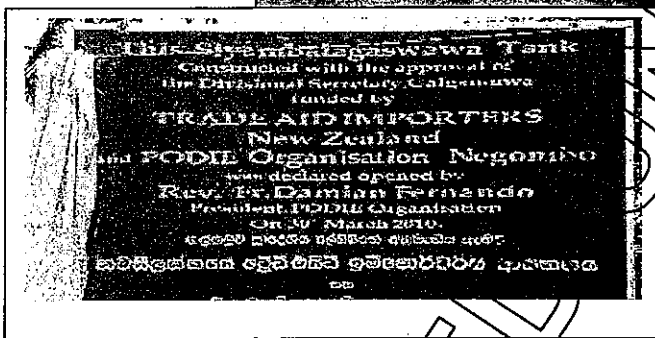


# Review of Trade Aid Importers Ltd



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The New Zealand Ministry of Foreign Affairs and Trade

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## Photographs

The photographs on the cover are of the handover ceremony for a reservoir for the Wanniamunukula farmer group in Sri Lanka. It was jointly funded by Trade Aid Importers Ltd, using MFAT funding, and PODIE, the People's Organisation for the Development of Imports and Exports, who is a Trade Aid trading partner. The farmers contributed their labour. The reservoir will double the amount of land the farmers can cultivate to produce chili, mustard and sesame. It will provide a reliable and sustainable water source for their families for the foreseeable future, and a safe watering hole for the farm animals as well as the elephants that live in the surrounding jungle.

## Glossary of acronyms and abbreviations

ATO	Alternative Trading Organisations
EMA	Equitable Marketing Association
FT	Fair trade
GM	General Manager
HR	Human resources
MFAT	Ministry of Foreign Affairs and Trade
NGO	Non Government Organisation
MFAT	New Zealand's International Aid and Development Agency
ODA	Official Development Assistance
PITIC	Pacific Island Trade and Investment Commission
PODIE	People's Organisation for Development Import and Export
PWC	Price Waterhouse Cooper
RP	Retail Plus (software)
SFTMS	Sustainable Fair Trade Management System
TAI	Trade Aid Importers Ltd
WFTO	World Fair Trade Organisation

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## Executive summary

### 1. Background

Since its founding in 1973, Trade Aid Importers Ltd (TAI) has imported handcraft and in more recent years commodities from partners in Africa, Asia, South and Central America and the Pacific. It has worked primarily through NGO partners set up to help producers develop and sell products to provide livelihood opportunities where few exist.

TAI has received assistance from the Government's aid delivery programme since the early 1990s, with the most recent agreement being the 2006-2010 Funding Arrangement. Under this Arrangement, NZ Government's international aid and development (MFAT<sup>1</sup>) programme funding can be used for product purchases, product development, capacity building for producer partners, and appraisal, monitoring and evaluation.

The continuation of funding was based on the understanding that Trade Aid's approach to development and its charter were consistent with the Government's aid delivery programme policies and that support for Trade Aid would contribute to the MEAT programme's then goal of poverty elimination. The Government's aid delivery programme has had a new mandate since April 2009. This mandate refers to poverty reduction rather than elimination and has a focus on sustainable economic development and the Pacific.

### 2. Purpose and objectives of the review

This review was undertaken for accountability, learning and improvement. While it encompassed all aspects of TAI covered by the Funding Arrangement 2006-2010, it focused on implementation and outcomes, and on efficiency, effectiveness and relevance. It was not possible to assess long term effects (impact) within the review timetable or to clearly attribute impacts to the MFAT programme contribution.

The specific objectives of the review were:

1. To assess the implementation of recommendations of the 2006 review.
2. To assess the effectiveness of Trade Aid in relation to the Government's aid delivery programme funding, and the extent to which this funding has contributed to the effectiveness of Trade Aid.
3. To assess the way in which Trade Aid Importers has implemented the 2006-2010 Agreement.
4. To assess the nature of relationships between Trade Aid Importers Ltd and its partner organisations, and how these relationships have affected implementation of the Funding Arrangement, and achieving Trade Aid Importers Ltd objectives and outcomes associated with the Government's aid delivery programme funding.
5. To assess the relevance of the work carried out under the Funding Arrangement to the Government's aid delivery programme, and to Trade Aid Importers Ltd.

<sup>1</sup> Since 2010 the term 'NZ AID' is used to describe the New Zealand (NZ) international aid and development programme, and not to describe the group that manages the programme. 'NZ AID' will be used when the reference is historical, and NZ Ministry of Foreign Affairs and Trade (MFAT) will be used when referring to the present or future,

6. To identify what has worked well, what has worked less well and lessons that have been learned, and make recommendations to improve the effectiveness, relevance and efficiency of the Funding Arrangement, including recommendations related to the Arrangement itself.

### **3. Approach and methodology**

The review was carried out in two stages. A review plan was developed in Phase 1. The plan was implemented in Phase 2.

In Phase 2, the review gathered information through:

- in depth perusal and analysis of Trade Aid files and reports relating to the four activities funded by the MFAT programme
- review of relevant MFAT programme files and policies
- consultations with key stakeholders, based on interview guides to ensure that data was collected in a consistent fashion
- analysis of financial accounts and management systems, including the database
- visits to selected trading partners in Kolkata, Sri Lanka and Kiribati and their associated producers.

### **4. Limitations**

The limitations of the review were largely due to resource and time constraints. TAI trades with 76 partners of whom around 35 are supported through MFAT programme funding. Of these, the team was able to visit only six. It also takes time for some initiatives funded by MFAT, particularly product development and capacity building, to produce results. The review was only able to assess effects in the short term, using product orders, sales and capacity building data and trip reports as important sources of information.

The team faced few constraints in assessing efficiency but it was more difficult to assess effectiveness. This is partly because trading partners did not collect reliable or detailed information to assess all the outcomes identified in the programme logic prepared as part of the review process. (They were unaware that this might be needed). Attribution was also a challenge. TAI is a relatively small buyer from most of its trading partners, so attributing outcomes such as increased sales specifically to product development and capacity building activities was difficult.

The MFAT programme mandate changed during the course of the funding agreement. While the review discusses relevant issues in some detail, it is too early to assess how much further TAI can extend its MFAT programme-funded activities into the Pacific.

### **5. Findings**

#### **Implementation of recommendations of the 2006 Review**

The recommendations of the 2006 review have either been implemented as stated (Recs 1-3 and 8-9) or are in the process of being implemented (Recs 4-7). More work needs to be done to enhance the database capacity for monitoring and evaluation.

#### **Achievement of objectives and outcomes of activities related to Government aid funding**

The objectives of Trade Aid activities related to Government aid funding were met. TAI was able to continue ordering from all the nominated groups over the funding period despite the recession, product development led to new orders, projects and activities were completed using capacity building grants, and spending was within the conditions of the Funding Arrangement. The profit-sharing rebate was introduced for the first time. The review team was able to observe the benefits to partners and producers of MFAT-funded activities and the contribution these made to economic development.

### **Product purchase**

The 2008-09 Annual report to MFAT indicates that purchase support for trading partners (in NZ dollars) averaged 28.4% for all partners. The average for smaller partners is around 50% with no partner reaching the 75% limit for any one organisation.

### **Product development**

Between 2004/05 and 2008/09, the TAI product development officer worked with 35 different craft partners in 15 countries. 694 new products were developed, of which 321 product lines reached the stores with another 40 products on order. TAI reordered 274 lines during this period. Product development with food items is arranged from New Zealand rather than in the country of origin - the Sweet Justice range of products is an example.

### **Capacity building**

The capacity building fund is of great value to trading partners and producers who use it carefully and effectively. Their ability to leverage funds over and above TAI's contribution means that MFAT gets good value for money. The process of vetting and approving grants is thorough and TAI obtains confirmation of completion and impact through visits and reports.

### **Achievement of outcomes associated with the programme logic**

TAI is achieving both the short and intermediate term outcomes associated with product purchasing (higher sales, ability to plan and budget, increased respect for producers) and product development (new product ranges) in the programme logic. Trading partners have been able to improve quality control and increase production capability through capacity building initiatives. The review team could not confidently assess the extent to which business skills or access to new markets have improved as a result of capacity building. The outcomes are contributing to economic development.

### **Appraisal, monitoring and evaluation**

TAI has worked hard to implement the recommendations of the 2006 review. It developed a four year plan for monitoring and evaluation (impact assessment) and an associated set of principles. It supported six partners to undertake pilot assessments using indicators and methodologies that were relevant to them. At the time MFAT considered that these could have wider use with some improvements and recommended ways to achieve this. TAI has still to develop the database potential for monitoring and evaluation purposes as recommended in the previous review.

Monitoring and appraisal visits and office-based activities are carried out consistently. Annual reporting of development activities funded by the MFAT programme could be improved through more analysis and the provision of a summary of key points, common findings and ongoing or emerging issues.

Information on successful practice has been generated and shared through conferences and newsletters. With one exception, the review team was unable to ascertain whether policies, systems and procedures have been modified as a result of the evaluative work.

Ongoing evaluative work needs to recognise TAI's limited economic involvement with its trading partners, the variety of arrangements partners have with their producers, and partners' capacity or motivation to undertake such work, given that some are currently seeking Sustainable Fair Trade Management System (SFTMS) accreditation. The review suggests four options for collecting relevant information

### **Contribution of MFAT funding to the objectives and outcomes of TAI**

Without MFAT programme funds the development focus of TAI would not be sustainable in its present form. One job supported completely with MFAT programme funds would be at risk.

### **Implementation of the 2006-2010 Funding Arrangement**

TAI has implemented the 2006-2010 Funding Arrangement very efficiently. This has been achieved by the General Manager's (GM) focus on strengthening the management of TAI at all levels. Human resource changes implemented by the GM since the last MFAT review and the development of a skilled, highly autonomous management team have been key factors in improving the efficiency of TAI.

TAI works to maximise returns to trading partners through successful trading. The GM actively manages the TAI trading situation through sales targets and regular reporting. This has resulted in a good trading performance for 2009 in what was an extremely difficult trading year.

TAI has sound financial systems which are well maintained and efficiently managed. Foreign exchange is actively managed with trading partners being paid promptly. Cash flow is well managed and there are strong internal audit systems. TAI has always received an unqualified external annual audit for the past eight years. TAI Inventory management systems have been significantly improved over the past five years. Strategies are being implemented to reduce inventory write off and bad debt.

TAI has spent significant time, energy and resources since the last review developing a new trading partner database and an associated website to sell retail products on-line which went live in April 2010. The trading partner database uses open source software and the development has been technically challenging. With more time, development and investment, the new database will be able to produce reports for monitoring and evaluation purposes. At present though, there is still no data system that can easily collate and analyse the partner information that TAI already collects. This is needed for the MFAT report and as a reliable data source for TAI.

### **Incorporation of cross-cutting and mainstreamed issues**

TAI is effective in incorporating human rights, gender and environmental issues into all its activities, including those supported by MFAT programme funding.

### **Value for money**

The review found that MFAT gets good value for money from its investment in TAI. Outcomes have been achieved or progress has been made towards achievement; implementation has been efficient which means that costs have been minimised.

### **Relationships between Trade Aid Importers Ltd and its partner organisations**

TAI actively seeks to maintain good relations with its partner organisations and is successful in its efforts. Partners are extremely positive about TAI as a partner organisation.

### **Relevance of the work carried out under the Funding Arrangement**

The work of TAI under the Funding Arrangement was fully aligned with the MFAT mandate and policies in place at the time. With its focus on trade and economic development, including in the Pacific, TAI's work remains relevant to the new MFAT mandate. The work TAI does is entirely relevant to TAI's charter and activities.

## 6. Conclusions

This review found that TAI is a well run, professional organisation with committed and capable staff. It has greatly improved its management and financial systems and buying and marketing strategies since the last review. These initiatives have allowed TAI to maintain sales, even in a difficult trading environment, reduce write-offs and improve stock management. Staff visit partners regularly to monitor capacity building projects, undertake product development, and for education and most importantly, relationship building. The strength of TAI's relationships with its trading partners is a key element of its success. The product development work has improved and increased the range and quality of goods that partners produce, while the capacity building fund has given TAI, and through it MFAT, a very high profile among trading partners. The benefits of capacity building projects funded often extend beyond partners and producers to their families and communities.

## 7. Lessons learned

The review identified a number of key points that are relevant to future development:

- The potential for growth is likely to be stronger in food and other commodities than in craft – people buy food more often and there are more opportunities to sell it through other outlets. There is also greater public awareness about organic products and fair trade, which has helped create a market for these products (Section 1.2).
- TAI needs to be able to sell what it buys and will always have to balance this need against its development interests (Section 2.5).

In supporting its trading partners, key lessons were that:

- TAI's relationships with its partners are long term, committed and value based and a key component of its success (Section 2.4)
- Paying 50% deposit on purchase orders for craft producers, and pre-financing for food producers, is an effective way to help partners and is another point of difference for TAI (Section 2.2).
- The capacity building fund provides very good value for MFAT, TAI, trading partners and producers and is unique to TAI (Section 2.2).

With monitoring and evaluation, key lessons were that:

- Expectations for evaluations and impact assessments need to be realistic and suited to both partners' capacity and capability and their relationship with their producers. Assessments also need to be partner driven.
- If MFAT needs reliable outcome (effectiveness) data, the nature of this should be negotiated with TAI and its trading partners at the beginning of a contract so that appropriate data can be gathered, rather than waiting for a review.

## 8. Recommendations

1. That a five-year Funding Agreement from 1 July 2010 to 30 June 2015 is entered into between MFAT and TAI with adequate provision for inflation and cost increases.
2. That provision is made for an additional \$20,000 per annum for a grant to one trading partner to obtain the services of a technical expert for an extended period for product development. The grant will be contestable.
3. That the Funding Agreement retains the ability to move unallocated funds from one category to another, particularly for product purchases.



4. That TAI continues to develop the trading partner database so that it can provide collated data specifically related to areas of MFAT programme funding i.e. product purchase, capacity building, product development and monitoring and evaluation data. Should this development be delayed beyond 2010, TAI should collate data using another suitable tool.
5. That annual reports to MFAT include a summary sheet identifying key points and emerging issues.
6. That TAI considers the four options for collecting effectiveness data and assesses them for practicality and usefulness. The options in brief are:
- **Option one:** ask all trading partners to report annually on a few indicators
  - **Option two:** invite trading partners who have received MFAT-funded support to survey or report on a sample of their producers annually on selected topics
  - **Option three:** invite trading partners who have received MFAT-funded support to collect change stories for a certain number or percentage of staff and/or producers each year, using a simple template to ensure that basic information is gathered consistently.
  - **Option four:** undertake one or two in-depth case studies/impact assessments a year – one as a repeat of an earlier study with improvements as required; the other with a trading partner who has not done a baseline study before. (We note that given the current focus on completing SFTMS documentation, it may be difficult to find trading partners who are prepared to engage at this level at present.)
7. That MFAT supports TAI to (a) continue its work with Pacific groups and (b) explore opportunities to work with regional agencies and community-based organisations committed to promoting fair trade in the Pacific.

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OFFICIAL INFORMATION

## 1.0 Introduction

### 1.1 Background

1. Since its founding in 1973, Trade Aid Importers Ltd (TAI) has imported handcraft and in more recent years commodities from partners in Africa, Asia, South and Central America and the Pacific. It has worked primarily through NGO partners set up to help producers develop and sell products to provide livelihood opportunities where few exist.
2. TAI has received assistance from the Government's aid delivery programme since the early 1990s, with the most recent agreement being the 2006-2010 Funding Arrangement. This was based on the understanding that Trade Aid's approach to development and its charter (see Annex 1) were consistent with the Government's aid delivery programme policies and that support for Trade Aid would contribute to MFAT's then goal of poverty elimination.
3. The Government's aid delivery programme has had a new mandate since April 2009. This mandate refers to poverty reduction rather than elimination and has a focus on sustainable economic development and the Pacific.
4. The following objectives from the Trade Aid Charter are particularly relevant to the MFAT Funding Arrangement with Trade Aid:
  - To engage in effective trading partnerships according to fair trade standards
  - To choose trading partners who work with the most disadvantaged producers
  - To assist producers to move from poverty to self reliance
  - To maximise sales of fair trade product
  - To trade in such a way that the Trade Aid Movement and its partners are financially sustainable.

### 1.2 Trade Aid Importers' performance

5. Over the last ten years, TAI has experienced significant growth. Sales rose from around \$2,240,000 in 2000/01 to \$7,878,000 in 2008/09. Even at the height of the recession, sales rose 22.4 percent on the previous year, a clear indicator of the high level of public support for TAI in New Zealand.
6. Sales are made through a network of 30 independent Trade Aid shops around New Zealand, supplemented in recent years by sales of food imports to a range of other retail outlets. Table 1 summarises TAI's performance over the last 5 years.

	2000/01 <sup>2</sup>	2004/05	2005/06	2006/07	2007/08	2008/09
Sales	\$2,239,751	\$3,091,279	\$4,175,000	\$5,500,000	\$6,869,503	\$7,877,831
Cost of sales	\$1,485,552	\$1,771,228	\$2,459,508	\$3,643,329	\$4,598,119	\$5,338,461
Gross profit	\$ 754,199	\$1,320,051	\$1,715,776	\$2,109,695	\$2,271,384	\$2,539,370
Expenses	\$1,363,250	\$1,637,837	\$2,084,865	\$2,340,150	\$2,790,028	\$2,915,917
Sundry income	\$ 509,802	\$ 705,700	\$ 878,348	\$ 865,198	\$ 844,244	\$ 884,535

<sup>2</sup> Provided for comparison.

Net profit	(\$44,495)	\$ 387,914	\$ 509,259	\$ 634,743	\$ 447,241	\$ 507,948
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Source: Trade Aid Consolidated Annual Accounts

7. Trade in food and commodities is increasing rapidly and in 2005/06, overtook purchases and sales of handicrafts and this trend is expected to continue. Of TAI's 76 trading partners, 24 trade in food. Growth is partly due to the success of TAI's green bean coffee imports but also to growing trade in cocoa, chocolate, olive oil, sugar, nuts, dates, dried fruit and spices.

	Craft	Commodities	Total
2004/05	\$1,012,704	\$ 530,714	\$1,543,418
2005/06	\$1,096,545	\$1,725,344	\$2,821,889
2006/07	\$1,540,704	\$3,319,851	\$4,860,555
2007/08	\$1,915,975	\$5,369,643	\$7,285,618
2008/09	\$2,499,087*	\$6,629,937	\$9,129,024

Source: TAI report to MFAT 2007/08 -the figures include the MFAT contribution

\*TAI notes that the increase in craft expenditure in 2008/09 is mainly due to an almost 40% fall in the exchange rate

8. TAI has always relied heavily on volunteer support. Volunteers contribute at every stage – in the Head Office, the warehouse, the shops and as educators. This not only increases TAI's efficiency, it also provides work experience and job opportunities for a range of people, including migrants, who are committed to the principles and practice of fair trade.

### 1.3 MFAT funding

9. Under the 2006 Funding Arrangement, MFAT funding can be used for: product purchases, product development, capacity building for producer partners and appraisal, monitoring and evaluation. The amounts provided to date are set out in Table 3 below. The figures exclude GST and are in New Zealand dollars.

10. While the total amount MFAT provides has increased each year, the contribution as a proportion of TAI sales has declined. In 2004/05 the MFAT contribution was equivalent to 19% of sales; over the current funding period the proportion dropped from 12.5% in 2006/07 to 10.5% of sales in 2008/09.

	2006/07	2007/08	2008/09
Product purchase	Combined amount \$414,230	\$476,242	\$531,823
Product development		\$ 59,212	\$ 55,585
Capacity building	\$172,596	\$191,461	\$197,250
Appraisal, monitoring and evaluation	\$103,558	\$ 70,261	\$ 48,706
<b>Total</b>	<b>\$690,384</b>	<b>\$797,176</b>	<b>\$833,364</b>

Source: MFAT Letters of Variation

## 1.4 Review purpose

11. This review was undertaken for accountability, learning and improvement. While it encompassed all aspects of TAI covered by the Funding Arrangement 2006-2010, the focus was on implementation and outcomes, and on efficiency, effectiveness and relevance. It was not possible to assess long term effects (impact) within the review timetable, or to clearly attribute impacts to the MFAT contribution. The full Terms of Reference (TOR) are attached as Annex 2.
12. The specific objectives of the review, and the associated research questions, were:
- A. To assess the implementation of recommendations of the 2006 review.
- To what extent have the recommendations been implemented?
  - What factors have constrained or enhanced the implementation of the recommendations?
- B. To assess the effectiveness of Trade Aid in relation to the Government's aid delivery programme funding, and the extent to which this funding has contributed to the effectiveness of Trade Aid.
- To what extent have the intended objectives and outcomes of Trade Aid activities related to the Government's aid delivery programme funding been achieved?
  - What unintended positive and negative outcomes have occurred related to the Government's aid delivery programme funding?
  - To what extent has the Government's aid delivery programme funding contributed to objectives and outcomes of Trade Aid Importers?
  - What factors have enhanced and/or constrained Trade Aid Importers achieving outcomes and objectives associated with the Government's aid delivery programme funding?
- C. To assess the way in which Trade Aid Importers has implemented the 2006-2010 Arrangement.
- To what extent has the Funding Arrangement been implemented as agreed, and to what extent has any variation to the Funding Arrangement (on the part of Trade Aid or the Government's aid delivery programme) been justified?
  - To what extent has Trade Aid Importers implemented the Funding Arrangement efficiently?
  - To what extent has implementation of the Funding Arrangement incorporated the Government's aid delivery programme cross-cutting and mainstreamed issues of gender, environment and human rights (and HIV/AIDS and peace/conflict building where appropriate)?
  - To what extent has the Government's aid delivery programme acted appropriately in fulfilling its responsibilities under the Funding Arrangement?
  - What has constrained or enhanced the efficient implementation of the Funding Arrangement?
  - In qualitative terms, has the Funding Arrangement provided value for money for the Government's aid delivery programme in terms of the outcomes of the Arrangement compared to the money spent i.e. were intended outcomes achieved for the money spent? Could the same outcomes have been achieved for less money, or the money used more efficiently to achieve better outcomes?
- D. To assess the nature of relationships between Trade Aid Importers Ltd and its partner organisations, and how these relationships have affected implementation of the Funding Arrangement, and achieving Trade Aid Importers Ltd objectives and outcomes associated with the Government's aid delivery programme funding.

