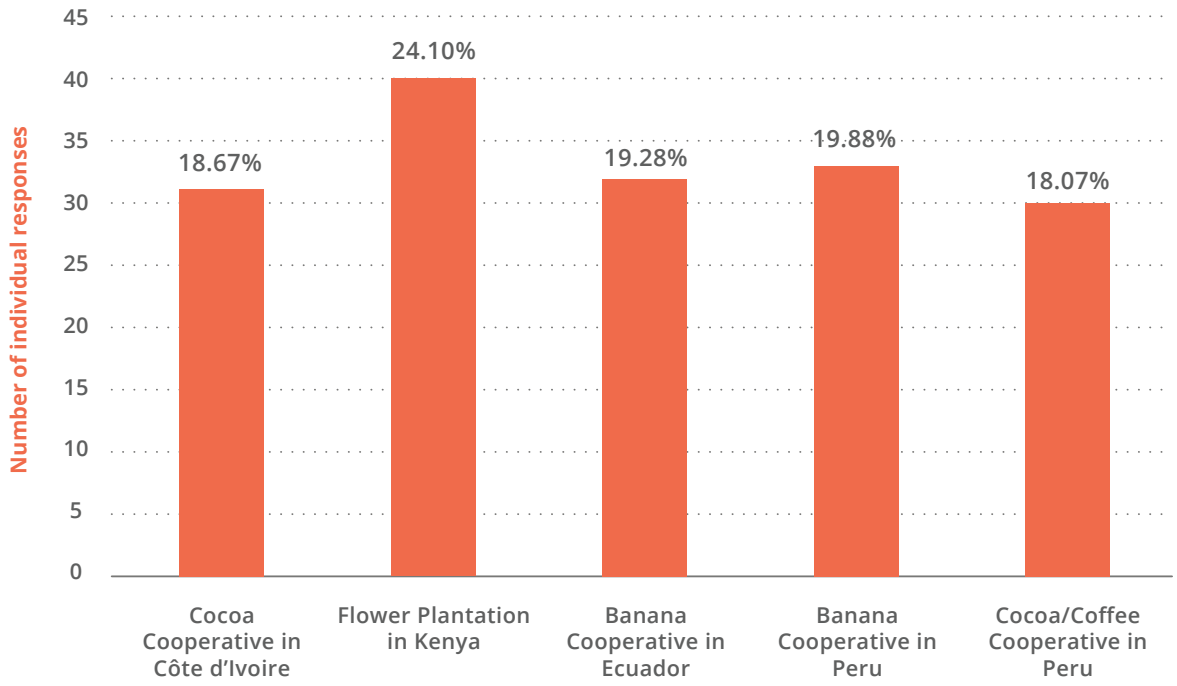

Figure 15: Number of questionnaires administered in the study
Source: Individual questionnaires (five cases, n=166). The percentages at the top of each column refer to the percentages of total responses that are associated with each case study. As you can see, the highest number of questionnaires (40) come from the Kenyan case, which represents 24.1 percent of total responses.

21 *We generated and collated the questionnaires online using the Survey Monkey software.*

Focus groups with small-scale farmers (members of cooperatives), hired workers (both from HLOs and on small farmer farms in SPOs). Focus groups not only serve to collect data but to generate and facilitate discussions and to understand group dynamics (Morgan, 1997). We conducted focus groups with each PO and the gender balance of the participants depended on the availability of participants. Details about the focus groups carried out can be found in the case study reports located in Annex 1 of this report. In these focus groups, we used an interview guide that is based on the semi-structured questionnaire in order to explore the four means of creating impact. However, we paid attention not only to the responses that were given, but also to how the farmers and hired labourers related to each other in the situation, who dominated the discussion (men/women, team leaders/non-leaders, factory or fieldworkers, etc.). These observations provided the team with insights into the level of empowerment of different types of farmers and workers in each case. This qualitative data provided insights into how outputs and outcomes are linked to the impacts identified in Fairtrade International's ToC.

Co-construction workshops with decision-makers on Premium use (i.e., cooperative governance, FPCs and managers in hired labour). Given the extensive experience of the LISIS team in running training and co-construction workshops (Lindner et al., 2016; Vicovaro et al., 2016), we have solidified a method that elicits significant and useful content in a short amount of time. The design merges conceptual elements and framings (i.e., impacts and empowerment) with a rigorous bottom-up approach of bringing in practitioners' everyday experiences. The design requires careful participant selection to balance gender, geographical representation, roles in the Premium decision-making system, and representation from farmers, processors and managers. In the field, these selection criteria were discussed with the PO management and the decision was taken to hold these workshops exclusively with the Premium decision-making committees, as they were the active decision-making bodies for each PO. This means that any gender, geographical or actor (im)balance that was observed was endogenous to the group and was not introduced by the researchers.

During the workshops, which lasted between 2-3 hours, we took an iterative approach in four phases of applied activities: exploration (of challenge framing, concept development, future visions and brainstorming), presentation (of consolidated ideas), investigation (of new concepts, approaches and experiences) and concretization of guidance/decisions (including writing). Reflexivity and social learning are core parts of both transition management and innovation, thus by stimulating these processes through co-construction workshops we generate both ideas for practice and data for qualitative analysis. In the first co-construction workshop that we conducted, we used the Fairtrade ToC as the conceptual tool for the exploration phase so as to envision the future and the different pathways. The application of this approach proved to be too abstract for the actors to follow, so in the end we brainstormed through the benefits and challenges of the Premium in order to then simulate the decision-making process that they engaged in on a regular basis. In a first round

Figure 16: The co-construction workshop was held in the Fairtrade office in Kenya

of discussion we walked through how they determine which projects to fund and introduced new rules to simulate possible changes (between 2-4 simulations). The second round of discussion consisted of a reflection focused on the differences between the activity and their actual decision-making process and an identification of any new ideas that emerged from the workshop. For each iteration of the workshop, the researchers adapted the information that they used based on their observations of existing projects and information about how the PO conducted its decision-making process. Thus, the scenarios that were proposed for discussion were different each time. Analytical attention was paid to observing the group dynamics during the exercise as the group members knew each other well and were used to working together. This offered invaluable insights for the analysis reported in this document.

3.2.3 Limitations of the fieldwork

The selection of individuals to interview individually and within focus groups was dependent upon two factors: the availability and willingness to participate of individuals during the field visit. The research team relied upon the local PN field staff and PO hosts to identify individuals for participation in the interviews, focus groups and co-construction workshops. No attempt to create a random sample of workers or farmers was made as the working conditions during the field visits did not permit it. Moreover, the purpose of the case studies was to gain qualitative data to help explain and to complement the statistical analysis of the database, therefore the purposive sampling used in the field fit in with the overall research design. In general, we cannot extrapolate the findings of this report to the general population of Fairtrade certified POs without a random sample of cases and of interviewees. Therefore, the results should be read within the context of the report and are not broadly generalizable.

3.3 Stage Three: Analysis, report writing and integration of results into Fairtrade International's work

Mixed-methods and participatory research produce a lot of data that needs to be digested. We utilized three data analysis tools to help us to sort through the massive amount of data that we created. We analysed the quantitative data collected through interview questionnaires using SPSS and ran simple descriptive statistics to identify and compare these results with the trends found in the audit data analysed in Stage One. We used IRamuTeq lexical analysis software to analyse the open-ended responses from the semi-structured interviews in order to identify the same trends found in the other two data sets.

With the focus group and co-construction workshop recordings, we listened to these following the meetings and identified passages that confirmed and elaborated the trends found in the observation notes and the questionnaire responses. Based on a manual coding that followed our conceptual framework, we developed conceptual models to describe the four characteristics of Premium Use and Impact (use, participation, accountability and function). We drew organizational maps in the co-construction workshops and checked these with each of the POs to verify their accuracy (these can be found for each case in **Annex 1**). Throughout this process we were very attentive to the identification of indicators that were used to identify how the Premium is influencing outputs, outcomes and impacts. We paid particular attention to these assumed uni-directional influences and tried to identify 'non-classical' influences of the Premium, which will help in developing better indicators to measure the contribution of the Premium to smallholder livelihoods, farmers' empowerment and fair trade in the future.

The next sections present the results from our data collection and analysis. We organize these results according to the four elements of our conceptual framework: use, participation, accountability and function. We then discuss the possible pathways to impact and conclude with some recommendations for future research and engagement with the Fairtrade Premium.

4. USING THE FAIRTRADE PREMIUM

Key Findings:

• The main Fairtrade Premium uses are individual services to farmers and workers (52 percent), followed by investments in the POs (35 percent) and services to the communities with nine percent. Between 2011-2016, 15 percent of the total Premium spent was paid directly to farmers and HL workers.

• A significant portion of the Premium is used to fund educational expenses – mainly of the farmers' and workers' children, but there is also evidence of educational advancement amongst the HL workers.

• Other uses, which constitute two percent of the reported uses, are typically the result of mis-categorization, although seven POs do have expenses that are unknown. This unknown amount is about one percent of our sub-sample of POs, which suggests relatively good reporting practices.

The Fairtrade Premium, the extra sum of money paid by consumers that goes to certified producer organizations (POs), must be used in a way that benefits farmers and workers, their families and their communities through investments that address the farmers' and workers' needs and interests in developing their organizations and their communities.[22]

The Premium can be used in a range of ways. It can be used to support the productive activities of the producer organization, such as purchasing supplies for production or paying for training on production practices. It can also be used to improve the professional capacity of the PO itself by paying for administrative support, capacity building for workers and farmers to improve the democratic governance of the PO, or to build physical buildings to house the PO staff and products. At a more

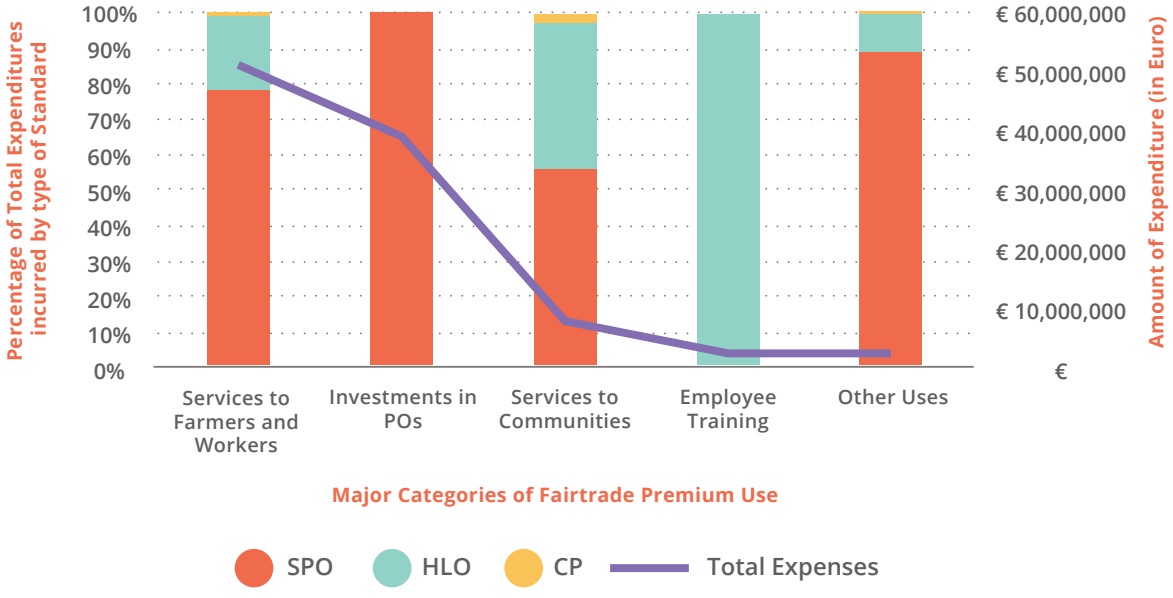

Figure 17: Most frequent types of Fairtrade Premium Use
Source: Premium Database (n=894)

22 *Fairtrade International Premium call for proposals.*

personal level, the Premium can be used to provide services directly to producers and workers, such as cash payments to increase the price per kilo of their produce, training for personal or professional development, to pay for children's schooling or to subsidize consumer goods for the workers or farmer members. Finally, investment in the workers' and farmers' communities – by paying for the construction of buildings, buying equipment for local schools and hospitals, or providing bursaries for the top students in the community – enables farm workers and farmers to be active members in their communities. There are also other uses, such as covering unforeseen charges, bank fees, repairs and other miscellaneous expenses.

The most frequent use of the Premium consists of services to farmers and workers **(Figure 17)**.[23] This is consistent across SPOs and HLOs as the greatest expense, however, SPOs also spent a large portion of their funds on investments in POs. We find that services to farmers positively correlated with Premium expenditures (0.639**, p<0.01), being an SPO, (0.143**, p<0.01) and the percentage of sales that are Fairtrade (0.142**, p<0.01).

This section describes the different uses of the Premium that were found in a sample of POs listed in the Fairtrade International databases.[24] For each of the five main categories of Premium use, we explore what the main uses were, and we disaggregate by product, annual revenue, size of the organization, type of organization, geographical region, and gender composition. The data are presented according to the disaggregation that is most significant for each type of Premium use.

4.1 What are the main services for farmers and workers?

Most of the projects developed by the organizations were aimed at offering a better quality of life and capacity building for farmers and workers; these projects are directly benefitting them. Benefits include, among others: training in a professional capacity and agricultural techniques, basic education and scholarships **(Figure 18).**

Services also include the provision of agricultural tools, organic inputs and other services that facilitate and provide welfare to farmers and workers. At the community level, some projects are developed such as social events, health services and food bonuses. Nonetheless, the main investments of the Premium were made in the form of direct payment to members. Direct payments were recorded as either cash payments or consumables purchased in bulk (e.g., energy efficient stoves, blankets) and represented basically by the redistribution of the Premium among the individual farmer members or HL workers. Between 2013-2015, the largest single investment of the Premium is in direct payments to farmers (15 percent of the total Premium spent)[25] and is three times the amount used in the second single largest investment of the Premium, which is in processing facilities (five percent of the total Premium spent).[26]. We found a significant positive correlation (0.266**, p<0.01) between direct payments and the total amount of Premium expenditure, which means that as POs have more Premium funds to spend, they increase their direct payments to members. This payment takes the form of a supplement to the market prices that the cooperatives pay to their members, at times as an incentive for following the Fairtrade Standards. Direct payment increases the incomes of members and allows them to invest extra money in other basic needs and services. These payments can be delivered in the form of

23 For the purposes of our analysis, we combined two of the Fairtrade International Premium categories "services to farmers" and "services to workers" into one new category "services to farmers and workers" because the types of services were consistently similar and did not merit disaggregation by type of Standard in our analysis.

24 We were required to use a sub-set of the Premium Use Database because of missing data for the disaggregation that we wanted to do. In other words, from the full database of 1,997 POs, only 894 reported data for the Fairtrade Premium Use Database and, of these POs, only 385 also had data on numbers of farmers/workers, annual revenue and gender composition of the workers/farmers. Please see the Methodology chapter for more information.

25 In all the project descriptions we have read these are either cash payments or material goods/products that have been purchased at an economy of scale and then given to the workers or the farmers.

26 The discrepancy here between Fairtrade International's official statistics for Premium 'generated' and the numbers reported here are due to two reasons: 1) Fairtrade International's official numbers are based on the declared amounts paid by buyers to POs, while these numbers are based on the amounts reported by a sub-set of POs as having been spent in a given year; 2) our data is based on a sub-set of the whole population of certified POs.

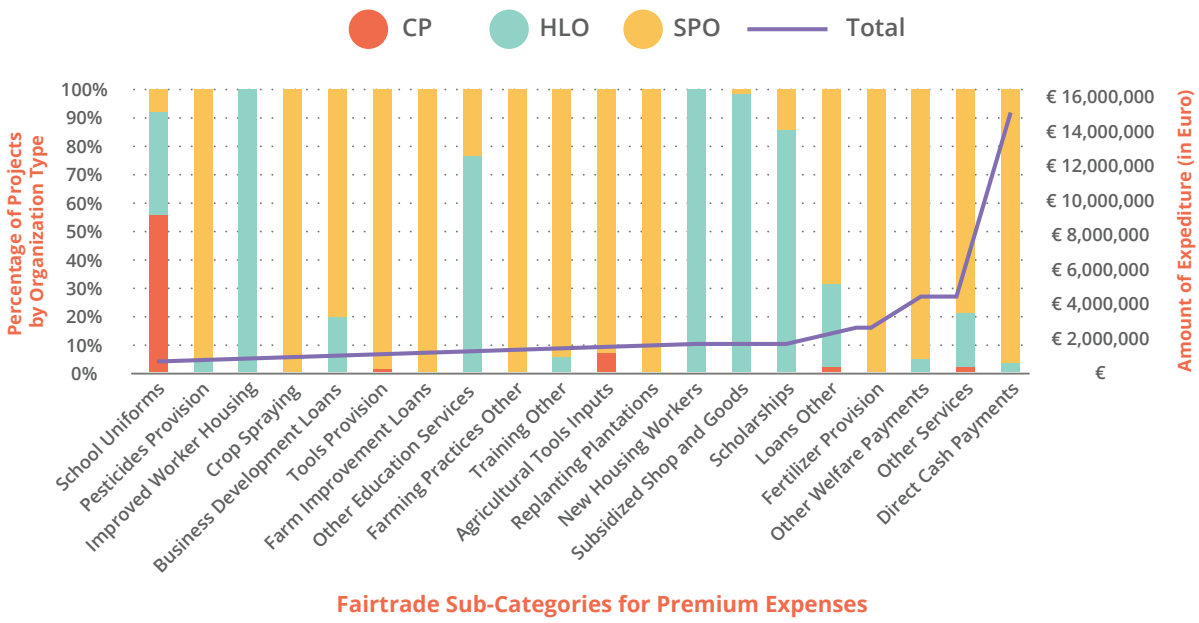

Figure 18: Top 20 services to farmers and workers
Source: Premium Database (n=894)

cash or through non-cash bonuses. For example, in the cocoa cooperative in Côte d'Ivoire included in this study, the Premium was used to pay members an additional ten francs CFA[27] per kilo of cocoa produced, which was also supplemented with an additional 40 francs CFA that was paid directly by their buyers. This extra payment significantly increased the farmers' standard of living, as explained by an elderly female producer:

> *"With the 50 francs, I don't have any more risk, I am relaxed."*[28]

The significant difference found between the amounts dedicated to this use between SPOs and the HLOs may be explained by insights that we gained through the fieldwork in Africa. At the HLO that we visited in Kenya, we learned that they had decided against offering direct cash payments to workers as this would be considered as income by the government and would be taxed by the State. They argued that if they were to give cash paymments, the workers would receive less from the Premium funds. The fact that there was also considerable staff turnover was another reason for not dispensing cash payments. The decision taken by the FPC was to promote instead education grants, community projects and individual training, which would have a greater impact. While this logic may not be driving decisions not to provide direct payments to workers in other countries, it is clear that most HLOs are not making individual direct cash payments to workers.

Figure 19 shows the quantity of investments in farmer/worker services by regions. There is a similarity in the behaviour across regions, which means that the majority of cases are concentrated in the second range (after the range of zero where there is no investment in this category) with investments of less than €50,000. We note an inverse trend in the data that shows that as the quantity of investment increases, the cases in the subsequent range decreases. The Latin America and Caribbean region is notable in this regard. This region has the greatest quantity of organizations that does not invest in farmer/workers services but in the other categories. In addition, many POs invest in these services when the Premium investment range is between €100,000 and €500,000, which is not the same case for the other two regions **(Figure 19).**

Analysing the investments in farmer/worker services and the main products of the organizations, we can see similar tendencies **(Figure 20)**. Coffee is the main product found in the database and is also present in all the Premium investment ranges for this category. In **Figure 20** below, we can see that in the investment range €1-€50,000 coffee organizations stand out with

27 *€1 = 656 Franc CFA (XOF)*

28 *Original French: « avec les 50 francs, je n'ai plus de risque, je suis tranquille »*

more than 70 POs. Other organizations that invest this range of Premium money in farmer/worker services are bananas, cocoa and cane sugar POs.

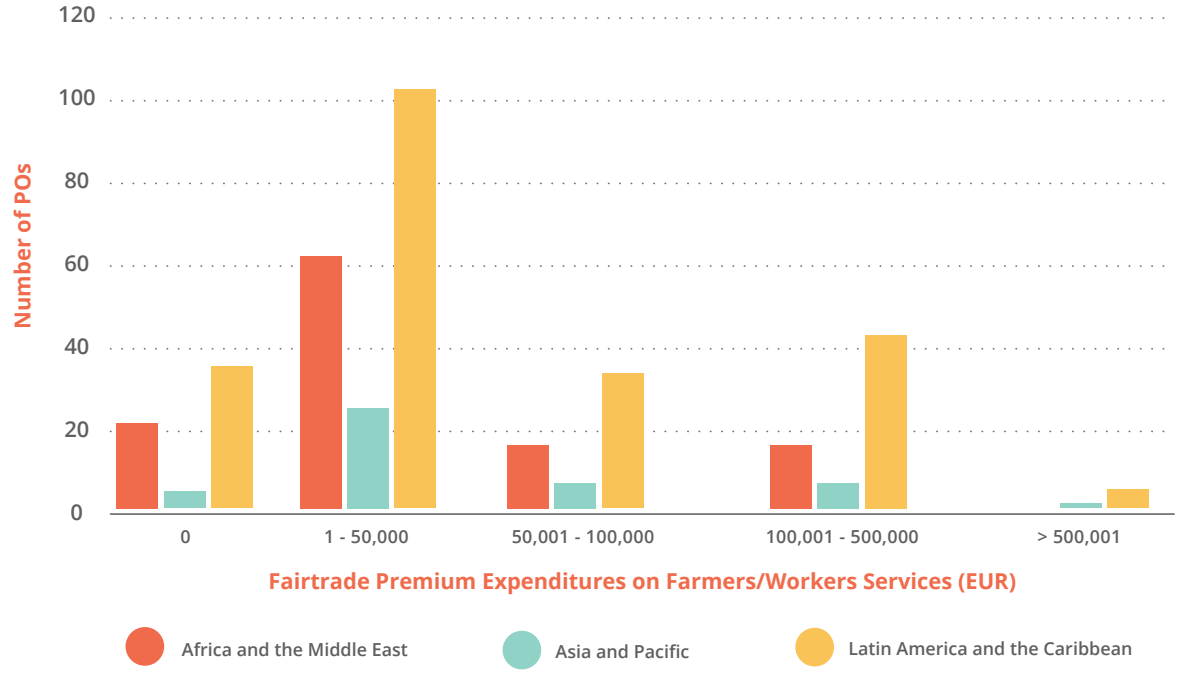

Figure 19: Amount of investment in farmer/worker services by region (2015)
Source: Statistical Database (n=385)

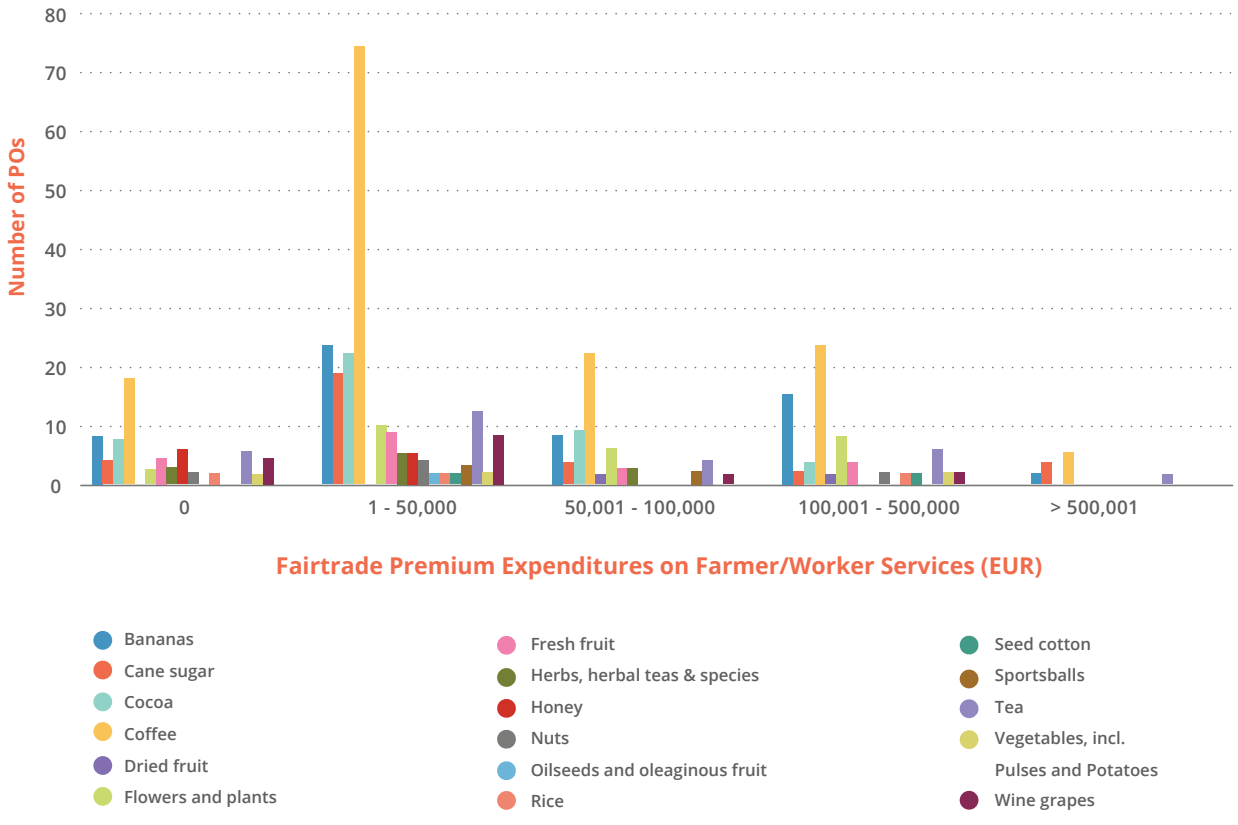

Figure 20: The amount of investment in farmer/worker services disaggregated by product (2015)
Source: Statistical Database (n=385)

Case Box 1: Looking at "Each dollar (of Premium) like an investment, not like an expense"

With the objective of generating continuous benefits in the future, a small (160-member) banana PO in Ecuador is investing its Premium in strengthening its ability to provide services to its farmer members. While spending its Premium on purchasing inputs and product equipment for its members or building warehouses and offices, this Ecuadorian case has also taken a different approach: its Premium funds were used to construct a processing facility for making organic inputs like fertilizers and bio-pesticides. These are then sold to members for a discounted price. This type of Premium use enables the PO to create a sustainable source of organic inputs for its members, contributing to ensuring the organic quality of their product, reducing waste by closing nutrient cycles, and generating revenue for the organization. The PO is improving its processes and expanding the production of organic inputs with the objective of supplying increasing demand from its members, but also with a view to meeting existing demand from non-member farmers.

4.2 What are the investments in POs?

Every year Fairtrade POs invest large sums of Premium money in strengthening themselves both materially and institutionally. That means that they make investments in institutional strengthening, understood as all the improvements in efficiency and effectiveness, mainly at the organizational level.

To create efficiency and effectiveness, the POs invest the Premium in improving specific organizational capacities like physical infrastructure to store, process or transport goods, management processes, finance and a range of different programmes for human resource development. The most important category of investment in POs is the processing facilities like product processes, processes to produce inputs, processing infrastructures and other equipment, material and machinery. Another important use of the Premium is to cover the administrative and office running costs, like salaries for the management (secretary and board members' allowances), administrative expenses, consultancies, legal expenses, logistics (assemblies and meetings, audit costs, events, etc.) and others. An important part of the Premium is used to pay the costs of debt, banking, financing and loans that have been taken out in order to allow the business to grow or stay afloat. In terms of employee development, the Premium is also used to pay for training and capacity building of the POs' staff, board and committee members. The most frequent courses are in marketing, commercialization, and projects that train farmers to improve their product quality **(Figure 21).**

The Latin American POs are the largest investors in their own POs, but nearly as many POs in that region do not invest anything in the organization. This region is followed by the African and Middle Eastern countries, with the Asia and Pacific countries not prioritizing this use **(Figure 22)**. The range of less than €50,000 is, again, the most common range of investment, but there are indeed some POs across all regions who are investing in the €100,001 – €500,000 range.

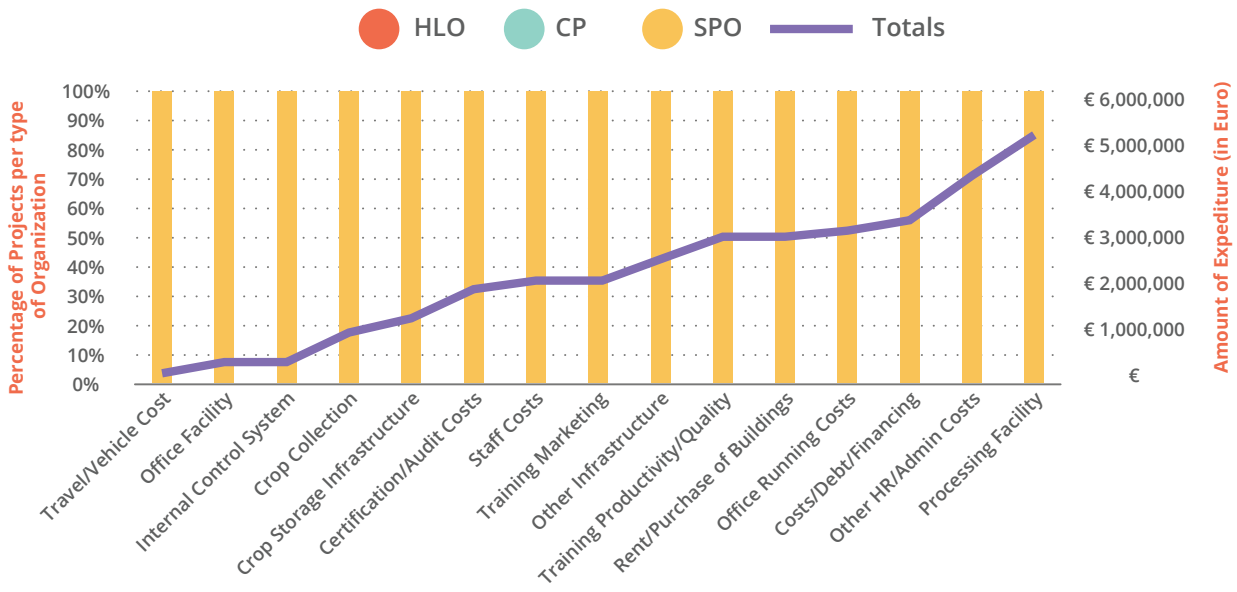

Figure 21: Top 15 investments in POs
Source: Premium Database (n=894)

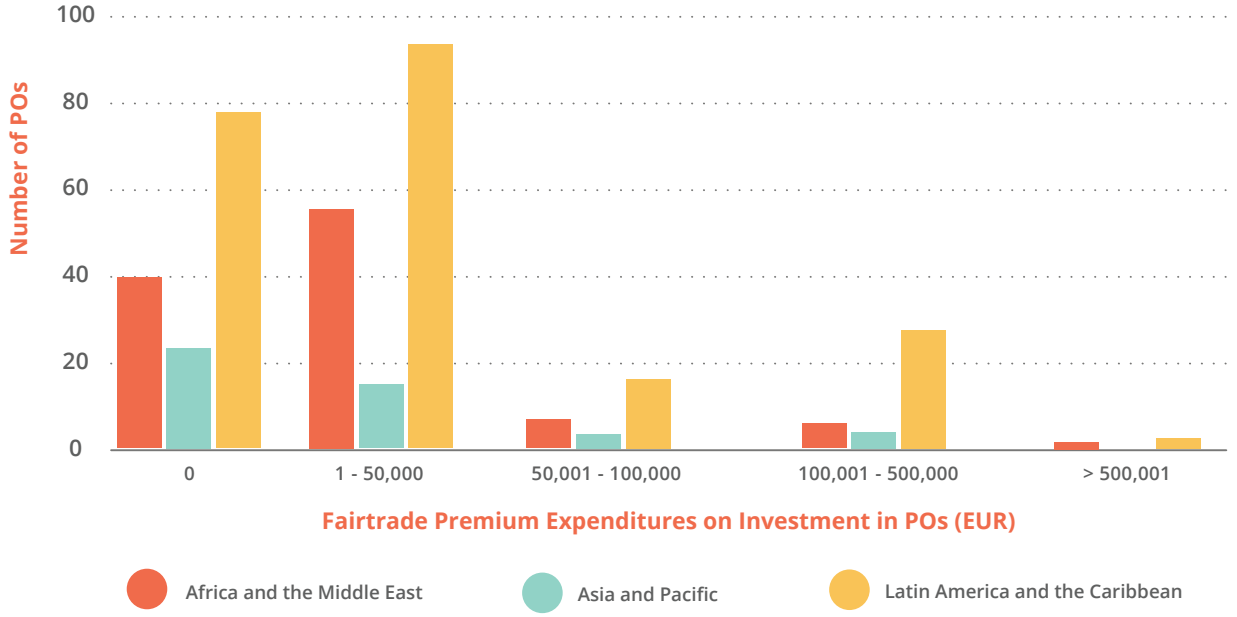

Figure 22: Number of PO Investments in their own organizations
Source: Statistical Database (n=385)

Case Box 2: "Business growth, social growth and membership growth as well"

This medium-sized coffee and cocoa PO in Peru spends approximately 49 percent of its Premium on financial support to the PO. This consists of long-term credit mobilized by the PO to purchase infrastructure – specifically processing equipment and storage facilities. This PO illustrates nicely the tensions found across the POs in the sample over the need to balance investments at the cooperative level and investments at the grassroots level, i.e., investments in the members and their committees. Although members recognize the importance of the cooperative's growth, they mention the importance of "membership growth as well". Similarly, managers mentioned the importance of supporting both "business growth" and "social growth". However, this second dimension of social growth and improvement of members' living conditions is not the area of greatest focus for the use of the Premium in this PO. In general, it was mentioned in the focus groups that a theme that could be strengthened is the social theme, characterized by human strengthening, education, productivity, and health.

4.3 How does the Premium serve the community?

The Fairtrade Premium can be used to benefit the community that lives in the area surrounding the PO through social development projects that fit its primary needs and preferences. An important portion of the Premium is used for improving community welfare and a wide range of projects are listed in the database.

The most representative investment is in community infrastructure, where not only the local community benefits, but also the members of the POs. School buildings, hospitals and health infrastructure, education programmes and services and other investment in socio-economic services and facilities are examples of the Premium being used to promote and provide services to the community. For some of the POs, their ability to ensure that the basic needs of the community in which they are part are not only met, but also improved, is fundamental. Many communities require their members to make contributions to community development, and the Premium often offers a means for some of the less well-off farmers to make their contributions. There are POs that we have examined where it seems that improving the welfare of the community is an activity that takes priority over investment in improving producers' prices **(Figure 23).**

In the case of community services, the majority of organizations (236/385) do not invest in this category of use **(Figure 24)**, and this is happening across all geographical regions. Latin America and the Caribbean is the region that invests the least amount of its Premium in community projects (about 148 organizations). Nonetheless, it does have about 68 cases in the €1-€50,000 range, which is more than the other regions.