E. To assess the relevance of the work carried out under the Funding Arrangement to the Government's aid delivery programme, and to Trade Aid Importers Ltd.

- To what extent is the work carried out under the 2006-2010 Funding Arrangement, and any work Trade Aid has had under development during the period, relevant to the Government's aid delivery programme's mandate(s) and relevant key policy documents?
- To what extent is the work carried out under the 2006-2010 Funding Arrangement relevant to the Charter and operations of Trade Aid Importers Ltd?

F. To identify what has worked well, what has worked less well and lessons that have been learned, and make recommendations to improve the effectiveness, relevance and efficiency of the Funding Arrangement, including specific recommendations related to the Arrangement itself.

## 1.5 Use of the findings

13. The results are intended primarily for use by TAI and the Government's aid delivery programme. Some aspects of the results of the review may also be relevant and useful for TAI trading partners and other stakeholders. (Some trading partners have expressed interest in reading the report). The findings will inform the development of a new Funding Arrangement.

## 1.6 Methodology

14. The review was carried out in two stages. A review plan was developed in Phase 1. The plan was implemented in Phase 2, which included debriefs with trading partners in country to verify findings and get feedback.

### Phase 1

15. In preparing the review plan, the review team met with MFAT and Trade Aid staff and read relevant documents, including TAI's Social Accounts 2008, strategic and business plans, partner impact assessments and producer profiles as well as correspondence on MFAT and TAI files. The team submitted a draft plan to the project Advisory Group and amended it in light of their comments. The final plan is attached as Annex 3.

### Phase 2

16. The second phase of the review gathered information through:

- perusal and analysis of Trade Aid files and reports relating to the four activities funded by MFAT
- review of relevant MFAT files and policies
- consultations with key stakeholders, based on interview guides to ensure that data was collected in a consistent fashion
- analysis of financial accounts and management systems, including the database
- visits to selected trading partners and their associated producers.

Documents reviewed are listed in Annex 4 and people consulted are listed in Annex 5.

17. The team spent three days at the TAI office in Christchurch in February 2010, reading files, collecting relevant written information, viewing financial and management systems, the database and the new website, which was soon to be launched. We also interviewed relevant Trade Aid staff (the General Manager, Accountant, Development Manager, product development officer, craft and food buyers, marketing officer and the education officer) and attended a specially convened meeting of the Trade Aid Development Committee. We also corresponded with Board members and staff over the course of the review to gather additional information and check facts.
18. The team visited four Trade Aid retail shops to talk with the manager and staff (the shops were selected for convenience) and talked with two independent purchasers of coffee imported through TAI.
19. One review team member visited Kiribati to meet with the Nibarara Women's Group. Both team members visited TAI's four handicraft trading partners in Kolkata and the commodity trading partner, PODIE, in Sri Lanka. Trading partner profiles are in Annex 8. These profiles were compiled from the TAI database and from information obtained during the partner visits.
20. The trading partners were selected on the basis of:
- practicality
  - extent of reliance on TAI
  - relative poverty/vulnerability of producers and partners
  - size of partner organisation
  - capacity/ level of skills of partner organisation, extent of networks
  - relationship with TAI – easy, challenging
  - commodities or craft
  - other factors.
21. Partners in South and Latin America were excluded because of difficult access, cost and the need for translators. Countries in Africa – Zimbabwe, Uganda, Ethiopia, Kenya and Tanzania – were excluded on the grounds of cost and remoteness, and, in the case of Zimbabwe, safety. Partners in the Philippines had been flooded recently and the Chief Executive of the primary partner in Vietnam was ill. Access to Kashmir is difficult, the partner organisation is very small and communication is difficult. While visits to partners in Nepal, northern and southern India and Thailand were possible, the team concluded that the most cost effective option was to visit either Kolkata or Dhaka. The team chose Kolkata because:
- it has a good mix of trading partners covering the criteria above, including one known difficult relationship; one having been engaged in "impact assessment" and examples of capacity building and product development
  - TAI indicated that their partners in Kolkata were highly engaged and had a wider view of development than other partners
  - the logistics were easier.
22. The PODIE group in Colombo was included as the most practical commodity option. The Nibarara Women's Group in Kiribati was added as an adjunct to other work. This visit gave insights into the barriers, constraints and positive effects of working in the Pacific.

## 1.7 Limitations of the review

23. The review had some limitations, due largely to resource and time constraints. TAI trades with 76 partners of whom around 35 are supported through NZID funding, but the team was able to visit only six. This limited our ability to fully assess the effectiveness of TAI's work or the nature of TAI's relationships with their trading partners. To counteract this, we paid particular attention to documents relating to product purchases, product development and capacity building, surveys completed for the Social Accounts 2008, related correspondence and material prepared by trading partners.
24. It also takes time for some initiatives funded by MFAT, particularly product development and capacity building, to produce results. The review was only able to assess effects in the short term, using product orders, sales and capacity building data and trip reports as important sources of information. We were able to confirm findings on visits to trading partners and producers.
25. The transparency of TAI's processes meant that the team faced few constraints in assessing efficiency.
26. Assessing effectiveness was more difficult. In accordance with the TOR, the review team prepared a programme logic based on TAI documentation before undertaking fieldwork. Because of the retrospective way this logic was written, it was completed with minimal input from TAI and none at all from trading partners. Some aspects of it are weak. For example, there was no agreed way to measure some outcomes, such as an increase in the level of respect community members accorded producers through participation in economic transactions. Nor was there agreement on the most important short term outcomes from product purchase. Visits suggest that for some producer groups, regular financial returns may have been more important than increased respect. The logic also confuses trading partners and producers. For example, TAI does not purchase goods directly from producers; it buys them from trading partners. It is trading partners who are able to plan and budget more effectively. The same may be said of producers but they were not really the primary subject of this review.
27. Some summary data was provided in worksheets and most gave enough information for analysis. However the capacity building information worksheets did not provide information in a way that enabled us to provide an accurate analysis of grant use.
28. Attribution was also a challenge. TAI is a relatively small buyer from most of its trading partners, so attributing outcomes such as increased sales specifically to product development and capacity building activities was difficult.
29. The MFAT mandate changed during the course of the funding agreement. TAI had already begun establishing relationships in the Pacific and is considering the effect of the new mandate on its operations. While the review discusses relevant issues in some detail, it is too early to assess how much further TAI extend its MFAT-funded activities into the Pacific.

## 2.0 Findings

30. This section is in five parts:

- Implementation of recommendations of the 2006 Review
- The effectiveness of MFAT-funded activities under the 2006-2010 Funding Arrangement
- Efficiency in implementing the 2006-2010 Funding Arrangement
- Relationships between Trade Aid Importers Ltd and its partner organisations
- Relevance of the work carried out under the Funding Arrangement.

## 2.1 Implementation of recommendations of the 2006 Review

*Sources of information for this section: A review of documents, including the Funding Arrangement and annual Letters of Variation; observation of and access to the database; analysis of financial and management systems; a review of monitoring and evaluation reports, related correspondence between TAI and MFAT and between TAI and its trading partners and the wider fair trade community, and Development Committee minutes; and interviews with Development Committee members, TAI staff and trading partners.*

### Key finding

The recommendations of the 2006 review have either been implemented as stated (Recs 1-3 and 8-9) or are in the process of being implemented (Recs 4-7). More work needs to be done to enhance the database capacity for monitoring and evaluation. The 2006 recommendations and associated outcomes are attached as Annex 9.

31. The recommendations of the 2006 review focused on the need for TAI to:

- develop a producer database for management, education and evaluation purposes
- develop TAI's appraisal, monitoring and evaluation system
- refine some aspects of financial reporting.

32. The first three of nine recommendations related to a new Funding Agreement which was signed in August 2006. It included provision for an increasing allocation throughout the period and incorporated suggestions to improve its clarity and effectiveness.

33. The fourth recommendation referred to the development of a "producer" database for "the storage and retrieval of information for management, education and evaluation purposes. The database that is being developed is a trading partner database and this is an ongoing project. Development to date has focused on management and education requirements. Data needs for monitoring and evaluation have received less attention. Database issues are discussed in more detail in Sections 2.2 and 2.3 below.

34. Recommendations five to seven refer to the development of TAI's appraisal, monitoring and evaluation system. This is also ongoing and has been the subject of extensive discussion both within TAI and between TAI and MFAT. TAI has made slightly different but satisfactory arrangements to those suggested to discuss information needs and lessons learned. Sections 2.2 and 2.3 include options for further development to build on what has been achieved to date.

35. The two financial reporting recommendations, identifying the MFAT grant, how it was spent by funding category and that it has been used according to the funding agreement, have been met through the annual accounts and the specified additional audit letter.



## 2.2 Effectiveness of MFAT funded activities under the 2006-2010 Funding Arrangement

*Sources of information for this section: A review of documents including the Funding Arrangement, Social Accounts 2008, trip reports, Development Committee minutes, and capacity building and product development reports; analysis of accounts; interviews with TAI staff, Development Committee members and shop staff and volunteers; and visits to trading partners and producers. The ability to assess effectiveness through documentation was limited by the range of information collected and the way in which information was recorded.*

### Achievement of intended objectives and outcomes of Trade Aid activities related to Government aid funding

36. This section is in two parts. The first part refers to achievement of objectives in relation to the Funding Arrangement and the TAI Charter and Strategic Plan. The second refers to achievement of outcomes as set out in the programme logic in the review plan (Annex 3: X).

#### Part 1 Objectives related to Government aid funding

##### Key finding

Overall, the objectives of Trade Aid activities related to Government aid funding were met. TAI was able to continue ordering from all the nominated groups over the funding period despite the recession, product development led to new orders, projects and activities were completed using capacity building grants, and spending was within the conditions of the Funding Arrangement. The profit-sharing rebate was introduced for the first time. The team was able to observe the benefits to partners and producers of MFAT-funded activities and the contribution these made to economic development.

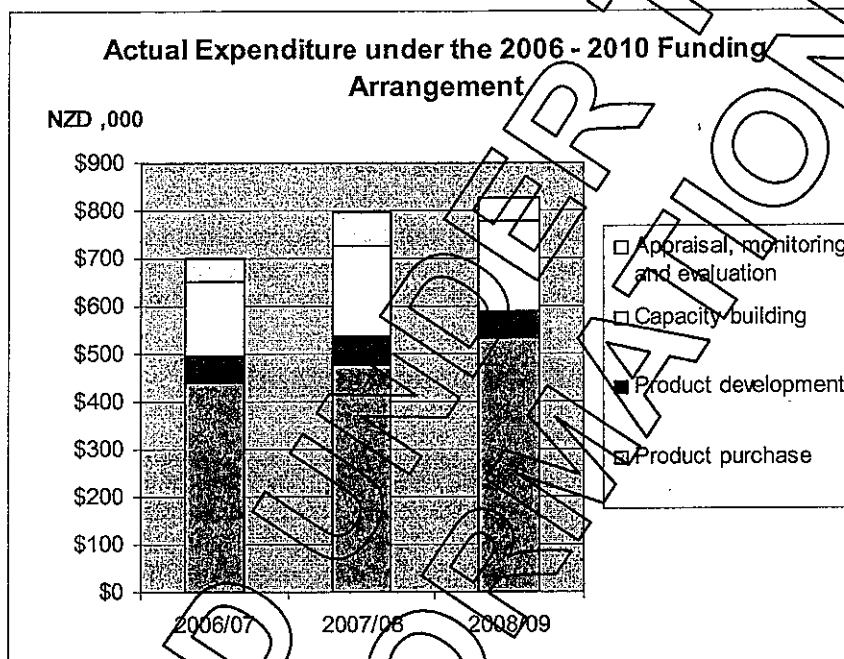
37. In assessing the overall effectiveness of MFAT-funded activities it is useful to refer to TAI's Charter and Strategic Plan 2007/08 to 2011/12. The former sets out objectives relevant to MFAT funded activities (see para.4 above); the latter highlights the achievements of the first two years of the Funding Arrangement. These include improvements in financial performance large enough to allow a rebate to be paid to trading partners for the first time in TAI's history, and increased purchasing from trading partners – "the true measurement of our success and the most important figure to monitor". This achievement was also noted by three of the partners visited who commented on it being a point of difference between TAI and their other buyers.

38. Over the first three years of the Arrangement the MFAT funding has supported between 32 and 85 nominated trading partners identified as meeting Trade Aid criteria (Annex 6) and IFAT Standards. The trading partners all work with the most disadvantaged producer groups (sometimes alongside more established groups), and are able to demonstrate that they are working towards self-reliance and improved social and economic conditions for producers.

39. Under the Funding Arrangement, TAI and MFAT agreed that at least 60% of the grant would be used for product purchase or product development in the first two years, increasing to not less than 65% in the following two years. Up to 25% of the grant could be used for capacity building grants to trading partners, while up to 15% could be used for appraisal, monitoring and evaluation in the first two years, and not more than 10% in the following two years. Any funds

unallocated for capacity building or appraisal, monitoring and evaluation could be applied to product purchase or development at TAI's discretion.

40. The chart below summarises the percentage expenditure by funding category over the last three years.



#### Product purchase

##### Key finding

The 2008-09 Annual Report to MFAT indicates that purchase support for trading partners (in NZ dollars) averaged 28.4% for all partners. The average for smaller partners is around 50% with no partner reaching the 75% limit for any one organisation.

41. In each of the last three years, the funds have supported purchases from the 27 or 28 craft and four food producer groups judged to be in greatest need. One spice producer received support for three years; three coffee producers were supported for two years, while two were supported for one year. Without this support, most orders would have been smaller; some would not have been made at all. The commitment to buying from the most disadvantaged producers brings challenges. The products do not always sell well, which can cause overstocking problems. TAI has developed ways to manage this (see Section 2.3 below). Poverty, natural disasters and trading difficulties can affect product quality and availability, timeliness of orders and payment processes.

42. As part of its purchase support policy, TAI advances 50% of the value of any order on request, and in the case of African partners who face increased difficulties because of distance and costs, the advance offered is routinely 80% of the value of the order. TAI also offers pre-financing on food orders. In the case of coffee, this carries some financial risks. In Guatemala

and Colombia, for example, the drug industry is reported to be using coffee to launder money, which can mean that co-operatives suddenly do not have coffee available for supply and one-off purchases need to be made elsewhere. TAI accepts that risk because if it did not, no one would trade with the co-operatives. To date all pre-financed food orders have been honoured. The fact that TAI receives support from MFAT has been important in gaining bank support for the pre-financing option.

43. During 2007/08, 61 orders for craft were placed; of these 46 received an advance payment, two being 100% prepaid. In the same year, 45 food orders were placed directly with co-operatives and TAI provided interest free pre-financing up to three months prior to shipment on 15 orders.

### Product development

#### Key finding

Between 2004/05 and 2008/09, the TAI product development officer worked with 35 different craft partners in 15 countries. 694 new products were developed, of which 321 product lines reached the stores with another 40 products on order. TAI reordered 274 lines during this period. Product development with food items is arranged from New Zealand rather than in the country of origin - the Sweet Justice range of products is an example.

Product development has been a key and successful strategy in maintaining purchases from vulnerable groups. Several trading partners have reported increased sales of new products to buyers outside New Zealand.

44. Under the Funding Arrangement, TAI can offer product development support to any of its partners through:

- visits to partners for purpose of product development
- office-based design of products and associated expenses
- purchase of fashion and colour forecasts, magazines and materials
- cost of courier packs and samples
- visits to gift/trade fairs and workshops on trend forecasting to gather information and ideas which will be used in product development.

45. The effectiveness of this work can be measured through:

- the availability of new product lines
- increased orders or TAI being able to maintain purchases from the most vulnerable partners by replacing poorly selling items with those that are more viable
- sales by trading partners to buyers outside New Zealand.

46. As Table 4 below shows, over the last three years, TAI has spent most of its product development funds on creating resources that are available to all its trading partners. These include the Trend Book, product information and samples, and ideas for new products. This means that all craft partners get access to some support, but TAI is able to give more intensive support to groups that TAI finds it hard to order from either because their products are not suitable for New Zealand or because they need help to get products up to standard.

	2006/07	2007/08	2008/09
visits to partners	\$16,433	\$ 3,810	\$11,179
Participation in design workshops		\$ 9,382	

in the Pacific			
TAI staff attendance at gift fairs	\$ 2,079	\$ 8,972	
Product development costs at TAI	\$35,138	\$37,948	\$44,406
<b>Total</b>	<b>\$53,660</b>	<b>\$59,212</b>	<b>\$55,585</b>

Source: TAI Annual reports to MFAT

47. Investment in product development appears to provide good returns for both partners and TAI. A number of trading partners, including Ankur Kala, Silence, the Godovari Women's Lace Cooperative and the Nibarara Women's Group, have recorded increased orders following product development.
48. Trade Aid retailers agreed that both the quality and range of products has improved as a result of product development. Products are better packaged and presented and the Trend book encourages producers to keep up to date.
49. TAI adopts what one partner described as an "open-hearted" approach to product development in that they welcome sales of products developed under this programme into other countries. Other buyers do not do this, and some insist on exclusivity. Openness is especially important for TAI's work with Pacific countries given that the market in New Zealand for Pacific handicrafts is particularly small. Several trading partners have reported such sales to TAI, but no Pacific partners as yet.
50. Partners appreciate the product development programme. They value the quality and timeliness of feedback on products they develop through the programme, including improvements on partners' own designs. They find the Trend Book useful as an indicator of market and colour trends for New Zealand<sup>3</sup>. Surveys completed for the TAI Social Accounts 2008 show that most partners develop new designs and products as a result of the support they receive. Not surprisingly, many would like more visits and ongoing support, and one way to provide this could be through an annual "award" or grant for more intensive technical help. We discuss this further under the capacity building section below.
51. TAI has instigated other initiatives to support product development. They have, for example, developed a clearer picture of the stock range for crafts and identified where there are gaps. The buyer and product development officer also analyse sales and trends in a particular category each month and send that information, along with suggestions for new products, to relevant trading partners. The review team was impressed with the way that TAI staff work together to support product sales through careful planning, good stock management and well thought out marketing strategies.
52. TAI staff recognise that while the improvements are good for partners and producers, TAI also needs to be sure that they or other trading organisations can buy the extra products that result. The review team supports a suggestion by the product development officer that some trading partners would benefit from being able to employ an expert for several months to teach new techniques, designs and methods within a particular genre. This is beyond the scope of the product development role.

<sup>3</sup> Most buyers provide Trend books but partners report that trends and preferred colours are very different in Europe and New Zealand

## Capacity building

### Key finding

The capacity building fund is greatly appreciated by trading partners and producers who use it carefully. TAI is the only buyer to give their partners such support and in return, TAI, and through them MFAT, has a high profile and is held in high regard. The process of vetting and approving grants is thorough and TAI obtains confirmation of completion and impact through visits and reports. Trading partners' ability to leverage funds over and above TAI's contribution (para 54) means that MFAT gets good value for money.

53. Under the Funding Arrangement with MFAT up to 25% of the total grant can be used for capacity building grants to trading partners and up to 5% of the funds can be used to assist partners that meet the producer criteria, but are not being supported through product purchasing funds. The grants can be used for:

- promotion and activities to increase market access, including developing samples
- activities to increase productivity, such as skills training for staff or producers; training in design, production methods or quality control; purchase of tools or facilities to improve product quality or safety; improved working conditions
- organisational development, including gender analysis and appraisal monitoring or evaluation systems
- any other activity that will assist producers to become more self reliant.

54. The review team would like to have compiled a table showing expenditure against each of these categories but the grant data provided to the review team was not recorded this way. The review team acknowledges that the information is available in each proposal. However, if each grant had been accurately categorised in the summary worksheet supplied to the review team, a meaningful analysis of the capacity building grants would have been possible. The only conclusion that could be reached from the data was that for the three years 2006-2009, capacity building funds were mainly used for activities aimed at increasing production.

55. The review team were reassured that in making grants, TAI has followed the guidelines set out in the Agreement. That is:

- TAI informs partners of the possible range of capacity building activities which may be funded under the agreement and the information required by TAI in assessing proposals. TAI also informs partners how much TAI is able to offer them each year. TAI originally assigned amounts in proportion to sales but the Development Manager and food buyer switched to preparing an allocation budget based on partners' history, development potential, need for the grant and their ability to use the funds effectively. This draft is discussed at a Development Committee meeting which confirms the total amount to be spent, the upper and lower mounts to be offered to any individual partner, any discretionary balance to be retained, and the amounts allocated in the draft. (Coffee groups typically want more processing infrastructure, such as a small de-pulping mill, which can be quite expensive. For them the top amount is \$8500, and eligibility is rotated among groups).

- TAI requires partners to submit a brief proposal identifying the objective of the capacity building, the activities proposed, timing, budget, how the success of the initiative will be measured and how it has considered gender equality. The Development Manager reviews proposals, seeking more information if needed and refers them to the Development Committee, which, on occasion, also asks for further information before making a decision. The Development Committee noted that applications for capacity building funds are always

very concrete and generally meet the criteria. While some are turned down because they are outside the criteria, they always receive careful consideration before this happens. A review of a sample of applications and decisions confirmed that applications are indeed carefully considered.

- TAI requires partners to provide a brief report on the completion of the activities setting out activities undertaken, who participated, outputs and outcomes achieved and expenses incurred. Overdue reports are always followed up. The Development Committee believed that feedback is adequate, and sometimes beyond what is required for the amount granted. TAI appreciate MFAT's willingness to forgo reporting on very small sums. As well as receiving reports, TAI staff check on outcomes during visits.
  - TAI allows partners allocated a small amount in one year to apply to carry it over so that they can undertake a larger activity or accommodate delays in implementing the work. Both trading partners and TAI appreciate the ability to do this and to apply any unspent funds to product purchase.
56. Partners often apply for more than they are entitled to and many are able to raise the additional money from their own resources or from the government, church-based agencies or donors. Those with such links are usually more successful at leveraging money; those without may need proportionately more support through TAI.
57. TAI, through MFAT, is the only partner to make capacity building funds available for equipment and organisational development, and trading partners greatly appreciate this. The contribution has given both TAI and MFAT a much higher profile than their purchases alone would support. Partners report that decisions on capacity building funds are communicated promptly and there is no delay in sending or receipt of funds.
58. During visits, trading partners were pleased to show the review team how their capacity building money was used. We saw evidence of improvements to their working conditions, much greater productivity through the use of simple machinery, better quality control and improved management systems. Providers we talked to were particularly enthusiastic about the longer term and broader impact of initiatives like the new reservoir put in by PODIE for spice farmers. We were left in no doubt that the money has been well spent. Typical comments were:
- ~~Workshop improvements have reduced the amount of lifting we do.~~
  - ~~We now have better work tables at a better height – our backs don't hurt so much.~~
  - ~~Our sewing is better. The repaired roof keeps rain out in monsoons and our work does not get wet and ruined.~~
  - ~~We changed the jacquard looms so the women can use them now.~~

## Part 2 Outcomes related to the programme logic

59. This section refers to the short term and intermediate outcomes set out in the programme logic in Annex 3, which was developed by the review team for the review plan, mainly from the TAI Charter and Strategic Plan. However, there was limited consultation with TAI and none with trading partners. Achieving outcomes is an ongoing process as the composition of producer groups is dynamic, and new members need support.

### Key finding

TAI is achieving both the short and intermediate term outcomes associated with product purchasing (higher sales, ability to plan and budget, increased respect for producers) and product development (new product ranges) in the programme logic. Trading partners have been able to improve quality control and increase production capability through capacity building initiatives. The review team could not confidently assess the extent to which business skills or access to new markets have improved as a result of capacity building. The outcomes are contributing to economic development.

### Product purchasing

60. The programme logic has three short-term and one intermediate outcome relating to product purchasing. The short term outcomes are:

- Sales of products increase.
- Producers can plan and budget. In retrospect, this outcome should read "Trading partners can plan and budget".
- Women, indigenous, disabled and poor producers gain respect from community members by participating in economic transactions.

The intermediate outcome is:

- Producers are provided with assistance that has the potential to help them move from poverty towards self reliance.

61. As noted in para. 6 above, product sales have increased steadily over the funding period.

62. Trading partners confirmed that with consistent orders even during the recession, they were able to plan and budget. They particularly appreciated the upfront payments. "The key", one said, "is the continuity. We can use the money to ensure that all the groups have some orders. Business wise it makes sense to spread it round."

63. Several of the evaluation projects undertaken by trading partners did report an increase in respect for producers who had previously been marginalised because of their economic activity. The trading partners we visited also identified similar benefits – for example, the women supported through Ankur Kala no longer rely on charity and the workers at Silence are able to support themselves through work and are respected for that. The Muslim women of the SASHA Saswati Mahila Samity fine embroidery group are now permitted to travel to the office in pairs without a male chaperone, and this has been noted by their community.

64. Trip reports, the pilot impact assessment/baseline reports and partner visits confirmed that TAI is providing trading partners, and through them, producers with the support they need to help them move towards self reliance.

## Product development

65. The programme logic has three short-term and one intermediate outcome relating to product development. The short-term outcomes are:

- Sales of new products increase.
- New products and product ranges developed by Trade Aid for the New Zealand market.
- Trading partners design teams are better able to assist with own product design and development

The intermediate outcome is:

- Sales of products increase.

66. As noted above, paras 47 and 48, investment in product development provides good returns for both partners and TAI with increased orders following specific product development activities.

67. Product development reports, information from trading partners and from retailers confirmed that new products and product ranges were developed for the New Zealand market.

68. Visits to trading partners who had design teams confirmed that in-house designers felt well supported by the TAI product development officer.

69. As noted earlier, para 6, sales have increased over the last five years and that trend is expected to continue.

## Capacity building

70. The programme logic has one short-term and one intermediate outcome relating to capacity building. They are, respectively:

- Trading partners are able to access new markets.
- Trading partners are able to access new markets, improve quality control, production capability and business skills and augment their income.

71. The review team was unable to confirm the extent to which trading partners were able to access new markets as a result of visits to trade fairs and other capacity building initiatives.

72. The review team was able to confirm through reports and visits that trading partners have been able to improve quality control and increase production capability through capacity building initiatives. We were unable to confirm the extent to which business skills had improved.

## Appraisal, monitoring and evaluation

### Key findings

TAI has worked hard to implement the recommendations of the 2006 review. It developed a four year plan for monitoring and evaluation (impact assessment) and an associated set of principles. It supported six partners to undertake pilot assessments using indicators and methodologies that were relevant to them. At the time MFAT considered that these could have wider use with some improvements and recommended ways to achieve this. TAI has still to develop the database potential for monitoring and evaluation purposes as recommended in the previous review.

Monitoring and appraisal visits and office-based activities are carried out consistently. Annual reporting of development activities funded by MFAT could be improved through more analysis and the provision of a summary of key points, common findings and ongoing or emerging issues.



Information on successful practice has been generated and shared through conferences and newsletters. With one exception, the review team was unable to ascertain whether policies, systems and procedures have been modified as a result of the evaluative work.

Ongoing evaluative work needs to recognise TAI's limited economic involvement with its trading partners, the variety of arrangements partners have with their producers, and partners' capacity or motivation to undertake such work, given that some are currently seeking SFTMS accreditation. The review suggests four options for collecting relevant information.

73. Under the Funding Arrangement, up to 15% of the total grant could be used for appraisal, monitoring and evaluation in the first two years of the Arrangement, reducing to not more than 10% for the last two years. Appraisal funding could be used to explore eligibility for funding with new groups. Monitoring and evaluation funding was available to producer partners who had received product purchase, development or capacity building funding. The money could be used for:

- visits by Trade Aid staff, volunteers or other designated persons to partners overseas for the purposes of appraisal, monitoring and evaluation
- support for appraisal, monitoring and evaluation activities by partners
- office-based appraisal, monitoring and evaluation
- in-depth evaluation/impact assessment studies
- dissemination of appraisal, monitoring and evaluation findings and lessons learned.

74. Table 5 summarises expenditure on these activities. Fluctuations in visit costs reflect the timing of visits and the need to visit partners who are not supported by MFAT programme funds. Office-based monitoring costs reflect the increased cost of doing this work. Fluctuations in partner impact assessment studies reflect the pattern of work done to implement the recommendations of the last review.

	<b>2006/07</b>	<b>2007/08</b>	<b>2008/09</b>
Appraisal and monitoring visits	\$ 6,077	\$14,603	\$20,975
Office-based monitoring of partners	\$ 9,470	\$13,057	\$21,544
Partner impact assessment studies	\$29,382	\$42,601	
Attendance at IFAT conference*	\$ 1,555		# \$ 6,187
<b>Total</b>	<b>\$46,484</b>	<b>\$70,261</b>	<b>\$48,706</b>

\*TAI staff ran a workshop on developing indicators # Staff and partners presented "impact study" findings  
Source: TAI Annual Reports to MFAT

75. Appraisal and monitoring visits and office-based monitoring happen consistently and TAI takes advantage of visits for any purpose (e.g. education, buying and product development) to monitor partner activity and outcomes. The review team believes that reporting of monitoring and evaluation activity could be improved, with more analysis of common findings across visits and a summary of common or emerging issues. This would not only improve reporting to MFAT but also provide easily readable information on trends and issues for TAI, the Development Committee and other stakeholders. The detailed descriptions currently provided justify the expenditure but leave the reader with little sense of common experiences or ongoing or emerging issues across TAI's more vulnerable trading partners and producers as a group.

76. The 2006 Review recommended that TAI develop a database for management, education and evaluation purposes. The evaluation capacity of the database is still under development. Database issues are discussed in Section 2.3 below.

77. The programme logic includes two outcomes for monitoring and evaluation.

- Information on successful practice is generated and shared
- Policies, systems and procedures are modified where necessary.

Information from the pilot studies has been shared through conferences and newsletters. While the review team was aware of one case where a trading partner changed their practice as a result of the information gathered, it was unable to ascertain whether any other trading partners had changed their policies and practices.

### Impact assessment

78. The participatory impact assessment studies recommended in the review have occupied a considerable amount of TAI staff time and energy over the last three years. TAI developed a four-year plan and a set of principles to inform these activities (see Annex 9).

79. TAI staff are aware that evaluation/impact assessment is often expected to serve several purposes and meet the needs of different audiences. Funders want to be reassured that their contribution is having a positive effect on both trading partners and producers. As a business, TAI is interested in understanding the effect factors like the structure and size of an organisation have on commercial returns and as a development organisation, it wants to encourage trading partners to understand what is happening for their producers. After much discussion, TAI concluded that any evaluation/impact assessment should serve the partner first:

*It's more valuable when partners discover impact of their work on their community – they can build lessons and changes out of what they learn. They can take immediate actions at times.*

80. The same philosophy underpins TAI's conclusions on relevant indicators. At the IFAT (now WFTO) Conference in Belgium in 2007, 22 of TAI's trading partners discussed possible indicators. While the partners were able to agree that five broad areas were important: income, financial security, basics of life (e.g. housing, food, education, and health), skill levels and the status of women producers, it was evident that the indicators meant completely different things to people from different cultures.

81. The Development Committee remains committed to the view that partners need to use methodologies and indicators that are appropriate for them and gain skills in undertaking the work. After the pilot projects were completed, MFAT recommended that TAI call on outside expertise to advise them on further impact (or baseline or evaluative) studies.

82. The context in which impact assessments take place needs to be taken into account. TAI is a very small player in the world fair trade market, and typically buys around five to eight percent of its partners' products. It therefore has limited ability to make a direct impact on either partners or producers, except through its capacity building initiative, discussed above, and cannot legitimately require trading partners to undertake impact assessments of either themselves or their producers.

83. Impact assessments of partners or producers can only assess the effects of being engaged in fair trade per se, and even then some producers sell to both fair trade and mainstream buyers, and some traders maintain a strong domestic market. We note that there are a number of

overseas academic studies of the impact of fair trade on food producers (particularly coffee and tea) but there do not appear to be any comparable studies for craft producers.

84. Broader economic, social and natural factors also have to be taken into account, including the exchange rate, the global economy, the presence or absence of civil wars and drug cartels, and the impact of natural disasters such as earthquakes, tsunamis and floods.
85. Measuring impacts on producers' lives is more complex, and depends in part on the relationship the partner organisation has with its producers. This affects its ability to have an impact on producers' lives, its level of knowledge of that impact and therefore its motivation to devote scarce funds to impact assessments. We noted from TAI files, that most trading partners were reluctant to undertake such projects, partly due to lack of resources. Approximately ten of the largest trading partners are currently engaged in SFIMS accreditation for WFTO which consumes all the resources that might otherwise be available to support impact assessments. That number may grow in the future.
86. Practical matters also affect the feasibility of impact assessments. Some trading partners have all their production in-house i.e. producers become employees; others are full co-operatives or producer associations; while a third group either buys from independent producer groups or operates through a mix of in-house and outside production. Those in the first two categories tend to be very familiar with their producers' personal and family circumstances and therefore may be less inclined to want to invest time and resources into an impact assessment.
87. The third group often works with producers who are geographically scattered. Some partners with people who are illiterate and/or mentally or physically challenged; others with women who have been abandoned or physically or sexually abused. While partners obviously have developed ways of communicating with their producers, an independent consultant would need considerable support, skills and sensitivity to carry out their task.
88. Trading partners with whom we discussed this issue agreed that it is essential that partners choose to undertake impact assessments and do not have these imposed on them. They agreed that in many cases it will be possible to contract in outside help (at least in India – we do not know the situation in Africa, Asia or Central or South America) but it is essential that studies are undertaken by someone with appropriate expertise and a full understanding of the language, culture, economy and social arrangements of the country as well as an understanding how the trading partner works and the producers' situation. As one trading partner commented:

*We have had outsiders who have made inferences that are far from the truth.*

89. Finally, only larger organisations are likely to be in a position to repeat studies on a regular basis. Smaller ones will need ongoing outside support, especially if the work is to be done by an independent person. This means that if TAI is successful in supporting a baseline study, it will also need to be prepared to provide funding for an update to assess change.
90. The chart below gives examples of various arrangements and an assessment of both the need for and the nature of impact assessment options. It is only an example and does not necessarily cover the whole range of arrangements for trading partners and producers.

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Chart 1 Options for gathering information for impact assessment

Trading partner structure	Benefits for partner staff	TAI impact on producers' lives	Partner knowledge impacts producers	Full assessment gives value	Suggested type of impact assessment	Outside consultant needed?
NGO: Employs everyone in house	Administrative staff and producers all treated the same	Moderate given low % sales	High	Limited	Change stories	No
Co-operative/producer assn	Administrative staff and producers all treated the same	Moderate given low % sales	High	Not for organisation; yes for outsiders	Change stories individual and community level	
NGO: Producer assns or co-operatives work mainly or solely for NGO	Different benefit arrangements to producers	Low to moderate given low % sales. Assns/ co-ops make own decisions about benefits	Moderate to High - can obtain info relatively easily	Yes but cannot separate out TAI influence	Interviews to collect quantitative data + change stories the community data	Yes preferable
NGO: Some employed in-house; some outsourcing thru producer assns / co-ops	Same administrative staff and in-house producers; different for outside groups	Moderate for in-house; less so for outside producers	High for in-house; less for outside; some can obtain info relatively easily	Yes for outside producers; less so for in-house producers	Surveys to collect quantitative data + change stories	Yes for outside producers, if needed
NGO: Producers sell to FT and non FT buyers	Producer group arrangements not known	Limited	Limited	Only if possible to identify fair trade impacts separately	Interviews to collect quantitative data + change stories	Yes
NGO: broad social focus, trade small part, employed in house	Different for admin staff. Individual client needs met	Moderate given low % sales	High	No because of holistic nature of approach and small scale	Change stories	No

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### The reports completed to date

91. With funding support from TAI, six trading partners completed projects on the basis of a draft plan of action and approved budget. From the point of view of the partners, the projects were very successful in that they were fully owned by the trading partners, have been used as exemplars in training in the United States and five studies were presented at a WFTO conference by partner representatives who were enthusiastic and able to elaborate on the findings.
92. Both TAI and partners learned a great deal from the first round of projects. The challenges included:
- the difficulties associated with developing meaningful indicators
  - the lack of baseline data
  - difficulties in attributing change to fair trade interventions
  - lack of comparison with the non-fair trade sector i.e. control groups
  - cost and time.
93. The positive lessons were the common findings from the report:
- prosperity and wellbeing of producers had generally increased
  - women's self-esteem, self-sufficiency and decision-making ability had increased
  - producers put a high value on children's education and many used their savings for this
  - individual earnings increased, but not always to a satisfactory level
  - savings and household assets had increased
  - producers saw craft making as a sustainable business.
94. Other findings common to more than one study were that:
- individual skill levels had increased
  - producers valued training
  - producers valued the workplace for support, togetherness and social interaction.
95. TAI has subsequently used some of the findings to promote the benefits of fair trade in general but NOT the specific benefits of TAI's activities. TAI is well aware that this would be inappropriate. A quote from the 2008-09 Annual Report illustrates this point. The report notes that as well as contributing to the well-being of producers:

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*Overall, fair trade was also clearly shown to contribute to economic development, especially in rural communities where alternative employment is unavailable.*

96. The review team has read the correspondence with MFAT and file notes relating to these reports. We appreciate the confusion about the nature of the projects and the terminology used to describe them. To some extent, they all collected baseline rather than impact data (although some asked about change in retrospect), so they should all be seen as the first stage in what could eventually become an impact assessment. We understand that many of the issues raised have been resolved and that in future, TAI will pay more attention to the statement of purpose and objectives and the methodology, which will typically include both qualitative and quantitative data, and will ensure that reports are fully contextualised.

## Future options

97. The review team also recognises that both TAI and MFAT want to be able to show that the money they are spending is making a tangible difference to people's lives. We considered a number of options for doing this. These could be "mixed and matched" as money and capacity allowed. In every case other than option one, trading partners would need to be consulted on the feasibility of collecting information and its relevance to their organisation.

98. **Option one:** ask all trading partners to report annually on a few indicators, such as:

- number of paid staff
- number of volunteers
- average turnover for past three years (USD)
- number of women in decision-making roles (trading partner + producer groups if known)
- number of producer groups
- total number of individuals in producer groups by gender
- work arrangement for producers - in-house, satellite or mixed.

99. **Option two:** invite trading partners who have received MFAT-funded support to survey or report on a sample of their producers annually on topics such as:

- the number (%) who earned more money this year than last year (some partners will have easy access to this information; others will not)
- the number (%) who were able to buy more of the basics of life e.g. pay children's school fees; have better housing, more/better food, pay for health care (these could be asked as tick options)
- the number (%) who undertook some formal training during the year
- the number (%) whose confidence had increased
- what they liked best about being part a producer group over the last year – could offer some alternatives: social interaction, regular work; learn new skills
- anything they would like to change over the next year
- benefits paid to producers such as profit-sharing, meals, health expenses

We see these as a set of simple questions which could provide a backdrop for more in depth case studies for a few of the larger organisations. The work could be carried out by an independent person or by someone in-house. The questions would need to be asked consistently each year, and could be built in to routine contact with producers. TAI could offer trading partners a small sum from the monitoring and evaluation fund to pay for the work involved in collecting and analysing the data.

100. **Option three:** invite trading partners who have received MFAT programme-funded support to collect change stories for a certain number or percentage of staff and/or producers each year, using a simple template to ensure that basic information is gathered consistently. As with option two, this work could be carried out by an independent person or by someone in-house, and managed alongside regular work activities. Whoever does the data collection would need to have the trust of producers and fully understand the context of their story.

101. **Option four:** undertake one or two in-depth case studies/impact assessments a year – one as a repeat of an earlier study with improvements as required; the other with a trading partner who has not done a baseline study before. TAI would need to make a substantial contribution to these projects to ensure that the studies were of a high standard and completed within a reasonable time and be prepared to add contextual detail. Given the current focus on completing SFTMS documentation, it may be difficult to find trading partners who are prepared to engage at this level at present.

### Unintended positive and negative outcomes

102. The review team was able to identify two unintended positive outcomes from MFAT programme funded activities. They were the ability and willingness of trading partners to find additional funding to supplement funds available for capacity building activities and the positive profile MFAT has as a result of its contribution to TAI. The review team was unable to identify any unintended negative outcomes.

### Contribution of MFAT funding to the objectives and outcomes of TAI

#### Key finding

Without MFAT funds the development focus of TAI would not be sustainable in its present form. One job supported completely with MFAT programme funds would be at risk.

103. MFAT funding enables TAI to continue to support marginal producers, including those from the Pacific. With handcrafts, TAI have deliberately spread the funds widely on several grounds. One is that even big organisations have rich and poor segments. Another is that some partners deliberately try to make producers independent so that they can engage in other income generating options or set up their own businesses. This means that new producers come in who need training and support. In other groups there is a generational move as older members of a family move on and are replaced by younger members.

104. Without the MFAT funding the capacity building work would be reduced or forgone and product development would be limited. One job supported completely with MFAT programme funds would be at risk.