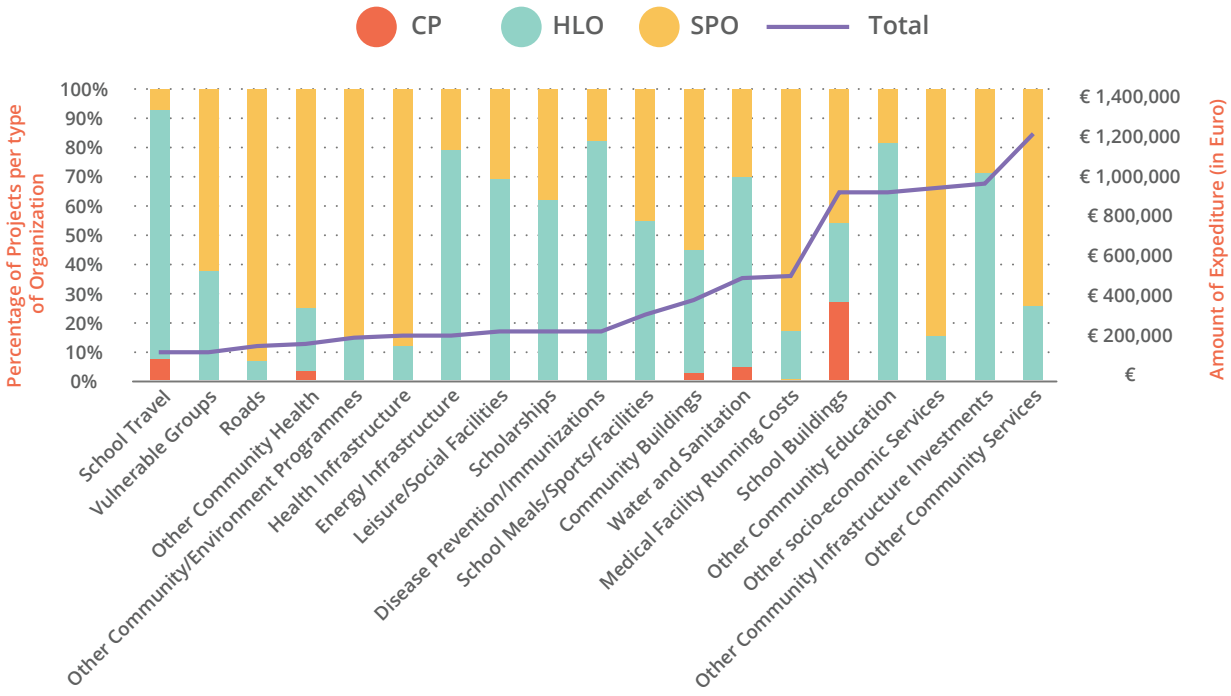

Figure 23: Top 15 services to communities
Source: Premium Database (n=894)

There are not many POs that invest more than €50,000. These results might be written off as an anomaly of the selection of POs included in our Statistical Database, however, comparing this data to that found in **Figure 10**, we see that this result is representative of the entire population of reporting POs **(Figures 24).**

Most of the POs that don't invest in community services are coffee producers (95 POs as seen below in **Figure 25**), which makes sense as coffee is the product with the most certified POs. The majority of Premium investments in these projects are less than €50,000 and are basically represented by coffee and banana organizations.

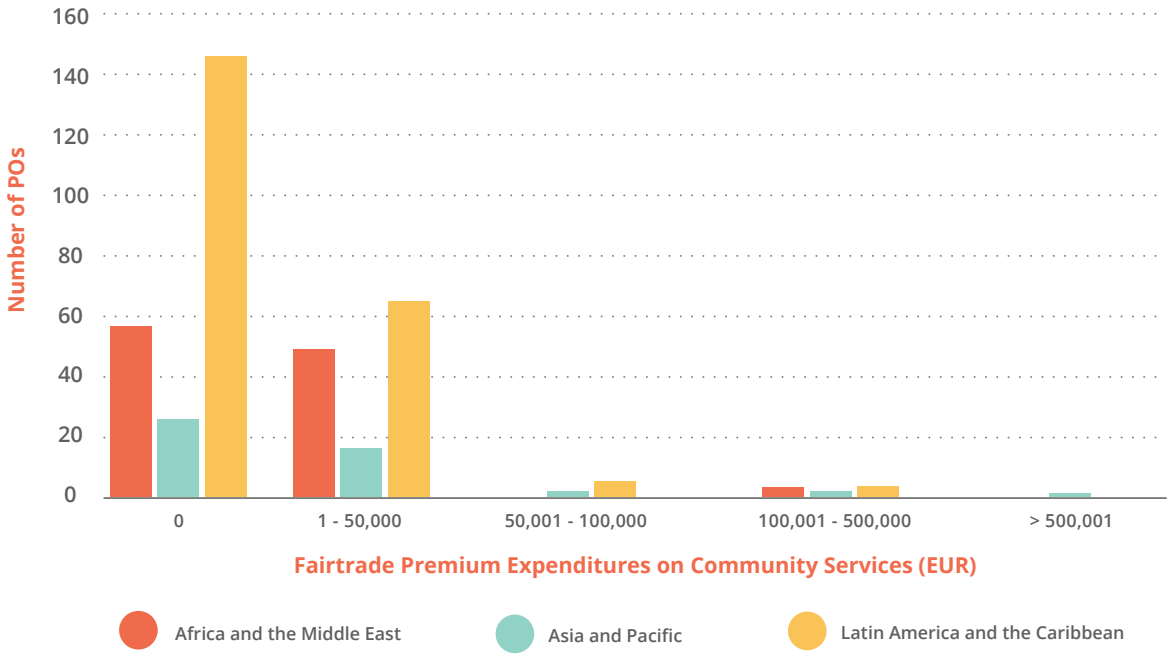

Figure 24: Number of POs and their investments in community services (2015)
Source: Statistical Database (n=385)

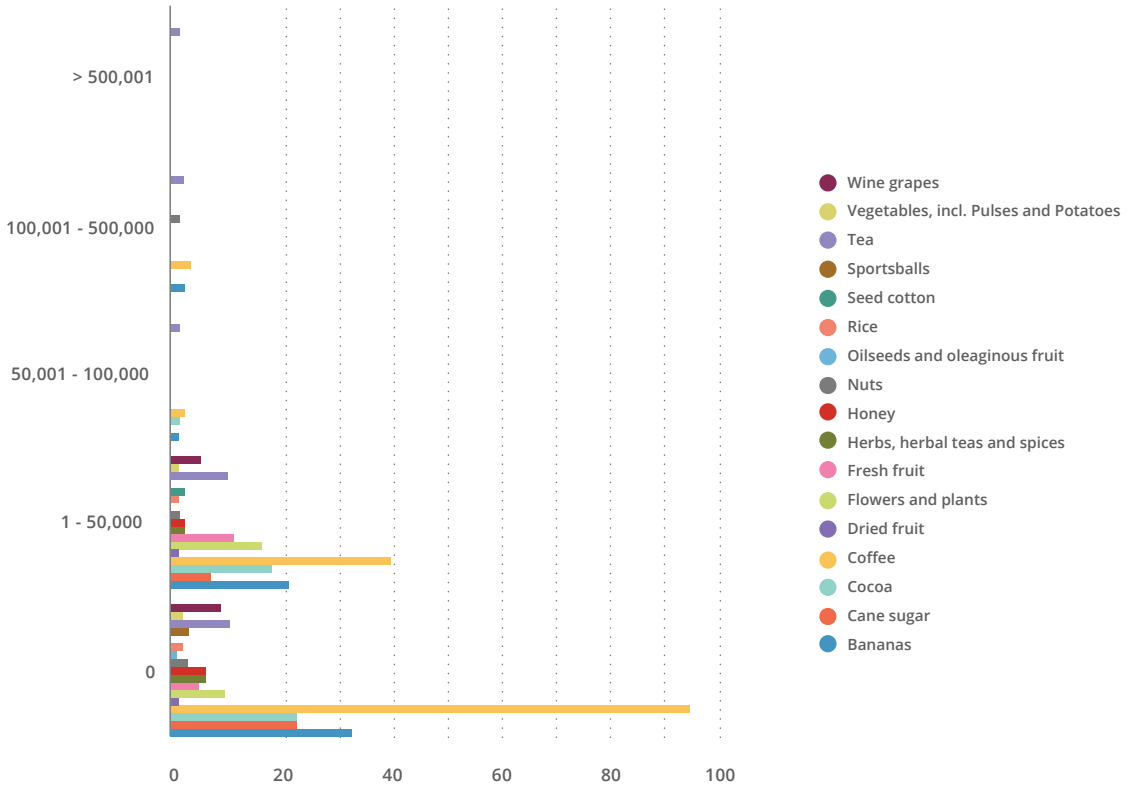

Figure 25: Number of POs investing in community services by amount and product (2015)
Source: Statistical Database (n=385)

Larger investments are rarely made. This poses a rather perplexing concern as community infrastructure is not cheap and €50,000 can add on classrooms to a school or individual bore-hole water pumps, but it is not sufficient to build a water tower that could provide water to the entire community for a substantially longer period of time.

One of the reasons why more substantial investments are not being made may be as a result of risk-aversion in the face of the large costs associated with community investment and the need to collaborate with public and private sector actors to achieve them. For two of the POs that the researchers visited, we found that they had put into place collaborative efforts between more than one Fairtrade certified PO in order to make large-scale investments, but this also meant that there needed to be a rotation mechanism put into place among communities. The latter required significant investment in communication about the projects in order to ensure that the community members understood the constraints placed on the FPC by these types of investments and the need to rotate the geographic placement of the facilities.

4.4 What are employees learning?

Employees are also beneficiaries of projects conducted with Premium funds and the Premium is mainly used to improve the professional capacity of employees and workers of the POs. In this sense, the main investments are made in training FPC, delegates and employee members in technical, financial and management skills and other types of capacity building.

The Premium is also used for training and empowering workers to develop special skills and capacities not only in topics related to the objectives of the organizations, but for developing other professions and trades. As part of the organizations, farmers and workers (as employees) are also beneficiaries of initiatives like training in business. Other important investments are made to cover administration costs for the FPC and other committees, office running costs and costs for improving capacity, and meetings by FPC members and delegates.

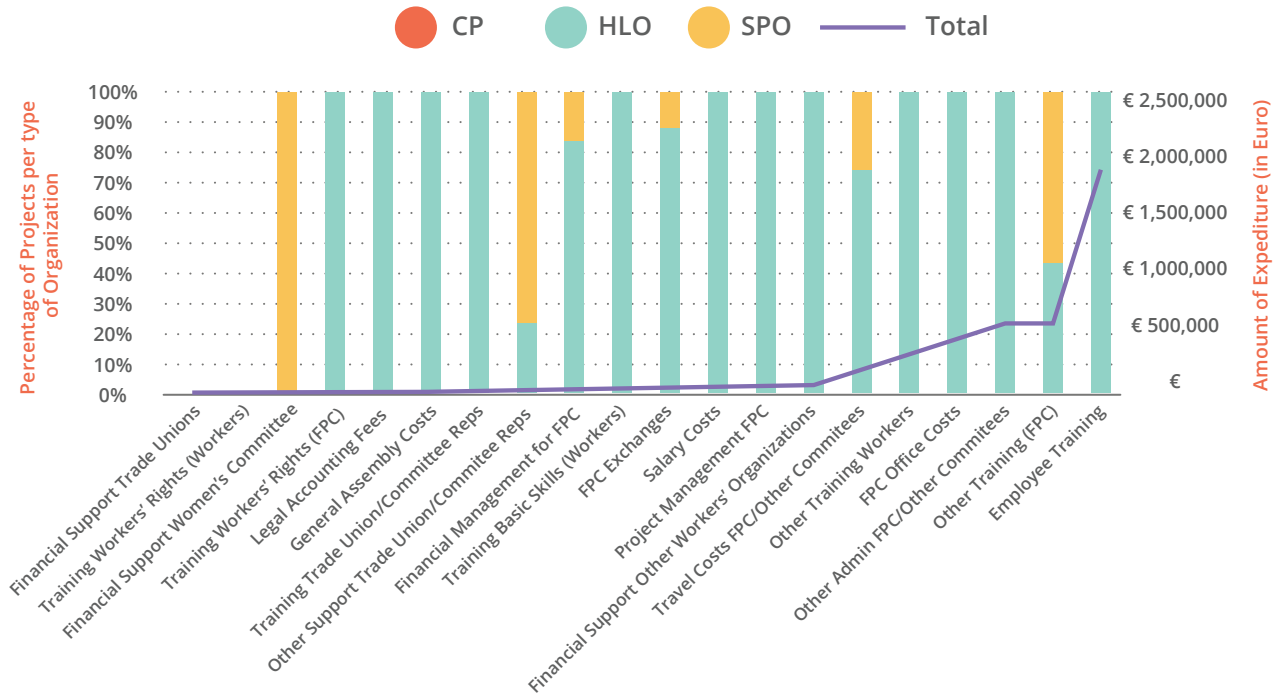

Figure 26: Employee training paid for with the Fairtrade Premium
Source: Premium Database (n=894)

Very few POs invest in employee training. In Latin America and the Caribbean, around 88 percent (197 of 223) of the POs considered in the database do not invest in employee training, while around 23 cases invest less than €1,000. The results are similar for Africa and the Middle East where 95 cases make no investments and only 65 invest less than €1,000. The ratio is even worse for Asia and Pacific where only five POs invest less than €1,000 and 46 organizations invest nothing **(Figure 27).**

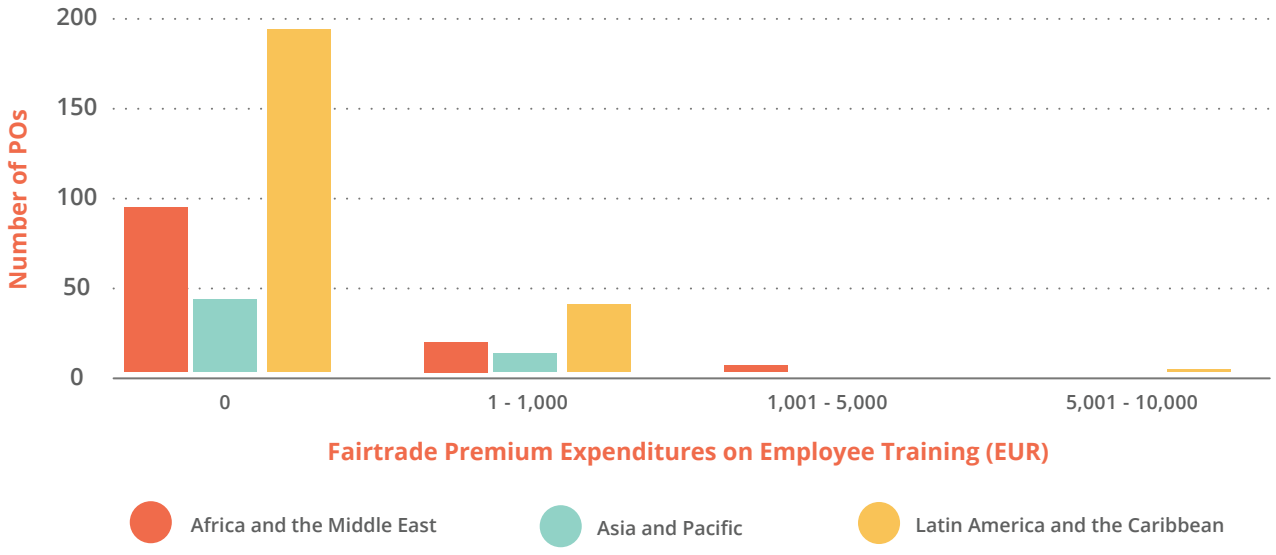

Figure 27 : Very few investments by POs in employee training
Source: Statistical Database (n=385)

This lack of investment in employee training can be linked to the number of HLOs vs. SPOs. Almost 80 percent of the POs in our database are SPOs, which traditionally have not counted their own employees among the beneficiaries of the Premium. Indeed, results from our survey testify to this exclusion of SPO employees – about 24 percent of respondents working within the SPOs claimed that they did not benefit directly from the Premium. On the other hand, the HLOs have been investing heavily in employee training, often on topics that are not related to their core business. There is room for cross-fertilization of ideas between these two models in order to ensure that all PO employees are also benefitting from the Premium.

4.5 What are the other uses?

While constituting only two percent (124 POs) of the total reported Premium use (of the original 894 reporting POs), it is important to understand why this category is included in the data and what this may mean for impact. There are three sub-categories that constitute the 'other use' category in our Statistical Database (54 POs). These describe investments where: the Premium doesn't fit the rest of the categories (67 percent of the total 'other uses' of the Premium), the Premium use is unknown (21 percent) or the Premium has been not spent (12 percent). The unknown Premium use refers to roughly seven POs out of the 385 POs examined in detail.

These numbers suggest that there is some ambiguity in the reporting of the Premium use and the reasons for this lack of data are different. Following a careful examination of the database, we found that a wide range of projects can be found where the Premium doesn't fit the categories created by Fairtrade International. This shows that the POs and the auditors cannot easily identify and allocate the projects into the pre-established categories; or it may suggest that there are not enough Fairtrade categories in the reporting instrument to cover the different uses that the POs have for the Premium. We find that the largest amount in this category comes from administrative expenses, salaries and HR, and operational activities. At the same time, non-traditional uses like anniversaries, events, transport and certification costs can all be found in this sub-category, which suggests that the reporters did not interpret some of the other categories in the same way (particularly related to the HR and certification costs, which some POs report in the Investments in POs categories). For the Premium uses that are categorized as unknown, there is no clear idea of the kind of projects involved as the database entries do not include specific information about what they were, opting instead to name them as miscellaneous, general costs, promotion and support.

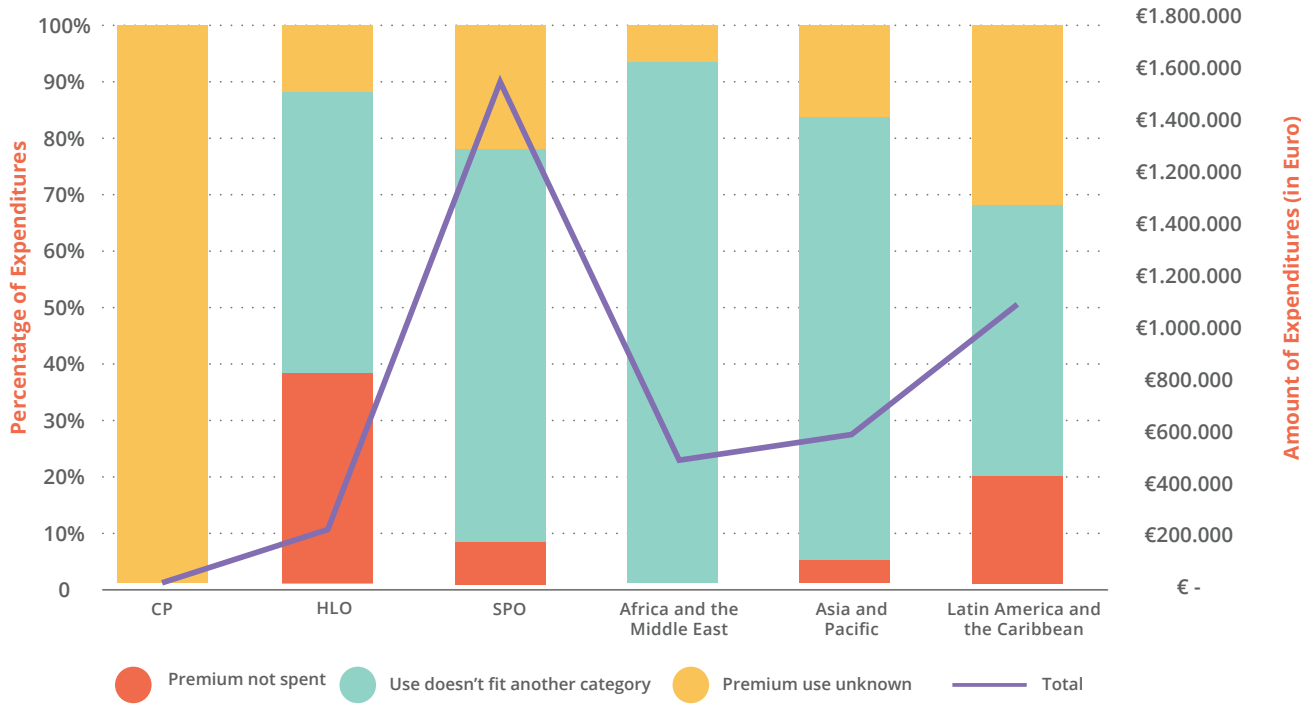

Figure 28: Number of POs investing in other projects
Source: Premium Database (n=894)

Latin America and the Caribbean is the region that invests the most in projects that were categorized by 'Other Uses'; around 30 organizations invest less than €50,000 in these projects **(Figure 28)**. Sixteen organizations from Africa and the Middle East and five from Asia and the Pacific invest less than €50,000. There are, however, four investments of over €100,000. The African PO used this money for "purchase and donation of building materials to a school, purchase of coffee seedlings and payment of two staff allowances" and a "bank loan of €265,149". A Latin American PO used this money for "Inversiones por grupos (group investments)" and a Pacific PO noted "administrative expenses". The final Latin American PO recorded all of their Premium expenses as 'other', but then noted the following specific projects: "Mejoramiento de la productividad y la calidad del café (improvement of coffee productivity and quality), Fortalecimiento Organizacional (organizational strengthening), Gestión Comercial (commercial management)." These results suggest that greater efforts need to be taken in the reporting process to calibrate the interpretation of categories.

4.6 Conclusions about Premium Use

The Fairtrade Premium is used in a variety of ways. The use of the Premium by an organization depends on the needs and priorities of each PO and its members or workers. The investments are used to benefit the organization; farmers, workers, and their families; and the communities. Social, productivity and economic activities are all funded with the Premium. Services to farmers and workers are the most common uses for the Premium across all geographic regions and products. Services are developed through projects that improve the quality of life and also increase the professional and productive capacities of farmers and workers. The Premium is most commonly used to make direct payments to farmers or workers, in the form of cash or through bonuses. This increases the revenue of members as it works to supplement the market prices per kilo that farmers receive, or they receive it in a lump sum. In either case, it reduces the economic vulnerability of the farmers or workers. However, a lot of organizations, particularly the HLOs, do not use their Premium in this way.

We also see projects that improve other services to farmers and workers like capacity building and provision of productive technologies, inputs and tools. Training for farmers, workers and employees to increase production quality and personal capacities are often funded. The most frequent use of training for staff is aimed at increasing the management capacities of the FPC and cooperative boards as a means to professionalize the organization, particularly in its administrative and financial functioning. To a far lesser extent than the professional capacity, the Premium is used in projects that directly involve the community like schools, roads and hospitals, and other uses specifically focused on farmers, workers and their families. These services are provided for staff development in the case of HLOs and to increase the professionalism and productivity of the SPOs. Investments in infrastructure, management capacity building, staff salaries and expenses, processing facilities, logistics and financial programmes are the most common uses that are targeted on strengthening the PO in order to improve their market position and improve the management capacity and professionalism of their operations.

For some organizations, especially those that have a larger number of members, equitable distribution of the Premium among members or workers is very difficult. Calculating the amount that can be allocated to each individual member must take into consideration whether the individual amount is significant enough to generate an important change in the life of the farmer member or HL worker. For example, the price of schooling for children differs greatly even within each country, particularly when one considers the differences in prices for primary, secondary and tertiary education. For this reason, some POs (particularly those included in our case studies) try to invest in community support, investments that can be controlled and centralized by the PO management, and those where farmer and workers can benefit directly from them. For other POs (including some of those included in our case studies), investments in the community are fundamental to ensuring that their families and friends can access basic services in the communities; or they may also act as a way to recruit new members or workers to the POs. The differences seen among POs is often a result of their specific communities and priorities, which is difficult to generalize about. We explore these differences through analysis of our case studies in the next section.

5. DECISION-MAKING PROCESSES FOR FAIRTRADE PREMIUM USE

Key Findings:

- Fairtrade Premium uses and impacts depend on participation and accountability arrangements in the decision-making process. Empirical fieldwork shows that producer organizations organize the use of the Premium by different (in)formal elements that determine the visibility of the Premium.
- Two ideal types of decision-making process are identified: a separated decision-making process and an embedded decision-making process

Fairtrade Premium uses and impacts essentially depend on participation and accountability. To what extent do diverse workers and farmer members participate in the decision-making processes? Do they effectively influence decisions? Are they sufficiently informed and do they trust the outcomes of those processes? Exploring these questions was done through field studies: the collection of empirical data at the level of sampled organizations. Such analysis allowed the identification of specific patterns of participation and accountability, as this section explores in detail.

Fieldwork in the five case studies made it clear that the decisions about how the Premium is spent are organized by the POs in different and unique ways. Based on these observations, two ideal types of Premium decision-making can be differentiated:

1. A **separated decision-making process**, by which specific procedures are put in place to coordinate the use of the Premium. The management of the Premium is deliberately separated from other ordinary business decisions, receiving attention and gaining visibility in ordinary production life.
2. An **embedded decision-making process**, by which the decisions about the use of the Premium are intertwined with the organization of investments paid by other incomes. Specific means or procedures to organize the Premium use are limited and the Premium – and especially the expenditures – are not very visible in the daily life of the producer organization.

To bring order in this variety and to allow for comparison, a set of specific empirical elements about how the POs organize the Premium decision-making process were collected. These elements flow together in a stepwise process, as seen in **Figure 29**.

Table 9 demonstrates the different ways, in which producer organizations (in)formally organize their Premium use and the corresponding decision-making process that accompanies these uses. The more crosses a producer organization has, the more visible the Premium is in its daily organizational life and the more distinguishable the Premium money is from other income. In contrast, in the cases that have fewer crosses, the Premium is less visible and more embedded within the ordinary decision-making processes of the PO.

Upon examination of these cases, three of them (**cases 1, 2 and 3**) can be assigned to the ideal type of a separated decision-making process. Among these organizations, is a HLO **(case 1)**, for which the Fairtrade Standards require the creation of a specific body and procedures for managing the Premium. But two cooperatives **(cases 2 and 3)** also use a separated decision-making process, even though the Standards do not require the cooperatives to do so in their management of Premium funds. The remaining two cooperatives **(cases 4 and 5)** are assigned to the ideal type of an embedded decision-making process as they are not required to, and do not, separate the two processes.

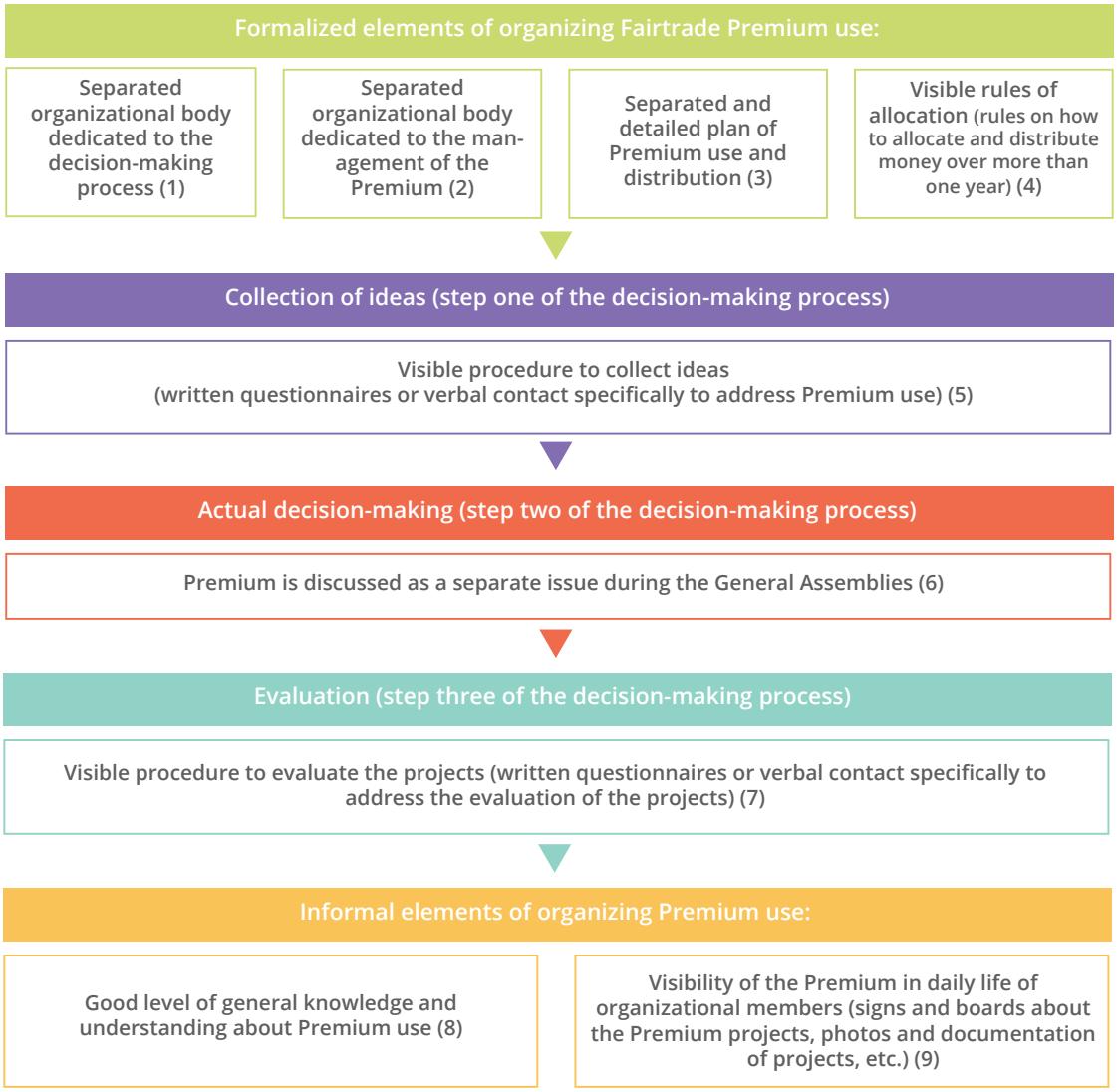

Figure 29: Organization of Fairtrade Premium decision-making processes
Source: Developed by the authors from the qualitative field studies. The numbers in () are the empirical elements that were observed.

Empirical elements observed	*Case 1 Kenya Flowers*	*Case 2 Côte d'Ivoire Cocoa*	*Case 3 Ecuador Bananas*	*Case 4 Peru Coffee/Cocoa*	*Case 5 Peru Bananas*
1	x				
2	x	x	x		
3	x	x	x		
4	x	x			
5	x (written)	x (verbal)	x (written)	x (verbal)	x (verbal)
6	x	x	x	x	x
7			x (written)		
8	x	x	x		
9	x	x	x		

Table 9: Organization of the Fairtrade Premium use and the corresponding decision-making process

5.1 Participation

Key Findings:

- The participation of individual workers and producers does make a difference in ensuring that Fairtrade Premium investments are responsive to their needs and those of their families and communities. Large producer organizations have the responsibility to create structures that enable producers and workers to voice their individual and collective interests and priorities.
- Participation needs to be ensured throughout the decision-making process from the consultation to the actual decision and evaluation of the Premium use.
- Participation arrangements and the ways in which decisions are taken affect the Premium uses. Participation needs to be enabled at different hierarchical levels, so that different voices (and priorities) can enter the decision-making process in a balanced way.
- Workers on small farmers' farms are rarely involved in the decision-making process.

Participation means the involvement of individual members (farmers or workers) in the decision-making process about how and on what the extra money is spent. Taking a decision about the use of the Premium is a process that unfolds over time. Ideas about how the money can be used need to be collected and evaluated before decisions can be taken. These decisions will later become subject to evaluation, influencing further decisions. Hence, the participation of individuals can take place at different stages of this process. In addition to this temporal dimension, decision-making in organizations is hierarchically organized. Decisions are taken at different levels of hierarchies and different individuals can participate at these levels. Finally, there is the collective element of participation. Individuals can participate as a group voicing a collective interest, or they can represent only their individual needs. Raising the question "who decides how Premium funds are used?" allows us to explore these various elements of participation within the producer organizations.

5.1.1 Organizing the decision-making process

To understand participation arrangements, decision-making maps for each case were drawn up from information from focus groups and co-construction workshops. The five decision-making maps show that decisions about the Premium are allocated to different organizational levels. At the individual level, we find all the workers and producers with their families and communities who are meant to be the beneficiaries of the Premium. Together these individuals form the organization and decisions taken at this level are perceived as decisions of the cooperative or enterprise. In two cases a further level is introduced – the meta-organizational level. At this level, members especially seek for balanced decisions that give priority to consensus (Ahrne and Brunsson, 2011). In between these three main levels, additional levels can be inserted, such as working groups of members, section committees or management groups. Tracing the relations and communication flows between these hierarchical levels through decision-making maps provides information about formal participation arrangements. All of the case sheets are found in Annex 1.

Case 1: The flower plantation incorporates two estates for which two separate Fairtrade Premium Committees have been created at the organizational level (see **case sheet 1**). As recommended by the Fairtrade Standards, (s)elected members of these committees together constitute the Central Fairtrade Premium Committee, which decides how the Premium is shared between the plantation and the two sites (meta-organizational level). Decisions about the specific uses are taken at organizational level by the FPCs with seven and eight persons, half women/half men. At both levels – organizational and meta-organizational – the members of the committee receive assistance and support from the management. Individual members (approx. 5,000 workers) participate by electing the members of the committee and by filling in an annual anonymous questionnaire, which asks them to propose projects for the workers, the community and the environment. At both sites all workers, independent of their engagement in the vegetable or Premium-generating flower business, participate the same way. Hence, despite the large size of the producer organization, all workers are involved in proposing ideas and taking decisions about how the Premium is used, but the structures are not utilized to actively evaluate the investments.

Case 2: The cocoa union consists of 23 cooperatives (see **case sheet 2**). At its General Assembly the delegates of the cooperatives develop and adopt the Premium budget that defines how the Premium is shared among the union and its organizational members. At the organizational level, each of the 23 cooperatives decides independently how they want to spend the Premium money allocated to them. The cooperatives collect information about the needs and desires of their individual members via the delegates who represent sections with 50-100 cocoa producers. In the sections, the producers organize regular assemblies to take Premium-related decisions, which are then transmitted to higher hierarchical levels. As in the first case, the system put in place allows them to (indirectly via delegates) integrate the voices of all organizational members in the actual decision-making and the preceding consultation process, but again the structures are not used for evaluating the investments made.