### Factors that have enhanced and/or constrained TAI from achieving these outcomes and objectives

105. Factors that have enhanced TAI's ability to achieve their objectives are:

- the long-term and warm relationships TAI has with its trading partners
- the high level of trust and respect between TAI and its trading partners
- prompt payment including the payment of advances
- a commitment to improving quality
- ongoing work by the product development officer and the craft buyer to identify and promote opportunities for new products
- strong teamwork within TAI and a commitment to managing stock levels and promoting sales.

106. Factors that have constrained TAI from achieving its objectives are mostly (but not all) outside TAI's control. They include:

- the fluctuating exchange rate
- the global recession
- the impact of natural disasters such as floods in the Philippines and Bangladesh, and of civic unrest as in Zimbabwe
- communication issues
- production delays
- stock management challenges.

### 2.3 Efficiency in implementing the 2006-2010 Funding Arrangement

Sources of information for this section: A review of documents including the Funding Arrangement, the 2009 Annual Accounts and audit report, monthly sales reports, financial and inventory software systems, retail shop systems, interviews with TAI staff, board members, auditors, retail shop managers visits to trading partners and producers. The team reviewed TAI systems to assess the efficiency of the organisation. TAI systems cover all their activities so apart from processes for managing capability building grants, it was not possible to look at systems, or parts of systems, that relate specifically to MFAT funds.

#### Key finding

TAI has implemented the 2006 – 2010 Funding Arrangement very efficiently. This has been achieved by the General Manager's (GM) focus on strengthening the management of TAI at all levels.

#### Implementation and variations

107. The only variations to the Funding Arrangement were the annual Letters of Variation setting out TAI's proposed activities and budget as the basis for each year's funding.

#### Overview of systems

108. Since the 2006 MFAT review, the GM has carried out a major review of TAI management systems. This has resulted in a planned series of improvements. While not all system improvements have been fully implemented, many are in place and have resulted in significant improvement in organisational efficiency.

#### Human resource management

##### Key finding

Human resource (HR) changes implemented by the GM since the last MFAT review and the development of a skilled, highly autonomous management team have been key factors in improving the efficiency of TAI.

109. At the time of the 2006 review, the GM was a recent appointment. His background in business management has introduced significant business rigour to TAI. He keeps close contact with similar organisations sharing ideas on systems, processes, market trends and problem solving.

110. The GM believes that strong HR is the key to efficient and effective organisational performance through delegation, consultation, effective communication, good decision making processes and training.

111. Since the last review, the GM has appointed a group of younger staff with strong technical skills who are hard working and motivated. The new staff have brought a high level of expertise and commitment to TAI. Many could earn higher salaries elsewhere but choose to work with TAI. TAI also has a long serving Development Manager who is extremely talented in managing partnership relationships and a skilled accountant who maintains sound financial systems.

112. The GM has recently set up a new staff performance review system. The system defines objectives and key performance indicators for each staff member but has quarterly rather than annual reviews. It promotes autonomy and aims to create an environment that continuously looks forward, systems that are responsive to continuous improvement and priority planning to ensure that all key jobs are completed.



113. The GM also gathers feedback once a year from the retail shops and their Boards to ensure that systems, sales targets and reporting requirements required by TAI are achievable and considered reasonable.

#### Trading performance management

##### Key finding

TAI works to maximise returns to trading partners through successful trading. The GM actively manages the TAI trading situation through sales targets and regular reporting. This has resulted in a good trading performance for 2009 in what was an extremely difficult trading year.

114. TAI has a singular focus on assistance to trading partners through trade so the GM retains active control of the TAI trading situation. He has set sales targets for the retail outlets which include a specific target (>8%) for sales from disadvantaged producers. TAI provides monthly reports to each retail shop detailing the value of orders, retail sales, and gross margins against defined targets. During particularly busy periods and the crucial period up to Christmas, some key sales indicators are tracked daily.

115. An overview of the financial performance for the year ended 30 June 2009 highlighted the following points:

- Sales increased by 14.7%, and expenses were slightly reduced.
- Despite these movements, the gross profit margin was slightly down (0.9%).
- During 2009 TAI had to sell some of its foreign exchange cover to meet a cash shortfall caused by extended supply times and slowing sales. This cash shortfall was then expressed in a higher level of debt and a stock bulge.
- During 2009 partners absorbed most of the exchange rate fluctuations as TAI was only able to order what the budgeted NZD amount would buy. Some partners also absorbed higher costs caused by the rise of the USD against most currencies, although in most cases TAI accepted the higher prices requested by partners after the orders had been placed..
- Most retail shops were marginal in 2009 as their fixed costs are hard to reduce. Staffing costs are already low as they rely heavily on volunteers. Corrective action has been taken with shops that have the biggest losses.
- TAI has absorbed losses in previous years to quit stock in order to maximise turnover not profit. However, this practice does not work in recessionary times when other shops can not cover losses.

116. Considering the decline in general retail activity following the global financial crisis of 2008-09, TAI's overall trading outcomes for 2009 are extremely good. This view was confirmed by the auditors. Many retailers felt the impact of the drop in consumer confidence through falling sales and a reduction in profit. For TAI to increase both revenue and profit was a very good result. The GM benchmarks TAI to other organisations using the retail store data provided by the University of Waikato and reports that TAI outperforms all other FTOs on sales per head of population. TAI is planning further growth as the GM sees many opportunities in the food market, but it will not be able to continue to fund growth through cash flow. Alternative strategies are being worked through.

#### Financial management systems

##### Key finding

TAI has sound financial systems which are well maintained and efficiently managed. Foreign exchange is actively managed with producer partners being paid promptly. Cash flow is well

managed and there are strong internal audit systems. The external annual audit is thorough and meets all MFAT's requirements. TAI has always received an unqualified annual audit.

117. TAI uses Quickbooks software for its financial management, running a full ledger system. The system is robust, has simple entry and manages payments well. It has some weaknesses in reporting but overall the accountant feels the benefits of the software outweigh its reporting weaknesses which are overcome by the accountant preparing the necessary reports. The Board member with financial expertise commented that while the financial systems are not sophisticated, they are adequate and 'fit for purpose'.
118. TAI uses the management of cash flow as a financial efficiency measure. Sales income from the individual retail shops is banked directly into the TAI operational bank account. This means that cash is used efficiently within the movement as a whole. It reduces the size of the TAI operating overdraft and annual interest payments and benefits partner producers by reducing costs and enabling TAI to use its total sales income more effectively. The retail shops also benefit because TAI undertakes all treasury functions and internal control. This helps individual Trust Boards discharge their fiduciary functions. Only three shops are not part of this scheme. They all have stable systems and long standing voluntary treasurers on their boards. It is anticipated they will join the scheme when these board members leave or retire.
119. International currency transactions are managed through a USD bank account. TAI uses a hedge policy to reduce trading risk and seeks pricing clarity by forward purchasing exchange to cover at least 50% of each year's purchases. Despite these strategies and active overview, foreign exchange management remains difficult. When there is a major adverse fluctuation in the USD, as happened in 2009, TAI's purchasing power is reduced and the partner producers have to absorb this.
120. TAI makes payments to trading partners promptly. All six partners visited commented that payments from TAI were timely and trouble free. There is excellent communication between TAI and partners on payment timelines and any banking issues that might arise. Partners all agreed that the advance payments were extremely helpful as this enabled them in turn to pay their individual producers promptly and purchase further raw materials.
121. The Board sets financial policy and actively overviews performance. The Board input into all funding decisions, foreign exchange activity, prepayment policy, capital expenditure and budgets. The Board reviews monthly financial reporting against annual and revised budgets and often requests specific detail on items of interest. There are two independent directors both of whom have many years of financial experience and are members of the Chartered Accountants.
122. The annual external audit has been carried out by Price Waterhouse Cooper (PWC) since 2002. It is thorough and now covers the specific requirements recommended in the 2005 review; identifying the MFAT programme grant, how it was spent by funding category and that it has been used according to the funding agreement. The 2009 audit identified two minor issues which have now been addressed. The eight audits undertaken by PWC have all been unqualified.
123. The auditor does not conduct a review of the systems and processes in any more depth than is required to be able to express their opinion on the financial statements. Therefore, by its nature the audit cannot be relied on to identify all weaknesses with internal control systems. Noting those qualifications however, the auditor was complimentary about TAI financial systems and commented that TAI management take the internal control environment seriously and that this tone is set at the very top of the organisation.

## Inventory management systems

### Key finding

TAI Inventory management systems have been significantly improved over the past five years. Efficiencies have been achieved in the warehouse through the introduction of a new management system. Strategies are being implemented to reduce inventory write off and bad debt.

124. TAI has over 3000 product lines so management of inventory is crucial to performance. For the past five years, TAI has been using the Inventory software, RETAIL PLUS (RP). This was viewed. It is open source software, stable and user friendly. Orders are entered when they are received. The ideal would be to enter orders when they are placed but shipment delays and changes to orders make this difficult. TAI is working towards this goal. RP is also linked to the retail stores. The four stores visited were very positive about the systems set up by TAI and the consultation involved with TAI over systems, sales targets and reporting.
125. The main weakness of RP is in its reporting functions. To overcome this the accountant prepares detailed monthly sales reports, with analysis and tracing for active control of the trading situation. These reports are collated by exporting data from RP to external reporting software. This software (POWERPLAY) is very expensive. Free access to it has been provided by software developers with whom the GM has developed a relationship.
126. The GM has recently introduced a new management system called LEAN into the warehouse. LEAN is a constant improvement process which aims to increase efficiency by eliminating waste of all kinds - time, effort, movements, etc. The focus of this system is on communication (daily meetings), decision making processes and making processes visual. The LEAN system has now been working for 15 months and has been very successful, with all targets being met. 86% of orders are now out within one day, all are out within two days. By comparison, in December 2008 orders were taking six days to process.
127. TAI runs a "live stock" inventory system with strong ongoing inventory review processes. The retail shops also run continuous inventory stocktake systems. The annual stocktake consistently shows that the processes to maintain accuracy are working well. There is shrinkage at the retail stores but this problem is actively monitored by store managers and levels are low compared with other retail stores of a similar nature.
128. Inventory write-off is approximately \$100,000 each year. TAI is working on identifying a product 'life cycle' to identify the pool of products that are not selling well and require action. More focus is being put on strategies to quit these lines sooner using specials, promotions and dropping prices to stores. There is also a yearly 'garage sale'. The products will be reviewed six monthly. Retail stores also use a range of strategies to quit slow / older stock before it becomes unsaleable. These actions should mitigate the size of the write-off problem in the future. Work being done on product development should also help.
129. The GM plans to introduce LEAN management system into the administration area in the near future and the buyer is investigating improvements to the purchasing area, looking at more monitoring and ways to make the present systems more efficient.

## Database development and data systems

### Key finding

TAI has spent significant time, energy and resources since the last review developing a new trading partner database and an associated website to sell retail products on-line which went live in April 2010. The trading partner database uses open source software and the development has been technically challenging. With more time, development and investment, the new database will be able to produce reports for monitoring and evaluation purposes. At present though, there is still no data system that can easily collate and analyse the partner information that TAI already collects. This is needed for the MFAT report and as a reliable data source for TAI.

130. An important recommendation of the 2006 review related to the development of a database. Development began in 2006 with debate on the principles that should underpin a database. TAI management decided that it should be web based, use open source software, promote transparency, trust, open communication and information sharing. TAI particularly wanted to use the database as a tool for partners to be able to access information, check it, correct and update. Longer term there could be an opportunity to offer the development work to partners for their own use.
131. In 2007, database developers, Egressive were contracted to develop the database. It started with an image library with other information, reports and partner profiles, being added slowly. It includes capacity building summary data and a confidential section for comments that can only be seen by staff. A section for product development initiatives will be added and partners will input their own banking data. The database has been in use since October 2008 and access for partners is close.
132. The development of the database has been innovative but technically challenging. Delays have been caused by the management being passed from the IT officer to the education officer, the brief being widened to include more narrative data, a decision made to sell retail products on-line and recently, an upgrade from one version of the open source programme to the new version which increases functionality.
133. The decision to sell products on-line required TAI to develop a new website. The task was given to a different company with extensive experience in on-line retail sales. They offered 50% of the contract pro bono. The new website will provide up to date and standardised producer information for the public using data fed from the trading partner profiles on the database. As changes are made to the database profiles, they will be reflected on the website. The new website is now live.
134. The trading partner database and the new TAI website are very useful tools for TAI but the database does not yet meet a key intention of recommendation 4 of the 2006 review, reflected in recommendation 5, i.e. that it should "record baseline information and monitoring data on partners to enable assessment of changes over time".
135. The data and its analysis is needed for MFAT's on-going monitoring and as a reliable data source for TAI to assess and reflect progress. More data fields and reporting systems need to be added to the new trading partner database. These additions will take time (possibly another year or even longer) and could be quite expensive as they will need to be done by the database developers.
136. As TAI has only 76 partners, a short term option would be to set up a set of Excel worksheets that fully use the database functions available in Excel such as filtering, multiple

sorting and pivot table summaries. TAI is already using these functions effectively for sales reporting. A suggested structure is provided as Annex 11. If set up appropriately, Excel worksheets will give summary tables and graphs that will update automatically when data is changed or added.

137. TAI will need to collate data for the main trading partner database. Collating it into properly set up worksheets would be a useful intermediate step to check data accuracy. TAI could use the worksheets for analysis until the main database is fully functional. It would take someone with a reasonably high level of Excel data function skills no more than a day to develop these worksheets and another day to input existing data.

## **Incorporation of cross-cutting and mainstreamed issues**

### **Key finding**

TAI is effective in incorporating human rights, gender and environmental issues into all its activities, including those supported by MFAT funding.

138. Cross-cutting issues most relevant to this evaluation are human rights, environmental and gender issues.

### **Human rights**

139. A desire to achieve social and economic justice is a key component of the Fair Trade movement. The definition of Fair Trade which applies to the Funding Arrangement specifically refers to Fair Trade contributing to "sustainable development by offering better trading conditions to, and securing the rights of, marginalized producers and workers. The Trade Aid Producer Criteria (Appendix 9) note that producer groups must be able to demonstrate that they are achieving or working towards "participation by producers in decisions that will affect them directly", "safe working conditions", and a commitment to not using bonded labour and a responsible approach to the involvement of children in production" among other things.

140. The review confirmed that these standards are being adhered to with established partners. Partner profiles describe:

- each partner's structure, including members' ability to contribute to or take part in decision-making
- financial information including rates of pay, which are typically comparable to or higher than average rates for similar work in the locality
- additional benefits available to producers, which may include training in production skills, literacy, and small business skills, savings and loan schemes, health benefits, superannuation, accident cover and support with children's education costs.

141. Reports on appraisal, monitoring and evaluation visits fully document any issues identified in relation to human rights and steps taken to resolve them. Examples include the need to develop democratic structures, provide good quality working environments and to ensure that partners do not discriminate in working with producer groups.

142. TAI plans to review all its trading partners by June 2010 to ensure compliance with IFAT standards, which include reference to working conditions and child labour. This will be done once all the producer profiles are complete and on the database.

### **Gender equality**

143. One of the Trade Aid Producer Criteria (Appendix 6) is that producer groups must be able to demonstrate that they are achieving or working towards equal opportunities for

women in decision-making and as beneficiaries of the enterprise. The IFAT standards to which Trade Aid adheres also refer to gender equality and the need for both women and men to develop their skills. Organisations need to promote applications from women for job vacancies and provide them with leadership training and encouragement to seek leadership roles. All the partners visited were well aware of gender issues and actively promoted women's rights.

144. Partner profiles, trip reports and appraisals confirm that TAI pays close attention to gender equality in its selection of and ongoing work with partners. The Appraisal and Monitoring Checklist (Appendix 6) includes three relevant questions:

- Do women have equal opportunities as beneficiaries and in decision-making and how are they involved?
- To what extent are women involved in leadership?
- How will the organisation change the power balance between men and women?

145. Staff visiting partners record information on women's participation. Annual reports are checked to see the number of women on boards and executive committees. Partners use a range of policies to promote women's independence (most of these are noted on partner profiles). They include:

- making sure all payments are made only to the women producers, rather than to husbands who come to collect their wives' wages
- setting up savings schemes and bank accounts in the women's names
- a range of training opportunities in business skills, literacy and legal rights.

#### **Environmental impacts**

146. Both IFAT Standards and Trade Aid Producer Criteria (2002) stress the need to maximize the use of raw materials from sustainably managed sources, buying locally where possible and using sustainable production methods.

147. TAI includes two relevant questions in its appraisal and monitoring checklist:

- Are raw materials and production methods environmentally sustainable?
- Are production methods safe?

148. All trip reports cover environmental and sustainability issues. They identify any concerns and steps taken to address them. A number of partners have programmes to plant trees and there is increasing awareness of the need to have wastewater management systems in place, especially with dyeing and papermaking.

149. Over the four years of the Funding Arrangement, TAI has made numerous capacity building grants to partners to enhance environmental standards, improve sustainability and reduce waste. They include grants for irrigation, coffee processing mills, conversion of kilns from kerosene-based firing to electricity, installation of clean water system for production and households, an organic composting initiative and producer training in use of AZO free dyes (i.e. dyes that are not nitrogen based), nickel use and non-toxic finishes. The review team saw some of these initiatives in action during our visits.

150. The Social Accounts 2008 note that production processes for the food products TAI imports attain a high level of environmental sustainability; more than 95% of our food imports are organic certified and the tea range is bio-dynamically grown.

#### **Conflict prevention and peace building**

151. Trade Aid is not specifically engaged in conflict prevention and peace building. However, its efforts to reduce poverty and develop independence and self-sufficiency contribute indirectly to social harmony. Giving vulnerable producers a fair return for their work and a

say in decisions that affect them will promote a sense of engagement and reduce disaffection.

#### **HIV / AIDS**

152. While Trade Aid has no direct involvement in efforts to reduce the incidence or impacts of HIV/AIDS, one of the Trade Aid Producer Criteria (2002) is that groups offer benefits for producers in such areas as health, education, savings schemes and housing. IFAT standards note the need to take into account the special health and safety needs of pregnant women and breast-feeding mothers and to give access to essential medical support.

153. Partner profiles identify health benefits for producers. These were identified to the review team during partner visits. We were unable to identify any health benefits specifically relating to HIV/AIDS.

#### **MFAT's responsibilities under the Funding Arrangement**

154. MFAT's responsibilities under the 2006 funding arrangement were clearly laid out and relate to partnership, annual LOV arrangements and grant payments, review of the annual reporting requirements and an annual meeting. All have been well met although the review team agrees with the MFAT staff responsible at the time that they could have asked for more analysis of descriptive material.

#### **Factors that constrained or enhanced the efficient implementation of the Funding Arrangement**

155. These are the same as the factors listed in paragraph 105 and 106 above.

#### **Value for money**

##### **Key finding**

In our view, MFAT gets very good value for money from its investment in TAI. Outcomes have been achieved or progress made towards achievement; implementation has been efficient which means that costs have been minimised.

156. Outcomes have been achieved, or progress towards achieving outcomes is evident (Section 2.2) which means that the money that has been used has delivered what was intended. The efficiency assessment (Section 2.3) shows that the implementation process has been efficient so costs have been minimised for the outcomes achieved.

157. In particular, we note that:

- both TAI and their trading partners seek to minimise administration costs - all but around \$70,000 of the annual MFAT programme funding goes directly to trading partners and producers
- both TAI and its partners work hard to make their management systems more efficient
- both seek to leverage extra benefit from the funds they have – the partially-funded capacity building projects are an excellent example
- both multi-task – for example, TAI use all their staff for appraisal and monitoring, regardless of their "official" role; partners expect staff to be able to fill more than one role
- producers work collaboratively to save costs – for example, sending orders together to save freight costs or seeking out people to take materials or finished products from one site to another to save time and postage.

## 2.4 Relationships between Trade Aid Importers Ltd and its partner organisations

Sources of information for this section were: visits to six of Trade Aid's 76 trading partners; a review of the Social Accounts 2008; interviews with TAI staff and the Development Committee; Development Committee minutes; TAI planning documents and trip reports and correspondence on file. The Social Accounts 2008 drew on: an email survey of eight trading partners conducted by an independent consultant; a focus group discussion with four trading partners facilitated in Kolkata; and a survey of 11 food producers completed in March 2008. The TAI Development Committee selected the sample for the first two consultations to give a geographic spread and ensure a range of partners in terms of volume of trade and craft and food suppliers. Three of the 12 partners were also surveyed for the 2005 Social Accounts and the Review Team visited five of them as part of this review, with the support of the TAI Development Manager. While the sample overlaps do constitute a limitation, the Review Team believes that the data is sufficiently diverse and has enough integrity and independence to support our conclusion.

### Key finding

TAI actively seeks to maintain good relations with its partner organisations and is successful in its efforts. Partners are extremely positive about TAI as a partner organisation.

158. TAI's commitment to its trading partners begins with its Charter which focuses on building effective trading partnerships according to fair trade standards; choosing trading partners who work with the most disadvantaged producers; and helping producers to move from poverty to self reliance. TAI also seeks to maximise sales of fair trade products and to trade in such a way that the Trade Aid Movement and its partners are financially sustainable.

159. The Charter has informed TAI's strategic priorities for the period July 2007 to June 2012. The priorities include:

- improving the development work with trading partners
- exploring the full meaning of partnership and being an innovator and pioneer in this area
- developing and implementing processes for evaluating the work TAI does and recognising that its impact will be measured in terms defined by its trading partners.

160. Visits to partners are planned to ensure that all MFAT programme supported partners are visited at least once every two or three years, with more regular visits where needed.

161. The Social Accounts focus on TAI's performance. These are produced every three years, most recently in 2008. The consultations and surveys that inform the Accounts confirm that TAI does seek to establish long-term relationships which focus on understanding and responding to producers' situations. In particular they found TAI to be:

*A strong value-driven organisation with a commitment to fair trade. Values observed included: sensitivity, a co-operative approach, honesty, solidarity, reliability, transparency and openness. [Social Accounts 2008:45]*

162. In the email survey, trading partners rated TAI as "excellent" or "very good" for commitment to fair trading principles, practice of partnership, consistency and reliability, transparency in business practice and level of understanding of trading partners' particular circumstances.



163. The eight trading partners rated TAI excellent or very good in terms of ordering and communication, promptness of payment, and provision of feedback on deliveries and product performance. Of 11 food partners, eight rated TAI's timeliness in communication as excellent or very good, while three found it acceptable or, in one case, not so good. Food partners were also divided on the quality of TAI's feedback on product quality.
164. TAI staff report that they are approached by potential trading partners almost on a daily basis. Approaches have increased since the website was launched. In interviews, TAI staff and Board and Development Committee members reiterated the importance of developing and maintaining quality, long-term relationships with trading partners, even when difficult issues arise. They stressed the need for trust and integrity and emphasised the value of visits and correspondence as a way to personalise relationships. They also recognised that groups need to be able to plan. If they are going to invest capital, buy tools, and train people, they need to know that there will be purchases in the long run.
165. TAI staff acknowledged that difficulties can emerge, for example, when there is division within a partnership or where a particular organisation has a major disaster, but their policy is to resolve disputes or difficulties through engagement rather than by walking away.
166. Trading partners we visited as part of the review were all very positive about their relationship with TAI - *"We cherish the relationship with Trade Aid"*. They specifically mentioned:
- TAI's development focus, knowledge and experience and their values - *"They do something not just for the sake of it or to look good, but because they believe in it"*.
  - Their commitment to a long term relationship - *"What is touching is that TAI is sustainable. They have stayed with us for 23 years, from being a baby to a toddler, now to being an adolescent."*
  - The personal relationships they develop with TAI staff members - several described TAI staff, and especially Vi Cottrell, as friends.
  - TAI's willingness to help them solve problems and issues, rather than withdrawing. One gave an example of TAI giving helpful advice on some difficult organisational problems, even though the issue did not concern TAI.
167. New Zealand coffee retailers who buy their coffee through Trade Aid were equally enthusiastic about TAI's relationships with producers, the strong personal relationships they observed on visits to co-operatives, and the respect in which co-operatives held TAI. One commented that *"Trade Aid does more than any other organisation to promote fair trade in New Zealand."*

## 2.5 Relevance of the work carried out under the Funding Arrangement

Sources of information for this section were: Government and TAI documents and information gathered during partner visits. There were no apparent limitations in data sources.

### Key finding

The work of TAI under the Funding Arrangement was fully aligned with the MFAT mandate and policies in place at the time. With its focus on trade and economic development, including in the Pacific, TAI's work remains relevant to the new mandate. The work TAI does is entirely relevant to TAI's charter and activities.

### Relevance to the Government's aid delivery programme's mandate(s) and programme publications

168. The key documents considered were:

- the Government's aid delivery programme policy statement of July 2002
- the Government's new mandate and policy focus for New Zealand's official development assistance (ODA), which MFAT manages and delivers
- the Economic Growth and Livelihoods Policy (an undated programme publication)
- Harnessing International Trade for Development (an undated programme publication)
- the Economic Development Framework (unpub. discussion document, November 2009).

### Relevance to MFAT programme mandates

169. The 2006-2010 Funding Arrangement with TAI was established under the 2002 MFAT programme mandate. The agency's then mission was to "eliminate poverty through development partnerships". The strategic outcomes sought through development partnerships were: fulfilment of basic needs; sustainable livelihoods; sustainable and equitable development; and safe, just and inclusive societies." TAI's vision, aims and objectives as set out in their charter and demonstrated in their activity clearly align with this mandate.

170. The new mandate is "sustainable economic development in developing countries in order to reduce poverty and contribute to a more secure, equitable and prosperous world" and within this there is a core focus on sustainable economic development and the Pacific. TAI's special focus is trade and consequently economic development. TAI's work remains highly relevant under the new mandate.

171. TAI has been actively engaged in the Pacific for five years and continues to work with five vulnerable communities in Fiji, Nauru, Kiribati and Papua New Guinea, through product development and purchasing support. This work is all in the development phase and falls within the 5% of funding that is available to support overseas partners who do not yet meet Trade Aid's producer criteria and international Fair Trade Standards.

172. From TAI's perspective, the challenges of working in the Pacific are considerable:

- Pacific craft products are relatively expensive compared to those from other countries because of high infrastructure costs.
- Competition from Pacific craft already available in New Zealand makes it difficult to sell products at a viable rate. One of TAI's strategies has been to try to develop catalogues of quality products that can be used to attract potential customers from elsewhere.
- Pacific producer groups are typically small and need ongoing support to reach a consistent level of quality both in production and in business practice, for example in meeting delivery dates, managing orders and offering continuity of supply.
- If work is too irregular producers lose motivation and trust in the process.

- Lack of infrastructure and/or expense can lead to communication problems. The challenges TAI has faced in developing partnerships with craft workers in the Pacific are illustrated in the case study of the Nibarara Women's Group in Kiribati in Annex 11.

173. TAI is also exploring food options, for example, from Vanuatu. It has recently submitted a proposal to the MFAT programme for a feasibility study to confirm the need for and viability of a MAF Approved Transitional Facility based in Auckland to improve the ability of Pacific exporters to access the New Zealand market. The facility would not be limited to fair trade product but be available for all imports from the Pacific.

174. TAI is also engaged in mentoring activities with various fair trade groups in the Pacific which may lead to further opportunities.

#### Relevance to MFAT programme publications

175. The three MFAT programme publications listed above expand on the view that economic growth helps people live their lives free of poverty. The first notes that as a disproportionate number of the world's poor people are women and children, supporting gender equality and women's empowerment are essential aspects of this approach. TAI's Charter and the international Fair Trade principles to which it adheres have a strong focus on gender equality and the rights of children.

176. The second programme publication notes that many people in developing countries are unable to take advantage of new trading opportunities because of:

- limited skills due to poor access to basic education, lack of business skills training and lack of understanding of new technologies and practices
- reduced capacity to work due to poverty-related poor health
- poorly developed, maintained or repeatedly damaged physical infrastructure (for example, roads, electricity, telecommunications, ports) and a weak services infrastructure
- lack of information on new markets, prices, quality standards, trends, costs and potential partners
- an inability to tap appropriate and reliable financial markets.

The document also refers to community-based trade partnerships and their role in supporting information sharing on markets and standards, facilitating contacts and partnerships at local and international level, and business skills training.

177. TAI's trade depends entirely on having strong community-based trade partnerships. TAI works with 76 trading partners throughout the developing world, including in the Pacific. Through its MFAT funding TAI supports capacity building and product development initiatives with its trading partners and their producers. These are specifically designed to improve business skills, update technology, give partners access to new markets, improve product quality and keep up with market trends. TAI is also able to fund purchases from the most vulnerable groups to support them while they strengthen their capacity and skills.

178. The third programme publication focuses on sustainable economic development in the Pacific and supports the promotion of a vibrant private sector by:

- increasing private sector access to business support, innovation and information, and financial services
- increased value to Pacific people from key sub-sectors and product market chains – tourism; standards, certification, branding and marketing
- increasing market access and linking producers to markets
- improved trade facilitation e.g. bio security.

While TAI does what it can to support community-based trading organisations, it is not TAI's role to set up such organisations. It cannot work with trading partners if none exist or if none make saleable products or are interested in exporting. It is also essential that TAI adheres to its principles of fair trade.

**Relevance to the Charter and operations of Trade Aid Importers Ltd**

179. The work carried out under the 2002-2006 Funding Arrangement was entirely in line with the partnership objective of the Trade Aid Movement Charter. Under this objective, TAI aims to:

- engage in effective trading partnerships according to fair trade standards
- choose trading partners who work with the most disadvantaged producers
- assist producers to move from poverty to self-reliance

180. TAI also seeks to maximize sales of fair trade products and the activities fully support this aim.

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### 3.0 Conclusions, lessons and recommendations

181. This review found that TAI is a well run, professional organisation with committed and capable staff. It has greatly improved its management and financial systems and buying and marketing strategies since the last review. These initiatives have allowed TAI to maintain sales, even in a difficult trading environment, and have fewer write-offs and better stock management.
182. TAI has worked steadily and assiduously towards implementing the recommendations of the previous review. The new Funding Arrangement included suggested changes and financial issues have been addressed. The development of a trading partner database is well under way, and with the new linked website will provide a rich source of information for TAI staff, retail shops and potential on-line buyers.
183. Most of the monitoring and evaluation recommendations have been progressed. TAI is able to assess its own performance through the financial and management data it regularly collects and through the three-yearly Social Accounts process. The issue is how to collect information on changes for trading partners and producers.
184. After much discussion among themselves and with trading partners and others involved in fair trade, and recognising the relatively small contribution that TAI makes to its trading partners, TAI staff and the Development Committee concluded that any evaluation/impact assessment should serve the partners first.
185. To this end, TAI investigated possible indicators for assessing effectiveness and supported several pilot studies in the field using indicators and methodologies relevant to them. The results have been shared with the wider fair trade community and have been used as exemplars for other organisations. There will be opportunities to develop this work further with willing partners and MFAT support.
186. A number of lessons were learned from this exercise:
- The suggestions in the 2006 desk review did not take sufficient account of the complexity of TAI's relationships and TAI's limited ability to influence or require trading partners to undertake impact assessments.
  - Other fair trade buyers/agencies do not seek or require impact assessments<sup>4</sup> and instead rely on trading partners complying with fair trade standards (soon to be enhanced through the SFTMS).
  - When trading partners do undertake impact assessments, TAI will need to contextualise them for MFAT and other readers.
  - Those undertaking assessments need to be fully conversant with the language, culture, and economic and social circumstances of both the trading partner and producers. This includes understanding the situation of people with disabilities and women's issues.
  - It can be difficult to find a suitable comparison group, particularly where producers engage with both the fair trade and the non-fair trade sector.
  - Given the demands such assessments make on trading partners, even where an outside consultant is employed, TAI and MFAT need to be realistic about what they can reasonably expect, especially from smaller groups or trading partners who have an intimate knowledge of their producers' lives.
187. It was very clear to the review team that TAI has been effective in achieving the desired outcomes from its product purchasing, product development and capacity building activities.

<sup>4</sup> As noted above, some impact studies on coffee and tea have been completed by academics. Undertaking a literature search was beyond the scope of this review.

These include increasing sales, enabling trading partners and producers to be able to plan and budget and improving the status of women, disabled and poor producers through their engagement in economic activity. Trading partners have been able to access new markets, improve quality control and capability as well as their business skills. This is an ongoing process as the composition of producer groups changes as some members leave to take up other opportunities and new members join. Through its work, TAI has contributed to the personal and economic well-being of producer group members and to the economic well-being of their communities.

188. The work TAI does is fully consistent with both the former MFAT mandate and the current policy. It closely matches TAI's own Charter and strategic plan.
189. Staff visit partners regularly to monitor capacity building projects, undertake product development, and for education and most importantly, relationship building. The strength of TAI's relationships with its trading partners is a key element of its success. The product development work has improved and increased the range and quality of goods that partners produce, while the capacity building fund has given TAI, and through it MFAT, a very high profile among trading partners. The benefits of capacity building projects funded often extend beyond partners and producers to their families and communities.
190. The six partner visits gave the review team a good insight into the way TAI works. TAI partnerships are based on mutual respect. TAI is highly regarded and is recognised for its good values and development experience. Partners noted that TAI stands out from other buyers through consistent orders, valuable capacity building grants, non-exclusive product development, prompt financial payments and supportive advice.
191. MFAT funding enables TAI to maintain its commitment to working with the most disadvantaged groups. Without it, TAI would have to curtail or cease its development activities and possibly lay off development staff.
192. TAI could make much better use of the information it already gathers from trading partners who receive MFAT-funded support. While TAI plan to incorporate this data into the new trading partner database, this could take some time. The data could be easily put into Excel worksheets in a format that allows analysis and cross-tabulation. TAI already uses such worksheets to manage product purchases. This would simplify and improve reporting, which could be further enhanced by including a summary of key points and ongoing or emerging issues in the annual report to MFAT. This report includes some examples of how this might be done.
193. TAI has been actively engaged in the Pacific for five years and continues to work assiduously with vulnerable communities in Fiji, Nauru, Kiribati and Papua New Guinea, through product development and purchasing support. TAI is also exploring food options, for example, from Vanuatu. The challenges in working in the Pacific are considerable, particularly in the craft market, and TAI is currently exploring new food options as these appear to offer the best opportunities. However, we recognise that it is not TAI's role to establish community-based trading organisations, although it can offer support where these exist and are keen to trade.

## Lessons learned

The review identified a number of key points that are relevant to future development:

- The potential for growth is likely to be stronger in food and other commodities than in craft – people buy food more often and there are more opportunities to sell it through other outlets. There is also greater public awareness about organic products and fair trade, which has helped create a market for these products (Section 1.2).
- TAI needs to be able to sell what it buys and will always have to balance this need against its development interests (Section 2.3).

In supporting its trading partners, key lessons were that:

- TAI's relationships, with its partners are long term, committed and value based and a key component of its success (Section 2.4)
- Paying 50% deposit on purchase orders for craft producers, and pre-financing for food producers, is an effective way to help partners and is another point of difference for TAI (Section 2.2).
- The capacity building fund provides very good value for MFAT, TAI, trading partners and producers and is unique to TAI (Section 2.2).

With monitoring and evaluation, key lessons were that:

- Expectations for evaluations and impact assessments need to be realistic and suited to both partners' capacity and capability and their relationship with their producers. Assessments also need to be partner driven.
- If MFAT needs reliable outcome (effectiveness) data, the nature of this should be negotiated with TAI and its trading partners at the beginning of a contract so that appropriate data can be gathered, rather than waiting for a review.

## Recommendations

The review team recommends:

1. That a five-year Funding Agreement from 1 July 2010 to 30 June 2015 is entered into between MFAT and TAI with adequate provision for inflation and cost increases.
2. That provision should be made for an additional \$20,000 per annum for a grant to one trading partner to obtain the services of a technical expert for an extended period for product development. The grant will be contestable.
3. That the Funding Agreement retains the ability to move unallocated funds from one category to another, particularly for product purchases.
4. That TAI continues to develop the trading partner database so that it can provide collated data specifically related to areas of MFAT programme funding i.e. product purchase, capacity building, product development and monitoring and evaluation data. Should this development be delayed beyond 2010, TAI should collate data using another suitable tool.
5. That annual reports to MFAT include a summary sheet identifying key points and emerging issues.

6. That TAI considers the four options for collecting effectiveness data and assesses them for practicality and usefulness. The options in brief are:

- **Option one:** ask all trading partners to report annually on a few indicators
- **Option two:** invite trading partners who have received MFAT-funded support to survey or report on a sample of their producers annually on selected topics
- **Option three:** invite trading partners who have received MFAT-funded support to collect change stories for a certain number or percentage of staff and/or producers each year, using a simple template to ensure that basic information is gathered consistently.
- **Option four:** Undertake one or two in-depth case studies/impact assessments a year – one as a repeat of an earlier study with improvements as required; the other with a trading partner who has not done a baseline study before. (We note that given the current focus on completing SFTMS documentation, it may be difficult to find trading partners who are prepared to engage at this level at present.)

7. That MFAT supports TAI to (a) continue its work with Pacific groups and (b) explore opportunities to work with regional agencies and community-based organisations committed to promoting fair trade in the Pacific.

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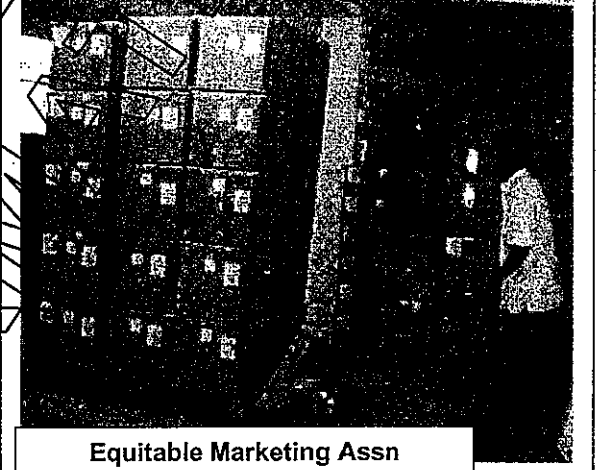


# Use of Capacity Building Funds

SASHA Distribution and meeting centre for Associations of Textile Artisans and Craft Producers



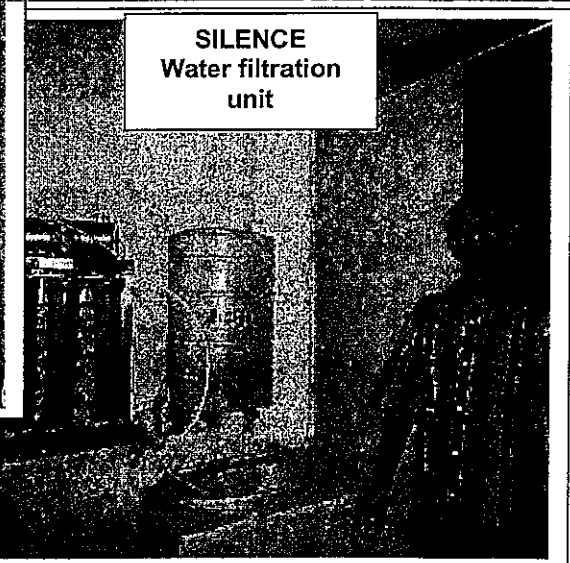
Asha Niketan  
Equipment and workroom renovation



Equitable Marketing Assn  
Leather cutting machine and hydraulic hand forklift



Ankur Kala  
Block printing -- blocks & training



SILENCE  
Water filtration unit

OFFICE

## Annex 1

## Trade Aid Movement Charter

### *Vision*

A Just World

### *Aim*

To build just and sustainable communities through Fair Trade

### *Objectives*

#### *Partnerships*

- To engage in effective trading partnerships according to fair trade standards
- To choose trading partners who work with the most disadvantaged producers
- To assist producers to move from poverty to self reliance

#### *Change*

- To increase awareness of trading injustice and its impact on our trading partners
- To campaign for change to unjust trading systems
- To promote fair trade as a positive alternative

#### *Sustainability*

- To maximise sales of fair trade product
- To trade in such a way that the Trade Aid Movement and its partners are financially sustainable

#### *Guiding principles*

We will:

- respect and support trading partners and their aspirations
- understand the broader issues that affect our trading partners
- provide healthy and safe workplaces in which staff and volunteers are valued and respected
- work cooperatively and encourage participation at all levels of the Movement
- honour the Treaty of Waitangi, respect the environment, and support gender equality

## **Annex 2 Terms of reference for review of Trade Aid Importers Ltd 2010**

### **Background**

Since its founding in 1973, Trade Aid has imported handcraft and increasingly commodities from partners in Africa, Asia, South and Central America and the Pacific. It has worked primarily through NGOs set up to support producers develop and sell products to provide livelihood opportunities where few exist. Its relationship with producers is therefore primarily via the partner organisations. It has sold products through a network of Trade Aid shops around New Zealand. In recent years it has expanded its commodity imports and sold these through a range of other retail outlets.

Trade Aid Importers Ltd has received assistance from the Government's aid delivery programme since the early 1990s. Initially this was through the Voluntary Agency Support Scheme and later through the Alternative Trading Organisations (ATO) Support Facility. Following a review of that Facility in 1999, the Government's aid delivery programme (then the Development Cooperation Division of the Ministry of Foreign Affairs and Trade - MFAT) entered into a three-year Funding Agreement with Trade Aid as it was the only organisation accessing the ATO Support Facility. This was extended for a further two years until 30 June 2006. The 2006-2010 Funding Arrangement was based on the understanding that Trade Aid's approach to development and its charter was consistent with the Government's aid delivery programme policies and that support for Trade Aid would contribute to MFAT's then goal of poverty elimination.

The Government's aid delivery programme has had a new mandate since April 09. This mandate refers to poverty reduction rather than elimination and has a focus on sustainable economic development and the Pacific. While the Government's aid delivery programme trade policy does not explicitly refer to 'fair trade' as an identified intervention, the MFAT policy document "Harnessing International Trade for Development" refers to community based trade partnerships and their role in supporting information sharing on markets, and standards, facilitating contacts and partnerships at local and international level, and business skills training.

Trade Aid was reviewed by MFAT/MEAT in 1999 and 2006. These reviews will provide useful background for the current review. The 2006 review suggested that programme management systems could be further developed, in particular its project database, appraisal checklist, evaluation processes and documentation and sharing of lessons.