Case 3: This banana cooperative is a comparatively small cooperative with 160 producers, who decide about the

Premium at the General Assembly that brings together all banana producer members (see **case sheet 3**). There is a specific body in charge of Premium management (the "Premium coordination") and a questionnaire is used to collect ideas from the small producers who propose and evaluate the investments made. Hence, all producers participate in the decision-making process from consultation to taking the decision all the way through to the evaluation. But, this high level of individual involvement has limits because the workers hired by banana producers do not participate at the General Assembly – but they do benefit from the Premium.

Case 4: The coffee and cocoa cooperative decides about Premium use at the General Assembly, where the delegates of 30 sections decide on the various investments that are funded by their Premium (see **case sheet 4**). The delegates collect and represent the producers' voices from different geographical zones. Two delegates per section (one man and one women) formally gather the opinions of the individual producers and carry them to the General Assembly at the organizational level. This cooperative does not deploy specific instruments to collect individual investment priorities or to evaluate the completed projects.

Case 5: The second banana cooperative takes Premium-relevant decisions at its General Assembly with the participation of all 400 of its banana producers (see **case sheet 5**). All producers thus participate in the actual decision-making, but specific procedures to collect ideas and evaluate the investments are missing. The organization hires 174 workers who are not included in the decision-making process. Only the representatives of a recently-founded labour union have observation status at the General Assembly and passively participate. The cooperative doesn't use questionnaires to collect ideas for Premium use, but section delegates are designated to serve as a link between the Board operating at the organizational level and the individual producers at the bottom of the organizational pyramid.

In sum, the decision-making maps show that producer organizations of different sizes coordinate participation in the Premium decision-making process in different ways. While small cooperatives involve all individual producers in their governing bodies, large producer organizations with high numbers of workers and producers have the responsibility to develop structures that permit individuals to participate in groups (e.g., geographical sections) that voice their collective interests and priorities to higher organizational levels. In the case of large producer organizations, assemblies and meetings at lower hierarchical levels are thereby decisive to integrate individual ideas and interests as singular voices can be drowned out in large gatherings. However, the case studies also show that participation is not a given for everybody. In two cases **(cases 3 and 5)** workers hired by the cooperative and its members do not participate in the decision-making process. They are excluded from the process ex-ante. Consequently, the POs do not take their opinions and suggestions into account. The case study results thus reveal that there are different degrees of inclusion in the decision-making process. Furthermore, the case studies indicate that producer organizations concentrate on developing formal procedures for the actual decision-making and the prior consultation process, whereby the evaluation of the investments attracts far less attention. Consequently, individual participation in the evaluation process of projects is generally low.

5.1.2 Perceptions of participation

The results of the questionnaires show that participation is desired by the beneficiaries. Thirty-one percent of the interviewees reported not being consulted before decisions were taken and 46 percent reported not participating in the decision-making process. Almost all interviewees who feel that they are not included, would like to be consulted and wish to actively participate **(Figure 30)**. Participation in the decision-making process about the Premium is thus perceived as beneficial and members want that process to be responsive to their interests and needs **(Figure 30).**

Through consultation, information about individual needs is gathered and new ideas for investments can be detected. The outstanding positive responses concerning the participation in the consultation process from flower workers suggest that the use of a questionnaire is an effective means to collect ideas from individual members (90 percent compared to the other POs, see

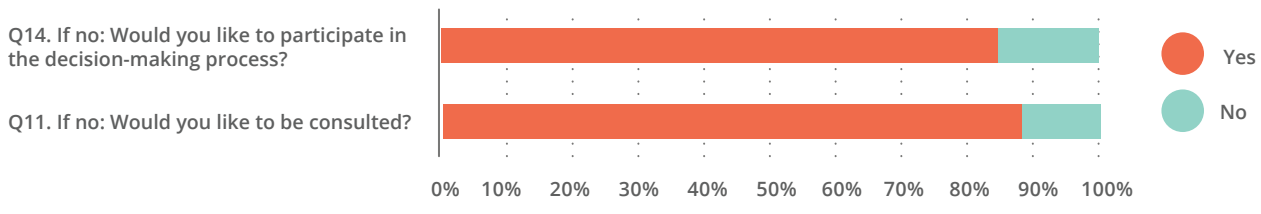

Figure 30: Those who are not included would like to participate
Source: Individual Interviews (Q11, n=51; Q14, n=77)

Figure 31). However, a written questionnaire might not be appropriate in every socio-cultural setting. The cocoa union, based in an environment of low literacy and poor infrastructure, succeeds in reaching its members with a finely-tuned system of assemblies and delegates who carry the ideas from the bottom to the top. The fact that the second banana cooperative and the coffee/cocoa cooperative lack a clear collection procedure might be the reason why individuals feel less consulted. Generally, workers and producers in POs with a separated decision-making process tend to feel more consulted than those working in organizations with an embedded decision-making process **(Figure 31).**

The responses about the participation in the actual decision-making event show a similar trend to the preceding consultation: members of producer organizations with a separated decision-making process feel more involved than those in the cooperatives with an embedded decision-making process (see **Figure 32**). Taking a closer look at who feels excluded reveals that managers, supervisors and technical/administrative personnel on the one hand, and the workers hired by the banana cooperatives or their farmers on the other, state that they do not participate in the process (see

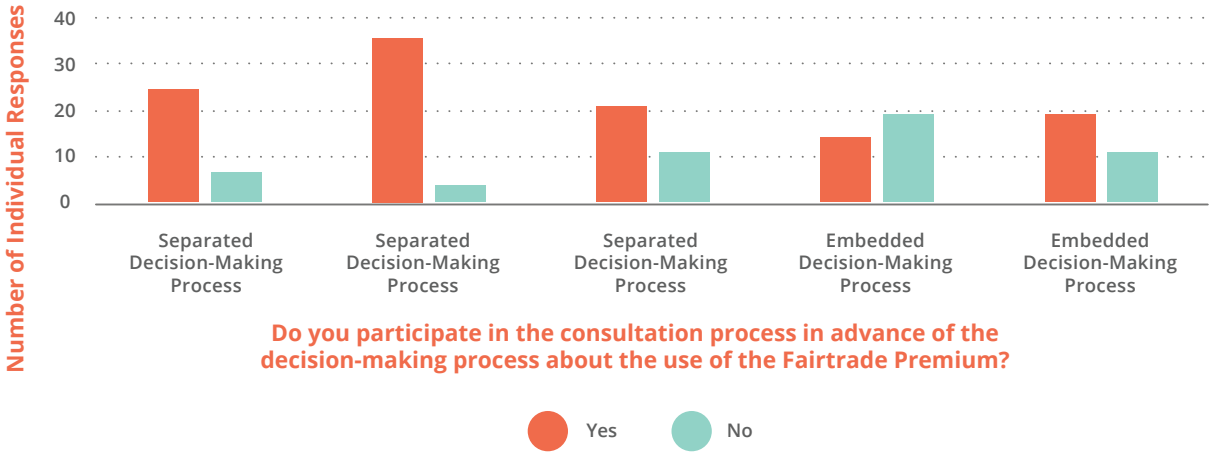

Figure 31: Results "do you participate in the consultation process" per PO
Source: Individual Interviews (n=166)

Figure 33). While the exclusion of management and the concentration on the producers is intended by the Fairtrade Standard and normally accepted by the people, those who work for the cooperatives or for the farmers deplore their exclusion. A worker from the Peruvian banana cooperative, who is member of the local labour union, describes their situation in the following way:

"We have no knowledge, but in an assembly they could explain this, provide knowledge, about what they invest in. We don't know anything. Where is this money going? We know that they have assemblies but we (union representatives) only hear about it, nothing more."[29]

The participation of everybody is crucial for fostering and maintaining solidarity among the organizations' members. Maybe of even more importance for finding locally appropriate investments that will work in practice is listening to all the voices. This insight is underlined by the case of the flower plantation which incorporates two Fairtrade committees based in two very different socio-economic contexts. Workers of one region are locally anchored and desire investments in the local infrastructure and construction of housing. In the other region, the workers do not see their personal future in the local community (which is made up of many migrant populations due to a large concentration of flower enterprises) and, therefore, they prefer to prioritize investments dedicated to their personal careers and capacity building for income generation outside of the flower business. This case study demonstrates that the degree of participation and inclusion does not necessarily depend on the size of the producer organization, but rather on the ways the decision-making is organized.

29 *Original Spanish: "No tenemos conocimiento, pero en una asamblea podrían explicar eso, tener un conocimiento, en que se invierte. No conocemos nada. ¿A dónde va esa plata? Sabemos que hacen asambleas pero nosotros somos oyentes, nada más."*

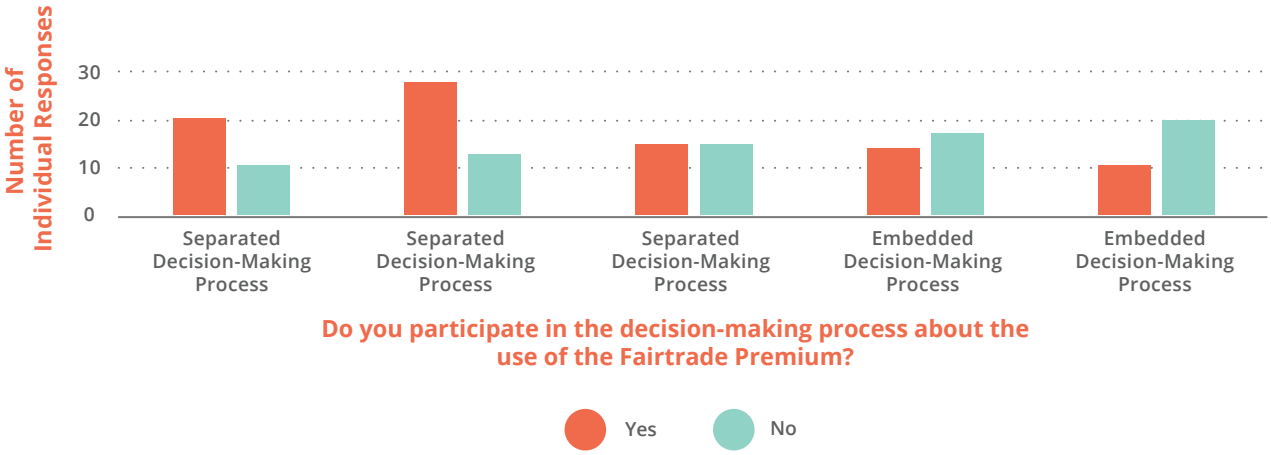

Figure 32: Results "do you participate in the final decision-making process" per PO
Source: Individual Interviews (n=166)

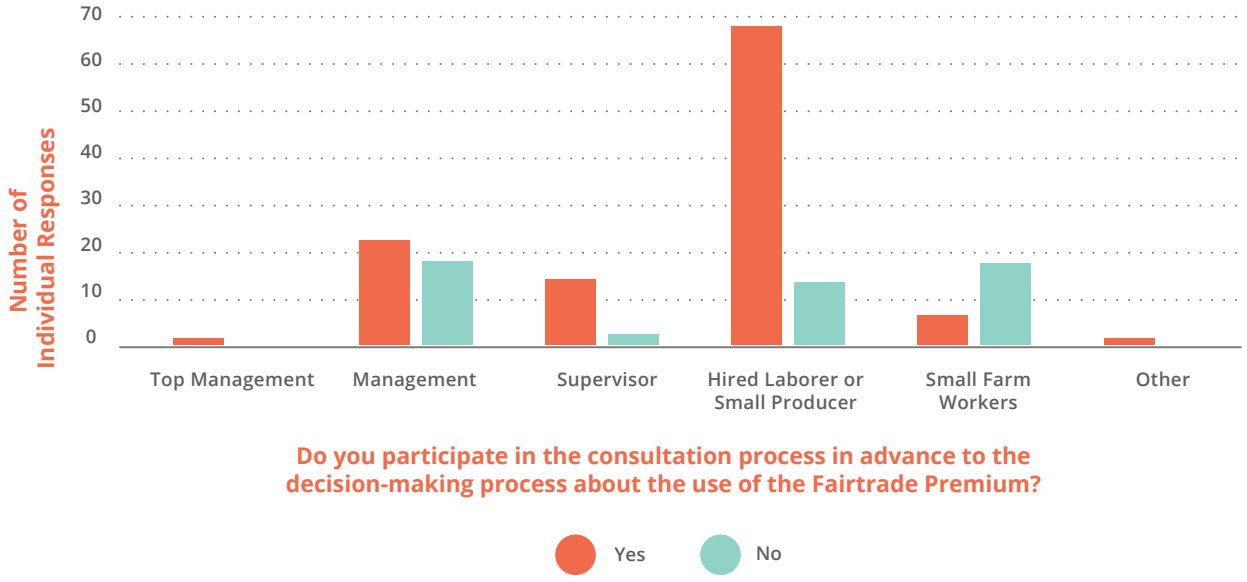

Figure 33: Results "do you participate in the final decision-making process" per position in the PO
Source: Individual Interviews (n=166)

5.1.3 Participation arrangements matter for Premium uses

The ways in which the producer organizations orchestrate their decision-making affect what the Premium is used for. This means that the Premium management structures and participation arrangements have direct effects on what the Premium money is spent on. Producer organizations, which have a separate and more inclusive decision-making process about the Premium **(cases 1, 2 and 3)**, make considerable investments in projects dedicated to social development. In the case of the cocoa union, the strong participation of individual cocoa producers has triggered a focus on projects targeted at fulfilling the most urgent needs of individuals, such as increased income and community projects (boreholes and schools). The flower case shows a focus on social development projects too; however, due to varying participation arrangements at the two sites, the types of social investments differ. The decision-making process behind the funding of a baby crèche with the Premium in one of the two regions exemplifies how

participation arrangements can directly affect the use of the Premium. The FPCs deliberately involve women and one chairwoman actively (and successfully) promoted this project to give assistance to the working mothers. The third case, the Ecuadorian banana cooperative, which also uses a substantial amount of its Premium for social development seems to have established its own focus of social investments. This PO prioritizes health issues and uses the Premium to improve, in particular, the health status of its producers and their workers and families.

Following the logic of an embedded decision-making process, the coffee/cocoa and second banana cooperatives **(cases 4 and 5)** treat the Premium as a form of additional income for the cooperative that does not require specific consultation or decision-making procedures. As a consequence, the Premium money is mostly spent on organizational and infrastructural projects that promote increased production and prosperity within the producer organization. The Premium spending behaviour of the coffee/cocoa cooperative illustrates this tendency. The producer organization uses the Premium to increase productivity and quality (ten percent), to pay certification (10.75 percent), to give organizational support regarding bookkeeping and commercialization (29.38 percent), to provide huge financial support for infrastructural purchases for the packaging and manufacturing of coffee (49.09 percent) and to support projects (0.78 percent). Compared to this, the second banana cooperative also uses the Premium for medical and school projects as well as the assistance of retired people, but the primary use is still understood as "the motor of organizational development"[30] according to its director. In practice, this means that the producer organization will use 40 percent of the Premium for organizational endeavours in 2018.

The results of the five case studies suggest that a separated decision-making process fosters investments in social projects, while an embedded decision-making process triggers a prioritization of investments dedicated to the prosperity and growth of producer organizations.

5.2 Accountability

Key Findings:

- Levels of knowledge and trust vary across gender, status and level of involvement in representative and management bodies. Many representatives do not have the skills needed to carry out some of the financial and administrative duties required of FPC members.
- Capacity building can play an important role in addressing knowledge gaps but their effectiveness in terms of accountability will depend on the transparency of Premium management in the organization.
- Greater transparency and accountability stem from the existence of specific roles and responsibilities, specific strategies to improve the visibility of Premium use and distribution, as well as accounting systems clearly separated according to sources of income.

The level of accountability is key to ensuring that any use of the Premium fits with the goals collectively defined within the decision-making arenas of HLOs and SPOs. It largely depends on knowledge and trust since rendering people and practices accountable implies demanding and receiving transparent and relevant information on Premium use (Jordana and Levi-Faur, 2004; Hess, 2007). Thus, a guiding question for investigation can be simply phrased in the following terms: "who knows about how Premium funds have been used?" and "do they trust that these uses are appropriate?"

5.2.1 Knowledge and trust gaps

Data collected during the fieldwork reveal important discrepancies in an actor's knowledge about and trust in the Premium. Firstly, differences run across gender and status (within the organization). While men and women are within the same quintile of their responses (**Figure 34**), proportionally, slightly more women than men declare that they know about the Premium and are informed about forthcoming meetings. However, they are slightly less informed about the decisions that are taken regarding the spending of the Premium and they have less trust in the in the FPC to make the right decisions. This suggests that there may be some exclusion occurring where women are informed but are not actually able to participate in the decision-making. This clearly reduces their trust in the committee.

Important differences in knowledge and trust relate to the respondents' status in the PO: members; employees in charge of administrative and technical tasks; and workers on the farms (**Figure 35**). As for farm workers, there is a high lack of knowledge about and trust in the Premium, a logical result of their weak involvement in the cooperatives' governing bodies, as discussed in the previous chapter. Employees tend to have a better understanding because of their involvement in the daily activities of the organization. However, it is interesting to note that their understanding of Premium uses can be partial and limited. This is also due to the fact that they are not necessarily participating in the General Assemblies of the organizations. Finally, members of the cooperatives tend to have a better understanding. However, there are still important knowledge gaps

30 *Original Spanish: "Es el motor del desarrollo organizativo."*

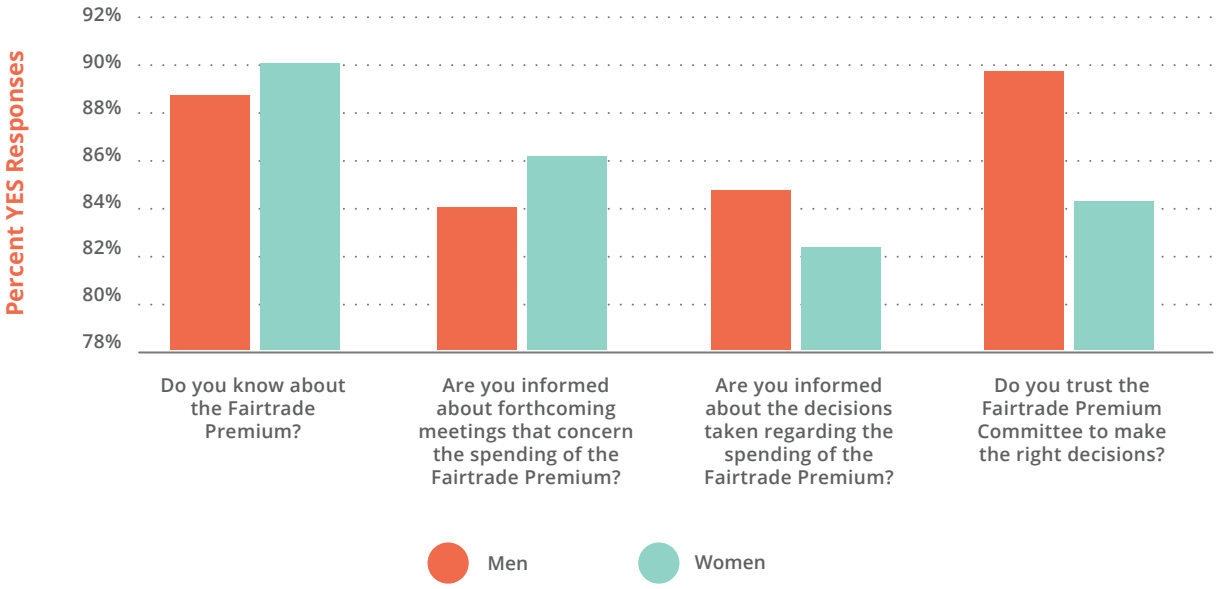

Figure 34: Knowledge and trust in Fairtrade Premium decision-making, disaggregated by gender
Source: Individual Interviews (n=166)

among them as discussed in the following paragraphs **(Figure 35)**.

Important differences in knowledge and understanding are also visible among producer members in the case of SPOs or among workers in the case of HLOs. These differences stem from the level of involvement in representation bodies. We can distinguish between: those SPO members and HLO employees that are involved in representation bodies (such as the FPC in the HLO case; or the Board and other governance committees in the SPO cases); the delegates of local sections that play the role of intermediaries; and the members that have no special charge. In the HLO case, for instance, employees reported that they are informed about upcoming meetings and the decisions taken via the noticeboard where they find formal announcements of meetings, minutes or other official information. The FPC members and their delegates support the circulation of information. But taking into consideration the high number of employees per delegate (ca. 1 delegate per 100 employees), there is a risk that not everybody receives the necessary information; in particular, the workers who are not comfortable with reading publicly displayed notices. In the cases of SPOs, written instruments are sometimes used, but most often it is oral communication between representatives at different levels and SPO members that occurs.

In that regard, meetings such General Assemblies, monthly meetings with delegates, or "bajadas de base", are key to information dissemination. However, where General Assemblies gather delegates and not the whole membership, we observed through our focus groups that information does not circulate well.

Finally, in HLOs and SPOs where the management is not directly handled by producer representatives, an important difference in knowledge distinguishes the management from the representatives of workers and producers. In the case of HLOs, there is a significant gap in knowledge within the FPCs on how to develop budgets and financial accounting, as all of the elected members of the FPCs are general workers. Therefore, the FPC administrative team provides a lot of assistance in this respect and also in the implementation of the projects decided upon by the employees. The deployment of an observing, guiding management team supports the establishment of such a system, but simultaneously risks overriding the voices of the employees. In the case of SPOs where management is not directly handled by the Board but by a General Manager and their team, we observed that technical and financial issues remain mainly under the control of the General Manager. In one of the Peruvian cooperatives, neither producer representatives nor administrative personnel could satisfactorily explain some important aspects of Premium use. For instance, the issue of the potential increase in cocoa and coffee prices given to members (direct payments to members) gave rise to various interpretations. In the end, the only person able to explain the issue was the General Manager. The same with spending in health which, he explained, was not linked to the Premium but to utilities, unlike the other explanations we received. These examples reveal important knowledge gaps for producers and workers, even when they occupy representative positions.

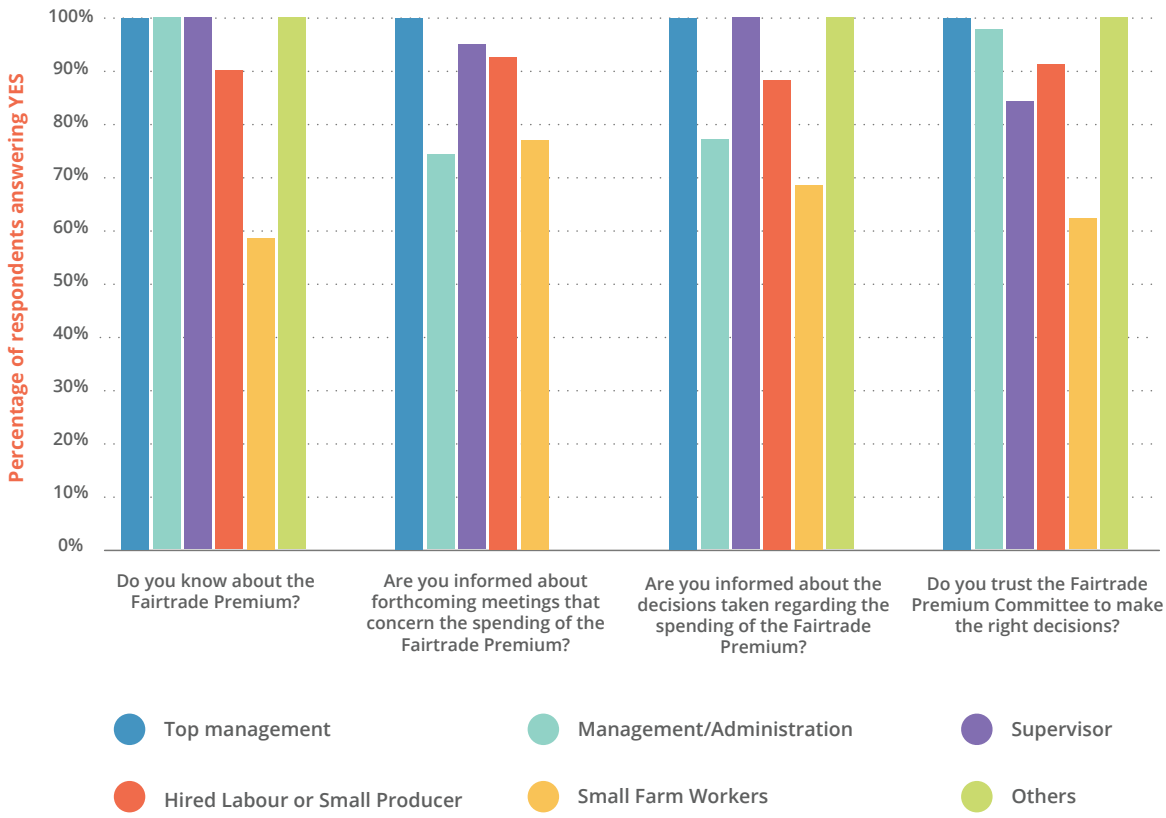

Figure 35: Knowledge about and trust of the decision-making process, disaggregated by position in the PO
Source: Individual Interviews (n=166)

5.2.2 Capacity building

Capacity building might play an important role in addressing those knowledge gaps. Thus, some organizations put much emphasis on capacity training. A Latin American cooperative is, for instance, offering its producer representatives trainings in decision-making processes, management instruments, commercialization, financial accounting. Although not necessarily focused on Premium decision-making and management, these trainings may improve the skills necessary to understand issues related to Premium use. In particular, capacity trainings for women can play a major role in generating greater gender equality. In some focus groups, women leaders expressed their belief in the importance of such trainings for reducing the fear of participating in discussions.

> ***"We benefit (from the Fairtrade Premium). We don't fear participating anymore. Thanks to the women's workshops, such as education workshops or animal breeding workshops ."***[31]

However, we still observed many obstacles to effective participation by women. More generally, our five case studies did not show a direct link between the amount of training and the effective knowledge and participation of small producers and workers (**Figure 36**). For example, while the cocoa union in Côte d'Ivoire and the banana cooperative in Peru spent comparable amounts of their total Premium on training (almost 60 percent), they represent the most and least knowledge about and trust in the Premium decision-making process respectively. The same is seen with the other three POs that invest less than 15 percent of their Premium expenditure on training. While they all have slightly less knowledge about and trust in their system, there is no clear correlation

31 *Original version in spanish : "Nos beneficiamos. Ya no tenemos miedo de participar. Gracias a los talleres de mujeres: talleres educativos, en crianza de animales".*

between training and knowledge. This suggests that training is not a 'magic bullet' for improving knowledge and trust. As far as accountability is concerned, according to our interviewees, training can only be effective if there is sufficient transparency and participation.

5.2.3 Transparency

This issue of transparency relates to three questions: budgeting and financial accounting; Premium use and distribution; roles and responsibilities.

First, **transparency in budgeting and financial accounting** is a key challenge. What is the total budget available and how is it calculated? These questions remain sensitive in some of our case studies; some workers and producers timidly expressed their discontent regarding the lack of information in that regard. In the HLO case, it is at Central FPC level that the yearly budget is created. It calculates how much budget is given to the two FPCs. Although employees seem to have knowledge about the budget at FPC level, there remains a lack of clarity, in the eyes of some employees, about the total budget and calculation at Central FPC level. Some interviewees wonder why only a certain amount of money ends up in the Fairtrade Premium Fund. We found similar concerns

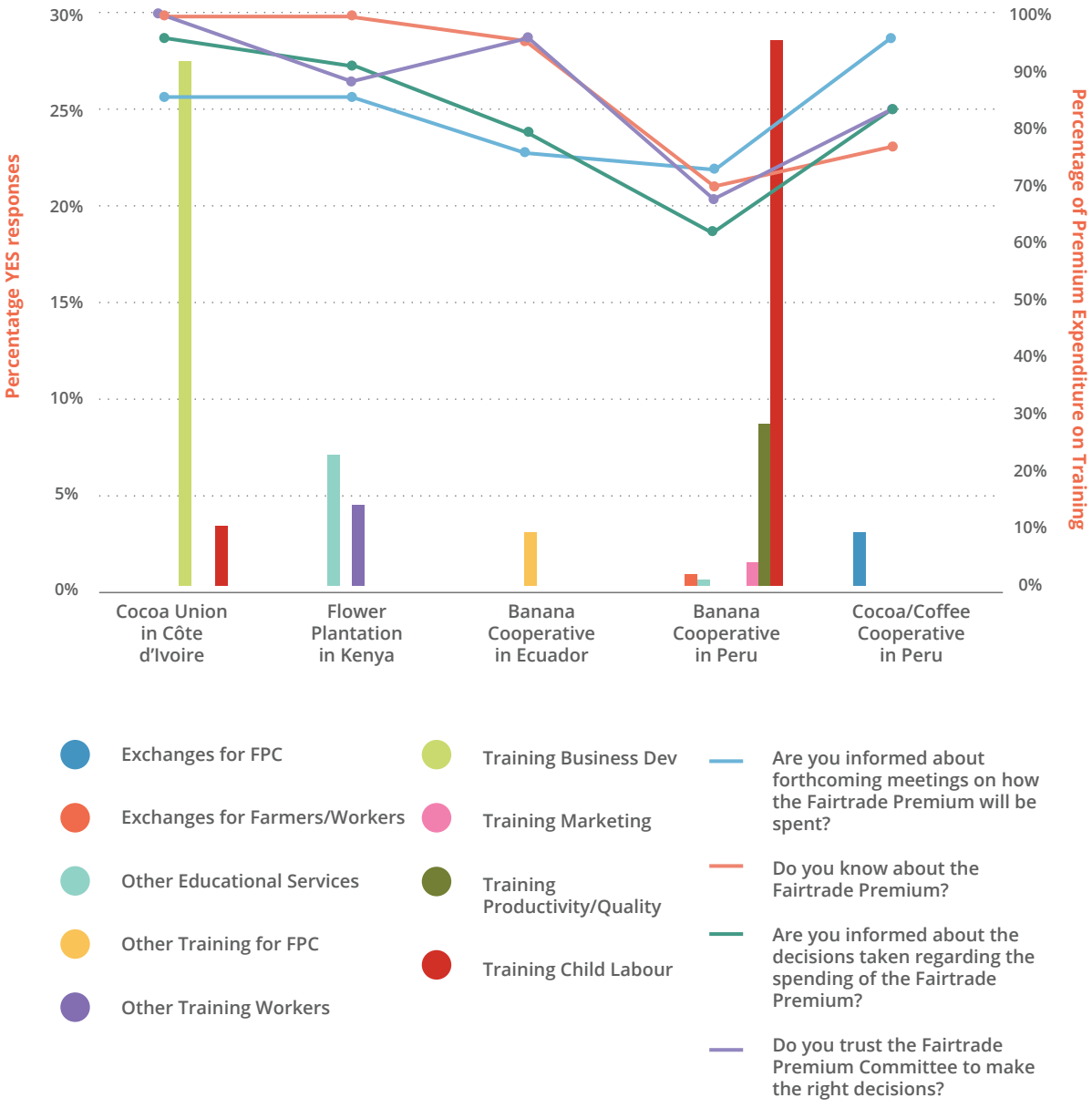

Figure 36: Knowledge and trust vs. percentage of training expenditures across the five cases
Source: Premium database (n=5) and Individual questionnaires (n=166)

in the cases of cooperatives where some producers and workers perceive a lack of clarity in relation to budget and accounting. In some cases, such lack of clarity was also experienced by the researchers when trying to understand documents such as the Annual Operative Plans and Annual Memory Reports. These situations point to the necessity of better communication and transparency in financial matters.

Second, the problem of lack of clarity relates to the question of **transparency in Premium use and distribution**. In relation to Premium use, on the one hand, there can be more or less visibility according to the organizations. Visibility can be created through concrete signs, such as placards or logos, designating where investments were made. There was great variety in that sense: in some cases, logos could be found in many places, even on the seats of schoolchildren. In other cases, no visible signs were used in the field, which made it difficult to assess how specific materials and infrastructures were financed. Visibility might also be created through documentation of the projects financed with the Premium, including descriptions of the projects, pictures, and financial data. Again, there was great diversity in that regard in the field. Some organizations could provide documentation (one with a sophisticated quality management software) while others had no specific, or very thin, documentation on Premium use.

In relation to Premium distribution, on the other hand, an important difference was found between African and Latin American cases. The issue here is whether or not explicit rules are defined on allocating the Premium to specific uses. The notion of "rule" points to the fact that decisions on Premium distribution can last longer than one year. By contrast, a "plan" for Premium use and distribution is only relevant for a year. In the African cases, there were rules of allocation clarifying types of Premium uses, and even a "Constitution" in the HLO case. In the Latin American cases, there were no such rules although in one case there was a detailed annual plan for use and distribution, which demonstrates

Case Box 3: Budgeting based on prior year's Premium availability in Kenya

An interesting practice in terms of budgeting was found in a case with separated decision-making process where the calculation of the yearly budget is carried out using a model that enables diminishing uncertainties for the incoming year. For example, the 2018 Budget is calculated based on the Fairtrade Premium revenue from Q4 2016 + Q1+Q2+Q3 2017. This provides four quarters of income to plan for the whole year and ensures that by January 1st, the money is already in the bank account. This contrasts with other SPO cases, where the budget is calculated using an estimation of the sales in upcoming years. Some producer representatives in charge of specific budget lines explained the uncertainty that this created. When asking for the budget to carry out some activities, the main manager would respond that this money would depend on sales, as if the budgeted money was not yet in the bank account. This uncertainty hinders accountability.

a higher level of visibility and transparency than in the other Latin American cases (see boxes for a more detailed presentation). In addition to the clarification of types of uses, it is also important to clarify criteria used for prioritizing when some investments cannot be carried out all at once. For instance, when prioritizing producers' production areas for investing in productive infrastructure, there can be an ambiguity about which criteria are actually used: the level of productivity of a zone (on the basis that those who produce more, create more Premium and therefore should benefit first) or the level of emergency (those with worst productive conditions should receive investment as a priority). Choices made about various types of uses and prioritization criteria do impact on particular actors. However, rules and criteria are not always made explicit. Defining rules could increase transparency, as long as these rules are decided in a participatory manner.

Clearly defined rules increase transparency and knowledge by farmers about the benefits	***Without clearly written rules, it is difficult for farmers to know who benefits***
In the case of the cocoa union, there is a distribution of the Premium which is made at the level of meta-organization and which allocates 50 percent of the Premium to the decisions taken in the General Assembly at the level of the union. This 50 percent is divided as follows: 20 percent for the community investments decided in the meta-organization General Assemblies; and 30 percent that are allocated (pro rata of their volumes) to the autonomization of cooperatives and which are decided in the General Assemblies of each cooperative.	We found no such rules in the Latin American cases. In one case, it was explained that 30 percent of the Premium was benefitting the workers of banana farms but this was not explicitly presented as an allocation rule in the documents of the cooperative. It is noteworthy, however, that unlike the other Latin American cooperatives this SPO had a document called "Regulation of use, management and distribution of the Premium 2017". This document does provide more transparency even though there are no allocation rules that are carried over from year to year.