The following objectives from the Trade Aid Charter have relevance to the Funding Arrangement with Trade Aid

- To engage in effective trading partnerships according to fair trade standards
- To choose trading partners who work with the most disadvantaged producers
- To assist producers to move from poverty to self reliance
- To maximise sales of fair trade product

### **Purpose of the review**

The purpose of the review is for accountability, learning and improvement. The results will be primarily for Trade Aid and the Government's aid delivery programme. Some aspects of the results of the review may also be relevant and useful for Trade Aid partners and other stakeholders.

Accountability – the independent review will verify for both the Government's aid delivery programme and Trade Aid:

- that the Funding Arrangement between MFAT and Trade Aid Importers Ltd has been implemented in the way that was agreed
- the extent to which the funds have been used efficiently and have contributed to achieving Trade Aid's objectives and outcomes, that are relevant to the Government's aid delivery programme funding.

Learning - the evaluation will gather information that indicates what has worked well and not so well, for whom and in which circumstances, and what lessons can be learned for both Trade Aid and the Government's aid delivery programme.

Improvement – the findings of the evaluation will inform both the Government's aid delivery programme and Trade Aid of adjustments that could be made to the Funding Agreement, and/or implementation of the Funding Arrangement to achieve better development outcomes relevant to both the Government's aid delivery programme and Trade Aid, and more efficient use of funding.

The four year Funding Arrangement for 1 July 2006 – 2010 is coming to an end. The review will inform the development of a new Funding Arrangement.

#### **Scope**

The review will cover all aspects of Trade Aid covered by the Funding Arrangement 2006-2010.

The review will focus on implementation and outcomes of the Funding Arrangement, and assess aspects of the DAC criteria of efficiency, effectiveness, relevance as outlined in the objectives below. Impact<sup>5</sup> is not included because it is not possible to assess long term effects within the review timetable.

The assessment of Trade Aid partners is outside the scope of review, although it may be necessary to gather information from partners to fulfil some review objectives relating to the Funding Arrangement with Trade Aid.

#### **Objectives and review questions**

The objectives of the review are as follows.

1. To assess the implementation of recommendations of the 2006 Review.
  - To what extent have the recommendations been implemented?
  - What factors have constrained or enhanced the implementation of the recommendations?
2. To assess the effectiveness<sup>6</sup> of Trade Aid in relation to the Government's aid delivery programme funding, and the extent to which this funding has contributed to the effectiveness of Trade Aid
  - To what extent have the intended objectives and outcomes of Trade Aid activities related to the Government's aid delivery programme funding (i.e. objectives from the Trade Aid Charter as listed in the Background section of this TOR on Page 2) been achieved?
  - What unintended positive and negative outcomes have occurred related to the Government's aid delivery programme funding?

<sup>5</sup> The Government's aid programme's definition of impact is: wider, deeper and long term effects of a development activity (positive, negative, primary or secondary, direct or indirect, intended or unintended)

<sup>6</sup> Effectiveness (DAC definition): whether, and to what extent the programme/activity has achieved the desired outcomes.

- To what extent has the Government's aid delivery programme funding contributed to objectives and outcomes of Trade Aid Importers?
  - What factors have enhanced and/or constrained Trade Aid Importers achieving outcomes and objectives associated with the Government's aid delivery programme funding?
3. To assess the way in which Trade Aid Importers has implemented the 2006-2010 Agreement.
    - To what extent has the Funding Arrangement been implemented as agreed and to what extent has any variation to the Funding Arrangement (on the part of Trade Aid or the Government's aid delivery programme) been justified?
    - To what extent has Trade Aid Importers implemented the Funding Arrangement efficiently?
    - To what extent has implementation of the Funding Arrangement incorporated the Government's aid delivery programme cross-cutting and mainstreamed issues of gender, environment and human rights (and HIV/AIDS and peace/conflict building where appropriate)?
    - To what extent has the Government's aid delivery programme acted appropriately in fulfilling its responsibilities under the Funding Arrangement?
    - What constrained or enhanced the efficient implementation of the Funding Arrangement?
    - In qualitative terms, has the Funding Arrangement provided value for money for the Government's aid delivery programme in terms of the outcomes of the Arrangement compared to the money spent i.e. were intended outcomes achieved for the money spent? Could the same outcomes have been achieved for less money, or the money used more efficiently to achieve better outcomes?
  4. To assess the nature of relationships between Trade Aid Importers Ltd and its partner organisations, and how these relationships have affected implementation of the Funding Arrangement, and achieving Trade Aid Importers Ltd objectives and outcomes associating with the Government's aid delivery programme funding.
  5. To assess the relevance of the work carried out under the Funding Arrangement to the Government's aid delivery programme, and to Trade Aid Importers Ltd.
    - To what extent is the work carried out under the 2006-2010 Funding Arrangement, and any work Trade Aid has had under development during the period, relevant to the Government's aid delivery programme's mandate(s)<sup>7</sup> and relevant key policy documents?
    - To what extent is the work carried out under the 2006-2010 Funding Arrangement relevant to the Charter and operations of Trade Aid Importers Ltd?
  6. To identify what has worked well, what has worked less well and lessons that have been learned, and make recommendations to improve the effectiveness, relevance and efficiency of the Funding Agreement, including specific recommendations related to the Arrangement itself.

#### **Methodology and approach**

The following principles will guide the review: partnership, transparency and independence, participation, and capacity building. See the Government's aid delivery programme Evaluation Policy Statement for definitions of these principles.

<sup>7</sup> Assessment should be made of the relevance of Trade Aid's work to NZAID's former mandate (which was in place at the time the Funding Arrangement was established), as well as the aid programme's current mandate.

Reviewers will provide a review plan that sets out how the review will be carried out in line with these principles. The plan will describe a methodology and identify costs associated with its implementation within the range specified.

The review plan should answer the questions set out in Appendix A in the Government's aid delivery programme Guideline on Developing of Terms of Reference for Reviews and Evaluations (Annex 2). The review plan will be appended to the main report.

As part of the review plan, the reviewers should clarify the logic of objectives and outcomes for Trade Aid work associated with the Government's aid delivery programme funding, using the Trade Aid's charter, business plans, and interviews where necessary.

Travel to visit partners will be in order to assess:

- Achievement of relevant objectives and outcomes in the Trade Aid Movement Charter in terms of partnership eg capacity building etc (TOR Objective #2)
- Trade Aid Importers Ltd relationships with partners and how the relationships have affected implementation and outcomes (TOR Objective #4)
- Any other information the reviewers consider relevant to achieve the TOR objectives.

The reviewers when completing Phase 1 – development of the review plan will decide where visits overseas will be made taking into account (a range of) factors.

#### **Governance and management of the review**

An advisory group, consisting of two staff of the Government's aid delivery programme staff (Evaluation Advisor and Team Leader – Regional and Thematic, Global Group) and two Trade Aid Importers Ltd staff (Geoff White and one other) will guide the review. The advisory group will comment and advise on the TOR, the composition of the review team, and the evaluation plan, will review the draft report and recommend any changes necessary, advise on any issues that should arise, and generally oversee the review.

The review will be managed by a task manager, Sally Jackman, who will deal with day to day management issues and will attend advisory group meetings in her capacity as manager. Final decisions regarding the review will rest with the Team Leader, Regional and Thematic, Global Group.

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#### **Milestones**

Phase 1 Development of a Review plan

Phase 2 Implementation of review plan including the following:

- Debrief with partners in country to verify findings and get feedback
- Initial draft to advisory group for feedback and peer review
- Final report including any changes required to meet quality standards and the Terms of Reference.

The report should comply with the Government's aid delivery programme Guideline on the Structure of Evaluation and Review Reports and the DAC Evaluation Quality Standards.

The report is expected to be around 30 pages plus appendices.

**Follow up of the review**

The final report will be presented to the Government's aid delivery programme Evaluation and Research Committee which will approve its public release (unless there is a good reason not to). Anything that would prevent the release of the report (eg confidential or commercially sensitive information, information that would breach ethical standards) should be put in a confidential annex.

The Government's aid delivery programme team will discuss review recommendations with Trade Aid and subsequently communicate the Government's aid delivery programme's expectations regarding the implementation of recommendations.

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## Annex 3 Review plan

### 1.0 Introduction

Since its founding in 1973, Trade Aid has imported handcraft and increasingly commodities from partners in Africa, Asia, South and Central America and the Pacific. Its aim is to build just and sustainable communities through fair trade. The Trade Aid Charter has three objectives relating to partnerships, change, and sustainability.

#### Partnerships:

- To engage in effective trading partnerships according to fair trade standards
- To choose trading partners who work with the most disadvantaged producers
- To assist producers to move from poverty to self reliance.

#### Change:

- To increase awareness of trading injustice and its impact on our trading partners
- To campaign for change to unjust trading systems
- To promote fair trade as a positive alternative

#### Sustainability:

- To maximise sales of fair trade products
- To trade in such a way that the Trade Aid Movement and its partners are financially sustainable.

Of these three objectives, the partnership option is particularly relevant to MFAT funding and is the focus of this review. MFAT does not fund the educational work of Trade Aid covered under the Change objective and the review is not able to assess the long term financial sustainability of the Trade Aid movement or its partners.

Trade Aid Importers Ltd<sup>8</sup> has received assistance from MFAT since the early 1990s. In 1999, MFAT (then the Development Cooperation Division of the Ministry of Foreign Affairs and Trade) entered into a three-year Funding Agreement with Trade Aid. This was extended for a further two years until 30 June 2006.

The 2006-2010 Funding Arrangement was based on the understanding that Trade Aid's approach to development and its charter was consistent with the MFAT Policy Framework and that support for Trade Aid would contribute to MFAT's then goal of poverty elimination. The Government's aid delivery programme has had a new mandate since April 2009. This mandate<sup>9</sup> refers to poverty reduction rather than elimination and has a focus on sustainable economic development and the Pacific.

Under the 2006 Funding Arrangement, MFAT funding could be used for one of four purposes: product purchases, product development, capacity building for producer partners and appraisal, monitoring and evaluation. The amounts provided to date are set out in Table 1 on the following page. The figures exclude GST and are in New Zealand dollars.

<sup>8</sup> Trade Aid Importers Ltd. is a wholly owned company of Trade Aid (NZ) Incorporated. Hereafter it is referred to as Trade Aid or TAI.

<sup>9</sup> The new mandate is 'Sustainable development in developing countries in order to reduce poverty and contribute to a more secure, equitable and prosperous world. A core focus on sustainable economic development and a core focus on the Pacific'.



	2006/07	2007/08	2008/09
Product purchase	Combined amount \$414,230	\$476,242	\$531,823
Product development		\$59,212	\$55,585
Capacity building	\$172,596	\$191,461	\$197,250
Appraisal, monitoring and evaluation	\$103,558	\$70,261	\$48,706
<b>Total</b>	<b>\$690,384</b>	<b>\$797,176</b>	<b>\$833,364</b>

Trade Aid was reviewed by MFAT/MFAT in 1999 and 2006. The 2006 Review recommended ongoing funding. It made a number of suggestions to improve reporting and strengthen Trade Aid's programme management systems in evaluation of the effectiveness and impact of its work and dissemination of lessons to various stakeholders.

This review will cover all aspects of Trade Aid covered by the Funding Arrangement 2006-2010. The review will focus on implementation and outcomes of the Funding Arrangement, and assess aspects of the DAC criteria of efficiency, effectiveness and relevance. Its focus will be on accountability, learning and improvement and it will inform the development of a new Funding Arrangement.

### 1.1 The review plan

This plan sets out a brief logic for Trade Aid activities carried out under the Funding Arrangement. The review team prepared this logic using Trade Aid documents. While the Funding Arrangement sets out dollar inputs into various activities, it does not specify any anticipated outputs or outcomes. The plan also identifies stakeholders and sources of information, sites for partner visits supported by a rationale, a timetable for the review and a discussion of risks, constraints and ethical issues.

We will carry out the review in accord with the principles outlined in the TOR of partnership, transparency and independence, participation, and capacity building by;

- providing a brief background of ourselves as reviewers independent of Trade Aid and MFAT
- clearly explaining the key objectives of the review and reiterating that it is Trade Aid Importers rather than partners, retailers or consumers who are the subject of the review
- preparing well formulated questions for interviews to ensure the data is collected in a consistent and reliable way and that there is focus on the areas that are funded by MFAT and that partners and TA staff have knowledge of.
- using interview techniques that maximise participation and ensure that areas for improvement or issues can be discussed positively
- summarising the key points and ideas that have been gleaned from interviews and checking with those interviewed that these are a fair and accurate summary of the information they have given us
- writing up interview notes at the end of each day to ensure accuracy and completeness
- presenting all information fairly and referencing all information
- using triangulation and other cross referencing methods to ensure accuracy
- providing the Advisory Group with drafts.

## 2.0 Logic and objectives for Trade Aid Work associated with MFAT's aid delivery funding

Table 2 A simplified programme logic for Trade Aid activities funded through MFAT				
Engagement in fair trade leads to just and sustainable communities				
<b>Long-term outcome<sup>10</sup></b>				
<b>Intermediate outcomes</b>	Producers are provided with assistance that has the potential to help them move from poverty towards self-reliance	Trading partners are able to access new markets, improve quality control production capability and business skills and augment their income	Sales of products increase	Information on successful practice is shared. Policies, systems and procedures are modified where necessary
<b>Shorter-term outcomes</b>	Women, indigenous, disabled and poor producers respect community members by participating in economic transactions. Sales of products increase. Producers can plan and budget	Trading partners are able to access new markets	Sales of new products increase. New products and product ranges developed by Trade Aid for the New Zealand market. Trading partners design teams are better able to assist with own product design and development	Information on successful practice is generated and shared. Policies, systems and procedures are modified where necessary.
Trade Aid establishes relationships that are respectful, transparent and based on good, open communication according to fair trade standards, and are with partners who work with most disadvantaged groups <sup>11</sup>				
<b>Outputs</b>		Systems are upgraded. Supplementary income generating activities are supported	Trend Book supplied to trading partners with ideas on colours, combinations of colours and product options	Trade Aid develops a database to support producers and facilitate monitoring and evaluation
		Raw materials are grown or purchased. Tools, other equipment and/or facilities are purchased	Design teams assist with product design and development	Trade Aid develops and introduces an in-depth study of the impact of fair trade on producers (min. four trading partners)
<b>Outputs</b>	Trade Aid offers consistency in orders	Successful applicants undertake skills training and training in design, production		Trade Aid undertakes monitoring visits and collects

<sup>10</sup> Note: Assessment of this outcome is outside the scope of this review

<sup>11</sup> Note: This outcome applies across the four activities

		methods and quality control and in developing samples Trading partners visits to trade fairs		monitoring data
	Trade Aid purchases goods from particularly economically disadvantaged or marginalised producers	Proposals for capacity building grants are submitted for approval by Development Committee	Product development trips to partners enable partners to extend product range	
<b>Activities</b>	Product purchasing support	Capacity building projects	Product development initiatives, including sharing market and trend information and providing design support	Appraisal, monitoring and evaluation activities

### 3.0 Stakeholders in Trade Aid and the Review

#### 3.1 Direct beneficiaries

Trade Aid has partnerships with 76 trading partners, 34 of these have been supported through MFAT funding.

#### 3.2 Indirect beneficiaries

- Producer families and communities

#### 3.3 Consumer stakeholders

Interviews will be sought with

- Retailers and staff in Christchurch, Nelson and Wellington shops  
Coffee Importer, Wellington  
(Atomic coffee, Coffee Importer, Auckland-Telephone-interview)

s.9(2)(a)

#### 3.4 Stakeholders involved in delivery and/or administration

Interviews will be sought with the following Trade Aid staff:

- General Manager
- Development Manager
- Product Development Manager
- Craft Buyer
- Food Manager
- Marketing
- Education and Communications
- Accountant

s.9(2)(a)

#### 3.5 Stakeholders involved in approving or overseeing activities

- The Board of Trade Aid
- Trade Aid Development Committee. We will have an evening meeting with the Development Committee specifically to discuss review issues.  
Chair of the Trade Aid Board

s.9(2)(a)

Board member with specific finance experience. Is the CFO of Foodstuffs, NZ (s) (s) (s)

### 3.6 Funders

The views of MFAT will be sought in New Zealand.

### 3.7 Issues or constraints on stakeholders' involvement in the review

Table 3 below identifies possible constraints on stakeholders' involvement in the review and describes strategies for managing these.

Table 3 Issues or constraints on stakeholders' involvement in the review	
Possible issues or constraints	Mitigation
1. Difficult to access Trade Aid partners and/or producers	Work with Trade Aid to help us establish a relationship with partners and encourage engagement. Seek support from local MFAT representative, if available. Give adequate notice of visit. Promote the visit as opportunity to reflect on activities and their impact and make suggestions for improvement or new ideas. Offer people the opportunity to provide comments at a later date by email
2. Trade Aid partners and producers unwilling to criticise Trade Aid because they appreciate the information and Trade Aid offers and the funding it provides	Emphasise opportunities to improve activities and make suggestions for new ideas rather than taking a negative stance
3. Trade Aid employees or volunteers unwilling to criticise Trade Aid either because of reliance on income or because of belief in Trade Aid	Acknowledge this reality. Gain people's confidence and assure them of confidentiality. Stress that the review is interested in themes and issues and in seeking improvement, not in finding fault or blaming individuals.
4. Trade Aid staff and producers have limited knowledge of activities funded by MFAT	Focus on the areas in which they do have experience; stress the importance of having a range of perspectives.
5. Stakeholders outside Trade Aid e.g. purchasers of imports have limited knowledge of activities funded by MFAT	Focus on the areas in which they do have knowledge. This would include appropriateness of products, quality, pricing, and delivery, giving feedback to Trade Aid and making suggestions for new or modified products.
6. Stakeholders, including Board and Development Committee members and Trade Aid staff may not be available	Give stakeholders plenty of notice and offer different options for expressing their opinion such as through email or a telephone conversation if they cannot attend the meeting. Offer evenings or times outside the formal data collection timeframe

### 4.0 Evaluation objectives

The evaluation has six objectives, each underpinned by a number of questions. The information needed to answer questions associated with each objective is set out in the grid included in Section 4.2. The objectives are listed below.

To assess the implementation of recommendations of the 2006 Review.

- 2 To assess the effectiveness of Trade Aid in relation to the Government's aid delivery programme funding, and the extent to which this funding has contributed to the effectiveness of Trade Aid
- 3 To assess the way in which Trade Aid Importers has implemented the 2006-2010 Arrangement.
- 4 To assess the nature of relationships between Trade Aid Importers Ltd and its partner organisations, and how these relationships have affected implementation of the Funding Arrangement, and achieving Trade Aid Importers Ltd objectives and outcomes associating with the Government's aid delivery programme funding.
- 5 To assess the relevance of the work carried out under the Funding Arrangement to the Government's aid delivery programme, and to Trade Aid Importers Ltd.
- 6 To identify what has worked well, what has worked less well and lessons that have been learned, and make recommendations to improve the effectiveness, relevance and efficiency of the Funding Agreement, including specific recommendations related to the Arrangement itself.

#### 4.1 Information sources

The evaluation will draw on the following data sources:

- Trade Aid Importers Ltd documents, including the Funding Arrangement, Charter, Social Accounts 2008, financial accounts, strategic, business and operational plans, impact assessments and related correspondence, producer profiles, product development files and reports, product ordering files, capacity building files, trip/visit monitoring reports, Development Committee Meeting minutes.
- The Trade Aid database developed following the 2006 Review.
- MFAT documents, including the Government's former and present aid delivery programme mandates, the Economic Growth and Livelihoods Policy, Harnessing International Trade for Development and the Economic Development Framework and related correspondence.
- Interviews with all the groups of stakeholders listed in 2 above. Wherever possible these will be face to face interviews, either individually or as a group as appropriate and taking into account participants' preferences and availability.
- Visits to partner organisations and associated producers to assess and discuss:
  - achievement of objectives and outcomes in the Trade Aid Movement Charter in terms of partnership (see Section 1.0 above)
  - Trade Aid Importers Ltd relationships with partners and how the relationships have affected implementation and outcomes
  - other issues or matters relevant to the review.
- Brief case studies to illustrate particular points or demonstrate completion and efficacy of capacity building grants. These may include photographs or video clips.

The following table shows where data sources and methods are matched to the evaluation

4.2 Evaluation questions and data sources

Table 4 Evaluation questions	Data sources	Information to be gathered / method
<p><b>Objective 1</b> To assess the implementation of recommendations of the 2006 Review</p> <p>To what extent have the recommendations been implemented?</p>	<p>Funding Arrangement Producer database Documentation relating to appraisal monitoring and evaluation – principles, plan, procedures Impact assessments Evidence of M and E workshop Development Committee minutes Financial accounts Audit statements Documents Correspondence between NEAT &amp; Trade Aid Trade Aid staff</p>	<ul style="list-style-type: none"> <li>• Document review relating to monitoring and evaluation</li> <li>• Interviews, including with the auditor</li> <li>• Practical use of database to analyse partner data. This will give an assessment of database usability</li> <li>• Consult with database developers</li> <li>• Analysis of file data and financial accounts</li> </ul>
<p>What factors have constrained or enhanced the implementation of the recommendations?</p>	<p>Documents Correspondence between NEAT &amp; Trade Aid Trade Aid staff</p>	<ul style="list-style-type: none"> <li>• Document/file review</li> <li>• Interviews</li> </ul>
<p><b>Objective 2</b> To assess the effectiveness of Trade Aid in relation to the Government's aid delivery programme funding, and the extent to which this funding has contributed to the effectiveness of Trade Aid</p> <p>To what extent have the intended objectives and outcomes of Trade Aid activities related to the Government's aid delivery programme funding been achieved?</p> <p>i.e. Have the outputs described in the programme logic in Section 2 been achieved?</p> <p>To what extent have the shorter term outcomes described in the programme logic in Section 2 been achieved</p>	<p>Documentation relating to purchases, product development, capacity building and M and E Development Committee minutes and database Trade Aid files and correspondence Partner profiles Partner visits Audit trails</p>	<ul style="list-style-type: none"> <li>• Review of accounts, inventory system e.g. selecting a producer and tracing purchases to shops and sales from those shops.</li> <li>• Assess write-offs – are there any patterns or can it be attributed to the recession.</li> <li>• Review activities and outcomes of product development activities in terms of orders and, if possible sales of reorders.</li> <li>• Review capacity building initiatives; follow a sample through to assess effects</li> <li>• Check partner profiles and information against database</li> <li>• Interviews with product and commodity buyers and shop staff, particularly to assess effectiveness of product development</li> <li>• Interviews with partners and producers to explore effectiveness of assistance provided by</li> </ul>

Table A (cont)	Evaluation questions	Data sources	Information to be gathered / method
<p>What unintended positive and negative outcomes have occurred related to the Government's aid delivery programme funding?</p> <p>To what extent has the Government's aid delivery programme funding contributed to objectives and outcomes of Trade Aid Importers?</p>	<ul style="list-style-type: none"> <li>Trade Aid staff, Board members, shop staff, consumers</li> <li>Trade Aid files and correspondence</li> <li>Partner visits</li> </ul>	<ul style="list-style-type: none"> <li>Interviews</li> <li>Identify examples of cases where this has happened; follow up with interviews and other data where possible</li> <li>Interviews with Trade Aid staff and partners</li> <li>Follow up examples</li> </ul>	<ul style="list-style-type: none"> <li>International trading conditions</li> <li>Financial aspects including exchange rates</li> <li>Partner visits</li> </ul>
<p>What factors have enhanced and/or constrained Trade Aid Importers achieving objectives and objectives associated with the Government's aid delivery programme funding?</p>	<ul style="list-style-type: none"> <li>International trading conditions</li> <li>Financial aspects including exchange rates</li> <li>Partner visits</li> </ul>	<ul style="list-style-type: none"> <li>Interviews with Trade Aid staff and partners</li> <li>Follow up examples</li> </ul>	<ul style="list-style-type: none"> <li>International trading conditions</li> <li>Financial aspects including exchange rates</li> <li>Partner visits</li> </ul>
<p><b>Objective 3 To assess the way in which Trade Aid Importers has implemented the 2006-2010 Agreement</b></p>	<p>To what extent has the Funding Arrangement been implemented as agreed, and to what extent has any variation to the Funding Arrangement (on the part of Trade Aid or the Government's aid delivery programme) been justified?</p> <p>To what extent has Trade Aid Importers implemented the Funding Arrangement efficiently?</p>	<ul style="list-style-type: none"> <li>Funding Arrangement</li> <li>Correspondence</li> <li>Annual accounts</li> <li>Auditor statements</li> </ul>	<ul style="list-style-type: none"> <li>Document review</li> <li>Interviews with Trade Aid staff and MFAT staff</li> </ul>
<p>To what extent has Trade Aid Importers implemented the Funding Arrangement efficiently?</p>	<ul style="list-style-type: none"> <li>Planning documents</li> <li>Financial accounts and Audit</li> <li>Communication timeframes</li> </ul>	<ul style="list-style-type: none"> <li>Document review</li> <li>Interviews with Trade Aid and MFAT staff</li> <li>Interviews with partners</li> </ul>	<ul style="list-style-type: none"> <li>Document review</li> <li>Interviews with Trade Aid and MFAT staff</li> <li>Interviews with partners</li> </ul>
<p>To what extent has implementation of the Funding Arrangement incorporated the Government's aid delivery programme cross-cutting and mainstreamed issues of gender, environment and human rights (and HIV/AIDS and peace/conflict building where appropriate)?</p>	<ul style="list-style-type: none"> <li>Trade Aid reports and 'impact assessment' reports</li> </ul>	<ul style="list-style-type: none"> <li>Document review</li> <li>Assess reporting e.g. desegregated data on gender; data on child labour, health and environmental issues</li> </ul>	<ul style="list-style-type: none"> <li>Document review</li> <li>Assess reporting e.g. desegregated data on gender; data on child labour, health and environmental issues</li> </ul>
<p>To what extent has the Government's aid delivery programme acted appropriately in fulfilling its responsibilities under the Funding Arrangement?</p>	<ul style="list-style-type: none"> <li>Correspondence</li> <li>Funding Arrangement</li> <li>Partner visits</li> </ul>	<ul style="list-style-type: none"> <li>Interview MFAT staff and Trade Aid staff specifically on this matter</li> <li>Review correspondence</li> <li>Check payment and other relevant dates</li> </ul>	<ul style="list-style-type: none"> <li>Interview MFAT staff and Trade Aid staff specifically on this matter</li> <li>Review correspondence</li> <li>Check payment and other relevant dates</li> </ul>
<p>What has constrained or enhanced the efficient implementation of the Funding Arrangement?</p>	<ul style="list-style-type: none"> <li>Correspondence</li> <li>Documents</li> </ul>	<ul style="list-style-type: none"> <li>Correspondence with Trade Aid staff, MFAT staff and partners</li> </ul>	<ul style="list-style-type: none"> <li>Interviews with Trade Aid staff, MFAT staff and partners</li> </ul>

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Table 4-cont	Evaluation questions	Data sources	Information to be gathered / method
<p>In qualitative terms, has the Funding Arrangement provided value for money for the Government's aid delivery programme in terms of the outcomes of the Arrangement compared to the money spent? Could the same outcomes have been achieved for less money, or the money used more efficiently to achieve better outcomes?</p>	<p>See Objective 3 above</p>	<ul style="list-style-type: none"> <li>Subjective assessment</li> </ul>	
<p><b>Objective 4</b> To assess the nature of relationships between Trade Aid Importers Ltd and its partner organisations</p> <p>How have these relationships affected implementation of the Funding Arrangement and achieving Trade Aid Importers Ltd objectives and outcomes associated with the Government's aid delivery programme funding</p>	<ul style="list-style-type: none"> <li>partner visits</li> <li>Correspondence</li> </ul>	<ul style="list-style-type: none"> <li>Observation</li> <li>Data collection</li> <li>Extensive interviews with partners</li> <li>Analysis of correspondence</li> </ul>	
<p><b>Objective 5</b> To assess the relevance of the work carried out under the Funding Arrangement to the Government's aid delivery programme, and to Trade Aid Importers Ltd</p> <p>To what extent is the work carried out under the 2006 Arrangement, and any work Trade Aid has had under development during the period, relevant to the Government's aid delivery programme's mandate(s)<sup>12</sup> and relevant key policy documents?</p> <p>To what extent is the work carried out under the 2006-2010 Funding Arrangement relevant to the Charter and operations of Trade Aid Importers Ltd?</p>	<ul style="list-style-type: none"> <li>Government policy documents</li> </ul>	<ul style="list-style-type: none"> <li>Comparison of Trade Aid activities with policy documents</li> <li>Discussion of issues relating to new Pacific focus</li> </ul>	<ul style="list-style-type: none"> <li>Comparison of activities with plans</li> </ul>

<sup>12</sup> Assessment will be made of the relevance of Trade Aid's work to NZAID's former mandate (which was in place at the time the Funding Arrangement was established), as well as the aid programme's current mandate.



## 5.0 Consultation

Consultation will be based on semi-structured interview schedules using a template to ensure consistency. This will ensure that all important areas are covered, but will allow space for the interview to have the shape of a conversation, and allow for unanticipated feedback.

Interviews will explore the following topics:

- implementing the recommendations of the 2006 Review – establishing and maintaining a database; developing appraisal, monitoring and evaluation systems; organising a workshop for Trade Aid staff and the Development Committee on information needs on evaluation; dedicating a Development Committee meeting to discussing lessons learned
- factors that have constrained or enhanced the implementation of the recommendations
- progress on establishing effective trading partnerships to help producers to move from poverty to self reliance – any issues relating to establishing new partnerships or maintaining existing ones
- provision of product development activities - who initiates them, are they appropriate, timely, helpful, quality of resources, importance of visits, managing quality issues; are Trade Aid expectations reasonable and achievable; are the products what producers want to make, any related issues
- effects of product development activities – improvements in the range and appropriateness of products, quality, pricing, delivery issues, giving and receiving feedback to and from Trade Aid, supporting innovation, examples of write offs and views on stock management
- effects of capacity building initiatives – nature of capacity building initiatives, examples of successful and unsuccessful applications and initiatives; why applications were turned down; what support was given or needed for applications to be successful; any factors affecting partners' ability to use the grant as intended
- appraisal, monitoring and evaluation – see above
- any unintended positive and negative outcomes related to the Government's aid delivery programme funding – including, for producers, timely payment, training, health and other benefits, any power issues in their relationship with the trading partner
- factors that have enhanced and/or constrained Trade Aid achieving outcomes and objectives associated with the Government's aid delivery programme funding – exchange rates, recession, communication, freight, insurance and bio-security issues, growth in local demand, relationships.
- financial matters - identifying the MFAT grant and how it was spent, reporting on the grant, discuss the flexibility of Trade Aid accounting software and whether specific expenditure reporting in relation to the agreement could be easily produced, financial outcomes and trends, exchange rate issues, effect of the recession, cash flow issues and management of these, bad debts.

The grid below indicates which areas of questions will be asked of each set of stakeholders.

Table 5 Topics to be covered during interviews with different stakeholder groups

	TA Board and Development Committee	Trade Aid staff	Shop staff, consumers	Trading partners	Producers	MFAT
Establishing effective trading partnerships with appropriate partners	✓	✓		✓		✓
Implementing the recs of the 2006 Review		✓				✓
(a) The development of a database for management, education and evaluation				✓	✓	✓
(b) Appraisal, monitoring and evaluation systems – plan, workshops, baseline data, impact assessments, dissemination	✓					
(c) Financial management inc reporting and auditing of MFAT grant		✓		✓		✓
Product purchasing support – consistency of orders and any related issues		✓		✓		
Product development activities – review of trips and processes for prioritising these; how new products and product ranges are developed						
Effects of product development activities		✓				
Capacity building initiatives- selection processes, establishing priorities, monitoring effectiveness	✓					
Factors that have enhanced and/or constrained Trade Aid achieving outcomes – to be asked in association with all the above topics	✓	✓	✓			
Suggestions for improvement - to be asked in association with all the above topics	✓	✓	✓	✓		

## 6.0 Partner visits

We propose a visit to Calcutta which has four Trade Aid trading partners, all engaged in craft work; with a side trip to Colombo, where there is one commodity trader. Because Alison Gray will be in Fiji on other MFAT business from 22 to 27 February, we also propose that she visit the one group in Kiribati at the end of her stay to explore Pacific issues in more depth.

### 6.1 Selecting options

The Development Manager at Trade Aid provided information related to the selection criteria. Discussions with her, the General Manager and the Product Development Manager led us to decide on the options set out above.

Partners in South and Latin America were excluded because of difficult access, cost and the need for translators. Countries in Africa, Zimbabwe, Uganda, Ethiopia, Kenya and Tanzania, were excluded on the grounds of cost and remoteness, and, in the case of Zimbabwe, safety. Partners in the Philippines have been flooded recently and the Chief Executive of the primary partner in Vietnam is ill. Access to Kashmir is difficult, the partner organisation is very small and communication is difficult.

While visits to partners in Nepal, northern and southern India and Thailand would be possible, we have concluded that the most cost effective option would be to visit either Calcutta or Dhaka. The four trading partners at each site differ in size and in the significance of Trade Aid purchasers, communication is not an issue, and access to both sites is relatively easy.

Given the growing importance of commodity trading and the difficulties in reaching such groups, we have included PODIE, a trader in spices, based in Colombo, Sri Lanka as a viable and cost effective choice.

We explored the possibility of including a visit to a Pacific trading partner. The four options were:

- Fiji, which is no longer functioning as a trading partner or working with Trade Aid.
- Nauru, which is also dysfunctional. One order was sent in 2008. A new order was made but communication is extremely difficult and Trade Aid is still trying to get information on pricing for that order. Access to Nauru is difficult. With only two flights a week, visitors have to stay five days. Staff at Trade Aid believe it would be difficult to find either producers or anyone in charge.
- Pohnpei is a possibility but is extremely costly and time consuming to access and it has received little support through MFAT funding.
- Kiribati offers the best opportunity for a cost effective visit. The group, Nibarara, brought together two church-based women's groups through handicrafts. The Trade Aid PD Manager visited in 2007 and ran a workshop to improve quality control and develop new products. One order was completed and sold successfully; a second order is being processed. Like other groups in the Pacific, Nibarara faces infrastructure challenges with no easy access to new materials and market knowledge.

The chart on the next page describes trading partners at each site.

Table 6 Criteria for partner selection for site visits

Geographic location	Partner	Practicality	Reliance on Trade Aid	Relative poverty	Size of partner organisation	Capacity/skills / networks	Relationship with Trade Aid	Food or craft Products	Other factors / Comment
Calcutta	Sasha	Good	Medium	Not stated	Large	Strong	Easy	Craft	Impact assessment
	EMA	Good	Medium		Large	Strong	Easy now	Craft	TAI's 2 <sup>nd</sup> largest
	Ankur Kafa	Good	Significant	Vulnerable	Small	Weak	Easy	Craft	Product development
	Silence	Good	Small	Vulnerable	Medium	Strong	OK	Craft	Product dev very successful
Bangladesh	CORR - Juteworks	Good	Significant	Vulnerable	Medium	Strong	Easy	Craft	Product development
	Dhaka Handcrafts	Good	Small		Medium	Strong	OK	Craft	New manager
	Prokitree	Good	Medium	Vulnerable	Large	Strong	Easy	Craft	
	YWCA	Good	Medium	Vulnerable	Small	Weak	Easy	Craft	Product dev very successful
	Craft centre	OK	Small	Vulnerable	Medium	Strong	Easy	Spice	Product development
Colombo	PODIE	Good			Small	Weak	Developing	Craft	Product development
Kiribati	Nlbarara	Good							

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## 6.2 Rationale for the Calcutta option

Of the two Asian options, we prefer Calcutta because:

- It offers a good mix of trading partners who together meet all the key criteria. In addition one has had a difficult relationship with Trade Aid, one has engaged in "impact assessment" and all have had some capacity building and product development support.
- Trade Aid has indicated that their partners in Calcutta are highly engaged and have a wider view of development than any other partners.
- Trade Aid felt that the Calcutta group had the most to offer and we feel that Trade Aid is genuine in their reasoning rather than just sending us to partners who will give a good impression. We believe that they are committed to a searching review that will enable them to make improvements.
- The logistics are easier, including being able to work through Trade Aid to lay the ground work for us as well as for travel.

Despite the comments above, we recognise that Dhaka in Bangladesh is also a good option. It too has four trading partners of different sizes and a major advantage is that it has not been visited so regularly, so could give valuable and different insights. The drawbacks of a Bangladeshi visits are:

- new management in the largest co-operative
- another key manager being hard to contact
- one group is very small
- the risks of weather disruption (wet season) are greater.

## 6.3 Visits to producers

The sites we have chosen to visit have the added advantage of having some producers either on-site with the trading partner or readily accessible. We believe that it is important to talk with and observe producers in assessing some of the outputs and short-term outcomes set out in the programme logic. For example, do producers feel they gain respect as well as financial gain for the work they do, have they received any skills training or improved equipment, and whether the new products they are asked to make are appropriate. We will know in advance which producer groups received support through MFA/T-funded activities and will be able to ask appropriate questions. Visits to producers will not add any extra time or cost to the review as we imagine that trading partners would be keen for us to see their organisation at work. Obviously given the limited number of partner visits, our findings will not be able to be generalised, but producer visits will add completeness to what will be, in essence, a series of case studies.

## 7.0 Data analysis

Any quantitative data will be analysed and presented in ways that make the greatest contribution to answering the evaluation questions, including using tables and graphs where appropriate. We will try to establish how robust quantitative data is and therefore how much reliance we can place on it. At this time we have not investigated the Trade Aid database other than to review partner profiles. Some data analysis may be possible using their database which is accessible through an intranet. However we cannot assume this.

We will analyse the Annual Accounts for financial outcomes and trends. In consultation with the Accountant, the MFAT funding will be separately analysed in more detail. If possible, reports of expenditure against the four categories in the funding arrangement will be generated and analysed.

We will analyse qualitative data by theme. This approach allows the themes to emerge from the data rather than being imposed upon it, bearing in mind that most of the qualitative data will be offered in response to a question or interview topic. We will regularly check the data against the evaluation questions to ensure that what we are collecting is relevant and will enable us to answer the questions appropriately.

Data analysis is always an ongoing and iterative process. As we gather data, we will think and talk about emerging themes and issues, and, if necessary we will explore new issues as they arise. While we will compare responses from different stakeholder groups and keep in mind, gender, age and regional differences, we are unlikely to formally code quantify qualitative data. Our interview numbers are too small for that.

Where appropriate, we will use brief case studies to illustrate a particular issue. We will obtain participants' agreement before we include the information in the draft and final reports.

## **8.0 Cross-cutting issues**

Cross-cutting issues most relevant to this evaluation are human rights, environmental and gender issues.

### **8.1 Human rights**

A desire to achieve social and economic justice is a key component of the Fair Trade movement. The definition of Fair Trade which applies to the Funding Arrangement specifically refers to Fair Trade contributing to "sustainable development by offering better trading conditions to, and securing the rights of, marginalized producers and workers. Trade Aid Producer Criteria (2002) notes that producer groups must be able to demonstrate that they are achieving or working towards "participation by producers in decisions that will affect them directly", "safe working conditions", and a commitment to not using bonded labour and a responsible approach to the involvement of children in production" among other things.

The review will seek confirmation that these standards are being adhered to when reviewing documentation including partner profiles and appraisals and "impact assessment" and other reports, and during partner visits. Trade Aid has plans to review all its trading partners by June 2010 to ensure compliance with IFAT standards, which include reference to working conditions and child labour. We will assess progress on that task.

### **8.2 Gender equality**

One of the Trade Aid Producer Criteria (2002) is that producer groups must be able to demonstrate that they are achieving or working towards equal opportunities for women in decision-making and as beneficiaries of the enterprise. The IFAT standards to which Trade Aid adheres also refer to gender equality and the need for both women and men to develop their skills. Organisations need to promote applications from women for job vacancies and provide them with leadership training and encouragement to seek leadership roles.

The review will use the same approach as with human rights in assessing progress on this issue. That is, we will seek confirmation that these standards are being adhered to when reviewing

documentation, including partner profiles and appraisals and "impact assessment" and other reports, and during partner visits.

### **8.3 Environmental impacts**

Both IFAT Standards and Trade Aid Producer Criteria (2002) stress the need to maximize the use of raw materials from sustainably managed sources, buying locally where possible and using sustainable production methods.

As well as reviewing documentation to confirm that these standards are being met, we will identify examples where MFAT funding has been used to enhance sustainability and reduce adverse environmental impacts.

### **8.4 Conflict prevention and peace building**

Trade Aid is not specifically engaged in conflict prevention and peace building. However, its efforts to reduce poverty and develop independence and self-sufficiency contribute indirectly to social harmony. Giving vulnerable producers a fair return for their work and a say in decisions that affect them will promote a sense of engagement and reduce disaffection.

In reviewing documents and during visits, the review team will consider the extent to which trading partners and producers feel empowered and supported by their involvement in Fair Trade.

### **8.5 HIV/AIDS**

While Trade Aid has no direct involvement in efforts to reduce the incidence or impacts of HIV/AIDS, one of the Trade Aid Producer Criteria (2002) is that groups offer benefits for producers in such areas as health, education, savings schemes and housing. IFAT standards note the need to take into account the special health and safety needs of pregnant women and breast-feeding mothers and to give access to essential medical support. While the review is unlikely to come across any issues specifically relating to HIV/AIDS we will note any instances where health services are provided or health concerns are raised.