Finally, a third point relates to **transparency in roles and responsibilities**. Who exactly is accountable for Premium use? The Kenyan case, where there is a specific body for managing the Premium Fund – the FPC – is instructive in that regard. During focus groups, there were interventions from people who ran for office and did not win, elected delegates and people who are not part of the decision-making process. They explained a vibrant election process where there is increasing competition to win a seat on the FPC. There is the possibility to serve two terms (of three years each), but only a small percentage of candidates win the second election (at least one person is required to be re-elected to maintain continuity). The interviewees explained that if the candidate doesn't deliver on their campaign promises during their mandate, the candidate will most likely not be voted back in for a second term. Thus, in the current FPC set-up, the workers use elections as a means to ensure accountability.

There are also organizations with a separate organizational body dedicated to the management of the Premium, but it is not an elected body. For instance, in one of the Latin American cases **(case 3)**, there was a specific body in charge of managing Premium projects. Although the dynamics of accountability are different from the case of the FPC involving elections, the existence of such a body is important in terms of transparency. Finally, at the other end of the spectrum, there are some cooperatives without a specific entity for the management of the Premium and where the main manager controls the key processes. Although chosen by the Board, the management team does not enter into election processes. In that case, producer representatives are supposed to be accountable, but the weakness of their roles in Premium management hinders accountability processes.

To conclude, these results suggest that the embedded character of Premium management does not serve accountability. On the contrary, greater transparency and accountability stem from the existence of specific roles and responsibilities for managing a fund that serves the collective; specific strategies to improve the visibility of Premium use and distribution, and accounting systems clearly separated according to sources of income.

Case Box 4: Formalized processes for accountability and transparency

The most formalized process of Premium use is found in the HLO case where a commonly agreed constitution determines the beneficiaries of the Premium and regulates the administration of the Premium by defining duties and processes. In addition, each FPC has its own rules of allocation according to the contextual and demographic conditions of their respective regions. While one FPC tries to make sure that 70 percent of its funds go to education (with the remaining 30 percent split between community, environmental and administrative expenses), the other FPC tries to ensure that no single line item goes above 30 percent of the total expenses.

6. THE FUNCTION OF THE FAIRTRADE PREMIUM IN SYSTEM CHANGE

Key Findings:

- Fairtrade certified POs finance, on average, four different categories of projects within the Fairtrade International categorization, but may be better described as the following six functional uses: collective investments for both the organization and individual members; 'productive' training for farmers and workers; quality and productivity improvement; support for the Fairtrade system and supplements to the market prices of the products; advancing the education of farmers' and workers' children; 'private' capital investments in communities.
- Physical infrastructure and direct payments are those uses that are the most noticed by respondents, but the preferred use is to pay for school bursaries and productive infrastructure.
- No significant correlations are found between productivity investments and Fairtrade revenue or Fairtrade sales, but organic POs tend to invest in productivity more than non-organic POs.
- The function of the Premium is primarily entrepreneurial and as a means to mobilize resources. Knowledge creation is also a function of the Premium through the financing of education.
- From stronger, well-managed and democratic organizations – when this is implemented through separated decision-making processes – resilient, viable and inclusive POs are the result.

6.1.1 What does type of usage of Premium mean for farmers and workers?

In the last section, the specific uses of the Premium were presented in order to provide an overview of both trends in expenditures and predictors of specific uses. In this section, the function of the Premium is explored. By function, we refer not just to what the money was spent on, but to the second-order use (or outcome) of specific investments and what this means for the users of the Premium.

Figure 37, which was produced based on a textual analysis of all of the exact project descriptions, shows the statistically significant 'co-occurances' of words within the data. Those words with the largest font are the ones found most often in the database and the connections between the words show how often they occur together – the thicker the connections the more often they occur together. The colour groups sets of words that frequently occur together in the same sentence. Analysing the individual projects, rather than the categories, enables us to build more meaningful categories for understanding the outcomes of Fairtrade Premium use. From this point of view, when we look at the actual projects that are being funded, the most frequently cited uses are for purchases, farmers, payments, and expenses.

Based on these results, we describe below categories that may better capture the function of the Premium uses by the POs:

1. Purchases of productive items for farmers (materials, land, fertilizer and equipment) and administrative expenses. This Red category details the most frequently occuring types of investments in POs, which are effectively collective investments for both the organization and individual members. Here, the POs are using the Premium to gain economies of scale in their purchasing activities for productivity and they are supporting the costs of managing the Premium (through the office and General Assembly expenses). Thus, we see that when the POs report their actual projects, they put their purchasing activity alongside their operational expenses for managing the Premium. This activity effectively subsidizes some of the normal operating costs for the PO, which may not be sustainable in the long term.
2. The Mid-Green category is focused around farmers and, in particular, farmer training. On one side of the group, the focus is on technical assistance and the FPC, while on the other side, farmers are linked to market, distribution and specific commodities (cocoa and coffee – the commodities with the greatest Fairtrade certification). This category thus appears to focus on 'productive' training for farmers

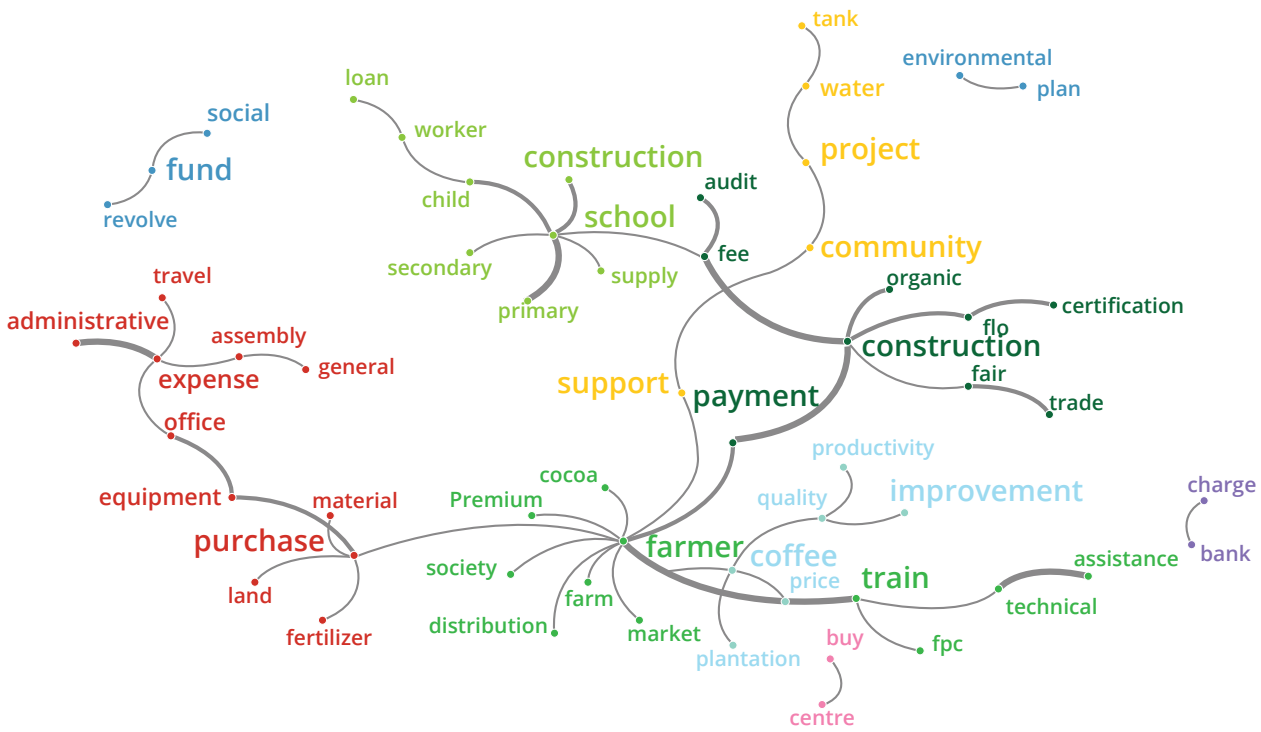

Figure 37: Word clusters of Premium use that illustrates their functions
Source: Fairtrade Premium Use Database 894 reporting POs
NB: There are 19,501 individual projects (2013-2016) and there is a normal distribution of words that appear between 50 and 500 times in the entries.

and workers (including the Fairtrade Premium Committee members).

3. The Sky-Blue category concerns quality improvement and productivity and is linked to farmers through coffee, which means that the majority of investments in quality improvement are found in the coffee sector (e.g., processing equipment, quality management). This also means that investments in quality were justified as also contributing to productivity. This can be explained by three things: 1) investing 25 percent of the Premium to improve productivity is a rule written into the Fairtrade Coffee Standard;[32] 2) coffee is the most certified commodity and also the largest recipient of Premium, and 3) it may also be explained by the characteristics of the coffee sector, whereby recent trends are focused on origin coffees that can be easily identified through flavour profiles based on high quality. For lower quality coffee, higher productivity is needed to compete with the low prices offered.
4. The Dark-Green category focused on 'payment' is referring foremost to 'farmer payments', which also emerged from the uses categorization. This is also linked to the payment of certification fees (primarily Fairtrade audits, but also other standards such as organic, GlobalGAP and Rainforest Alliance are found in the database). Thus, there is a function here where the Premium serves to support the Fairtrade system and supplements the market prices of the products. This suggests that the revenue received through sales is still not sufficient for the farmers to be able to use their own revenue to support certification. In our fieldwork we asked interviewees about this specific point. We found that it seems to be common practice for anything that is certification-related not to be entered into the normal cost calculations of the operation. This means that in order to remain a part of the Fairtrade system, they are using Fairtrade money and not money that they receive from sales.[33]
5. The Light-Green category is focused on school fees

32 *This was a temporary measure written into the Standard in 2014 but it remains in effect until further notice.*

33 *This in and of itself is not a sustainable business model because it means that the revenue is not enough to cover the costs of operation and the Fairtrade Minimum Price is not making a lot of difference in revenue streams. For example, in Côte d'Ivoire, we found that most of the services offered to the farmers by the cooperative (such as inputs, PPE, price bonuses), certification fees for Fairtrade International + RFA/UTZ, and even marketing activities were paid for by the Fairtrade Premium. The informants explained to us that without the Premium they were not making enough money through sales to pay for all of their staff and service costs. This was even more apparent in the two smaller SPOs in Latin America. The HLO did not have this issue, but for the SPOs this is a serious challenge. Revenue depends,*

and supplies, school construction and loans to workers. The connecting word 'child' suggests that these are contributions focused on the children of farmers and workers as the core beneficiaries. Thus, the function of the investments in schools is to advance the education of farmers' and workers' children, rather than the community more broadly.

6. The Yellow category refers to farmer support for community projects, specifically water. In some communities, basic necessities are still lacking, thus farmers are stepping up to provide these services in their communities. The Premium is thus functioning as 'private' capital investment in communities, with the farmers being able to step into the role of local 'businessmen' who are giving back to their communities.

There are four additional word clusters that can be seen: buying centre, bank charges, environmental plan and revolving social fund. These are recurring expenses found within the data that represent smaller groups of projects but are significant nonetheless (with at least 50 mentions). Of these, the revolving fund is an additional service for farmers that provides them with a credit line that can help them to make personal investments. The bank charges are required in order to maintain the bank accounts and perhaps bank interest charges on loans, while the buying centres and the environmental plans are collective projects aimed at improving the quality and prices of products for the former, while the latter serves to reduce the negative environmental impacts of production. In our experience these projects dealt with replanting, composting, introduction of shade or rotations.

6.2 The importance of local specificity

In an exploration of the full database of 894, the projects financed through the Premium demonstrated the wide variety of needs and the importance of local adaptability of Premium use. On average, each PO in the full database funded 4.76 different projects in 2015, with a mode of one and with the most diverse PO financing 26 different projects to the tune of €194,110.[34] This suggests that there is actually a trend towards consolidating the funds into fewer projects, usually within only two major sub-categories.

The POs selected for case studies demonstrate a higher diversity than the average Fairtrade certified PO, with an average of ten projects each.

As discussed in the above section on the decision-making processes, the visibility of the Premium was not always ensured. Indeed, when we questioned interviewees about their knowledge of the different projects that their POs had funded, few were able to remember all of them. As shown below in **Figure 38**, there were about nine projects (out of 34 different sub-categories) that more than 15 percent of respondents could remember, while only 'other buildings and infrastructure' received more than 20 percent of responses.

In our interviews, we do note a difference between the projects that respondents identified and those that we found in the Premium Use Database **(Table 9)**. We propose two explanations for the discrepancies found in **Table 10** below. First, we found that during the interviews, respondents often mentioned projects that had been financed in the past and not only those financed in 2015. Linked to this is the fact that publicity about who funds which project is not always well explained to workers and farmers. This is more common in our cases with embedded decision-making processes than those with separated decision-making processes.

Secondly, there may be some discrepancies in how the two different teams categorized the projects. However, these are minimal as both teams were working from the same questionnaire with a fixed list of sub-categories to choose from. Finally, there are significant discrepancies in individual responses. Most respondents knew just about four, but a select few knew many more in the Latin American cases **(Table 10).**

Upon examination, the most recognized uses of the Premium were those focused on physical infrastructure (both for the PO and for the community) and those individual payments (cash or school fee bursaries) that the respondent had received. These responses point to primarily entrepreneurial and resource mobilization functions in the way that POs are mobilizing the Premium. There is also an important element of knowledge creation in terms of the financing of education that may be stimulated by the Premium.

of course, on both the volumes sold on Fairtrade terms and the prices received for them. On page 22, we note that it would appear that a greater proportion of revenue is being received, on average, from non-Fairtrade contracts. This is a point that requires further investigation.

34 This diverse PO is a Vietnamese coffee cooperative of 117 members farming 234 hectares, producing about 3.88 MT of coffee per hectare. They sold a total of 487 MT at a price of €1,653.30/MT all on Fairtrade terms, generating revenue of €805,133.95 in 2015.

Figure 38: Do you know what projects your PO executed with the Fairtrade Premium? Source: Individual Interviews (n=166)

PO name	Number of projects financed 2015	Number of projects identified by interviewees
Flower HLO in Kenya	16	15
Cocoa union in Côte d'Ivoire	8	7
Banana SPO in Ecuador	10	20
Coffee/cocoa SPO in Peru	7	21
Banana SPO in Peru	9	21

Table 10: Discrepancy between projects financed and projects remembered by interviewees

6.3 Best and worst use of the Fairtrade Premium

Based on the data presented in the Use section, we found a difference in perception between what the biggest expenditures for the Premium were and what the respondents in our case studies recognized. When we asked respondents what were considered the best and the worst uses of the Premium, we learned that the uses and the functions of the Premium within the farmers' and workers' communities were not always the same thing.

The best investment is indeed different depending on the actor (we determined this based on a disaggregation of responses by actor in SPSS). For example, top management (in this case in a SPO) found the direct payments to be best,[35] while operational managers found the range of productive investments, such as the range of buildings and infrastructure, the most useful. Supervisors, workers and farmers found the scholarships to be the most useful, while farmers found the gender projects for the communities (specifically the productive projects – like cassava production and processing – for women) to be the most beneficial. This was particularly noted by the male farmers in the cocoa union in Côte d'Ivoire. While this may sound surprising, it is important to note that in Côte d'Ivoire, cocoa production is mainly a male activity and women carry out specific activities throughout the season, particularly watering and weeding, and the whole family is traditionally involved in the harvest as the families move into the forests to harvest the beans (cf. Schroeder, 1999). With the introduction of a cassava production project for the women, the food security of the families increased considerably and the purchasing of processing equipment with the Premium made their work much lighter, which benefitted the whole family.

Only the workers on small farmers' farms in Latin America didn't know or wouldn't respond to this question. This, we learned, is because they are usually excluded from the decision-making process. This difference is seen more clearly in **Figure 39**, where we separated the favourite projects according to the decision-making processes. We see that the greatest cross-over between the two groups is around 'other buildings and infrastructure'; but there is a clear preference for school bursaries among respondents coming from those POs that have separate decision-making processes, while members of the embedded POs clearly prefer productive investments **(Figure 39).**

The overwhelming majority of respondents could not or would not say what the worst project had been (**Figure 40**). A common response was: "the projects are what the farmers or workers have decided, it is what they want, so I cannot judge whether this is good or bad." When pressed by the researchers to say what project was the least preferred or that didn't quite fit their needs, we were able to elicit more information about some projects that had gone wrong. For example, in Kenya, there had been a project (considered under the category of collective purchases/products) to purchase goats for the workers in order to provide milk for the families, but the breed that was purchased didn't fare well in the local climate and the majority of the stock died in a short time. This was repeated a number of times by workers in one of the two sub-regions of the HLO as an example of a project that went wrong. The interviewees did comment, however, that the lesson was learnt and they had not repeated the same mistake again.

Here again we can see differences in the responses between embedded and separated POs. The respondents from the separated POs were slightly more willing to list specific projects. If we compare **Figures 39** and **40**, there is a tension between some projects (specifically direct payments and other buildings and infrastructure) that were among both the most and least appreciated. This tension can be explained by the result that we highlighted earlier in this report on the preferences for individual versus collective use of the Premium (cf. Darko et al., 2017). Overall, our results are inconclusive and point again to the local specificity of the Premium projects.

An interesting result from **Figure 40** is that the embedded POs have highlighted some of the productive infrastructure and investments for individual farmers among their least preferred uses of the Premium. We can compare this to the overwhelmingly positive reactions to those projects that focused on social services, such as education, health and economic autonomy. These results pose the question of whether the function of the Premium is better served as a means to increase productivity or to ensure the socio-economic welfare of the farmer members and workers. This is a recurring hypothesis in the literature, where it is postulated that the use of the Premium for productive investments will lead to increased productivity.

Due to the lack of longitudinal data, we could not test this causality hypothesis, meaning we could not determine whether those POs that invested in productivity with their Premium money in year X had increased income or sales, etc., in year Y.[36] However, we could compare characteristics of POs in order to see if there were trends between those that invested in productivity and those that were organic certified, or had large sizes or

35 *This statement needs qualification as we had a response from only one top manager from the African cocoa union for this question.*

36 *We cannot claim any sort of causality between productivity and sales because we don't have a controlled experiment and we cannot*

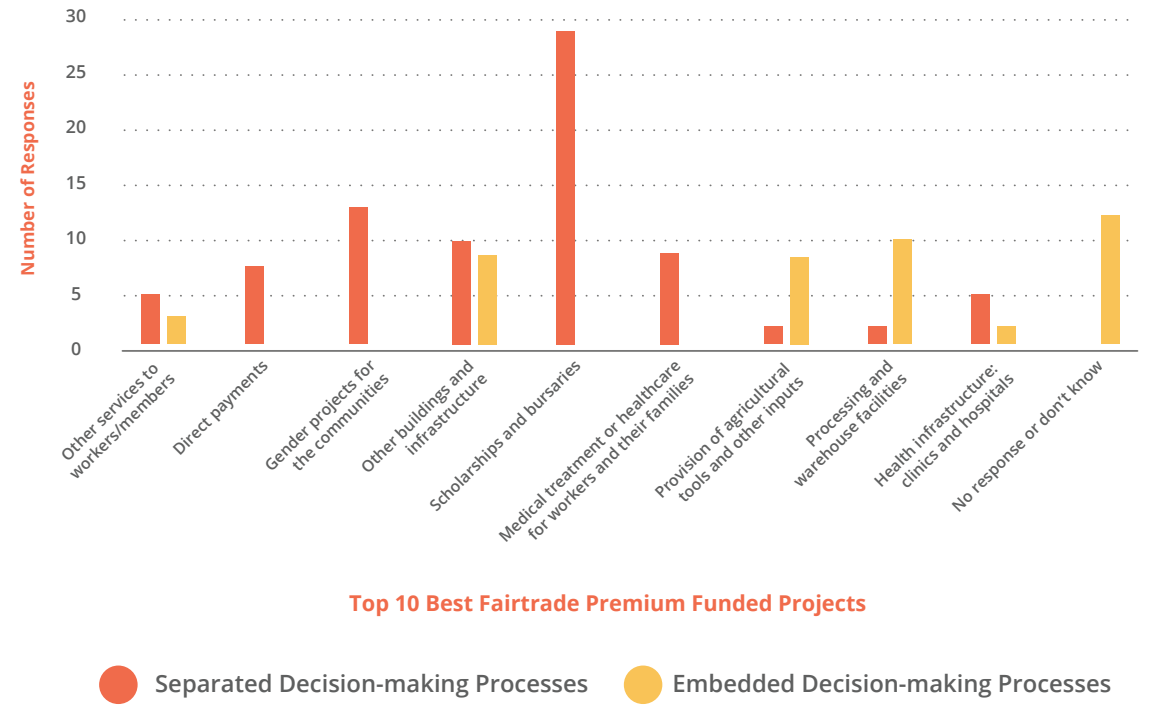

Figure 39: Top 10 Best Fairtrade Premium Projects
Source: Individual Interviews (n=161)

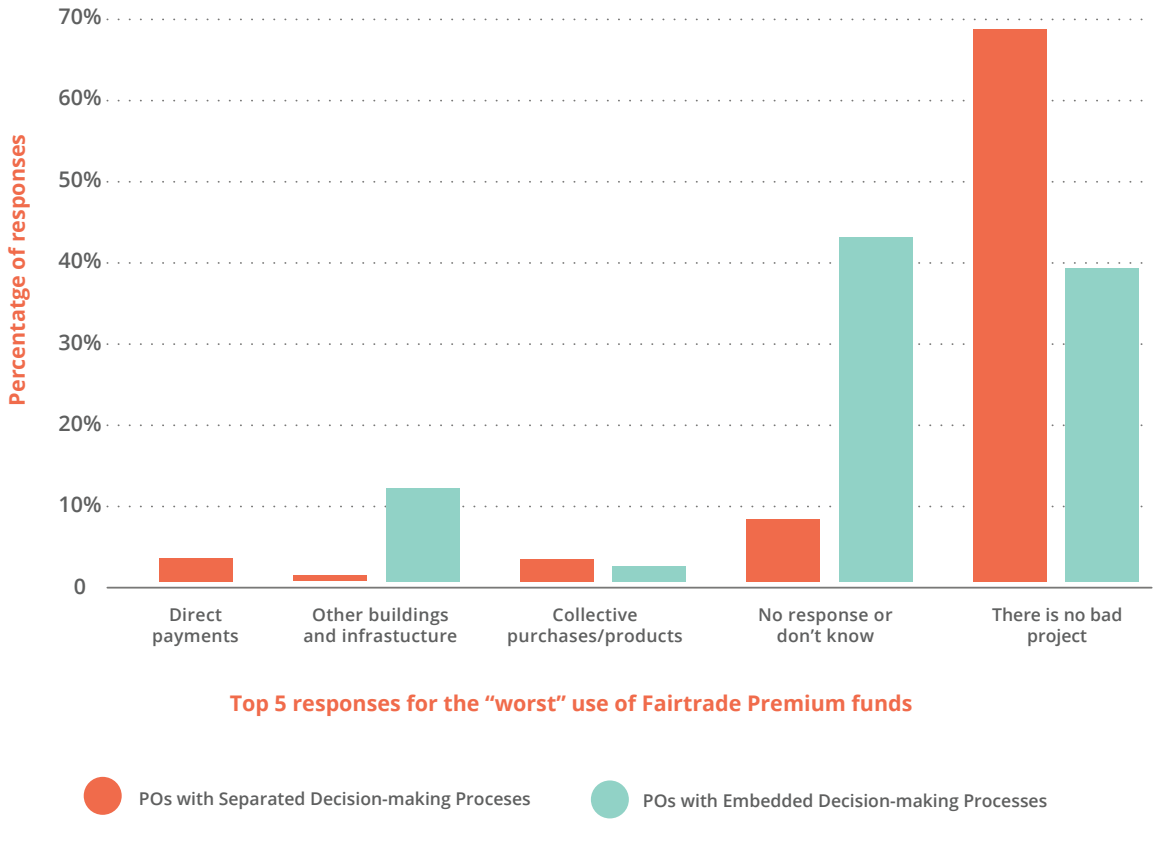

Figure 40: The 'worst' projects funded with the Fairtrade Premium
Source: Individual Interviews (n=151)

large proportions of their sales through the Fairtrade system. Thus, in the analysis of 385 POs **(Table 11)**, we found that the investments in productivity of a given PO (including infrastructure, equipment and training) are not significantly correlated with their percentage Fairtrade sales or percentage annual revenue generated from Fairtrade. This means that just because a PO invests in productivity, that doesn't mean that we can infer that they have a higher percentage of Fairtrade sales in their total sales or a higher percentage of the revenue generated by Fairtrade sales in their total revenue than a PO which does not invest in productivity. Indeed, there seems to be an inverse relationship between productivity-related projects and the percentage annual Fairtrade revenue. However, there is a slightly positive relationship between productivity expenditures and the percentage sales that are Fairtrade. If we look at the other inverse relationships that we see, the type of standard tells us that the HLO organizations and those with lower percentages of female workers spend less on productivity. The categorization of the main products[37] also explains the inverse relationship seen, whereby those POs that produce bananas, sugar, cocoa, coffee, dried fruit and flowers are spending less on productivity. The only significant correlation is between productivity expenditures and the percentage of organic land, which is a negative correlation. This means that the organic POs are investing in productivity more than the non-organic POs.[38]

This result is interesting because for some crops, specifically coffee and cocoa, there is a requirement (real or perceived) that the SPOs dedicate a portion of their Premium towards making productivity investments. This is apparent in **Figure 41**, where we see the cocoa and coffee POs having spent considerably more on productivity-related projects, while the HLO spent nothing. The banana cooperative in Ecuador is certified organic and their land purchase was to expand their productive capacity through the creation of a bio-fertilizer plant. This illustrates the correlation that we found in our analysis above. Again, we don't see a clear trend in the relationships between productivity investments and the interviewees' responses about the Premium's contribution to their socio-economic well-being, which would be a result of the increased revenue that should be attained by increased productivity.

These quantitative results can be explained with the qualitative data that we collected through the five case studies. For example, we observed how the Premium was being used to meet the real requirement of productivity investments in coffee, the perceived requirement in cocoa production and the voluntary investments in banana production. The most frequent use of the Premium to fulfill the productivity requirement is the bulk purchase of productive inputs, tools and equipment and the distribution of these to farmers at the beginning of the season. It is good agri-business management practice to provide inputs to cooperative members and to substract the costs of the inputs from the prices paid to farmers at harvest time. These calculations are part of the cooperative's regular budget and thus do not require external finance for the advance purchase of these inputs. What we observed was that the productivity use of the Premium was enabling the POs to substitute Premium funds for this budgeted expense. Indeed, the POs that we questioned about this practice responded that if they hadn't had the Premium, they would not have been able to provide this type of service to their members. This poses a fundamental threat to the sustainability of the POs and their ability to deliver impacts in the long term **(Figure 41).**

Since the investments in productivity are not clearly correlated with quantity produced, what function do they serve in the farmers' and workers' communities? We found that investments in buildings, warehouses, etc., were often not considered as productivity investments, but rather as projects that contributed to the autonomy of the organization. In Côte d'Ivoire, for example, they even categorized these investments this way in their reporting as they felt that the building of warehouses provided an official office, an official place for farmers to socialize and to keep track of their products, and possiblly a stream of revenue if they rented out the space to other cooperatives. We explore this further in the next section.

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claim any sort of causal inference about an earlier investment in productivity and a result in sales/revenue because we do not have longitudinal data. However, what we are reporting here is whether there is any likelihood that a PO which invests in productivity also has high percentages of Fairtrade sales/revenue in a given year.

37 The codes used for the type of Standard were: 0=HLO, 1=SPO, 2=CP; the main products were coded as follows: 1=Bananas, 2=Cane Sugar, 3=Cocoa, 4=Coffee, 5=Dried Fruit, 6=Flowers and Plants, 7=Fresh Fruit, 8=Fruit Juices, 9=Herbs, Herbal Teas and Spices, 10=Honey, 11=Nuts, 12=Oilseeds and Oleaginous Fruit, 13=Rice, 14=Seed Cotton, 15=Sports Balls, 16=Tea, 17=Vegetables, incl. Pulses and Potatoes, 18=Wine Grapes.

38 It is important to note that this statement needs to be confirmed with longitudinal analysis. We were only able to analyse Premium expenditures in 2015 against Fairtrade sales and revenue in 2015. Longitudinal data is needed in order to determine conclusively that earlier investments in productivity did not influence later gains in sales or revenue.

		Type of Standard	*% Female*	*Main Product*	*Country*	*Total Land (ha)*	*% Organic Land*	*% Annual Revenue Fairtrade*	*% Sales Fairtrade (MT)*
Productivity Factor Score	Pearson Correlation	-0.033	-0.032	-0.076	0.059	0.06	0.132**	-0.028	0.048
	Sig. (2-tailed)	0.512	0.527	0.135	0.245	0.24	0.009	0.588	0.343
	Covariance	-0.015	-0.027	-0.358	0.623	0.105	0.285	-0.034	0.061
	N	385	385	385	385	385	385	385	385

**Correlation is significant at the 0.01 level (2-tailed).

Table 11: Correlations between Productivity and PO components
Source: Database of 38 POs. Principal components analysis, with a VARIMAX rotation, was used to develop the Productivity Factor Score among the productivity focused variables (training and material investments in production and processing).

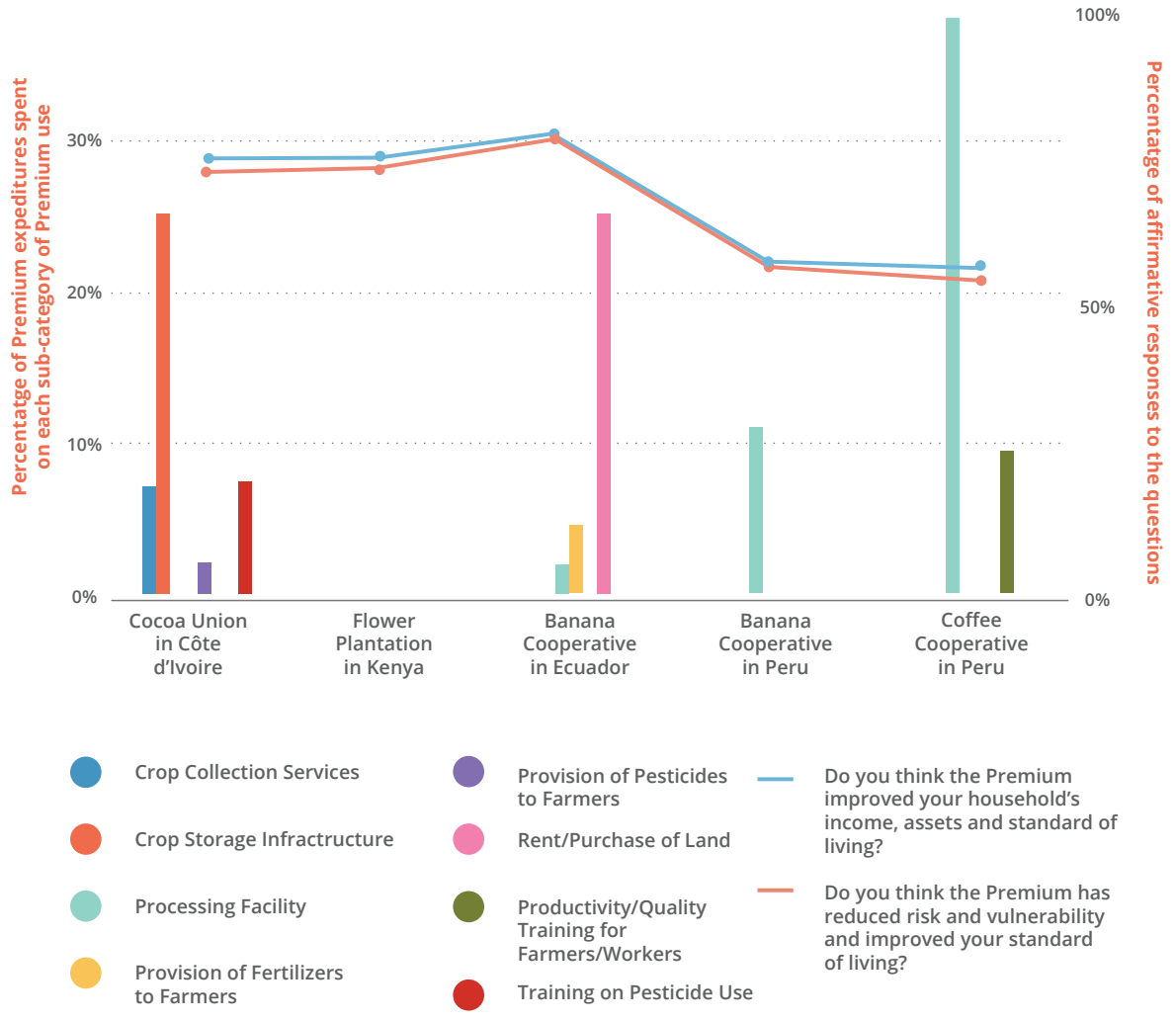

Figure 41: Percentage productivity expenditures and perceptions of socio-economic well-being
Source: Premium Database (n=5), Individual Interviews (n=163)

6.4 The functional contribution of the Fairtrade Premium to Fairtrade International's Theory of Change

Based on this functional analysis, we find that the majority of Premium uses are contributing to the following five outputs:

1. Increased investment in small producers and workers, their organizations and communities – this refers to those investments in POs and services to farmers, workers and communities, which can lead to enhanced influence and benefits for producers and workers – we observed this in our fieldwork. However, we did also note that in a number of POs the Premium is being used to pay for services that should normally be provided through the regular budgeting of the PO and financed through their revenue streams. We were unable to document this consistently due to the limitations of this study, but it should be considered as a priority for future studies.
2. Stronger, well-managed, democratic organizations for small producers – the contribution of payments to HR and administrative costs, trainings on democracy, training for the Fairtrade Premium Committee members on how to manage the Premium and the actual processes that they have put into place to manage the Premium – particularly those processes that we refer to as 'separated'.
3. Improved labour conditions and freedom of association for workers – in HLOs. The Premium payments are most often used to pay for training for workers for the activities of the FPC and as delegates. This helps create autonomous organizations within the work environment. The workers that we interviewed in Kenya testified to the fact that these types of activities improved their working conditions to the extent that even if the salaries offered by the plantation were lower than others in the area, they preferred working there because of the benefits that Fairtrade brought. This led to decent work and an increased capacity to invest in workers. However, our research also shows that this same type of result was not experienced by the workers on smallholder farms (cf. Oya et al., 2017). The question of how cooperative employees and small farmers' hired labourers may also participate in the decision-making processes and benefit from the Premium is important for improving the impact of Fairtrade.
4. Enhanced knowledge and capacity among small producers, workers and their organizations – training is a type of Premium use found across all of the major categories of use. The most frequent form of training is that based on the main 'responsibility' of the farmer or worker – that is, to improve farming practices.
5. Finally, Increased networking and collaboration within and beyond Fairtrade around common goals. While this is not a very common expense, we have seen exchange visits sponsored between FPCs and between POs. These types of exchanges have the dual function of helping farmers to build networks around common goals and contribute to resilient, viable and inclusive businesses as 'exchange' visits help farmers, in particular, to see how others are working and to improve their business practices. An insight that we also gained from the fieldwork is that when there are high concentrations of Fairtrade certified organizations in one geographical area, collaboration between the FPCs on investing in community infrastructures and services can be much more effective in the long term.

We can represent these functional influences graphically as the beginning of impact pathways **(Figure 38)**.

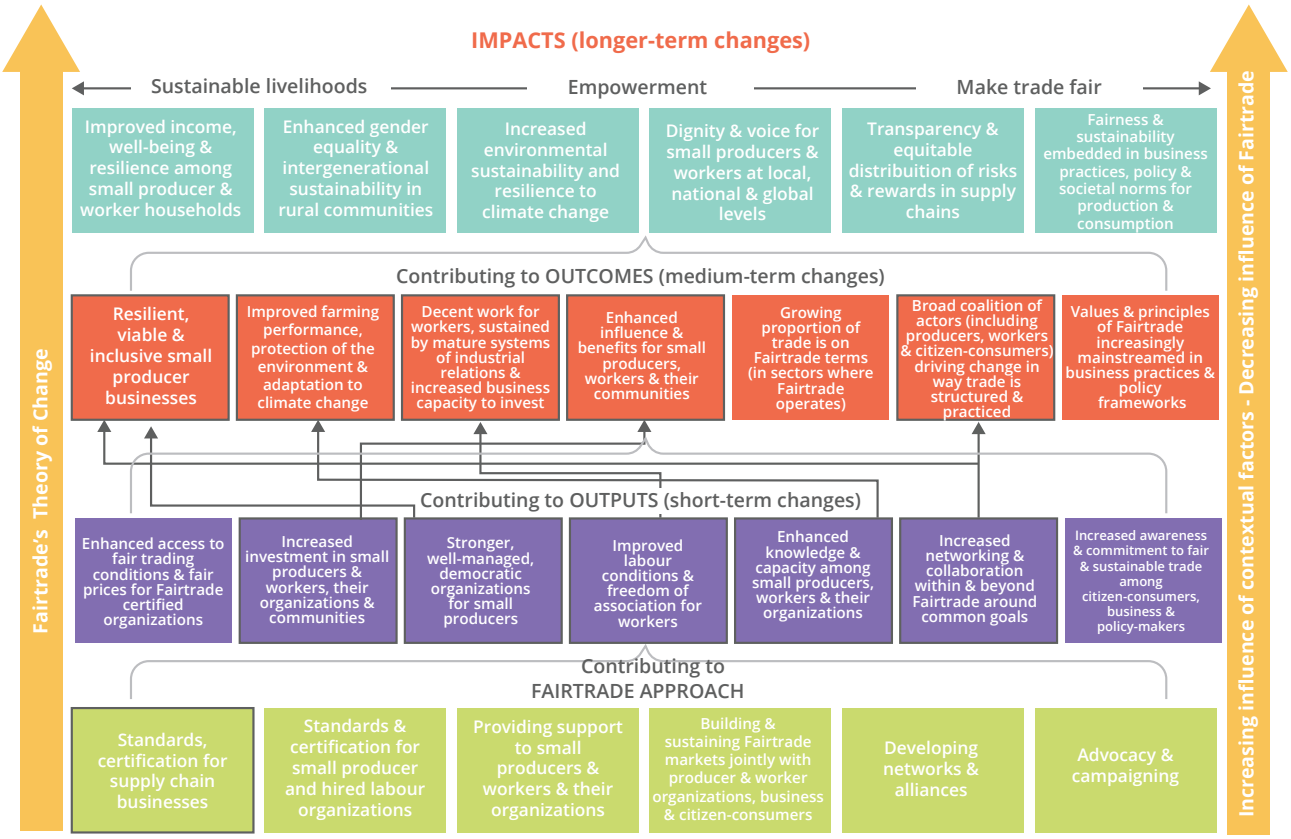

Figure 42: From the Premium to functional outputs

7. LEVELS OF IMPACT: WHAT ARE THE OUTCOMES AND IMPACTS OF PROJECTS?

In the previous section we identified the outcomes that specific uses of the Premium contributed to if we considered the functions that these projects served in the farmers' and workers' communities. These functions map onto Fairtrade International's ToC, as illustrated in **Figure 42**. What we explore in this section is how we were able to trace possible pathways from these individual projects, through outputs and outcomes towards impacts, which are considered within Fairtrade International's ToC to take place alternatively at the individual household, community, PO, national and global levels. However, as illustrated in the literature review, the determination of impact of a single intervention, particularly when it is embedded within a multi-faceted system, is not easily done. In order to explore this level of analysis further, we rely upon our case study data.

To understand how the functions of these Premium uses lead to impacts, we asked individuals to provide their opinion about whether or not the Premium had an effect on eight expected impacts of Fairtrade. In **Annex 2**, we include the table produced by Fairtrade International that maps the ToC's outputs, outcomes and impacts to specific indicators related to Premium use. This mapping was used as the logical framework for developing the specific questions used in our questionnaire. In order to determine how respondents perceived the role of the Premium in impacting their lives, we operationalized the Fairtrade International ToC to develop questions that covered the following eight expected impacts:

1. Improved household income, assets and standard of living
2. Less risk and vulnerability, increased food security
3. Improved access to basic services
4. Increased cooperation and gender equality within communities
5. Increased dignity, confidence, control and choice
6. Enhanced influence and status of small producers
7. Fairer and more sustainable trading system
8. Increased environmental sustainability and resilience to climate change

The above eight impacts are captured by the six broad impacts highlighted in **Figure 42** above. The differences are a result of a collapsing of impacts 5 and 6 into one that focuses on Dignity and Voice, while impacts 1 and 3 are combined to focus on well-being and household resilience in addition to income. In our discussion of these results below, we begin with the perceptions of actors that we interviewed in each of the five case studies, and we use the insights we gained from this qualitative data to trace the pathways to impact that also draw upon the results presented in the preceeding chapters. We explore those pathways that offer the most promising ways to link the Premium use to desired impacts.

To begin, we compared the results from the five POs to each other. There were a number of ways that we could look at these results differently to compare geographic, product and PO differences, but we found that by aligning the POs according to our analysis of separated vs. embedded decision-making processes we find some meaningful results.

In **Figure 43**, we see that with the separated decision-making processes, while all actors do not have the exact same opinion about the impacts of the Premium, the majority of points on the graph demonstrate agreement among the actors. As can be seen in the individual case studies found in **Annex 1**, there is one SPO which has completely separated decision-making on the Premium from decision-making on the business operations and they have included small farm workers within this process. In this case there is almost complete agreement about the benefits they see from the Premium, which can be seen in the most positive responses from small farm workers **(Figure 44)**.

In the embedded decision-making processes, there is less agreement among the different categories of actors. Indeed, in the two embedded cases, we observed that small farm workers were excluded from the decision-making process in one of the cases, while the small producers did not feel like they were involved in the decision-making process in the other case and small farm workers were not interviewed. What this tells us is that there is an effect from the decision-making

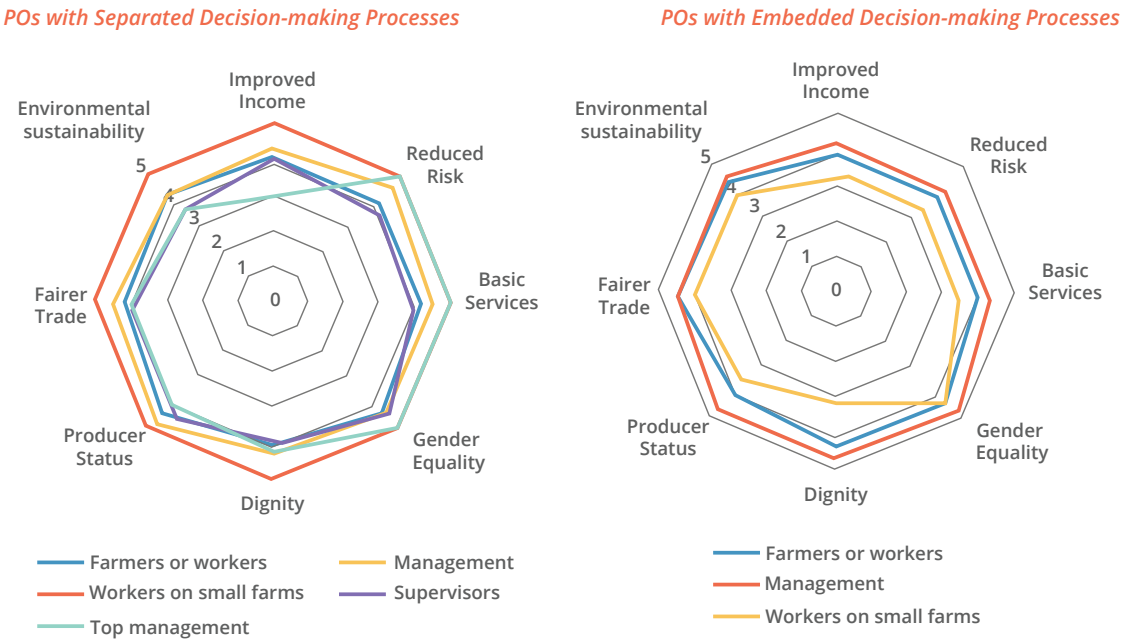

Figure 43: Perceptions of Impact between POs with separated and embedded decision-making processes
Source: Case study questionnaires, 163 responses. The different categories can be described as follows: Top management is considered to be the CEO, President. DG, managing director, Jefe, etc., of the PO (either HLO or SPO). Management refers to members of the administrative/operational management of the PO, not the top leader. This is the level of management that we spoke to most often in both the HLO and the SPOs. Supervisors are middle-low level managers – shift supervisors, field supervisors, etc. These are usually found only in HLOs and are often the levels that general workers are able to rise to without further education. They can also refer to the same level in the secretariat of the SPO.

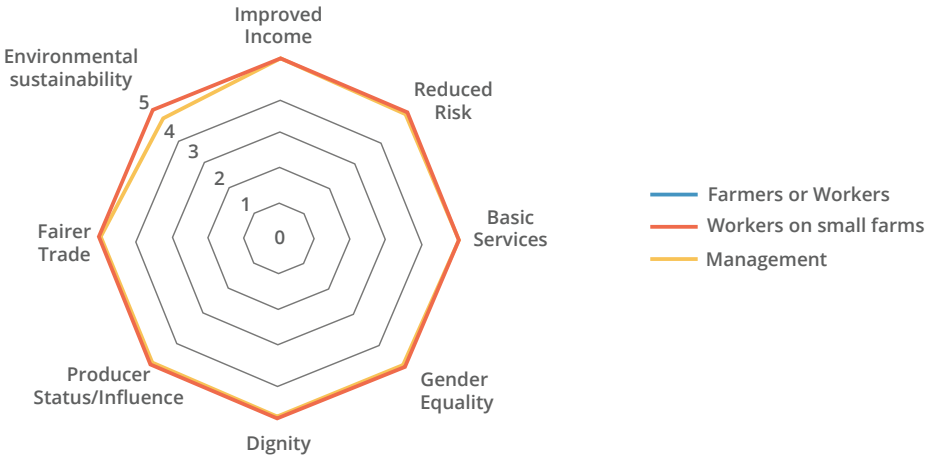

Figure 44: Perceptions of Impact (Bananas, Ecuador)
Source: Individual Interviews (n=32).
NB: The figure appears not to show the results from the Farmers or Workers, but this is only because they gave the exact same responses as Workers on Small Farms' and are thus hidden behind the orange line.

process on how the beneficiaries see the impacts from the Premium. The more they are involved in a process dedicated to the Premium, the more the actors see benefits from it.

The lowest score (3) is given by the top managers in separated POs and by workers on small farms in embedded POs. Both groups of actors did not perceive improved income to be a benefit from the Premium despite the general agreement that it was from the workers and farmers and small farm workers. This can be interpreted as an individual benefit as the respondents themselves were not seeing a change in their own income from the Premium. An intriguing result is the importance of the intangible benefits of dignity and gender equality that are reported by both types of POs. Gender equality was explained to be the result of specific programmes that had been introduced to help women increase their professional capacities and roles within the Fairtrade Premium Committees, specific training that was received on gender equality, and the community projects aimed specifically at diversifying the income of women. These three examples of activities illustrate the conceptual difficulties of isolating the impact of a single initiative, as gender parity on the FPC is written into the Fairtrade Standard, the training is part of the Fairtrade International liaison activities and the community projects are decided at the local level.

The importance of working at these three different levels together can also explain the responses related to dignity found in **Figure 43**. An example from the researchers' experience in Côte d'Ivoire summarizes what this means very well. While we were visiting one of the schools that the SPO had contributed to with their Premium funds, one of the newly-arrived teachers was sitting in the meeting with the principal, the SPO leadership and us. At a certain point, the teacher addressed himself to the two European researchers and requested that the Premium be used to improve conditions in the teachers' houses, which had fallen into disrepair. The President of the SPO interrupted him by saying that if he had a request, he needed to address it to the SPO Fairtrade Premium Committee, which was responsible for determining what is funded with the Premium. He went on to explain that the SPO makes contributions on behalf of members who are parents of the children who attend the school. This vignette illustrates what is meant by the interviewees when they responded positively to the question on dignity: the ability to gain respect within their communities as people able to contribute to the improvement of their communities.

These insights help us identify some possible pathways to impact that are influenced by the Premium uses, which we find are in turn influenced by the decision-making processes that have been put into place **(Figure 45)**. Our analysis identifies ten possible pathways from outputs to the six consolidated impacts, which we explain in turn below.

First, the types of investments we have seen – particularly in terms of investments in POs and the analysis of participation and accountability – demonstrate that when there are stronger, well-managed democratic organizations, there should be pathways from the enhanced influence and benefits for small producers, workers and communities towards dignity and voice for these actors at local levels **(Pathway 1)**. We saw this clearly in our fieldwork in Kenya and Ecuador where there was discussion about the leadership opportunities that the separate Fairtrade Premium Committees enabled, particularly in spreading over into local political leadership. However, it is clearly not possible for us to see if this is the case at national or global levels given the limits of our study. This path also leads to enhanced well-being and resilience because of the investments in infrastructure and services **(Pathway 2)**.

From stronger, well-managed and democratic organizations – when this is implemented through separated decision-making processes – resilient, viable and inclusive POs are the result. In the long term, this can lead to improved income, well-being and resilience of the producers and workers **(Pathway 3)**. It can also lead to enhanced gender equality **(Pathway 4)** if this is promoted through participation in the decision-making process, and transparency and equitable distribution of risks **(Pathway 5)** – at least in terms of accountability of POs to their members and workers **(Figure 45).**

Improved labour conditions contribute to decent work, which also can include the well-being and resilience of workers **(Pathway 6)** and to fairness and sustainability becoming embedded in business practices **(Pathway 7)**. However, we do see that not all employees in the cooperatives or workers on small farms are included – or benefit from the Premium (particularly in the banana sector). These categories of actors are also important in the productive sectors and in some cases are far more vulnerable than small farmers or employees of large plantation enterprises. In line with the recent findings from Del Río et al. (2017), small farm workers are not currently considered within the current use patterns of the Premium.

Enhanced knowledge and capacity, as we have seen this use function in the systems, can lead not only to improved farming performance and, as a result, increased environmental sustainability **(Pathway 8)**, but in the longer term to improved income, well-being and resilience **(Pathway 9)**. This is because some of the training is being used to advance within career paths, to create alternative income generation activities and thus to enable households to become more resilient through the diversification of income and improved job prospects due to improved skill sets. Unfortunately, we could not find any significant correlations between Premium expenditures in productivity (training or provisions of inputs) and total quantities produced. However, from our fieldwork, we do have testimonials that yields have increased since implementing good agriculture practices (particularly composting, intercropping). However, these

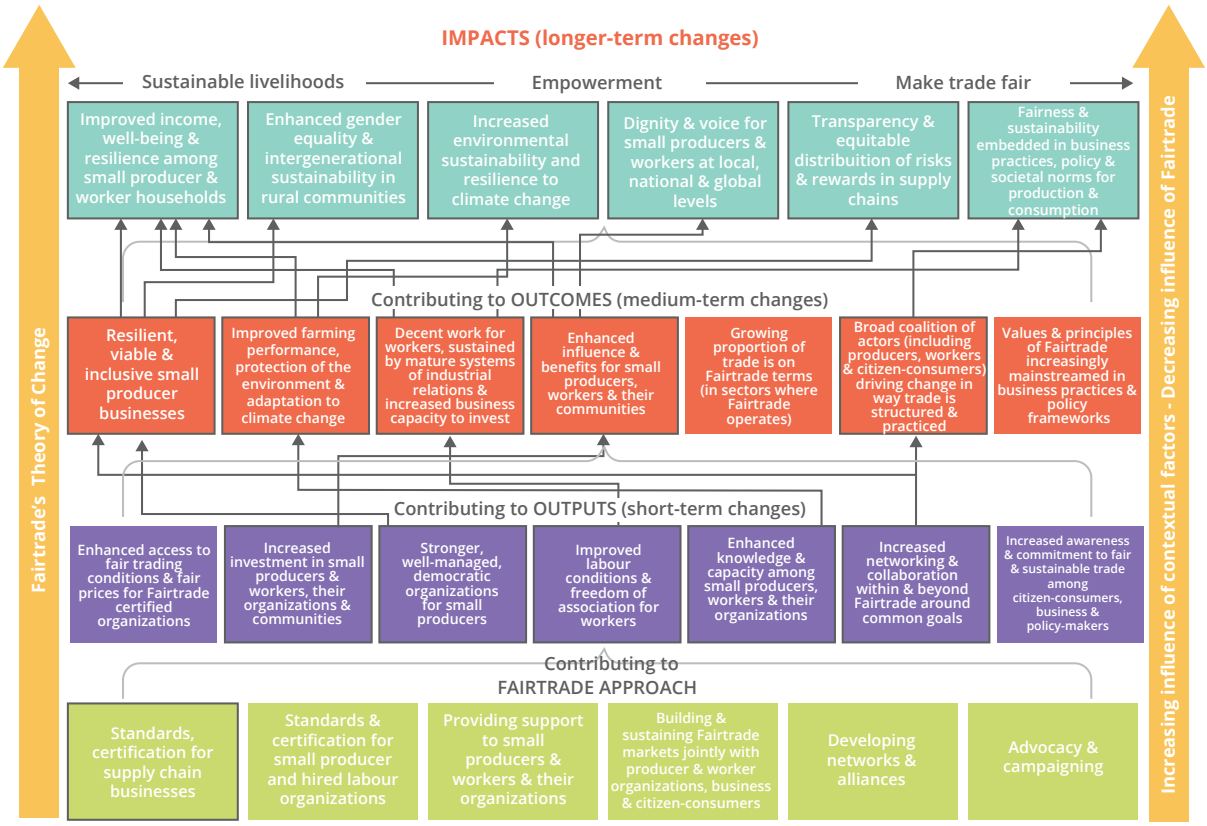

Figure 45: Possible Impact Pathways from Premium Use

trainings were not necessarily tied to the Fairtrade Standards or Premium, but rather to UTZ and Rainforest standards. During the interviews, we observed the widespread lack of a clear understanding of the environmental aspects of Fairtrade among the farmers. Environmental issues related to Fairtrade certification (e.g., sustainability of natural resources, integrated crop management) remained abstract concepts to many interviewees, while their knowledge of economic and social aspects was quite well developed. This supports the conclusions of recent studies (Haggar et al., 2017; Pyk and Abu Hatab, 2018), which found that despite the inclusion of environmental components as roughly one-third of the criteria in the Fairtrade Standard, the core focus on support efforts from Fairtrade International is on guaranteed price, Premium, labour rights, and community development.

Finally, the increased networking that we noted can lead to an impact pathway through its ability to build coalitions and mobilize within national and international networks to fight for fairness and sustainability in business practices **(Pathway 10)**. The case of the Kenyan flower sector is a case in point, as Fairtrade certified farms have been at the forefront of the creation of the national flower council which has developed its own standards for business practices. This council has effectively worked to change how the industry operates at national level.

As to the growing proportion of trade on Fairtrade terms, we could not find any correlations between specific uses and increased percentage of Fairtrade sales. Based on our case studies, the commercial contracts for Fairtrade sales are considered to be quite a separate matter from Premium administration and use. Indeed, in some countries we did find misconceptions about this relationship. Some producers and workers believed that higher productivity would automatically bring about higher Premium without understanding that the need is not necessarily to have higher yields but rather to have more sales contracts to cover current production (without the need to increase productivity).

This insight brings us back to the core finding of this report, which can also be seen in these possible pathways. Interventions in stronger, well-managed and democratic POs offer the greatest number of pathways to impact (3). Our qualitative analysis explains that separated decision-making processes contribute to this strength by enabling POs to increase the participation of members in the decision-making and hold decision-makers accountable for how they spend Premium funds.

8. CONCLUSIONS

This study took the Premium as its main object of analysis and focused on how POs set up their decision-making processes to determine its use. Our analysis focused on how different forms of participation and accountability may enable certain uses to serve positive functions in the system that may lead to a wider variety of impacts within Fairtrade's Theory of Change.

Specifically, we found that direct payments to farmers, investments in operations and production, and community infrastructure (basic needs) were the most common uses for the Premium. The best uses were those that provided educational opportunities for farmers' and workers' children on the one hand, and that provided productive infrastructure on the other. Since Premium funds are spent in the form of local investments, they seem not to affect trade relations, which should be taken into consideration in Fairtrade International's future discussions of its Theory of Change. In terms of decision-making processes, we found that separating the Premium decision-making process from the decision-making process of the PO's operations empowers producers and workers. We confirm existing research claiming that small farm workers and cooperative employees are not always included in the decision-making processes nor do they always benefit from the Premium. Ensuring participation is important for empowerment, but it is also particularly important for finding locally appropriate and socially accepted investments. Local appropriateness and acceptance are crucial for ensuring that the Premium has an impact for the desired beneficiaries. This is quite important considering that Fairtrade certified POs spent €117 million on Premium-funded projects in one year (p.12). As a result, more effort needs to be made to increase the internal accountability mechanisms of the POs, rather than increasing accounting mechanisms between the POs and the Fairtrade actors. The former will lead to stronger POs overall that will be better able to account to international demands.

We also found that the Premium serves to cover core expenses of certified operations, putting into question the viability of these enterprises (which are perhaps not yet fully autonomous), and the basic needs of the communities (ranging from drinking water to library services to markets for sustainable inputs), which points to the range of development contexts within which the POs are working. However, when participatory decision-making is working properly, the Premium does increase the dignity of farmers and workers by enabling them to become 'patrons' of their communities. These two elements of how use of the Premium functions in the farmers' and workers' local situations are important for further study as they provide insights into the effective utilization of the Premium. They also point to the fundamental role of the Premium in holding up the system (as also noted by Kilian et al., 2006); if the Premium were eliminated, many core functions of the production system would not be able to continue. Finally, no causal pathways can be determined, but there are possibly multiple ways towards increasing farmer and worker income and well-being and fairness and sustainability in business practices. Likewise, there is no "golden" Premium change pathway. Every individual PO needs to develop its own pathway depending on contextual conditions and organizational needs – specifically the needs of farmers, small farm workers and HL workers.

The existing literature has already pointed out the importance of decision-making for ensuring that the Premium makes an impact. Our study empirically underpins the importance of the decision-making process in a very detailed way as we compared different POs (e.g., size, expenditure, geographical area, and product) and different aspects of decision-making (i.e., accountability and participation). Our purposive selection of POs was beneficial to this analysis, as it allowed us to identity fundamental differences in decision-making processes. A bigger sample of cases would have allowed us to identify more processes and to better work out the similarities and differences. The analysis of the full Fairtrade International database revealed significant amounts of Premium expenditure in the South African wine grapes sector, which would be interesting to explore further in future research. Nevertheless, the small sample of case studies already shows that different processes lead to different levels of participation and accountability. This proposed focus on function, rather than use, may lead

to a better understanding of the role the Premium plays both within the Fairtrade International system and within the POs and their communities.

Recommendations

This research sought to disentangle the effects of the Premium when it was used by POs. Based on the data presented in this report, we can suggest the following recommendations for optimizing the use of Premium funds in the future.

1. Improving Fairtrade Standards and support for producer organizations:
   a. Re-examine some of the requirements/ suggestions for Premium use (particularly the ambiguity in the interpretation of the 25 percent productivity expense requirement) and provide updated advice to POs. The best advice should be local context focused and based on stakeholder engagement, rather than blanket requirements for products or countries.
   b. Clarify how Fairtrade International logos should be used on funded projects. There are inconsistent understandings in the field about how the Fairtrade International logos can and should be used. Clarification in the communications strategy or in the Standard itself could be helpful, especially as the on-site use of logos contributes to increasing the accountability between the POs and the communities.
   c. Encourage POs to develop separate decision-making processes. Encouraging the use of a separate bank account for the Premium (and eventually other community-directed funds) with multiple signature requirements can improve the accountability of the process. This is currently a requirement for HLOs but should also be required for the SPOs.
   d. For SPOs: Support the integration of the workers hired by the cooperatives and the producers in the decision-making process. Inclusive decision-making processes are key to Premium investments that benefit all producers. A recommendation on this could be added to the Fairtrade Standard.
   e. For HLOs: Support the collaboration between FPCs in highly concentrated areas to work collectively to fund larger community projects (e.g., hospital wards, school buildings, municipal water infrastructure). In these geographic areas where many POs are certified, competition between FPCs can result in redundant investments and community imbalances.
   f. Offer capacity building for POs on 'organizational development' that can encourage them to build separate processes for Premium management that fit into their local situations without reinforcing bad practices.
   g. Encourage the use of Premium 'planning' workshops by the Premium management committees so that they can elaborate their plans collectively and increase knowledge about what the Premium is used for.
2. Strengthening MEL systems:
   a. Integrate the POs own evaluation of investments into the monitoring and evaluation reporting. Evaluation should be an integral part of the decision-making process that is used by the POs. If the PO does not have their own evaluation mechanisms in place, support the development of simple evaluation tools.
   b. Develop a better categorization method for classifying Premium use that can better capture the function of the use. Since a warehouse can serve many different purposes for the producers, the simple counting of the warehouses doesn't give an indication of the change that is occurring within the organization **(see Appendix 5).**
   c. Ensure good data management practices for the maintenance of the original Fairtrade International databases. These databases contain a wealth of information, but they are currently not fully exploitable because of several data entry errors. Given the size of the Fairtrade International system, adopting a more user-friendly database that could be better linked to the data collection instruments might be worth the investment.
3. Improving research on Premium:
   a. Develop a standard protocol for research engagement, particularly in the explanation and allocation of responsibilities for contacting different actors, mission reports, contracts, intellectual property, and timelines.
   b. Collect more data on the type of decision-making processes the POs have in place to decide on Premium use. This would help to determine if the proposed typology is indicative of a general trend across POs or just an anomaly of five cases.

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10. ANNEX 1 –CASE STUDIES

10.1 Case study 1: Flower plantation in Kenya

10.1.1 History of the PO

The flower plantation consists of four associated estates that are all Fairtrade certified. The four farms cover a combined total of 1,856 hectares and employ about 5,000 workers. The plantation cultivates vegetables and herbs and delivers over 181 million flower stems per annum mainly to the UK and the continental European market. A total of 24 percent of the flowers are sold as Fairtrade but only four percent of the vegetables/herbs are sold through Fairtrade contracts. Apart from Fairtrade, the producer organization also obtains the certification MPS-Socially Qualified. This producer organization has established its own detailed constitution to regulate the coordination and distribution of the Premium. Following this constitution and the Fairtrade Standard, the PO has created a Central Fairtrade Premium Committee that shares the Premium among the two FPCs according to the number of employees and not based on the amount of Fairtrade sales (see **Figure 46**).

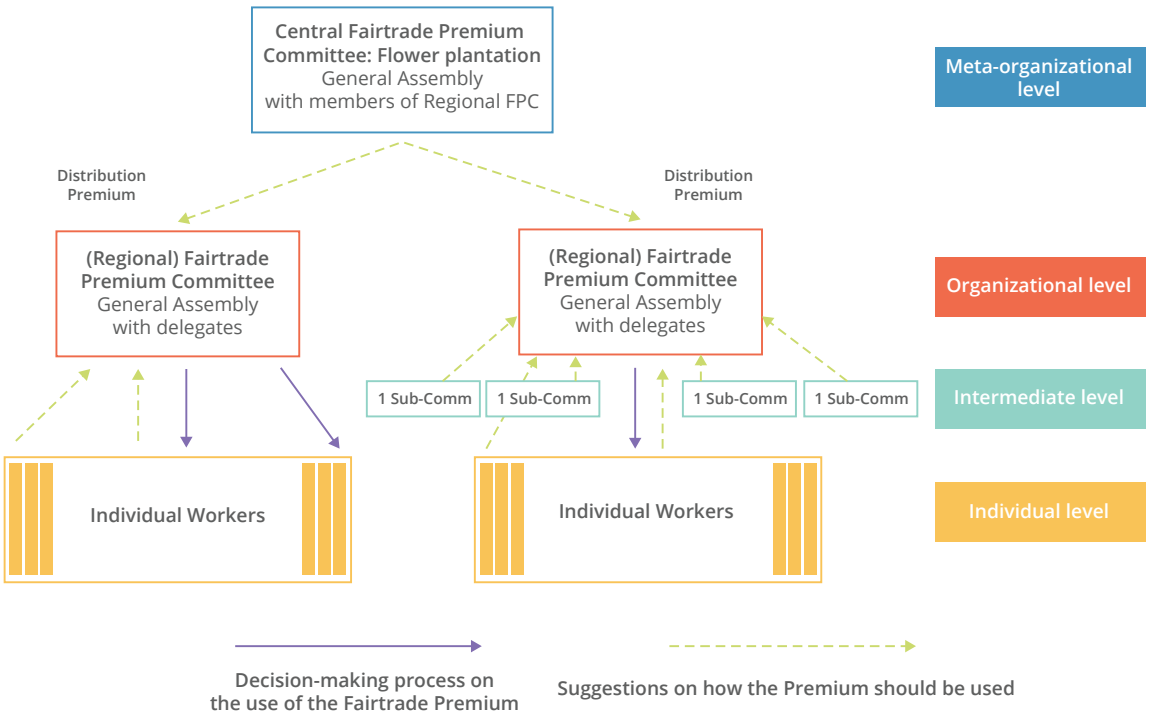

Figure 46: Decision-making map of the Kenyan flower plantation

10.1.2 Location

The four farms are situated in two regions that are different regarding climate conditions and their socio-cultural setting. However, with different accentuation all farms concentrate on the cultivation of flowers (especially roses), vegetables (especially broccoli) and fresh herbs. Each farm is equipped with a flower or vegetable packhouse, whichever is applicable. During the fieldwork all four farms were visited and data was collected at each site.

10.1.3 Fieldwork

Information about the use of the Premium was obtained through eight focus groups (four focus groups with supervisors and four focus groups with general workers). Two co-construction workshops with the FPCs from both regions provided information about how the committees take decisions on how to spend the Premium. Additionally, the observation of a budget meeting of the CFPC revealed how the Premium money is shared and distributed between the two regions. A total of 40 individual interviews were conducted. Among the interviewees, 55 percent were men and 45 percent were women. The majority (57.50 percent) of the interviewees finished secondary school and are mainly employed as workers (47.50 percent) or as supervisors (35 percent). The age and working years for the flower plantation correlate to different categories (see **Figure 47**). Visits to and observations of local investments included, in one region, primary school classrooms, a laboratory at a secondary school, a baby crèche, a dispensary, a land settlement project and the donation of an X-ray machine for a local health centre. In the second region, the visits included primary school classrooms furnished with equipment paid for by the Premium and the public library for which ten computers, a printer/scanner and furniture were donated.

10.1.4 Premium-relevant characteristics

- Premium spent: €552,884 in 2015 split between three categories: Services to Communities, Services to Farmers and Workers, and Employee Training (**Figure 48**).
- Number of beneficiaries: 5,011 workers benefit from the Premium and interviewees (97.5 percent) stated that all workers should benefit from the Premium.
- Recently-funded projects: Full and part school sponsorship, medical costs for workers and their dependents, delegates and FPC capacity building, training for workers, construction of classrooms.
- Most appreciated project: Scholarships and bursaries (72.5 percent). While the FPC of one region tries to make sure that 70 percent of its funds go to education (with the remaining 30 percent split between community, environmental and administrative expenses), the other FPC tries to ensure that no single line item goes above 30 percent of the total expenses. The result of this type of accounting is that the amount of money that employees receive for their educational benefits differs between the two regions.

10.1.5 Premium highlights

This case shows that the Premium can be invested by employing economies of scale. For example, the administrative teams employ economies of scale to be able to purchase bulk products and then sell them at a reduced price to the employees. For example, one FPC has bought a large amount of Jikokoa™ stoves. As they received a quantity discount they can resell the stoves to the workers for 2,950KSH, instead of the common market price of 3,990KSH. These stoves use 50 percent less charcoal and cook 50 percent faster, which saves

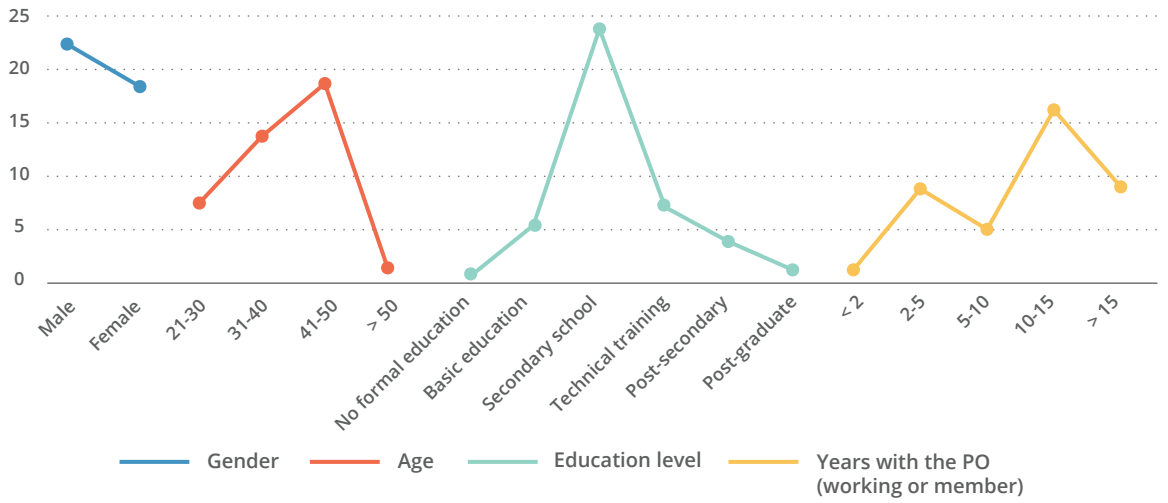

Figure 47: Composition of the sample of interviewees
Source: Individual Interviews (n=40)

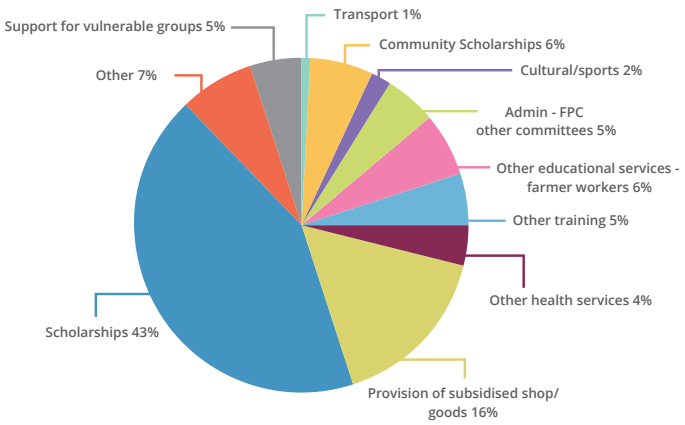

Figure 48: Fairtrade Premium Uses by flower plantation in Kenya, 2015
Source: Statistical database

Figure 49: Investment of Premium for the purchase of land. This land was bought by one of the FPCs and resold at an affordable price to 306 workers to settle with their families. The project is highly appreciated and a second, similar project is planned. White lines indicate the land size for one worker and his family.

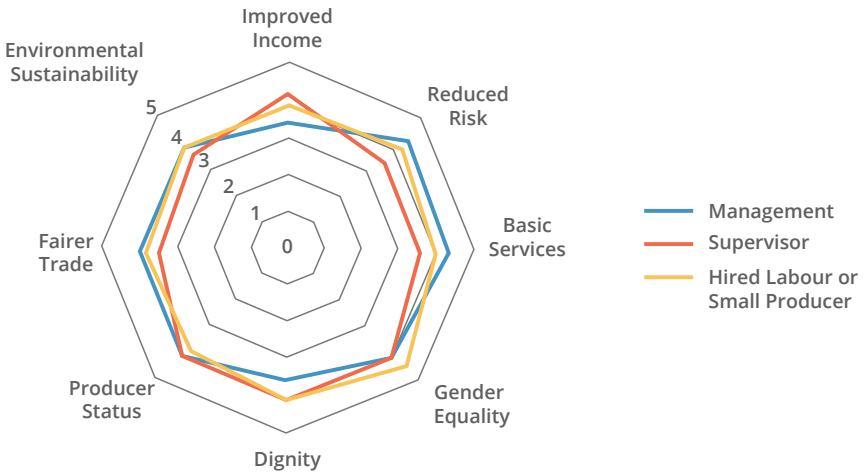

Figure 50: Perceptions of impact of the Fairtrade Premium, flower plantation in Kenya (n=40)

on average 18,000KSH/year. The outstanding land settlement project functions in a similar way. The FPC of one region has bought a big piece of land for 306 workers and their dependents (40-80 square feet per worker) and sold it to them for 30,000KSH (see **Figure 49**). It would cost about 80,000KSH for an individual to buy the same land and this would not be affordable for the workers. Hence, this PO uses the Premium for collective investments desired by the workforce to achieve lower prices for them. This investment strategy results in overly positive perceptions of the Premium's impact (see **Figure 50**).

10.1.6 Lessons learned

The case of the flower plantation demonstrates that the coordination of the Premium creates room for new leadership by workers. The members of the two FPCs and the CFPC are ordinary workers who have gained powerful positions within the organization. They receive trainings; have organized and conducted assemblies, and have become experienced in taking far-reaching decisions. In short, thanks to the Premium, ordinary workers are gaining new skills and experience that can make a difference to their personal development and improve their positioning in the organization.

"We started as normal workers and now we are leaders. We can now sit at tables in beautiful hotels, discussing and taking decisions." (Member of the CPFC)

10.2 Case study 2: Cocoa union in Côte d'Ivoire

10.2.1 History of the PO

The case in Côte d'Ivoire is a union of cooperatives that produce cocoa and cashews. The PO was estalished in 2004 and, since 2014, the number of member cooperatives has increased from eight to 23 cooperatives (three cooperatives produce cashews). Currently, the PO brings together 12,532 producers who cultivate a total of 46,715 hectares of cocoa and 3,588 hectares of cashews. Producers form sections of 50-100 producers and nominate delegates to convey local interests to the organizational (cooperative) and meta-organizational level (union) (see **Figure 46**). Beyond Fairtrade certification, the PO is certified by Fair Trade USA and the Rainforest Alliance (it was also UTZ certified before its merger with Rainforest Alliance). A total of 48 percent of the cocoa produced is sold as Fairtrade.

10.2.2 Location

While the administration office with 22 employees and one of the two storage warehouses for products ready for export are based in the capital Abidjan, the cooperatives are spread over the whole country. However, there is a concentration of cocoa cooperatives in certain departments of the country, where most of the fieldwork took place. In total, four cooperatives and some of their sections were visited, but the fieldwork began and ended at the main office in Abidjan.

10.2.3 Fieldwork

Information about the use of the Premium was obtained from three focus groups with producers, three co-construction workshops with the members of three different FPCs. Additionally, 31 individual interviews were conducted. A total of 61.29 percent of all interviewees were small producers. Aligned to the dominant position of male cocoa producers, they achieve in the sample a higher representation rate (67.74 percent) than female producers. The age of interviewees, their educational level and their year of membership is evenly distributed

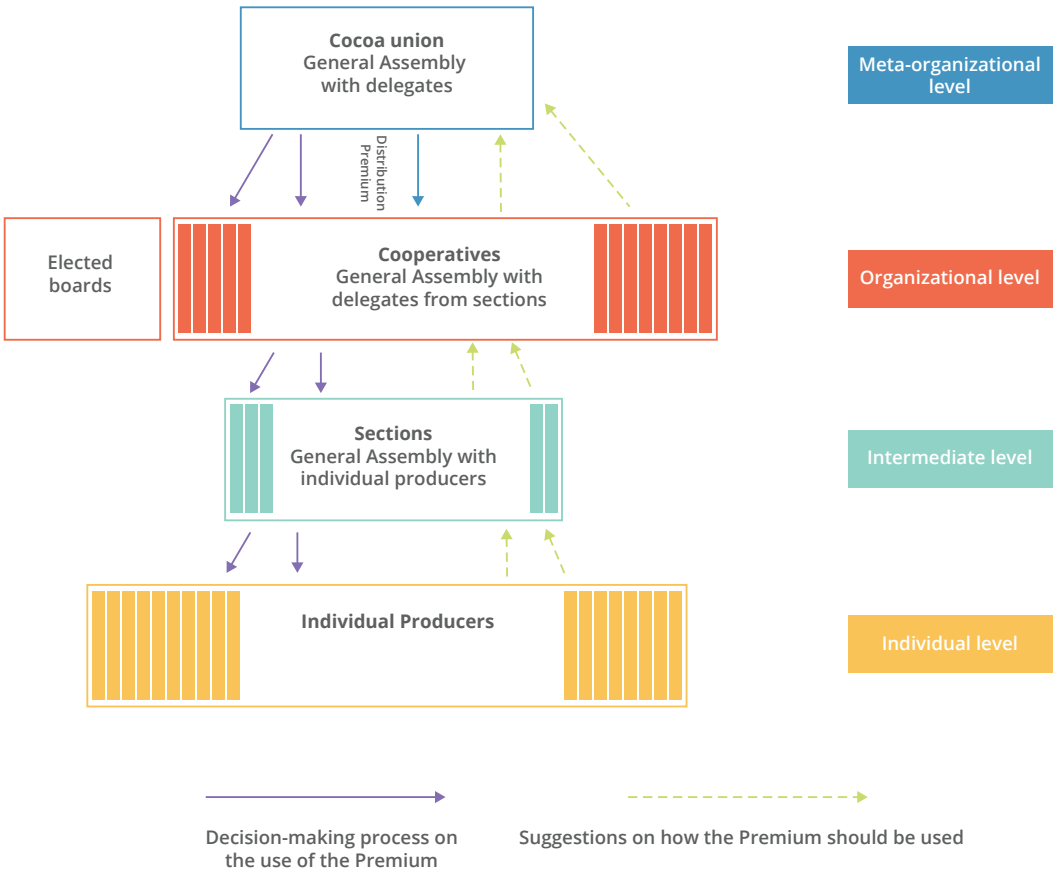

Figure 51: Decision-making map of the cocoa union in Côte d'Ivoire

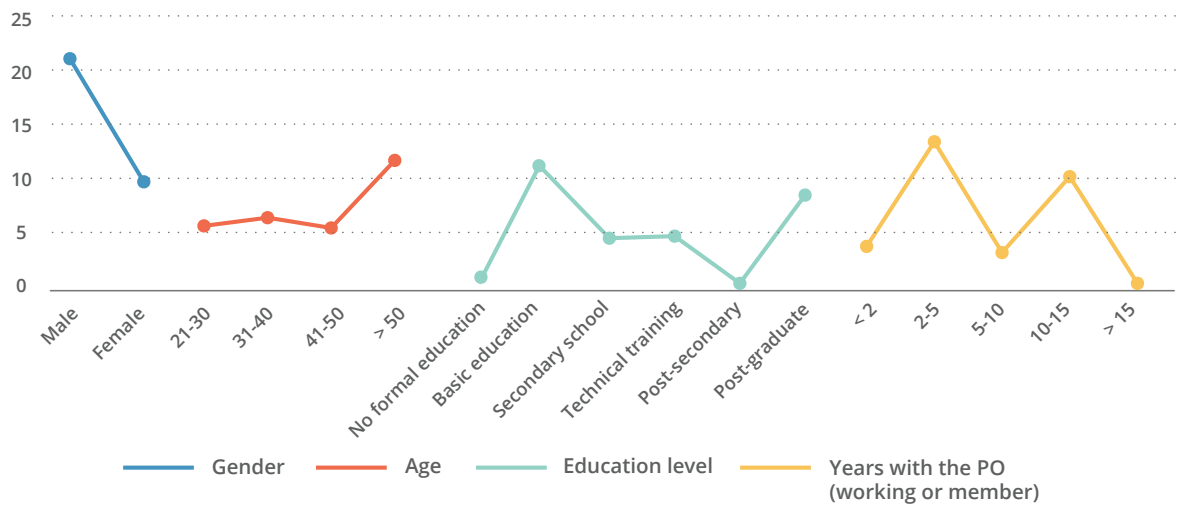

Figure 52: Composition of the sample of interviewees
Source: Individual Interviews (n=31)

(see **Figure 52**). Additional information was collected through on-site visits and observations of local investments. Among the investments visited were a small factory which processes manioc (a crusher and a mill), latrines, hydraulic pumps, numerous classrooms in the communities of different cooperatives as well as storage warehouses.

10.2.4 Premium-relevant characteristics

- Premium spent: €272,310 in 2015 split between two categories: Investments in POs and Services to Farmers and Workers **(Figure 53)**.
- Number of beneficiaries: 12,218 producers benefit from the Premium and interviewees (93.55 percent) state that all producers should benefit from the Premium.
- Recently-funded projects: Farmer training in agricultural or business practices, payments to members, provision of agricultural tools and inputs to producers, construction of storage warehouses, construction of classrooms.
- Most appreciated project: community projects (41.94 percent) (see **Figure 54**).

10.2.5 Premium Highlights

This case reveals that investing the Premium in the realization of community projects has a positive impact on the public perception of small producers. Interestingly, almost all of the interviewees feel that the status and the influence of small producers has increased thanks to the Premium (see **Figure 55**). The Premium allows small cocoa producers to take on the role of investors who decide on local investments and improving infrastructure – an urgent need in the socio-economic context of Côte d'Ivoire. Members of local communities benefitting from hydraulic pumps and new classrooms expressed gratitude to the small producers who invest their own money (and not money from foreign charities) into community projects. The reputation of the small producers is further enhanced by the Premium as the money is also invested in the construction of new storage facilities for the cooperatives. These new warehouses financed by the Premium increase the visibility of small cocoa producers and attract new members.

10.2.6 Lessons learned

The case of the cocoa union shows that an equitable and satisfying use of the Premium requires fundamental organizational efforts. The PO has put a finely-tuned system into place that ensures that all voices and interests are adequately taken into consideration. Strong investments in human resources facilitate this system and guarantee an effective flow of communication (horizontally and hierarchically) between the various organizational members. In this case, these organizational endeavours pay off. In recent years, many cooperatives have joined the union and individual producers aspire to join. The deliberate management of the Premium and its use for community projects and the increase of cocoa prices has enhanced the attractiveness of the PO. Hence, the Premium can foster organizational structures that are responsive to members' need and interests, which in turn heighten the attractiveness of being a member of the agricultural cooperative.

"The realization of the new storage facility holds a great appeal for other small producers. It attracts the people. They knock on the door. The new storage warehouse gives us [the cooperative] visibility." (Technical instructor of a cocoa cooperative)

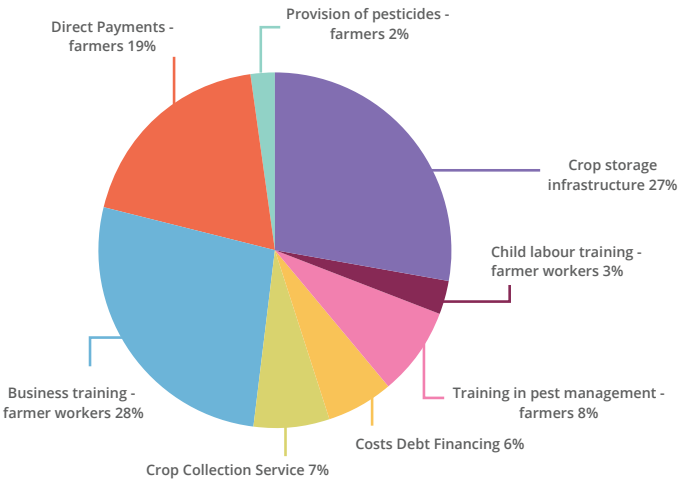

Figure 53: Fairtrade Premium Use by Ivoirian Cocoa Union, 2015
Source: Statistical database

Figure 54: Most appreciated project in the Ivorian cocoa union:
Investment of the Premium for the construction of a hydraulic pump.
Community projects are the most appreciated projects by the producers of the cocoa union. These projects typically finance the provision of basic services such as water pumps, cassava processing.

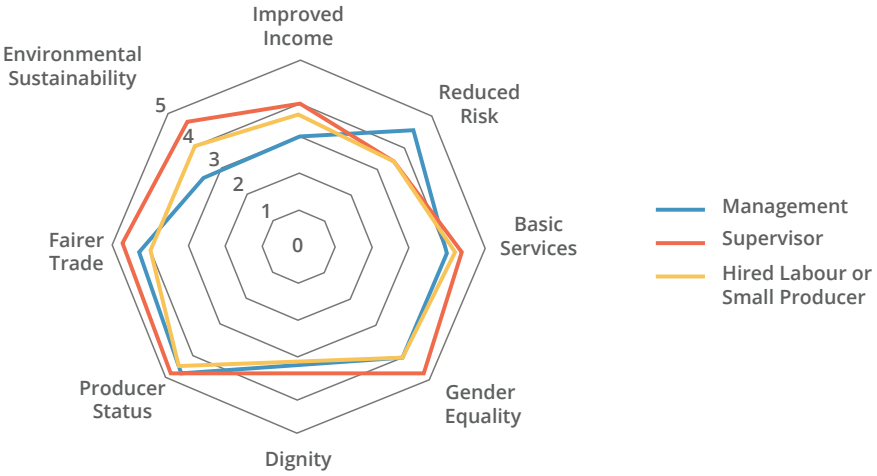

Figure 55: Perceptions of impact of the Fairtrade Premium, cocoa union Côte d'Ivoire (n=31)

10.3 Case study 3: Banana cooperative in Ecuador

10.3.1 History of the PO

The case in Ecuador is a cooperative[39] located in Machala city, on the south coast of the country. Eleven organic banana producers set up this cooperative in June 2003. From its foundation, the cooperative has seen constant growth in the number of members: 80 partners reported in 2015 and 192 in 2017. Currently, the cooperative reports a production area of about 1,433 hectares of organic bananas. The cooperative, which has administrative and management staff (including accounting and technical areas), has 63 permanent employees. The General Assembly is the highest organ of the organization and is composed of all members. There is a Board comprised of president, vice-president, treasurer, secretary, two principal members and two alternates. They are chosen for a period of two years. The ordinary General Assemblies take place twice a year and on an extraordinary basis when circumstances require. The Premium plan is approved in these assemblies.

10.3.2 Location

The banana production of member cooperatives is distributed in three different areas: Central zone, South zone and North zone. The administrative offices and the collection center ('centro de acopio') are located in the Central zone, a few kilometers from Machala. The cooperative also owns 32 hectares in Loma de Franco where there is a banana plantation, a 'biofabrica' and an inputs warehouse. The field visit covered these two sites as well as visits to community projects and producers in the Central zone.

10.3.3 Fieldwork

Data about Premium use was collected through 32 individual interviews and six focus groups, targeting three main categories of actors: small producer members of the cooperative; administrative and technical employees of the cooperative; and workers of the farms, employed by the individual producers. Among the interviewees, 19 percent were women, both producers and administrative personnel. The interviewees' ages and levels of education were evenly distributed **(Figure 57)**. The distribution of number of years' work for the cooperative reflects the recent increase in the number of employees and producer members. In addition to individual interviews and focus groups, a co-construction

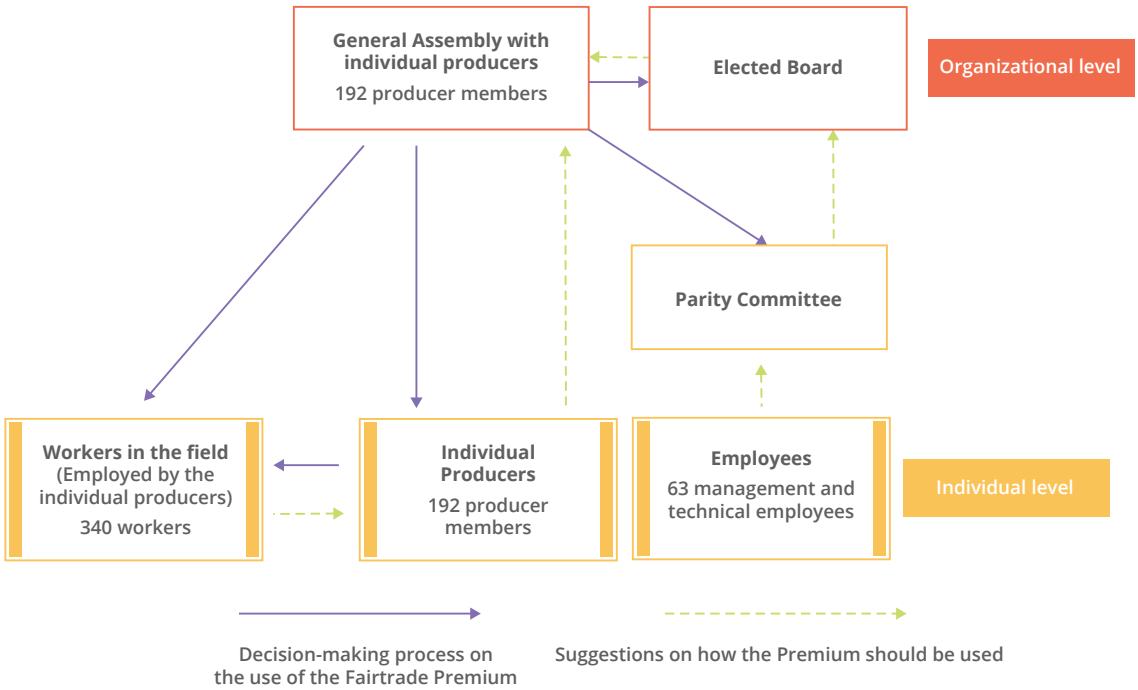

Figure 56: Decision-making map of the banana cooperative in Ecuador

39 In Spanish, this cooperative is referred to as a Corporación because it is a non-profit corporation registered in Ecuador. It is composed of partners (farmer-owners) from different regions. The difference between a cooperative and a corporation, in this context, is linked to the presence of a Board that carries out oversight functions in a corporation.

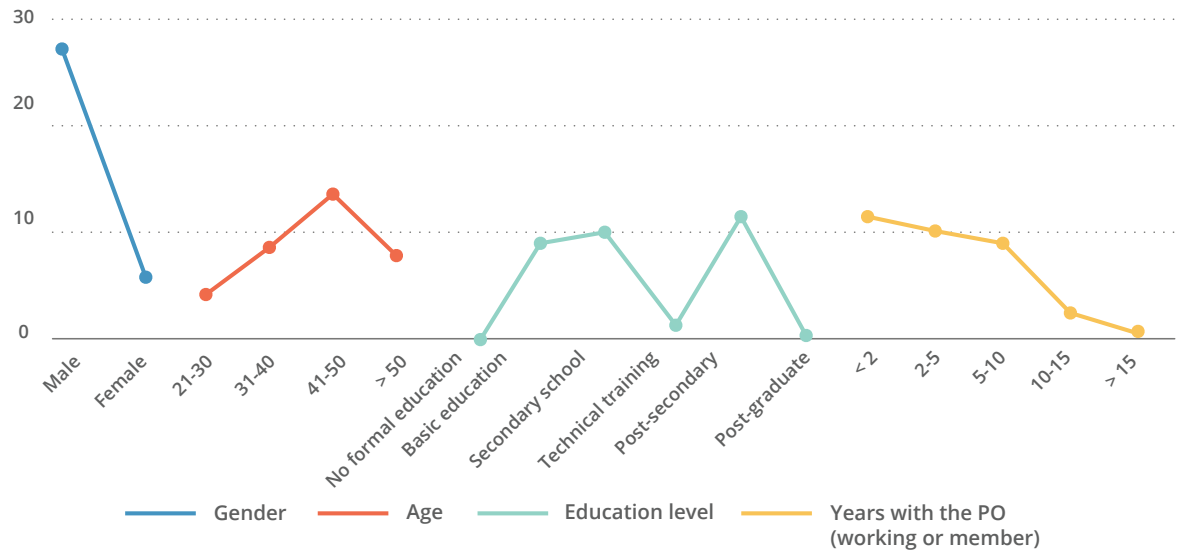

Figure 57: Composition of the sample of interviewees
Source: Individual Interviews (n=32)

workshop was organized with the members of the Board. Visits to and observation of Premium investments also took place in the Central zone including visits to the main infrastructure of the cooperative (administrative offices, collection centre, medical dispensary); the Palenque farm (banana plantation, warehouses, 'biofabrica'); a community medical centre; two schools, and processing and packing installations in producer farms.

10.3.4 Premium-relevant characteristics

- Premium spent: €144,244 in 2015, split between two major categories: Investments in POs and Services to Farmers and Workers **(Figure 58)**.
- Number of beneficiaries: 192 producers benefit from the Premium and interviewees (90.63 percent) state that all producers should benefit from the Premium.
- Recently-funded projects: health bonus, school bonus, certification cost, bio-factory, community projects, improvement in farm infrastructures, and capacity trainings.
- Most appreciated project: Medical treatment and healthcare (28.13 percent) **(Figure 59)**.

10.3.5 Premium Highlights

The corporation has developed an ambitious bio-factory project with the support of CLAC. This bio-factory enables the production of biofertilizers, multiplication of efficient microorganisms, compost and bokashi (fermented compost) and the investment produces three important impacts. Firstly, self-production of these inputs leads to a significant reduction in production costs for the producer as the prices at which they are purchased are lower than the prices at which they are found in the market. Secondly, although the main objective is to respond to the demand of the members, a future impact could be to generate additional benefits for the cooperative by selling those products to other clients. Finally, there is a positive impact in environmental terms thanks to reduced contaminants and health risks for producers and workers.

10.3.6 Lessons learned

The case from Ecuador highlights the advantages of distributing the Premium among a variety of uses and beneficiaries. Projects financed with the Premium cover seven types of use: heath; education; certification costs; social (community projects); institutional strengthening (including capacity trainings); and production (subsidies for fertilizers, improvement of farm infrastructures, bonuses for small machinery). In relation to the beneficiaries, an element that stands out is the inclusion of banana workers into the group of beneficiaries, despite the fact that these workers are not directly employed by the cooperative but by the producer members themselves. Thus, all three categories of actors – producers, employees and banana workers – appreciate the various benefits they receive from the cooperative, most notably in relation to health and education. Generally, this case shows a high level of satisfaction by the various actors interviewed as to how the Premium is used and they are very positive about the impact that those uses are generating.

"The dollar is seen like an investment, not an expense. It isn't an expense because it continues generating benefits over time."

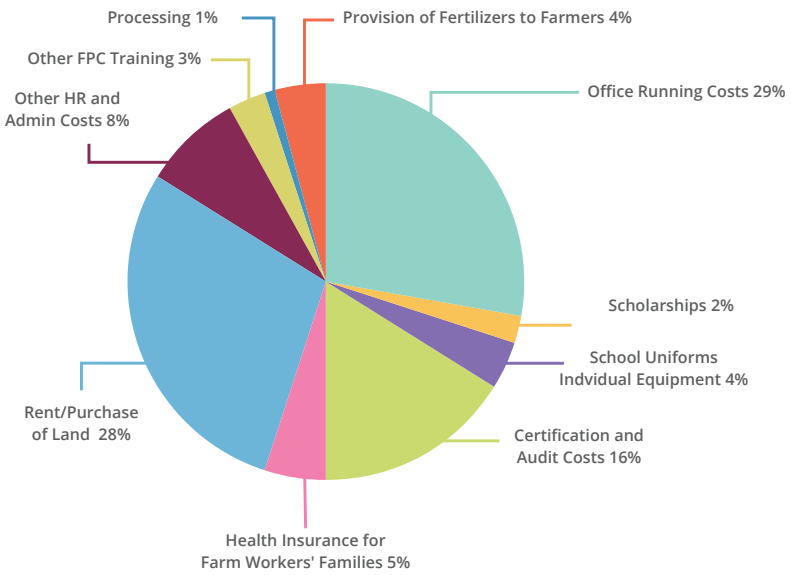

Figure 58: Fairtrade Premium Use by banana cooperative in Ecuador
Source: Statistical database

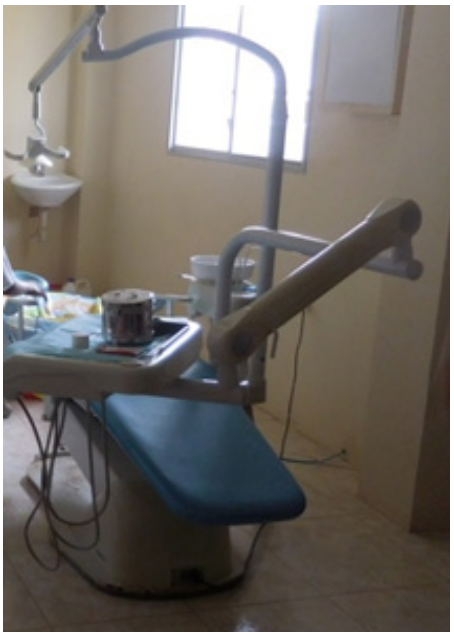

Figure 59: Most appreciated project in the banana cooperative in Ecuador:
Medical treatment and healthcare.
Medical assistance and bonuses for health expenses are given to producer members, employees, workers of the producers, and their families. These are the most appreciated uses of the Premium.

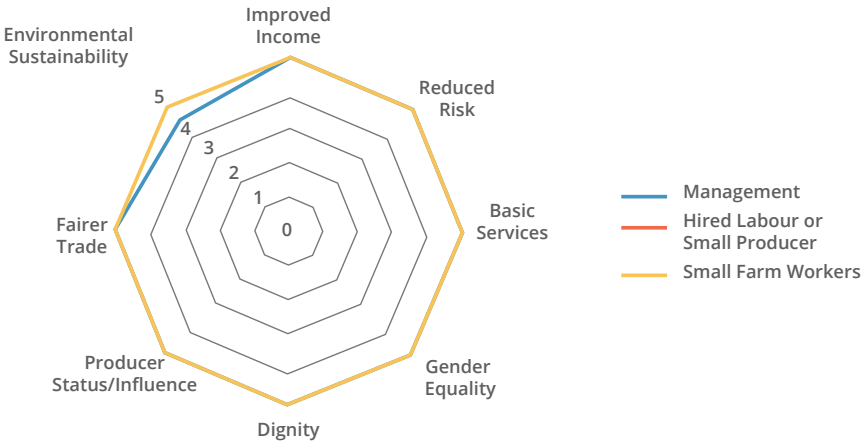

Figure 60: Perceptions of impact of the Premium, banana cooperative in Ecuador (n=30)

10.4 Case study 4: Cocoa and coffee producer union in Peru

10.4.1 History of the PO

The cooperative is located in the Peruvian Amazonia forest, and produces, processes and exports organic coffee and cocoa. The site is in the province of Lamas, in the San Martín region of Peru. It was founded in 1999 as an initiative of 56 coffee producers. Coffee producers and products were certified as organic in 2002, and one year later, the cooperative became Fairtrade certified. Around 2006, the cooperative started a diversification process of the products. Cocoa was selected as the other product to be developed based on the ancestral characteristic of this product in the region. Cocoa is the second key product for the cooperative, both organic and Fairtrade, and it represents 50 percent of the 'facturación de exportación'. The cooperative has around 1,547 producer members (active) and around 1,884 hectares of coffee and 1,290 hectares of cocoa. In 2016, the cooperative exported around 1,642.5 metric tonnes of cocoa (71 percent of them were Fairtrade sales) and around 1,900 metric tonnes of coffee (47 percent of them were Fairtrade sales) (Memoria Anual 2016).

10.4.2 Location

The cooperative has plantations in four provinces of the San Martín region: Lamas, San Martín, Picota and El Dorado. The field visit covered producers in Lamas and the communities of Sisa and San Isidro. The produce is sold in countries including the United States, Germany, Belgium, France, Switzerland, the Netherlands, Canada, England, Italy, Austria and Costa Rica.

10.4.3 Fieldwork

The itinerary of visits and interviews was compiled by the researchers and members of the Board during the first day of the visit. It included visits to physical Premium investments, such as the central infrastructure of the cooperative (administrative offices, cafeteria, ecological centre); processing infrastructure ('almacenes' – or warehouses – in Lamas and Sisa and the 'electronic eye' for coffee selection); focus groups in the ecological centre and in Sisa, and a co-construction workshop. Data about Premium use and impact was collected through 30 individual interviews and five focus groups. The main categories of actor were interviewed: producer members of the cooperative, administrative and technical employees. Of the 30 people interviewed, the ages were distributed thus: 36.6 percent were over 50, 26.6 percent were between 21-30 years old, 20 percent were between 41-50 years old and 16.6 percent were

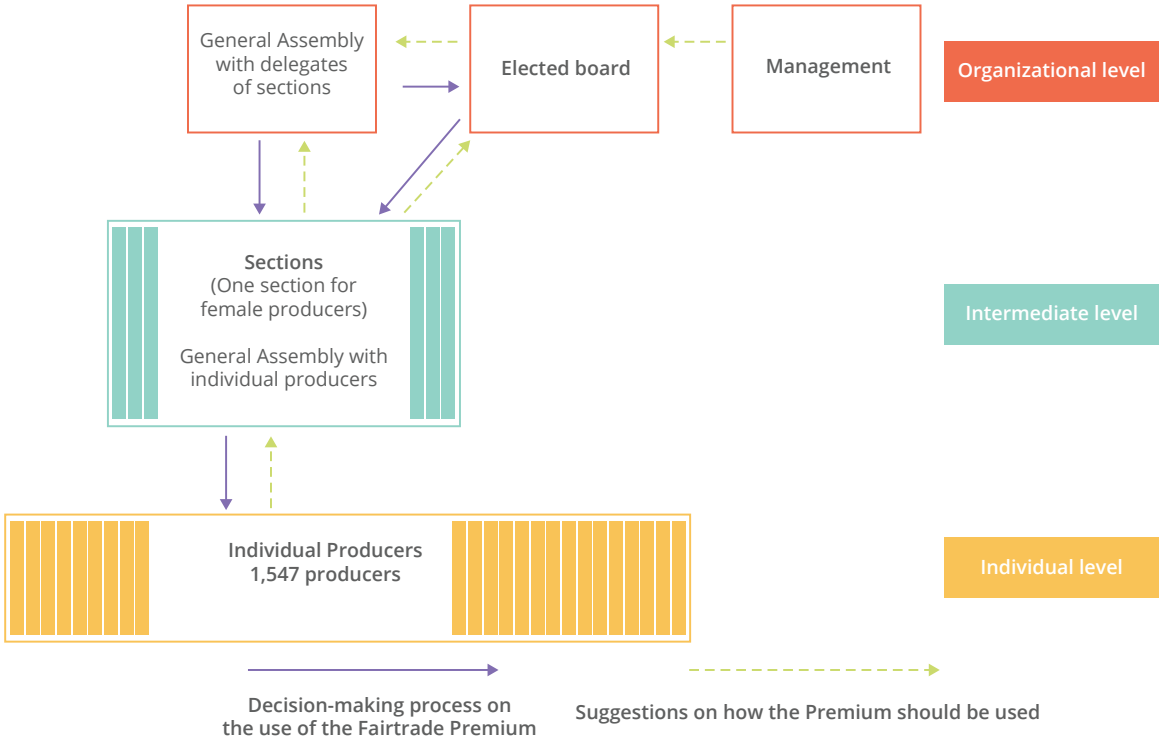

Figure 61: Decision-making map of the cocoa and coffee producer union in Peru

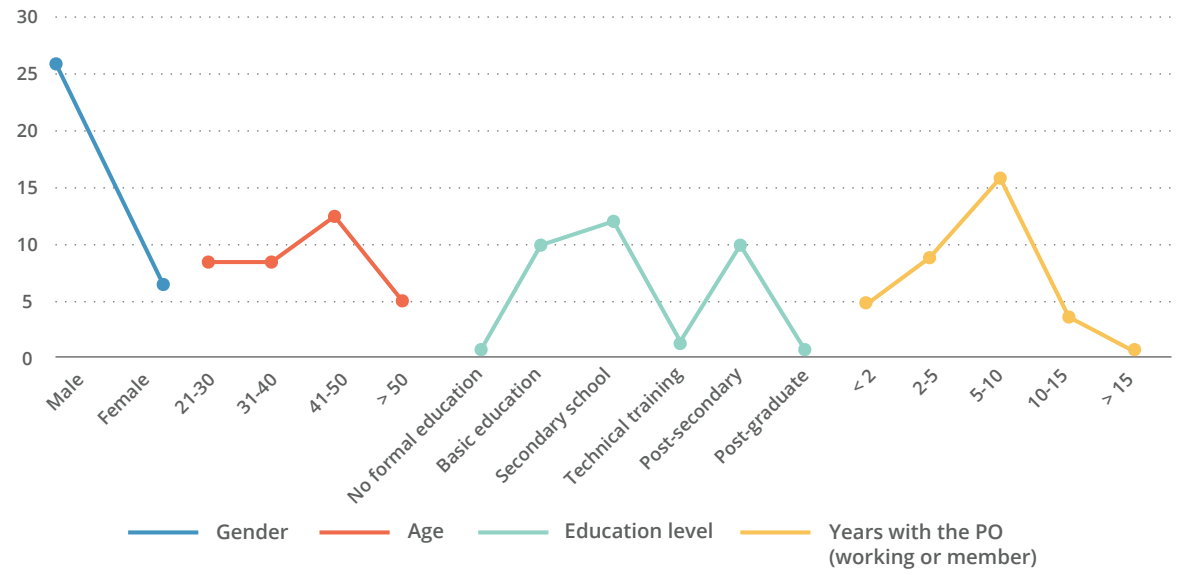

Figure 62: Composition of the sample of interviewees
Source: Individual Interviews (n=33)

between 31-40 years old. The main education level of the participants was the basic education (56.7 percent) and a significant percentage (26.7 percent) had post-secondary education.

10.4.4 Premium-relevant characteristics

- Premium received: €348,306 in 2015, which was spent entirely upon investments in the PO **(Figure 63)**.
- Number of beneficiaries: 1,547 producers benefit from the Premium and interviewees (70 percent) state that the majority of producers should benefit from the Premium.
- Recently-funded projects: processing and warehouse facilities ('almacenes'), buildings and infrastructure, and training for workers and members.
- Most appreciated project: processing and warehouse facilities (64 percent) **(Figure 64)**.

10.4.5 Premium Highlights

The cooperative promotes the participation and the inclusion of the women (producers and producers' wives) in the decision-making processes. During the Annual Assembly, one delegate from the women's council (CODEMU – Consejo de Mujeres) participates representing the different committees ('comités de base'). Decisions about the use of the Premium are taken, both for women and men, with the same level of opportunity. The cooperative also helps women with training, internships, production and technical supports, and to develop entrepreneurial skills through workshops and courses. Training has helped build trust internally and empowered them to assume positions both in the cooperative and in the council, as well as to increase their own incomes through productive projects. Due to this inclusion, values like compromise and integration are building strong relationships and trust between them and the Board of the cooperative. The cooperative needs to work on strengthening the participation of the women, supporting and developing the projects proposed by them and creating better entrepreneurial training.

10.4.6 Lessons learned

The distribution of the Premium creates tension in the cooperative since it requires trade-offs between the investment needs of the organization and those that can directly improve the welfare of the members. The cooperative prioritizes organizational and infrastructure expenses: 49 percent of the Premium is used for financial support for long term credits (which are used basically to buy infrastructure) and 29.38 percent of the Premium is used to cover commercialization and accounting expenses. The investment in training for members is covered under the heading of productivity and quality, which is ten percent of the Premium investment. Other expenses, like healthcare for members, is covered by the overall profit of the cooperative. This shows that social development and improving the welfare of producers is not the priority for investing the Premium. During the interviews, producer members recognized the importance of the growth of both the cooperative and its members. For the latter, growth is achieved through human capacity building, education, improving their productivity and investments in health.

"The Premium is for helping us to think like business people. To think of the farm as a business with technical assistance. If I harvest more coffee, I get greater benefits. I can produce more in less time."

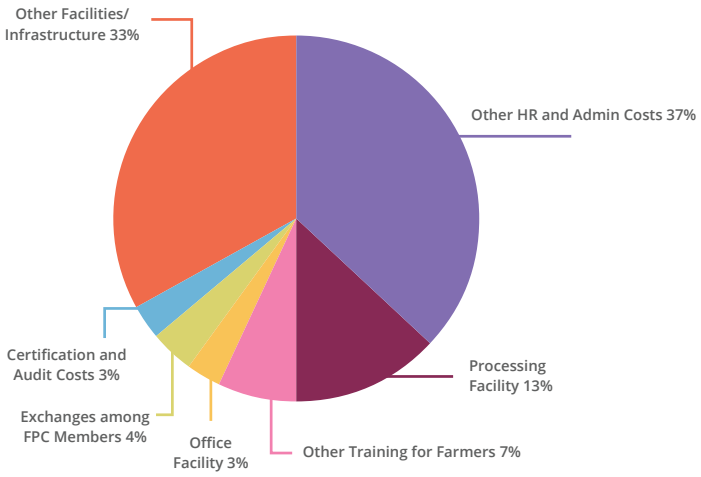

Figure 63: Fairtrade Premium Use by coffee and cocoa union in Peru
Source: Statistical database

Figure 64: Most appreciated project in the cocoa and coffee producer union in Peru.
Cocoa processing methods and warehouse infrastructure in Sisa.
Electronic eye for coffee grain selection in the warehouse in Lamas.

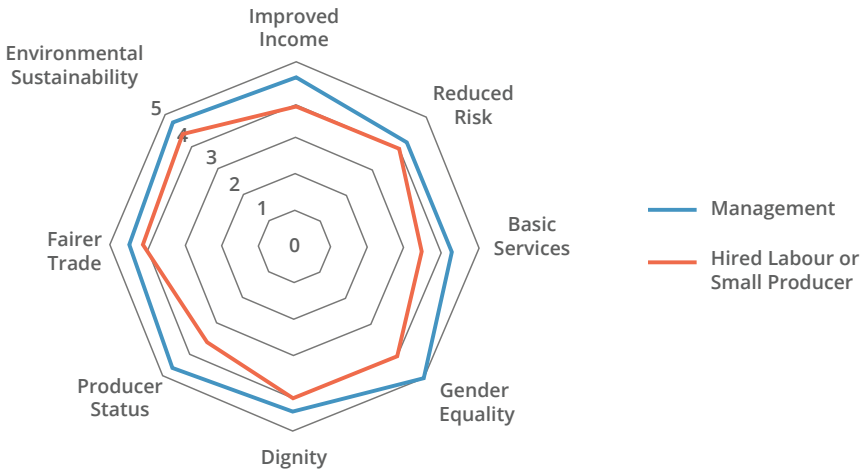

Figure 65: Perceptions of impact of the Premium, cocoa and coffee producer union in Peru (n=30)

10.5 Case study 5: Banana cooperative in Peru

10.5.1 History of the PO

In Peru, there is an agricultural cooperative that produces and exports organic bananas. It was established in 2006 on the initiative of four producers in the locality of Mallaritos, Sullana province, in the region of Piura. Since the beginning, the cooperative has been improving not only in terms of its production but also in numbers of producer members and product quality. Nowadays, the cooperative counts 174 workers among its technical, administrative and 'cuadrilla' staff (who harvest and package the fruit) and about 400 producer members (with maximum two hectares of organic banana). The most important decisions are taken during the General Assembly (annual or extraordinary meetings). During the Assemblies, producer members are the main participants. As of recently, some worker delegates can attend sessions – but only as observers.

10.5.2 Location

The Peruvian banana cooperative and its members produce organic bananas around the Valle del Chira region, specifically in the locality of Mallaritos, La Noria, Buena Vista and Vista Florida – all towns in the Marcavelica District. The administrative offices and the collection centre ('centro de acopio') are located in the central zone of Mallaritos. Since 2011, the cooperative has been exporting bananas directly to Germany and Italy. The field visit covered farms in Mallaritos, La Noria and Buena Vista localities.

10.5.3 Fieldwork

The itinerary of visits and interviews was devised together with members of the Board. It included visits to Premium investments, such as the central infrastructure of the cooperative (administrative offices and collection centre, focus groups on the farms, including observational tours of the farms, and the harvesting, treatment and packaging processes of the fruit), the localities and co-construction workshop, all located in Marcavelica District. Data about Premium use and its impact was collected through 33 individual interviews and five focus groups. The main categories of actors were interviewed: small producer members of the cooperative, administrative and technical employees, and workers of the 'cuadrillas' (employed by the cooperative for harvesting and processing on the

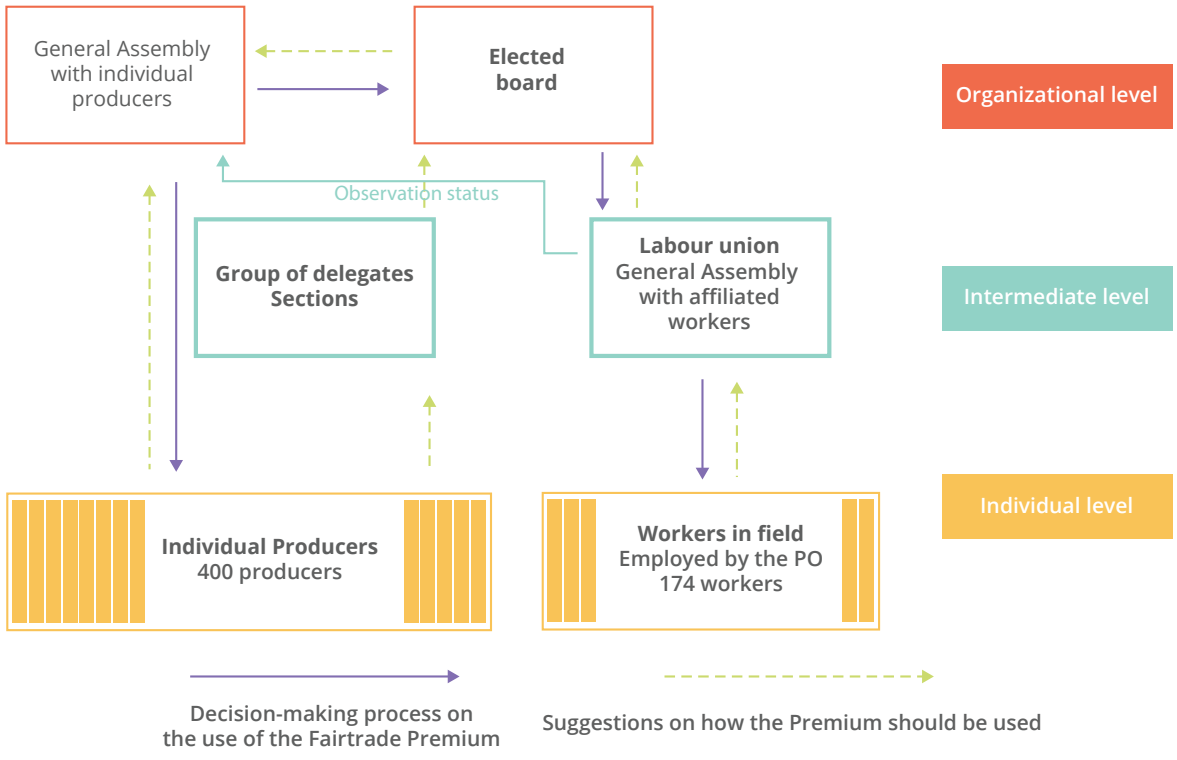

Figure 66: Decision-making map of the banana cooperative in Peru

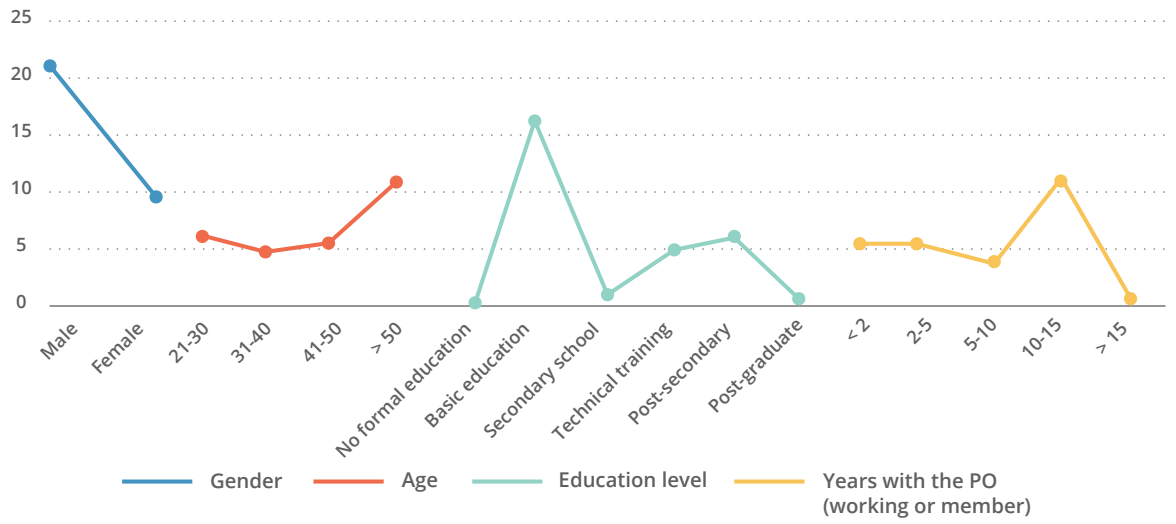

Figure 67: Composition of the sample of interviewees
Source: Individual Interviews (n=30)

farms). Among the 33 people interviewed, 52 percent of them were aged over 40; 36.3 percent had secondary school education and 30.3 percent basic education, and 21 percent were women (including producers, administrative personnel and workers of the 'cuadrillas'). Following Fairtrade certification in 2009, the cooperative expanded both its infrastructure and its contracts and agreements with direct importers over the coming years.

10.5.4 Premium-relevant characteristics

- Premium received: €413,589 received in 2015 split between two categories: Investments in POs and Services to Farmers and Workers **(Figure 68)**.
- Number of beneficiaries: 400 producers benefit from the Premium and interviews (67.74 percent) state that the majority of producers should benefit from the Premium.
- Recently funded projects: retirement fund, collective purchases: Christmas and Mother's day, buildings and infrastructure, provision of agricultural tools and inputs and, recently, the mortuary fund.
- Most appreciated project: buildings and infrastructure (60.71 percent) **(Figure 69)**.

10.5.5 Premium Highlights

The cooperative, in line with its strategy, is trying to develop its institutional capacities and competitiveness. With the focus on the quality and competitiveness of the product for export, this cooperative has opted to achieve production efficiency and efficacy through production level improvements. They reason that by improving production, the incomes of the producers will improve as will their welfare. One of their decisions is to use the Fairtrade Premium to provide subsides to cover part of the production costs. These subsidies make inputs like fertilizers accessible. Three plans were highlighted during the focus groups: fertilization plan, improving quality preventive plan and phytosanitary prevention plan. The inputs are not totally subsidized, so the producers do need to pay part of their cost. This strategy actually promotes judicious and optimal use of the inputs.

10.5.6 Lessons learned

The Peruvian banana cooperative illustrates the importance of using the Premium for organizational investments. For this cooperative, the Premium is the engine of organizational development as it contributes to covering administrative fixed costs like salaries, audits and consultancies, and infrastructural improvements. However, the investments in infrastructure, especially in the production sites – in cable lines, packaging stores, road repairs – are points that the cooperative should improve to achieve its strategic objective of increased productivity. Producers noted that these kinds of investments need to be improved, especially for those who are located far from the cooperative (administrative office).

"The Premium is the motor of organizational development. Without it, it would be impossible."

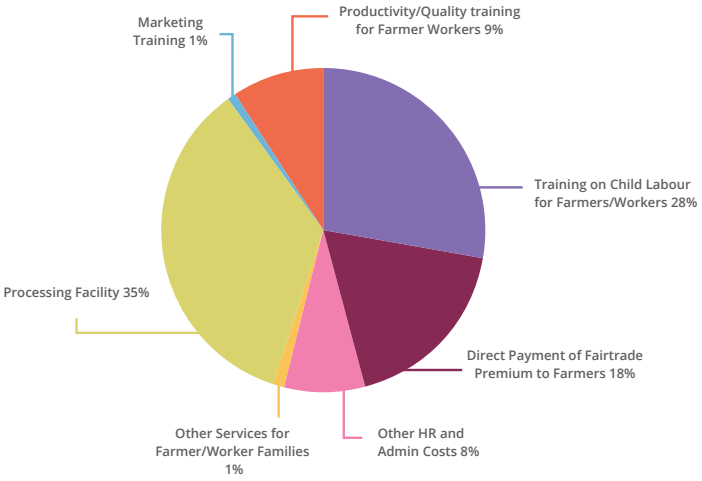

Figure 68: Uses of the Fairtrade Premium in the banana cooperative in Peru
Source: Statistical database

Figure 69: Most appreciated project in the banana cooperative in Peru
Investment of Premium in infrastructure like the storage centre and other buildings

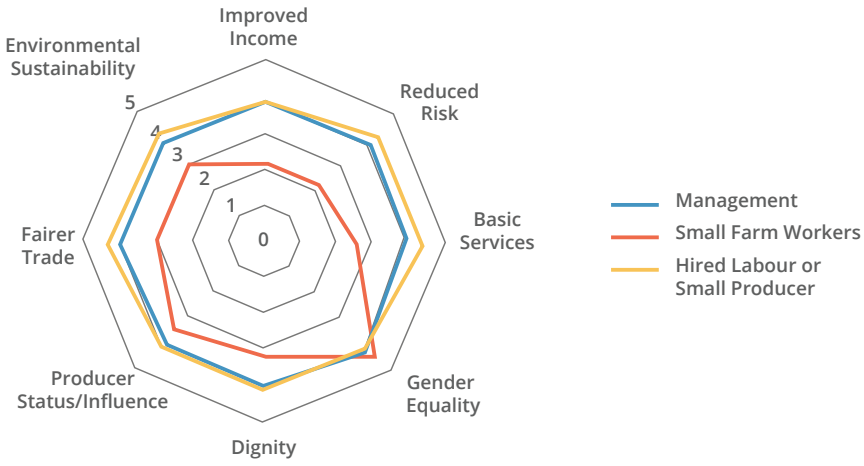

Figure 70: Perceptions of Impact in the Banana cooperative in Peru (n=30)

11. ANNEX 2 RESEARCH PROTOCOL

PARTICIPATORY ANALYSIS OF THE USE AND IMPACT OF THE FAIRTRADE PREMIUM (PAUIFPREM)

CONDUCT OF CASE STUDIES

We rely upon the research tools contained in this document to carry out the research for this project. These consist of an: observation guide, focus group guide, questionnaire for individual interviews and a facilitator's guide for the co-construction workshop.

All case studies are used to gain information about the following topics:

- Function: What are Premium funds spent on?
- Use: How are Fairtrade Premium funds being used?
- Participation: Who decides how Fairtrade Premium funds are used?
- Accountability: Who knows about how Fairtrade Premium funds have been used?
- Levels of impact: What are the outcomes and impacts of Fairtrade Premium projects?

We employ different methods to gain information about different topics:

- We use observations to gain information about: function, use, participation, accountability, levels of impact.
- We use focus group interviews to gain information about: function, participation, accountability, levels of impact.
- We use individual interviews to gain information about: use, participation, accountability, levels of impact.
- We use co-construction workshops to gain information about: the decision-making processes and management of the Fairtrade Premium.

All formal interviews, focus group participants and workshop participants will be informed about the purpose of the research and will go through an oral consent process that is in line with LISIS's research protocols. Each participant in the research will receive a hard copy of their consent form.

OBSERVATION GUIDE

Topics: function, use, participation, accountability, levels of impact

Each visit to the case study area includes a visit to the sites where the Fairtrade Premium money has been spent. The number of sites depends upon the number of investments that have been made. At each visit, we make observations that are guided by the questions below. The purpose of observations is to gain on-site information about the investments made and to evaluate the quality of the investments and their conditions of maintenance.

Questions (we ask the person who shows us the investments made):

1. 1. What is the project meant for and who are the expected beneficiaries (individual producers, workers (permanent only or also seasonal), producers' or workers' families, communities)?
2. Where did the idea for the project come from?
3. What specific activities are conducted to implement the project?
4. How is the decision-making process organized? (What are the documents or planning tools you use? Where do the meetings take place, with whom, and how are people informed?)
5. How do you learn about development needs of workers and communities (for prioritization in planning Premium use)? (Is there a formalized process? Are questionnaires used to collect ideas and to identify problems/challenges that could be solved with the Premium? Do you know the tools/methods proposed by the Fairtrade International manual (e.g., Chapati Method) to take decisions?
6. What are the instruments deployed during the implementation process? For example, is the Fairtrade Premium Plan Template used to organize the implementation of the project?
7. What are the instruments deployed for monitoring the project? Are there instruments other than the Fairtrade Premium Activities Reporting Template that are used?
8. How are members informed about the decisions and use of the Premium? (What are the instruments deployed for information?)
9. Is there a complaint mechanism?

We take notes of our observations:

1. Where are the investments (including capacity building and farmer payment schemes) geographically located?

   If possible, we draw the investments on a field map or geolocate them on a Google map.

2. How can workers and farmers access the investment? Is the investment easily accessible (for whom/for whom not)?

3. Is the investment in use during the visit?
   a) If yes, who uses it?

   b) If no, what are the reasons that the investment is not in use?

4. In what condition is the investment?

If possible, we take pictures of the project and make a short video.

5. Can the investment fulfill its intended function?

6. If possible we conduct 5-6 individual on-site interviews with beneficiaries of the investment. (Informal discussion regarding the actual use of the investments and what could be improved).

Fairtrade Protection Policy for Children and Vulnerable Adults

All members of the research team have been trained on the Fairtrade Protection Policy. If at any time during the fieldwork a member of the research team observes practices that are not in line with the Fairtrade policy – in particular related to sexual violence or harassment – the researcher should immediately report this to the Principal Investigator, who will in turn report this to the responsible Fairtrade Officer in Bonn. At no point during the fieldwork should these practices be reported or discussed with the PO management.

QUESTIONNAIRE FOCUS GROUP INTERVIEWS

Topics: function, participation, accountability, levels of impact

The purpose of a focus group is to facilitate discussions within a group of people around open-ended questions. The ideal size for a focus group is 6-8 people and no more than 12. We seek to conduct four focus group interviews for each case study with different participant groupings depending on the producer organization (i.e., focus group with the management, focus group with workers, focus groups with farmers from specific regions, gender-differentiated, age-sensitive). We use the focus groups to understand the contexts of the quantified data.

When people come into the room, we provide them with a drink. We print the questionnaire out beforehand and distribute it if participants request it. During the focus group, we ask the following 12 questions. We can play with the order of them depending on the direction of the conversation, but target at getting a response for all of them. We take notes and audio record the focus group.

In all cases, and to break the ice, we start with the following question: What is your experience with the Fairtrade Premium?

1. What has been the most important use of the Fairtrade Premium? (function and use)
2. Who decides what the Fairtrade Premium money is spent on? Where and when do the decisions take place? Have you encountered any challenges in making decisions? (participation)
3. Who do you speak to in order to know what happens to the Fairtrade Premium fund? Is there a special procedure for asking this information? Can you provide feedback (compliment or complaint) about how the Fairtrade Premium funds are used? (accountability)
4. How do the investments change your daily life? How have the investments changed your plans for the future? (impact)
5. Do you think that the Fairtrade Premium funds have been spent wisely? How would you improve how they are used? (impact)

ORAL CONSENT FORM – FOCUS GROUP: Statement of Research Purposes

Title of Project: Participatory Analysis of the Use and Impact of the Fairtrade Premium (PaulFPrem)

Principal Investigator: Dr. Allison Loconto, Laboratoire Interdisciplinaire Recherche Innovation et Société (LISIS), Institut National de la Recherche Agronomique (INRA), Université Paris-Est Marne-la-Vallée
5 boulevard Descartes, F-77454 Marne-la-Vallée Cedex 02 FRANCE
Cell: +33 (0)6 26 06 36 03; Email: allison-marie.loconto@inra.fr

Explanation of Research Project:

We are conducting research as part of a research team working in the Interdisciplinary Laboratory for Research, Innovation and Society (LISIS) at the University of Paris-Est Marne-la-Vallée. The name of the research project is "Participatory Analysis of the Use and Impact of the Fairtrade Premium." The purpose of this study is to understand how the Fairtrade Premium is used, who decides how it is used, how the decisions are implemented and what the effects of its use in your community are.

We have chosen to talk to you as you are a member of a producer organization that is certified by Fairtrade International. You will receive no personal benefit from being part of the study. However, you may benefit indirectly from participating in this study by gaining access to information about the Fairtrade Premium. We require about one hour of your time for a group interview.

In the Focus Group, we will ask you and the other participants to discuss how you are currently using the Fairtrade Premium and how you manage the decisions about its use. We will not be asking you any personal or sensitive questions, however, if you feel uncomfortable at any time during the focus group, please say so and you are free to leave.

We will be recording your answer to our questions on an audio recorder. Any information you may provide will be confidential. This means that while we may publish and share the information you provide for research purposes, your name and identity will be not be provided. You can stop being a part of the study at any time. Your participation in this study is voluntary. There is no compensation made for your participation in the study. If you wish not to be a part of this study, please inform us so.

Do you have any questions about the project [ACTION: No Rush. Wait for at least 10 seconds.]?

If you want to talk to anyone about this research project, I am leaving you the contact information of the principal investigator for this study. [ACTION: The Principal Investigator's business card will be provided at this time.]

If you agree to be in this study, please let us know by saying YES.
[ACTION: ***Interviewer***] Please circle: YES or NO

In case NO (not wishing to participate in the study), could I ask you the reasons? : _____
[ACTION: ***Interviewer: Please END here.***]

[If YES] Thank you for your agreement in participating in this study. Next, we would like to obtain your agreement to audio-record the focus group discussion.
If you agree to be ***audio-recorded***, please let us know by saying YES.
[ACTION: ***Interviewer***] Please circle: YES or NO
In case NO (not wishing to be audio-recorded), could I ask you why not? : _____

_____ _____
Participant's Name (Written by the Investigator) Signature of Investigator

_____ _____
Place Date and Time

Action required: Signed copies of this consent form must be retained on file by the Principal Investigator (PI) and a copy given to the participant.

QUESTIONNAIRE INDIVIDUAL INTERVIEWS

Topics: use, participation, accountability, levels of impact

All participants of focus group (and beneficiaries of investments) will answer closed questions in a short individual interview. We estimate that this will take 15 minutes to complete. We assume that internet access is not easy, we will use either paper or electronic forms to fill in the questionnaires. The purpose of individual interviews is to gain information that is comparable and easily quantifiable through closed questions.

The Questionnaire contains five parts:

A. Demographic data
B. Knowledge about and Experiences with the Fairtrade Premium
C. Use and Benefits from the Fairtrade Premium
D. Challenges concerning the Fairtrade Premium
E. Impact of the Fairtrade Premium and Future Vision

A. Demographic data:

1. Gender
- ☐ Male
- ☐ Female

2. Age
- ☐ Younger than 20
- ☐ 20-30 years
- ☐ 30-40 years
- ☐ 40-50 years
- ☐ Older than 50 years

3. Education level
- ☐ No formal education
- ☐ Basic education
- ☐ Secondary School
- ☐ Technical training
- ☐ Post-secondary
- ☐ Post-graduate

4. Job Title / Role in the PO / Hierarchy level in the PO
- ☐ Plantation owner
- ☐ Top management
- ☐ Management
- ☐ Supervisor
- ☐ Worker / Farmer
- ☐ Other

5. Years worked for the PO / Member of the PO
- ☐ Less than 2 years
- ☐ 2-5 years
- ☐ 5-10 years
- ☐ 10-15 years
- ☐ More than 15 years

6. Wealth status
- ☐ Earning less than others in your community
- ☐ Earning about the same as the others in your community
- ☐ Earning more than the others in your community

B. Knowledge about and Experiences with the Fairtrade Premium
(Topics: Accountability, Participation)

Do you know about the Fairtrade Premium?
- ☐ Yes
- ☐ No

7. Who decides about the use of the Fairtrade Premium?
- ☐ Workers/farmers
- ☐ Management
- ☐ Joint Body [FPC]
- ☐ Fairtrade International
- ☐ Others
- ☐ I don't know

8. Do you participate in the consultation process in advance to the decision-making process about the use of the Fairtrade Premium?
- ☐ Yes
- ☐ No

If no: Would you like to be consulted?
- ☐ Yes
- ☐ No

If yes: Have you ever suggested concrete projects?
- ☐ Yes
- ☐ No

9. Do you participate in the decision-making process about the use of the Fairtrade Premium?
- ☐ Yes
- ☐ No

If no: Would you like to participate in the decision-making process?
- ☐ Yes
- ☐ No

10. Do you feel that the organization listens to your views/that your suggestions are taken into account?
- ☐ Yes
- ☐ No

11. Do you feel that you can influence the decision?
- ☐ Yes
- ☐ No

C. Use and Benefits of the Fairtrade Premium
(Topics: Use and Participation)

12. Do you know the projects that your PO executed with the Fairtrade Premium?
- ☐ Example: Paying certification costs
- ☐ Example: Building a nursery
- ☐ ...
- ☐ Mentioned projects not paid with the Premium

13. Are you satisfied with the use of Fairtrade Premium?
- ☐ Yes
- ☐ No

14. Do you know the different possibilities of spending the Fairtrade Premium?
- ☐ Yes
- ☐ No

If no: Would you like to know more about these possibilities and getting specific suggestions for how to spend the money?
- ☐ Yes
- ☐ No

If yes: From where do you know the different possibilities of spending the Fairtrade Premium? (From where do you get the idea?)
- ☐ Liaison officers from Fairtrade International
- ☐ Webpage Fairtrade International
- ☐ FLOCERT auditors
- ☐ Other cooperatives/plantations
- ☐ Farm management
- ☐ Workers/farmers
- ☐ Community members (i.e., chiefs, politicians ...)

Taking into consideration that interviewees might not have precise knowledge about the expenditures, we provide them with detailed, PO-specific information at this stage of the interview:
1. ....
2. ....

15. What was the best investment according to your view?
- ☐ Example: Paying certification costs
- ☐ Example: Building a nursery
- ☐ ....
- ☐
- ☐

16. What was the worst investment in your view?
- ☐ Paying certification costs
- ☐ Building a nursery
- ☐ ....
- ☐
- ☐

17. Do you personally benefit from the Fairtrade Premium?
- ☐ Yes
- ☐ No

18. Does your family benefit from the Fairtrade Premium?
- ☐ Yes
- ☐ No

19. Does your community benefit from the Fairtrade Premium?
- ☐ Yes
- ☐ No

20. Do the workers/farmers benefit from the Fairtrade Premium?
- ☐ Yes
- ☐ No
- ☐ I don't know

21. Does the management/representatives of the cooperatives benefit from Fairtrade Premium?
- ☐ Yes
- ☐ No
- ☐ I don't know

22. Who should benefit from the Premium according to you?
- ☐ Individual workers/farmers with specific needs
- ☐ All workers/farmers
- ☐ The community
- ☐ The management
- ☐ The PO
- ☐ Others

D. Challenges
(Topics: Accountability)

23. Are you informed about forthcoming meetings that concern the spending of the Fairtrade Premium?
- ☐ Yes
- ☐ No

24. Are you informed about the decisions taken regarding the spending of the Fairtrade Premium?
- ☐ Yes
- ☐ No

25. By what means are you informed?
- ☐ In writing: noticeboard
- ☐ In writing: letter, e-mail, message
- ☐ Verbally: by other farmers/employees
- ☐ Verbally: by the management
- ☐ Verbally: by members of the joint body [FPC]
- ☐ Verbally: during the General Assembly (or other meetings)
- ☐ Other

26. If you do not agree with the decided use of the Fairtrade Premium, can you complain?
- ☐ Yes
- ☐ No
- ☐ I don't know

27. Do you trust the Fairtrade Premium Committee (Joint Body) to make the right decisions?
- ☐ Yes
- ☐ No
- ☐ I don't know

E. Impact and Future Vision
(Topics: Impact Level)

28. Do you think the Premium improved your household income, assets and standard of living?
- ☐ Strongly disagree
- ☐ Disagree
- ☐ Neither agree/nor disagree
- ☐ Agree
- ☐ Strongly agree

29. Do you think the Premium reduced risk and vulnerability and improved your standard of living?
- ☐ Strongly disagree
- ☐ Disagree
- ☐ Neither agree/nor disagree
- ☐ Agree
- ☐ Strongly agree

30. Do you think the Premium improved access to basic services?
- ☐ Strongly disagree
- ☐ Disagree
- ☐ Neither agree/nor disagree
- ☐ Agree
- ☐ Strongly agree

31. Do you think the Premium increased cooperation and gender equality within your community?
- ☐ Strongly disagree
- ☐ Disagree
- ☐ Neither agree/nor disagree
- ☐ Agree
- ☐ Strongly agree

32. Do you think the Premium increased dignity, confidence, control and choice?
- ☐ Strongly disagree
- ☐ Disagree
- ☐ Neither agree/nor disagree
- ☐ Agree
- ☐ Strongly agree

33. Do you think the Premium enhanced influence and status of small producers?
- ☐ Strongly disagree
- ☐ Disagree
- ☐ Neither agree/nor disagree
- ☐ Agree
- ☐ Strongly agree

34. Do you think the Premium contributes to a fairer and more sustainable trading system?
- ☐ Strongly disagree
- ☐ Disagree
- ☐ Neither agree/nor disagree
- ☐ Agree
- ☐ Strongly agree

35. Do you think the Premium increased environmental sustainability and resilience to climate change?
- ☐ Strongly disagree
- ☐ Disagree
- ☐ Neither agree/nor disagree
- ☐ Agree
- ☐ Strongly agree

At the end, we ask open-ended questions to collect quotes:

37. How does the Fairtrade Premium support you, your family, your community or your PO?

38. What do you wish to realize in future with the Fairtrade Premium?

11.1.1 Mapping of Fairtrade International ToC outputs, outcomes and impacts to indicators.

This mapping was the basis for developing the questions used in the above noted questionnaire. This demonstrates the logic of including eight possible impacts rather than just the six included in the original Fairtrade International ToC.

ToC Level	*Theme*	*Relevant sub-theme*	*Selection of Fairtrade indicators from each thematic area*
Output	Increased investment in small producers and workers, their organizations and communities	Collective investments and individual disbursement using the Fairtrade Premium	Average Fairtrade Premium received per producer organization and average Premium per producer organisation member in previous calendar year
			Average Fairtrade Premium received per Hired Labour workplace and average Premium per HL worker in previous calendar year
			Percentage of total Fairtrade Premium used for different purposes, and estimated number of people benefitting in total and from each category of Premium use in previous calendar year
		Linkages to communities to support local development	Percentage of producer organizations, which have implemented a process to capture the development needs of workers and communities (for consideration when planning Premium use)
	Enhanced knowledge and capacity (farmers, workers, managers, and their organizations and networks)	Democracy, participation and transparency in Fairtrade Premium Committees and General Assembly	Percentage of producer organizations in which an Annual General Assembly to discuss use of the Fairtrade Premium was held in the last calendar year and was of adequate quality (percentage POs with SCORE rank 4 or 5 on CC: 2.1.0.45)
			Percentage of HL workers or farmer members who have a good understanding of decision making around Premium use by gender
	Stronger, well-managed, democratic organizations for small producers	Management systems for business and production	Percentage of POs which accurately track Fairtrade Development Plan expenses and Fairtrade Premium use (percentage POs with SCORE rank 4 or 5 on CC 4.1.0.14)
		Transparent systems for managing Fairtrade Premium	Percentage of PO members who have a good understanding of decision-making around Premium use by gender
Outcome	Decent Work	Increased equality and opportunities	Percentage of FPC members by gender
	Enhanced influence and benefits for small producers, workers and their communities producers, workers and their communities	Improved services and support to producer organization members and workers	Percentage of Hired Labour workers and producer organization members who report being satisfied with the services provided by their producer organisations by type of service and gender (disaggregated by Premium funded or non-Premium funded)
			Average direct economic support per worker household using Fairtrade Premium in previous calendar year

ToC Level	*Theme*	*Relevant sub-theme*	*Selection of Fairtrade indicators from each thematic area*
	Inclusive, worker-led management of Fairtrade Premium and enhanced benefits for workers and their communities	General	Percentage of workers which trust that the Fairtrade Premium Committee acts in their best interests by gender and type of contract
		General	Percentage of general workers who perceive that they are able to influence use of the Fairtrade Premium by gender
		Non-wage economic support for worker households	Average direct economic support per worker household using Fairtrade Premium in previous calendar year
		Improved services and infrastructure in rural communities	Number, type and value of community projects funded by Fairtrade Premium, and estimated number of people benefitting, in previous calendar year.
			Number, type and value of environmental improvement and climate change adaptation measures in communities funded by Fairtrade Premium, and estimated number of people benefitting, in previous calendar year.
		Support for vulnerable and marginalized groups	Number, type and value of Premium projects specifically targeting (1) children and youth, (2) women/gender equality (3) workers, and estimated number of people benefitting, in previous calendar
	Strong and inclusive POs	Increased profitability, reduced risk	Producer organisation management perception of benefits and costs associated with participation in Fairtrade, and the types of benefits and costs reported (percentage reporting each type of benefit/cost)
		Strong and accountable leadership	Percentage of producer organisation members who perceive that they are able to influence use of the Fairtrade Premium by gender
			Percentage of producer organisation members which perceive that their organization listens to their views and acts in their best interests by gender
Impact	Improved household income, assets and standard of living		
	Less risk and vulnerability, increased food security		
	Improved access to basic services		
	Increased cooperation and gender equality within communities		
	Increased dignity, confidence, control and choice		
	Enhanced influence and status of small producers		
	Fairer and more sustainable trading system		
	Increased environmental sustainability and resilience to climate change		

ORAL CONSENT FORM – INDIVIDUAL INTERVIEW: Statement of Research Purposes

Title of Project: Participatory Analysis of the Use and Impact of the Fairtrade Premium (PauIFPrem)

Principal Investigator: Dr. Allison Loconto, Laboratoire Interdisciplinaire Recherche Innovation et Société (LISIS), Institut National de la Recherche Agronomique (INRA), Université Paris-Est Marne-la-Vallée
5 boulevard Descartes, F-77454 Marne-la-Vallée Cedex 02 FRANCE
Cell: +33 (0)6 26 06 36 03; Email: allison-marie.loconto@inra.fr

Explanation of Research Project:

We are conducting research as part of a research team working in the Interdisciplinary Laboratory for Research, Innovation and Society (LISIS) at the University of Paris-Est Marne-la-Vallée. The name of the research project is "Participatory Analysis of the Use and Impact of the Fairtrade Premium." The purpose of this study is to understand how the Fairtrade Premium is used, who decides how it is used, how the decisions are implemented and what the effects of its use in your community are.

We have chosen to talk to you as you are a member of a producer organization that is certified by Fairtrade International. You will receive no personal benefit from being part of the study. However, you may benefit indirectly from participating in this study by gaining access to information about the Fairtrade Premium. We require about 15 minutes of your time for an interview.

We have a set of questions that we would like to ask you. These questions are about how your organization uses the Fairtrade Premium funds. We will not be asking you any personal or sensitive questions, however, if you feel uncomfortable at any time during the interview, please say so and we can stop.

Any information you may provide will be confidential. This means that while we may publish and share the information you provide for research purposes, your name and identity will be not be provided. You can stop being a part of the study at any time. Your participation in this study is voluntary. There is no compensation made for your participation in the study. If you wish not to be a part of this study, please inform us so.

Do you have any questions about the project [ACTION: No Rush. Wait for at least 10 seconds.]?

If you want to talk to anyone about this research project, I am leaving you the contact information of the principal investigator for this study. [ACTION: The Principal Investigator's business card will be provided at this time.]

If you agree to be in this study, please let us know by saying YES.
[ACTION: ***Interviewer***] Please circle: YES or NO

In case NO (not wishing to participate in the study), could I ask you the reasons? : _____
[ACTION: ***Interviewer***: Please END here.]

_____ _____
Participant's Name (Written by the Investigator) Signature of Investigator

_____ _____
Place Date and Time

Action required: Signed copies of this consent form must be retained on file by the Principal Investigator (PI) and a copy given to the participant.

Workshop Facilitator's Guide

Topics: Decision-making process and management of the Fairtrade Premium

The co-construction workshops, which will last one half-day (about three hours), are based on an iterative approach to learning that focuses on problem-solving, peer-learning and comparative discussions. The exercise that we have created is specifically adapted to thinking through Fairtrade Premium use and will provide the researchers with insights into how the Premium decision-making body works together and prioritizes activities. This will provide insights into how the process itself of managing the Premium contributes to the empowerment of farmers and workers.

Objectives:

1) Draw pathways to impact from specific approaches and outputs in the Fairtrade ToC
2) Understand the decision-making process in the Premium management body
3) Develop best practices for Premium decision-making and use

Materials:

1) Sticky Wall
2) Fairtrade ToC
3) Cards with Approaches and Outputs written on them
4) Different coloured and shaped note pages
5) Refreshments

Facilitator Instructions:

Ice breaker (10 minutes):
Upon arrival, sit in one circle and ask everyone to introduce themselves and say one thing that they know about the person sitting next to them (we assume that everyone knows each other).

First round (1 hour):
Split the group into four groups (allow them to self-select as this will provide the researchers with a chance to see where the friendships and alliances are). During this time the facilitators can visit the different groups.

1) Each group elects a rapporteur, who will present their results in the plenary.
2) Assign each group a different outcome to use as the point of departure for their Premium use.
3) Give each group the real budget of either their own cooperative, or another cooperative which had focused on Premium use that came from this outcome.
4) Give them 40 minutes to plan what they will do with this money. In their plan they must detail:
    a. Why do they think this is the best use of the money?
    b. Who are the intended beneficiaries and how many are they?
    c. What type of impact do they expect to have (based on the Fairtrade ToC)?
5) Convene the plenary and ask each rapporteur to present their group's results (20 minutes)

Take a tea break (15 minutes)

Second round (45 minutes):
Ask the groups if they want to stay in their same groups or if they want to switch – do as they request. During this time the facilitators can visit the different groups.

1) Give each group a slip of paper that has a new rule on it about how the Premium can be used or how much money they will have to spend
    a. The four rules will be:
        i. No personal payments to members, no limit on your budget
        ii. No personal payments to members, the same budget as before
        iii. Only capacity building, no limit on your budget
        iv. Only capacity building, the same budget as before
6) Give the groups 40 minutes to plan what they will do with this money. In their plan they must detail:
    a. Why do they think this is the best use of the money?
    b. Who are the intended beneficiaries and how many are they?
    c. What type of impact do they expect to have (based on the Fairtrade ToC)?
7) Convene the plenary and ask each rapporteur to present their group's results (20 minutes)

Discussion and Lessons (50 minutes)
Bring everyone into one circle to discuss the experience. Use a stick or other object to place in the middle of the circle and whoever wants to speak can take the stick. Explain how the talking stick works.

Begin the discussion by asking the following questions all together (write them on a board so that everyone can see them):

1) Was it easier to plan and imagine an impact in the first round or the second round? Explain why you feel that way.
2) What was the most difficult rule to deal with?
3) Did you hear any ideas today for projects that you hadn't thought of before?
4) Did the projects that you thought of lead to the impacts that you were hoping for?
5) If you were to do this exercise again, what would you do differently?

Facilitate this session so that we can just follow the participants' contributions. The facilitator should not talk or call on people to answer, you let the stick do that.

After 30 minutes, thank the participants and ask them:
1) Did you find this workshop interesting?
2) Did you learn anything new?
3) Is this how you usually take decisions in your group? If not, how does the decision process work?
4) Do you think this type of activity would help you to better plan for the Premium use?

ORAL CONSENT FORM – CO-CONSTRUCTION WORKSHOP: Statement of Research Purposes

Title of Project: Participatory Analysis of the Use and Impact of the Fairtrade Premium (PauIFPrem)

Principal Investigator: Dr. Allison Loconto, Laboratoire Interdisciplinaire Recherche Innovation et Société (LISIS), Institut National de la Recherche Agronomique (INRA), Université Paris-Est Marne-la-Vallée
5 boulevard Descartes, F-77454 Marne-la-Vallée Cedex 02 FRANCE
Cell: +33 (0)6 26 06 36 03; Email: allison-marie.loconto@inra.fr

Explanation of Research Project:

We are conducting research as part of a research team working in the Interdisciplinary Laboratory for Research, Innovation and Society (LISIS) at the University of Paris-Est Marne-la-Vallée. The name of the research project is "Participatory Analysis of the Use and Impact of the Fairtrade Premium." The purpose of this study is to understand how the Fairtrade Premium is used, who decides how it is used, how the decisions are implemented and what the effects of its use in your community are.

We have chosen to talk to you as you are a member of a producer organization that is certified by Fairtrade International. You will receive no personal benefit from being part of the study. However, you may benefit indirectly from participating in this study by gaining access to information about the Fairtrade Premium. We require about three hours of your time to participate in a workshop.

During the workshop, we will ask you to participate in collective work with fellow members of the Premium Joint Body [FPC] and your organization's Management. We will discuss current and future Fairtrade Premium use. The activities will be set up to encourage discussion among participants. We ask that what you and the other participants say in this workshop not be repeated outside the workshop.

We will not be asking you any personal or sensitive questions. However, since we will be discussing Fairtrade Premium management issues, you may find some interactions difficult. If you feel uncomfortable at any time during the workshop, please say so and you are free to leave the workshop.

Any information you may provide will be confidential. This means that while we may publish and share the information you provide for research purposes, your name and identity will be not be provided. You can stop being a part of the study at any time. Your participation in this study is voluntary. There is no compensation made for your participation in the study. If you wish not to be a part of this study, please inform us so.

Do you have any questions about the project [ACTION: No Rush. Wait for at least 10 seconds.]?

If you want to talk to anyone about this research project, I am leaving you the contact information of the principal investigator for this study. [ACTION: The Principal Investigator's business card will be provided at this time.]

If you agree to be in this study, please let us know by saying YES.
[ACTION: ***Interviewer***] Please circle: YES or NO

In case NO (not wishing to participate in the study), could I ask you the reasons? : _____
[ACTION: ***Interviewer: Please END here***.]

_____ _____
Participant's Name (Written by the Investigator) Signature of Investigator

_____ _____
Place Date and Time

Action required: Signed copies of this consent form must be retained on file by the Principal Investigator (PI) and a copy given to the participant.

12. ANNEX 3 – RESEARCHER BIOGRAPHIES

Dr. Allison Marie Loconto, Team Leader, is a sociologist, trained in International Affairs and Development (MA, American University), and Sociology (PhD, Michigan State University). She has 18 years' experience working on transitions to sustainable agriculture in developing countries in collaboration with International NGOs, Standards Organizations and UN Organizations. Extensive research experience in studying the functioning and impacts of Fairtrade, Organic, Rainforest Alliance and other ISEAL members' standards. She is an expert in mixed-method data collection and analysis (quantitative and qualitative using NVivo, Iramuteq, CorTexT, SPSS), participatory research. Proven experience in carrying out large-scale, cross-country case study comparisons. She has conducted fieldwork in over 15 countries across Africa, Asia, and Latin America. Extensive fieldwork in East Africa. She has been a member of: the Multidisciplinary Technical Committee (2017), 'The EU city award for fair and ethical trade', European Commission, Directorate-General for Trade (DG Trade), organized by the International Trade Centre (ITC, WTO/UN); and the Scientific Committee (2014, 2018) "Guide des labels de Commerce équitable" of the Plate-Forme pour le Commerce Equitable (PFCE). She is fluent in English, French, Spanish, Italian; working knowledge of Kiswahili and competent in Portuguese.

Dr. Laura Silva-Castañeda, Leader of the Latin American fieldwork, is a sociologist, trained in Latin American Studies (MSc, Oxford University) and Development Studies (PhD, University Catholique de Louvain). She has research experience in issues of agricultural policies, smallholders' livelihoods, standards and certification, innovative land governance tools such as participatory mapping and crowd-sourcing. She has conducted extensive fieldwork in rural communities in Brazil, Cambodia, Colombia, Indonesia and Madagascar. Fluent in French, English and Spanish, she is interested in new methods of "shared governance" and collective intelligence (trained at Université du Nous).

Dr. Nadine Arnold is a sociologist, trained in Social and Communication Sciences (MA, University of Lucerne) and Sociology (PhD University of Lucerne) with a specialization in organizational and economic sociology. She was a grant holder of the Swiss National Science Foundation for two projects on Fairtrade, addressing 1) organizational shifts and changes of Standards in the Fairtrade system 2) the role of Fairtrade Standards in the Ghanaian pineapple industry. She has fieldwork experience in Ghana (observation and interviews with members of (non-)Fairtrade certified plantations/cooperatives and social engagement in Senegal, Ghana, Uganda and Pakistan. She is an expert in case study research (data from interviews, participant observation and archives) using qualitative data analysis software (MAXQDA) and is fluent in German, French, English with a working knowledge of Spanish.

Alejandra Jiménez, MSc. Is an economist, trained in Economics and Management with specialization in Agriculture, Food and Sustainable Development (MSc, Montpellier SupAgro / Université de Montpellier 1). She has research experience in issues of governance of production systems, value chains, evaluation and impact analysis of agricultural projects and case study methodologies. Extensive experience in data collection using a mixed approach: questionnaire administration, focus groups and observations. She develops economic and statistical (qualitative and quantitative) analysis using statistical software like SPSS, CorTexT, NVivo and Iramuteq. She has fieldwork experience in rural communities and small-farmer organizations in Bolivia and Colombia and is fluent in Spanish, English and French.

13. ANNEX 4 – FAIRTRADE INTERNATIONAL'S PREMIUM USE CATEGORIES

In our data analysis, we relied upon the Premium Use Categories that are currently employed by Fairtrade International. Through examination of the different individual products, we found that the 'minor category' level did not bring any clarity to our analysis. Therefore, we constructed the five Premium Use Categories presented in this report from the 'major categories' and retained the 'sub-categories' to provide clarity on the more specific uses. We developed five rather than four Use categories as we combined the 'services to farmer members' and the 'services for workers and their families' into one combined category of 'services to farmers and workers'. We did this because we found significant repetition among the sub-categories within these two major categories.

Major Category	*Minor Category*	*Sub-Category*
Services to farmer members	Farmer training in agricultural or business practices	Farmer training - business practices
		Farmer training - child labour/social compliance
		Farmer training - health and safety
		Farmer training - pest management
		Farmer training - product quality improvement
		Farmer training - productivity improvement
		Farmer training - soil management
		Farmer training - water management
		Farmer training – other
	Provision of agricultural tools and inputs	Provision of fertilizers to farmer members
		Provision of health and safety equipment to farmer members
		Provision of pesticides to farmer members
		Provision of tools to farmer members
		Provision of agricultural tools and inputs - other
	Implementation of on-farm best practices	Composting programmes
		Crop diversification programmes
		Crop spraying programmes
		Intercropping and cover crops
		Irrigation demonstration and promotion
		Irrigation installation
		Land rehabilitation and reclaiming programmes
		Pond and watercourse maintenance
		Renewal/replanting of plantations
		Soil analysis
		Soil protection programmes

Major Category	*Minor Category*	*Sub-Category*
Services to farmer members	Implementation of on-farm best practices	Waste management programmes
		Water analysis
		Farming practices - other
	Education services for members	Scholarships and bursaries
		School fees
		School travel
		School uniforms and school equipment (books, etc.)
		Education services for members - other
	Health services for members	Disease prevention and immunization programmes for members
		Medical treatment for members
		Health insurance for members
		Health services for members - other
	Credit and finance services for members	Loans for business development
		Loans for education
		Loans for farm improvements or inputs
		Loans for housing improvement
		Loans - unspecified/other
	Payments to members	Direct payment of Fairtrade Premium to members
		Disaster or emergency payments to members
		Funeral payments to members
		Other welfare payments to members
	Support for hired workers on farms	Support for hired workers on farms
	Other services to members	Other services to members
Investment in producer organizations	Training and capacity building of Producer Organization staff/board/ committees	Exchanges with other producer organizations/networks
		Training in financial management
		Training in health and safety
		Training in marketing and commercialization
		Training in productivity and quality improvement
		Training on child labour/social compliance
		Training on Fairtrade Premium management
		Other training
	Facilities and infrastructure	Crop collection services (transport/collection)
		Crop storage infrastructure (warehouses)
		Export and packing facilities
		Internal control system (ICS) implementation
		Office facilities (IT/furniture)
		Processing facilities
		Quality and checking facilities
		Rental or purchase of buildings
		Rental or purchase of land
		Other facilities and infrastructure

Major Category	*Minor Category*	*Sub-Category*
Investment in producer organizations	Human resources and administration	Certification and audit costs
		Costs of debt/banking/financing/loans
		Office running costs
		Staff costs
		Travel and vehicle costs
		Loans for business development
		Costs of Fairtrade Premium administration
		Other HR and administration costs
Services to communities	Education services for communities	Childcare services
		Community scholarships and bursaries
		School buildings and infrastructure
		School facilities - meals/books/computers/uniforms, etc.
		School travel
		Teacher training or salaries
		Other community education services
	Health services for communities	Clean water and sanitation facilities
		Disease prevention and immunization programmes
		Health infrastructure - clinics and hospitals
		Medical facilities - medicines/equipment/running costs, etc.
		Medical staff training or salaries
		Other community health services
	Environmental services for communities	Recycling and waste management
		Tree planting/reforestation
		Other community environmental programmes
	Community infrastructure	Investment in community buildings
		Investment in energy infrastructure
		Investment in lighting or other infrastructure
		Investment in roads
		Other investment in community infrastructure
	Social and economic services for communities	Community disaster or emergency relief
		Community financial services (loans/rotating funds, etc,. aimed at community members)
		Community leisure or social facilities
		Support for community charities
		Support for vulnerable groups (elderly/disabled/orphans, etc.)
	Gender equality	Other social or economic services to communities
		Family planning programmes
		Trainings for women and gender training
		Women's health projects
		Women's income generation projects
		Other community projects focusing on gender or women's issues
	Other services to communities	Other services to communities

Major Category	*Minor Category*	*Sub-Category*
Other	Miscellaneous	Premium use unclear or unknown
		Premium use not fitting into any other category
		Premium not spent
Services for workers and their families	Investment in worker housing	Building new houses for workers
		Improving workers' housing
		Purchase of land for housing
		Purchase of buildings for housing
		Other worker housing (insurance/mortgages/legalization of housing)
	Education services for workers and their families	Adult education (but see also under Training for Workers for worker training)
		Scholarships and bursaries
		School buildings and infrastructure
		School facilities - meals/books/computers
		School fees
		School travel
		School uniforms and individual school equipment (books, etc.)
		Teacher training or salaries
		Other education services for workers and their families
	Healthcare services for workers and their families	Clean water and sanitation facilities for workers and their families
		Disease prevention and immunization programmes for workers and their families
		Health infrastructure - clinics for workers and their families
		Health insurance for workers and their families
		Medical facilities for workers and their families - medicines/equipment/ running costs, etc.
		Medical staff training or salaries
		Medical treatment or healthcare for workers and their families
		Other worker health services
	Financial and credit services for workers and their families	Loans for business development
		Loans for education
		Loans for housing improvement
		Rotating funds for workers
		Loans - unspecified/other
	Payments to workers and their families	Bonuses for workers (e.g. Christmas bonus)
		Direct payment of Fairtrade Premium to members
		Disaster or emergency payments to workers
		Funeral payments to members
		Other welfare payments to members
	Other services for workers and their families	Crèche/childcare provision for workers
		Cultural and sports events/services for workers
		Parties or social events for workers and their families
		Provision of subsidized shop or goods for workers
		Transport for workers
		Other services for workers and their families

Major Category	*Minor Category*	*Sub-Category*
Training and empowerment of workers	Trainings for Joint Body [FPC] members	Exchange with other Joint Bodies [FPC] (meetings/trips)
		Financial management training for Joint Body [FPC] members
		Project management/IT skills/communication training for Joint Body [FPC] members
		Workers' rights training for Joint Body [FPC] members
		Other capacity building and training for Joint Body [FPC]
	Trainings for workers	Basic skills training for workers (literacy/numeracy)
		Business/IT skills training for workers
		Gender or women's empowerment training for workers
		Workers' rights training
		Other training for workers
	Support for workers' organizations	Exchange with other workers' organizations (meetings/trips)
		Financial support for other workers' organizations
		Financial support for trade union/workers' committee
		Financial support for women's committee
		Training for trade union or committee representatives
		Other support for trade unions and worker committees
	Joint Body [FPC] and committee running costs	General Assembly costs
		Legal/accounting or other professional fees
		Office costs of Joint Body [FPC] (IT/office supplies/rent)
		Salary costs
		Travel costs - Joint Body [FPC] or other committees
		Other administration costs - Joint Body [FPC] or other committees

14. ANNEX 5 – PROPOSAL FOR NEW FUNCTIONAL CATEGORIES

Based on the textual analysis conducted on the full project descriptions as presented in the chapter on the function of the Premium in system change (pp. 64-65), we propose a new categorization that may provide more interesting insights into how the Premium is contributing to impact. In the table below, we retained the colours presented in Annex 4 at the level of the Sub-categories so to render the changes more visible.

We propose the following seven major categories that could re-organize the linkages with the Sub-categories so that the Premium can serve the following functions:

1. Building vibrant communities – which refers to the physical, social, environmental and economic health of the communities in which farmers and workers take part.
2. Individual advancement – which groups together the collective purchases and support services that serve to advance the individual (and family) interests of farmers and workers.
3. Educating the next generation – refers to the use of Premium funds to invest in the education of the children and youth from farmers' and workers' families, as well as in their communities.
4. Learning to produce Fairtrade – which refers to the training that farmers, workers and their collaborators receive on the variety of skills needed to produce and trade according to the principles of Fairtrade.
5. Maintaining the Fairtrade system – which refers to the use of the Premium to pay for the expenses incurred in remaining within the Fairtrade system (such as certification fees and maintenance of FPCs).
6. Organizational strengthening and autonomy – which refers to the productive and capital investments, as well as human resources and social activities, that enable the PO to become autonomous.
7. Premium use not known – which should cover just a few instances when there is no report, or the Premium has not been used.[40]
8. Quality improvement – which includes value-added activities both in the production system and in processing, packing and moving up the value chain to improve the environmental, physical and organoleptic qualities of the products.

40 We suggest that 'other' categories be used as little as possible as it seems that many of these projects can be placed in the existing categories. The only 'other' category that might usefully remain would be 'Premium use not known'.

Major category	*Sub-Category*
Building vibrant communities	Clean water and sanitation facilities for workers and their families
	Disease prevention and immunization programmes for workers and their families
	Health infrastructure - clinics for workers and their families
	Health insurance for workers and their families
	Medical facilities for workers and their families - medicines/ equipment/running costs, etc.
	Medical staff training or salaries
	Other worker health services
	Clean water and sanitation facilities
	Community disaster or emergency relief
	Community financial services (loans/rotating funds, etc., aimed at community members)
	Community leisure or social facilities
	Disease prevention and immunization programmes
	Family planning programmes
	Health infrastructure - clinics and hospitals
	Investment in community buildings
	Investment in energy infrastructure
	Investment in lighting or other infrastructure
	Investment in roads
	Medical facilities - medicines/equipment/running costs, etc.
	Other community environmental programmes
	Other community health services
	Other investment in community infrastructure
	Other services to communities
	Other social or economic services to communities
	Support for community charities
	Support for vulnerable groups (elderly/disabled/orphans, etc.)
	Women's health projects
	Disease prevention and immunization programmes for members
	Health insurance for members
	Health services for members - other
	Loans for education
	Medical treatment for members
	Other community projects focusing on gender or women's issues
	Crop collection services (transport/collection)
	Direct payment of Fairtrade Premium to members
	Disaster or emergency payments to members
	Funeral payments to members
	Loans - unspecified/other
	Loans for farm improvements or inputs
	Loans for housing improvement
	Other services to members
	Other welfare payments to members

Major category	*Sub-Category*
Individual advancement	Provision of agricultural tools and inputs - other
	Provision of fertilizers to farmer members
	Provision of health and safety equipment to farmer members
	Provision of pesticides to farmer members
	Provision of tools to farmer members
	Support for hired workers on farms
	Travel and vehicle costs
	Bonuses for workers (e.g. Christmas bonus)
	Building new houses for workers
	Disaster or emergency payments to workers
	Improving workers' housing
	Medical treatment or healthcare for workers and their families
	Other services for workers and their families
	Other worker housing (insurance/mortgages/legalization of housing)
	Provision of subsidized shop or goods for workers
	Purchase of buildings for housing
	Purchase of land for housing
	Rotating funds for workers
	Transport for workers
	Crèche/childcare provision for workers
	Other education services for workers and their families
	Scholarships and bursaries
	School buildings and infrastructure
	School facilities - meals/books/computers
	School fees
	School travel
Educating the next generation	School uniforms and individual school equipment (books, etc.)
	Teacher training or salaries
	Childcare services
	Community scholarships and bursaries
	Other community education services
	School facilities - meals/books/computers/uniforms, etc.
	Trainings for women and gender training
	Other education services for members
	School travel
	School uniforms and school equipment (books, etc.)
	Basic skills training for workers (literacy/numeracy)
	Business/IT skills training for workers
	Workers' rights training
	Workers' rights training for Joint Body [FPC] members
	Exchanges with other producer organizations/networks
	Other training
	Other training for workers
	Training in financial management
	Training in health and safety

Major category	*Sub-Category*
	Training in marketing and commercialization
	Training in productivity and quality improvement
	Training on child labour/social compliance
	Training on Fairtrade Premium management
Learning to produce Fairtrade	Adult education (but see also under Training for Workers for worker training)
	Women's income generation projects
	Farmer training - business practices
	Farmer training - child labour/social compliance
	Farmer training - health and safety
	Farmer training - other
	Farmer training - pest management
	Farmer training - productivity improvement
	Farmer training - soil management
	Farmer training - water management
	Farming practices - other
	Irrigation demonstration and promotion
	Exchange with other Joint Bodies [FPC] (meetings/trips)
	Exchange with other workers' organizations (meetings/trips)
	Financial management training for Joint Body [FPC] members
	Certification and audit costs
	Costs of debt/banking/financing/loans
Maintaining the Fairtrade system	Costs of Fairtrade Premium administration
	Office costs of Joint Body [FPC] (IT/office supplies/rent)
	Other administration costs - Joint Body [FPC] or other committees
	Other capacity building and training for Joint Body [FPC]
	Travel costs - Joint Body [FPC] or other committees
	Crop storage infrastructure (warehouses)
	Export and packing facilities
	Loans for business development
	Office facilities (IT/furniture)
	Office running costs
	Other facilities and infrastructure
	Other HR and administration costs
	Rental or purchase of buildings
	Rental or purchase of land
	Staff costs
	Cultural and sports events/services for workers
Organizational strengthening and autonomy	Parties or social events for workers and their families
	Financial support for other workers' organizations
	Financial support for trade union/workers' committee
	Financial support for women's committee
	Gender or women's empowerment training for workers
	General Assembly costs
	Legal/accounting or other professional fees

Major category	*Sub-Category*
	Other support for trade unions and worker committees
	Project management/IT skills/communication training for Joint Body [FPC] members
	Salary costs
	Training for trade union or committee representatives
	Quality and checking facilities
	Premium not spent
Premium use not known	Premium use not fitting into any other category
	Premium use unclear or unknown
	Pond and watercourse maintenance
	Soil analysis
	Water analysis
	Recycling and waste management
	Tree planting/reforestation
Quality improvement	Composting programmes
	Crop diversification programmes
	Crop spraying programmes
	Intercropping and cover crops
	Irrigation installation
	Land rehabilitation and reclaiming programmes
	Renewal/replanting of plantations
	Soil protection programmes
	Waste management programmes
	Internal control system (ICS) implementation
	Processing facilities
	Farmer training - product quality improvement

The application of this functional categorization reproduces the same trends as the existing categorization (see **Figure 17**). However, it does provide a more accurate picture of the distributions of use between CPs, HLOs and SPOs **(Figure 71)** and of the regional differences **(Figure 72)**, which did not emerge strongly with the previous classification.

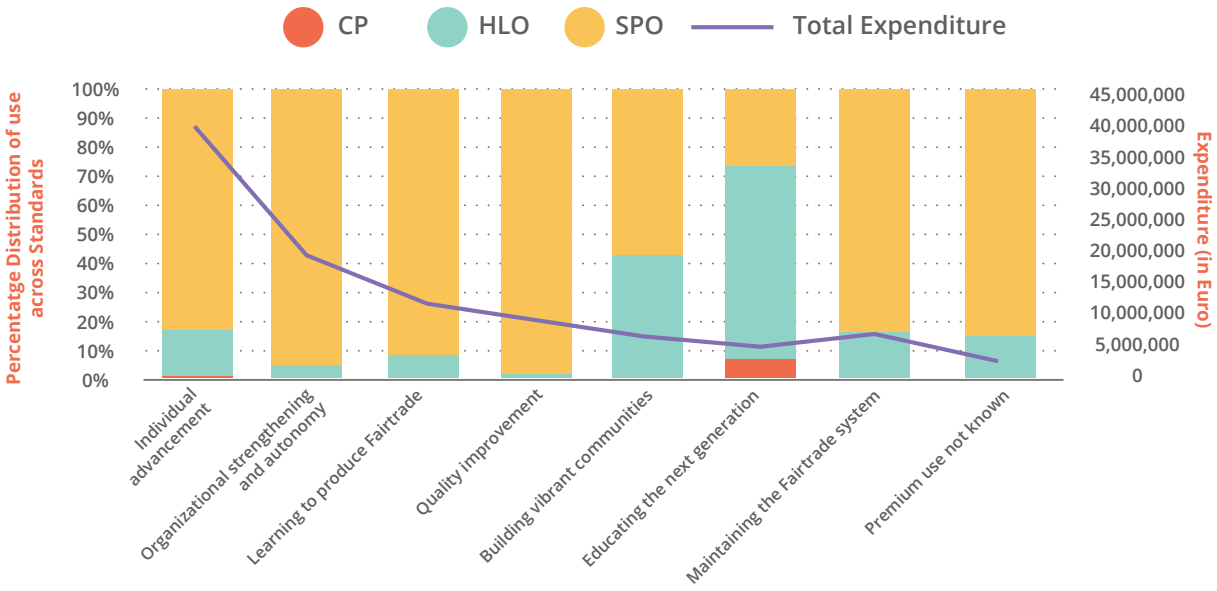

Figure 71: Fairtrade Premium Use based on Functional Categories: Standard Type (2011-2015)
Source: Fairtrade Premium Database (n=894)

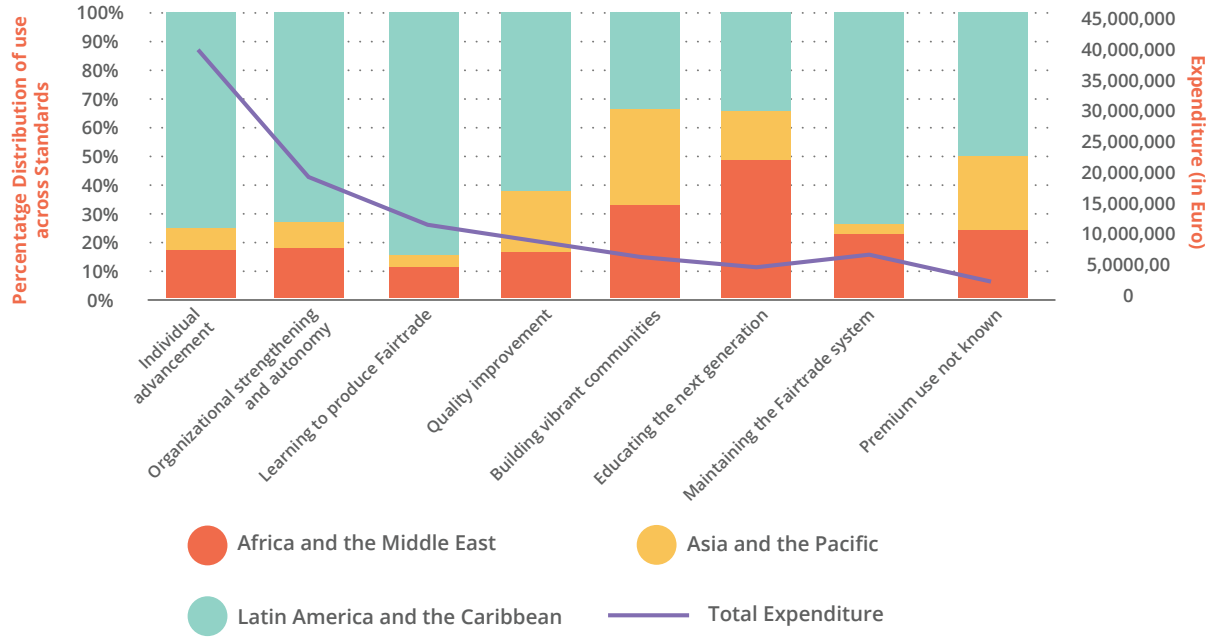

Figure 72: Fairtrade Premium Use based on Functional Categories: Regional Distributions (2011-2015)
Source: Fairtrade Premium Database (n=894)

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