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## Annex 4 Reference material

### Trade Aid Importers Ltd:

- Trade Aid Movement Charter
- Social Accounts 2008
- Strategic Plans
- Business Plans (3 years)
- Operational Plans (1 year)
- Development Committee Meeting Minutes
- Product ordering files
- Impact Assessments of 6 partners
- Associated correspondence with MFAT, trading partners
- Producer profiles
- Trip/visit monitoring reports
- Product development files
- Capacity building files and reports
- Selection criteria and checklist for partners
- Financial Annual Accounts
- Audit Report
- Excel data sheets on partners, capacity building funds, NZ AID funding,

### The Government's aid delivery programme:

- The Government's aid delivery programme mandate covering the review period
- MFAT policies, including
  - the Economic Growth and Livelihoods Policy
  - Harnessing International Trade for Development
  - the Economic Development Framework
- Trade Aid annual reports
- Annual Letters of Variation and associated work plans
- Correspondence with Trade Aid on file



## Annex 5 People consulted

### Trade Aid Board and Development Committee members

Chair of TAI Board, Development Committee member  
Member TAI Board and CFO Foodstuffs NZ  
TAI Board member and Manager, Wellington shop  
Development Committee member  
Development Committee member  
Development Committee member

s. 9(2)(a)

### Trade Aid Importers staff

General Manager  
Development Manager  
Product Development Manager  
Craft Buyer  
Food Manager  
Marketing  
Education and Communications  
Accountant

s. 9(2)(a)

### Trade Aid retail staff and volunteers

Manager/Buyer, Cashel St shop Christchurch  
Manager/Buyer, Northlands shop, Christchurch + one volunteer  
Manager/Buyer, Wellington shop, + Assistant Manager and  
volunteers  
Manager/Buyer, Nelson shop and Assistant Manager

s. 9(2)(a)

### Trading partners and producers

Nibarara Women's Group, Kiribati

Manager, Enterprise Development Foundation, SASHA, Kolkata  
Project Coordinator, EDF, SASHA  
President, SASHA  
Asha Niketan Producer Group  
Textile Artisans Association, SASHA  
Crafts Producers Association, SASHA  
Chandrabati Mahila Samity, Embroidery Unit  
Saswati Mahila Samity, Embroidery Unit  
Shilpi Shibir, Tailoring Unit  
Maa Monosha, Cane and Bamboo Unit  
Brindaban Prints, Dyeing and Printing Unit

s. 9(2)(a)

General Manager, Equitable Marketing Association (EMA), Kolkata  
Chief Accountant, EMA  
Secretary, EMA  
Marketing, EMA  
Quality control, EMA

Co-ordinator, Silence, Kolkata  
Marketing, Silence  
Shop Manager, Silence  
Secretary, Silence  
Administration, Silence  
Training Centre Secretary, Silence

s. 9(2)(a)

Co-ordinator Ankur Kala, Kolkata

Director, People's Organisation for Development of Import and Export (PODIE), Sri Lanka  
Production Manager, PODIE  
Quality Control Supervisor, PODIE  
Chair, Board of Directors, PODIE  
PODIE Board, Member of the Tibbutogoda farmer group  
Tibbutogoda farmer group (Cinnamon)  
Wanniamunukula farmer group  
Wanniamunukula farmer group  
Wanniamunukula farmer group

**Trade Aid auditors**

Rice Waterhouse Cooper, Christchurch

s. 9(2)(a)

**Consumer stakeholders**

Atomic Coffee, Auckland  
People's Coffee, Wellington

s. 9(2)(a)

**MFAT**

Programme Manager, Civil Society (Strategic Relations)  
Evaluation Adviser, Strategy, Advisory and Evaluation Group

s. 9(2)(a)

## Annex 6 Selection criteria and appraisal and monitoring checklist for producers and partners

### Trade Aid Producer Criteria 2002

- Trade Aid works to develop partnerships through fair trade, with groups and organisations striving for self-reliance and for social and economic justice.
- Producer groups must be able to demonstrate that they are achieving or working towards:
- Group membership for those who suffer poverty and who are disadvantaged or under-privileged.
- A sustainable structure with the capacity to develop independence and self-reliance for its members.
- Participation by producers in decisions which will affect them directly.
- A fair financial return for producers in terms of their local context.
- Benefits for producers in such areas as health, education, saving schemes and housing.
- Safe working conditions.
- Equal opportunities for women in decision-making and as beneficiaries of the enterprise.
- A commitment to not using bonded labour and a responsible approach to the involvement of children in production.
- Environmentally sustainable use of raw materials and production methods.
- Products that are saleable or can be adapted for sale in Aotearoa/New Zealand.
- A willingness to engage in open and frank discussion on the aims, practices and performance of either partner.

Highest priority will be given to groups that:

- Practise collective decision-making and full participation in goal setting and evaluation.
- Have a system of profit sharing.
- Ensure significant leadership by women within the organisation.
- Have the potential to bring about change within the group and in the wider community.
- Offer their members an opportunity to progress into other income-generating activity through education, loan schemes etc.
- Are initiated by and for indigenous peoples.
- Preserve or revive their cultural heritage.
- Trade Aid will include amongst its active partners at least one producer group that has potential, but is not at this stage commercially viable.

Annex 7 Appraisal and monitoring checklist format

Criteria/Questions	Yes/No	Information/Comment	Source
<b>1. Aims, objectives and activities</b>			
a) Are these clear, realistic and sustainable?			
b) How will they contribute to their communities?			
c) How do they help to change unjust or exploitative situations?			
d) How does the organisation engage in human rights/campaigning/advocacy work for change?			
<b>2. Structure of the organisation</b>			
a) Is it sustainable especially given trading requirements?			
b) How will it develop independence and self-reliance for its members?			
c) To what extent does it allow participation by producers in decision-making?			
d) If expatriates are involved, is this appropriate and will it lead to a sustainable organisation?			
<b>3. Membership</b>			
a) Who are the members of the organisation?			
b) Do they suffer poverty and are disadvantaged?			
c) If producers are not members what is the relationship between the organisation and producers?			
d) How does the organisation benefit indigenous peoples?			
<b>4. Gender equality</b>			
a) Do women have equal opportunities as beneficiaries and in decision-making and how are they involved?			
b) To what extent are women involved in leadership?			
c) How will the organisation change the power balance between men and women?			
<b>5. Financial benefits for producers</b>			
a) Do producers consider that they receive a fair wage in terms of their local context?			
b) How do their earnings compare with other local producers/minimum wages/a labourer's wage?			
c) How are wages/piece rates decided?			

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Criteria/Questions	Yes/No	Information/Comment	Source
<b>6. Additional benefits for producers</b>			
a) What training is provided in production related and business skills?			
b) What other benefits are provided in health, education, savings and loan schemes, awareness training, legal advice etc.			
c) Is there evidence that producers can invest in other income generating activities through savings and loan schemes or other support?			
<b>7. Bonded and child labour</b>			
a) Does the organisation have a responsible policy on these matters?			
<b>8. Sales and marketing</b>			
a) Is there a total dependence on export markets, or on very few customers which may suggest lack of sustainability?			
b) How significant is Trade Aid's involvement, or how significant is it likely to become?			
<b>9. Products and production methods</b>			
a) How can it be demonstrated that raw materials and production methods are environmentally sustainable?			
b) Do producers have appropriately safe and healthy workplaces and production processes that comply with local legislation and JLO standards?			
c) How does the design and production help to revive or preserve cultural heritage?			
<b>10. "Fit" with Trade Aid</b>			
a) Are the products saleable or adaptable for sale?			
b) Do they fit into the product range we stock?			
c) Will they carry the required margin, or are we willing to subsidize them?			
d) Are there particular reasons why Trade Aid chooses to support this partner if all criteria are not met?			

## Annex 8 Profiles of partners visited

### 1. Ankur Kala

Address	3 Meher Ali Road, Kolkata 700017, India
Key contact	
E-mail / website	
Founding date	1982
Partnership with TAI commenced	1987

In 1982, Annie Joseph, a qualified social worker from Tata Institute of Social Sciences, Mumbai, began the centre with Mother Theresa's support and the help of Brother Roger of Taizé, France. The first artisans were five girls who had completed their batik training. Since then, Ankur Kala has provided training - and economic and social empowerment - through teaching various vocational skills, functional literacy, small business management and alternative marketing of various handicraft products and food items produced by the centre.

#### Objectives

Ankur Kala is a co-operatively run self employment centre for poor and destitute women which aims to:

- enable abandoned and widowed women to provide themselves with a living through their own efforts
- encourage women to leave the co-operative when they have achieved a degree of independence and set up their own units
- work in a co-operative model that shares every aspect of decision making
- enrich the women's lives with educational, spiritual, legal and cultural inputs.

In recent times this work has moved towards setting up centres in villages where training can occur. Ankur Kala also supports and runs workshops and seminars on women's issues.

#### Structure

A co-operatively run self employment centre for poor and destitute women. Through their participation as members the women share in the profits of the joint activities, and take responsibility through shared decision making.

Ankur Kala has a Governing Council, which meets regularly to discuss and decide on all issues concerning the organisation, and to help direct the momentum of its activities. Recently, an International Advisory Board was also created. It has 14 members including Trade Aid's Development Officer. While the day-to-day running, and most planning is seen to by the Governing Council, the IAB has members from all over the world who have interacted with Ankur Kala over the years and wish to lend support in the organisation's mission of creating a more sustainable community.

#### Producer members

Members are women who are destitute or have been abandoned. Although they come from different communities and religions, they work and share together as one community. There are about 25 permanent members plus another 10 with children who come by the day. Each year some 8 or so members leave to set up their own business/s or join other organisations, so there is a continuous recruitment of new members gaining skills. Ankur Kala is also working with tribal villages in West Bengal to both prevent child trafficking and to provide education.

## Information

Women are able to earn a living wage while they attend the centre

## Benefits for producers

Employment for the 60 members is generated through the sale of hand batiked products and tailored clothing (this is through export and domestic sales) and a catering department which runs canteens in three educational institutions, caters for special events and makes jam, pickles and sauces for sale. As well as acquiring literacy and small-business skills, many women have set up on their own in business under the continued guidance and support of Ankur Kala. This has allowed them to achieve a measure of self confidence and independence over time.

Training is given in the production of:

- Food Products: sauces, jams, pickles, squashes, etc.
- Handicrafts: various bags, hangings, and other decorative and household items in tie-and-dye, batik, etc. most recently training in block printing through MFAT funds.

Ankur Kala also helps market the products, trains the women in marketing and regularly conducts exhibitions/sales of their products. Once the women have completed their training, they are given the option to start their own production unit or to work from home and earn income from the sale of their handicrafts. Some of them are also offered further leadership training as Supervisors, to teach and guide the new trainees. Under this programme, many women have grown into promising and strong leaders who not only teach and train, but also regularly network with other women groups on different issues.

## Sales information

Total sales for the group is about US\$170,000 with 50% coming from Ten Thousand Villages in the US, Canada, and TAI. Local sales occur through attending a wide range of exhibitions.

## Product

A wide range of handicrafts are produced including cushion covers, oven mitts, bags of various sizes and designs, purses, fabric pencil cases, wall hangings, T shirts, and a wide range of greetings cards. Scarves and saris are being produced in a range of materials including silk. Food articles are also sold including jams, squash and pickles.

## Product development

Talented members are identified and encouraged to help design new products, which are then discussed by anyone who wishes to contribute to the design process. Feedback and ideas from international partners is also encouraged.

## Environmental information

Ankur Kala has started a networking programme with rural groups through which vocational and marketing training is provided. This is the first step in creating a more sustainable community by encouraging initiatives in organic farming, kitchen gardening, rainwater harvesting, as well as initiatives like community health, literacy and housing.

Ankur Kala has 61200 sq feet of land purchased and developed through CB funds which is put to good use in organically growing vegetables and fruit for their commercial products. Long term it is planned to use the land as a place for women This is used by the members for lunches and pickle making

#### TAI data

	CB Funds USD	Use	TAI Order's USD
2004.05	1,050	Land purchase	13,200
2005.06	1,200	Land fill and construction	4,183
2006.07	2,015	Water and facilities on land	4,100
2007.08	2,005	Black print equipment and training	4,395
2008.09	2,000	Vocation training for village project	2,686

#### Review team visit Friday 26 March 2010

The review team visited the main centre and craft shop and had an extensive discussion with Coordinator Annie Joseph. They also met with shop staff and finance person.

#### Key findings / observations:

- Centre encompasses a range of activities to improve women's lives – skills training, production and sales are only part of these activities. Has feeling of a peaceful home rather than a workplace.
- Centre obviously runs on tight budget and care is taken to ensure funds are spent carefully.
- Centre has significant international support built up by Annie. Both centre and shop properties purchased by individual donation and endowment.
- AK has a strong, positive relationship with TAI
- TAI product development has been helpful. Improved product quality.
- 50% advance payment on order is very useful for overall cash flow and purchase of raw materials.
- CB grants have been very helpful, in particular \$4250 USD over three years to purchase a rural landfill and develop this for organic gardening and a refuge centre. Very important development for AK.
- Though small, the shop is well stocked and successful. Well filled Visitor's Book attests to positive mention in Lonely Planet
- Annie recognises she needs to ensure there is someone to take her place and is working to develop a stronger management group.

## 2. Equitable Marketing Association (EMA)

#### Address

30A Tanupukun Road, Kolkata, 700031 India

#### Key contact

#### E-mail

#### Other key staff

#### Founding date

1977

#### Partnership with TAI commenced

1998

#### Objectives

- motivate young persons, particularly women from the marginalized section of their society to struggle to transform their so-so economic situations
- assist such motivated persons to acquire productive skills through training
- create employment opportunities for such motivated and trained people by assisting them to establish their own cooperative productive units
- assist cooperative members by acting as a bank which does not levy any interest on loans, by creating new designs, by consistently assisting with approved quality and productivity and by carrying out the export marketing needs of these cooperative members



- establish their own marketing units to absorb craft persons from organizations which do not meet their ethical standards.

### **Structure**

EMA has a cooperative structure and is owned by its members, which are currently 42 corporate members (producer groups), 102 individual artisans working outside the main production centre, 64 staff members (employed for more than two years, and including the craftspeople working in the centre) and a few founders and key supporters. The membership elects a board at each AGM, comprising 15 members representing the different categories of membership and the president, who is independent. This board meets quarterly, and daily decisions are made by a management team, responsible to the board. EMA is a member of the WFOT.

### **Producer members**

There are two categories of producers: those employed at the production centre, and those belonging to producer groups both locally and further away. The production centre is sited on a large rural property outside Kolkata and great pride is taken in this environment with extensive tree planting, growing of food for feeding the producers, fish farming and flower gardens.

The in-house producers, who are employed full time, work in leather products, screen printing, drum making, candles and incense, and include significant numbers of disabled artisans, single women, and those from the surrounding community who would not otherwise have employment. Many live at property during the week and go home at weekends. There has been a big increase in numbers in this category over the last few years with the addition of the leather unit, partly as a means to control production and meet market demand. This was also the case with the screen printing unit where control of dyes used and quality demands needed to be met.

The producer groups outside include cooperatives producing horn, brushes, games, madelas, and stone and wooden products. Small private businesses produce horn, leather, clay, papier maché (from Kashmir) and other crafts. It is likely that this group of artisans fares less well than the in-house employees in terms of benefits and continuous employment.

Gender issues are addressed through giving priority to single women in employment, and half of the management team at the centre are women.

### **Financial information**

Most employees at the centre are on salary and benefits after a recent move to include previously contracted workers who joined as unskilled workers and were being trained. Some expert drum makers remain on piece rates because they can earn more this way.

Members of producer cooperatives fare less well, although for example the stone group in Varanasi gets 5% above market prices plus advance payments and prompt payment. EMA has always worked to see that maximum wages are paid, and has concentrated on controlling prices by paying attention to the purchase of raw materials and freight costs.

### **Benefits for producers**

Of the many benefits for producers, there is routine training in production, design and quality matters for both categories of members. In-house producers save 12% of wages, matched by EMA under the government provident fund; their families are covered by a medical benefit; local students and children of producers receive grants to cover school books (250 in 2008); services that extend to the local community include provision of solar cookers; in-house producers enjoy

social occasions and work in a pleasant and participatory environment. Interest free loans for purchase of raw materials or machinery are available to cooperatives.

### Sales information

Sales rose from US\$969,000 in 2006-07, to \$1,146,000 (17.24%) in 2007-08, and a further 10% in 2008-09 to approx. \$1,250,000. Much of this increase has been in leather products. In addition some domestic sales are made through wholesale and local fairs. Export customers are mainly FTOS, and mainly in Europe, (3 or the 5 biggest buyers are in Germany) although Trade Aid is 4<sup>th</sup> – 6<sup>th</sup> biggest buyer depending on the year.

### Product

Leather, screen printed scarves, musical instruments, stone, wood, horn brushes, incense, candles, clay, papier mache and others.

### TAI data

	CB Funds USD	Use	Orders USD
2004.05	5,435	Work area for disabled producers	36,000
2005.06	7,200	Leather splitting machine, forklift	46,615
2006.07	4,800		83,200
2007.08	5,274	Leather unit	109,320
2008.09	N/A		82,336

### Review team visit Tuesday 23 March 2010

The review team spent the day at the rural factory site, approximately 90km outside Kolkata, having an initial meeting with the Manager, Swapna Das, followed by meetings with various staff members - finance, design and marketing and a tour of the factory and facilities.

#### Key findings / observations:

- EMA has been through a difficult period - a split within the organisation has caused major issues of asset ownership. These are slowly being worked through to resolution.
- TAI is a good buyer - up to 17% of EMA's sales. During recession last year paid an additional 10% to assist EMA through the currency crisis - this was greatly appreciated.
- TA always pays on time - never any issues with payments or timing of payments.
- Very productive and positive relationship with TAI. TAI has sound values and excellent understanding and experience of development - not all their trading partners have this. Vi acts like a "mother figure" - has been very helpful during the crisis outlined above and gave good advice to help them work through the problem. Profit sharing is also a positive - no other partners do this. EMA appreciate the principles and values behind this initiative.
- EMA has excellent financial systems. New computer system customised to their needs - able to track all production and stock. Mala - financial accountant - long term employee - able to produce a customised sales report in less than 5 minutes showing all sales to date by trading partners, gross sales and % sales with comparative figures for previous 3 years.
- CB funds have been very helpful to EMA - no other partners provide this. Key purchases have been manual hydraulic forklift for the warehouse - saves a lot of labour - and the leather cutting / stamping machine which does work unable to be done by hand. This year planning to use funds for documentation process for SFTMS system
- EMA employs a designer. Works with Hannah to develop products for NZ market
- Busy factory. Appeared well organised and supervised. NZ purchased machine loud - could do with ear muffs!
- Excellent main meal served in communal dining room

### 3. Sasha Association for Craft Producers

**Address** 1/C Chatu Babu lane Kolkata 700014 India

**Key contact**

**E-mail / website**

**Other key staff**

**Enterprise Development Foundation**

**Founding date**

1978 as Sarba Shanti Ayog

1984 Sasha Exports formed

**Partnership with TAI commenced**

1985

#### Objectives

- To provide a total marketing system through which small producers will get a just return for their labour.
- To provide training and advice in production skills, systems, product design, purchase of raw materials and group functioning.
- To find and supply markets for export on the one hand, and to assist groups to independent local marketing on the other.

The emphasis has moved more strongly, particularly since the creation of the EDF (Enterprise Development Foundation), towards providing small producers with sustainable livelihoods by resourcing and empowering the Sasha Textile Artisan Association (32 member organisations) and Sasha Craft Services (18-20 organisations) as well as the other individual producer organisations to be self sufficient, self sustaining, and responsible for production, quality control and occasional skill training.

#### Structure

SACP is not-for-profit, NGO business organization, SSA is the development agency with Enterprise Development Foundation for capacity building and business development services. SACP provides funding for development activities. Annual producer group meeting for discussion and feedback and to elect members of governing body, half of which is composed of elected producer representatives. Producers progressively gathered into associations for mutual support, marketing, training etc. At present three exist. Women well represented in management. WFTO member

#### Producer members

Sasha works with around 70 core groups of disadvantaged women and marginalised producers from rural and semi-urban areas of West Bengal, Orissa, Jharkhand and other states, and another 30 in a less consistent way. Nearly 70% of producers are women and producers in Orissa are Tribal peoples. Producer group structure varies from co-ops to self help groups set up by other agencies, to small entrepreneurs.

#### Financial information

2006 study found all craftspersons / producers earn comparable or higher than average rates for similar work in locality. In costing labour component Sasha ensures better wages for its members. Pay rates in all producer organisations are monitored by Sasha. Collective savings introduced and encouraged in producer groups – others have formed savings and credit groups.

### Benefits for producers

- marketing services
- pre-financing
- provision of market information for producer groups
- an extensive training programme covering: design and product development, management skills, price setting, quality control, technical production processes, productivity, working conditions, environment, financial management, including saving, investment, borrowing, planning and budgeting

### Sales information

Approx \$1.2M USD 85% to international FTOs, (Italy/Austria and USA). TAI 4%  
10% local through shop & exhibitions

### Products

Textiles (51%), leather, jute, cane, bamboo and natural fibres, terracotta, metal, spices, herbal body-care products

### Environmental information

Most raw materials sustainable and environmentally friendly; waste/effluent disposal in dyeing and printing unit and fuel efficient furnace system for Dhokra unit. Awareness has led some groups into action in environmental and public health issues in community.

### Impact information

Two studies have been done by Sasha, one on producer groups, and the other at household level. Very briefly the studies revealed increased levels of income and asset growth, increased skill levels, stability amongst the groups, use of income for savings, debt reduction, household assets and investment in the education of their children. Women had benefitted in that they have new confidence and awareness, 94% have a say in decision making in their homes, and working in the units gave them self esteem, self sufficiency and a sense of stability and peace.

### Trade Aid Data

	CB Funds USD	Use	TAI Orders USD	TAI %
2004.05	4,725	Establishment of Textile & Craft Assns.	31,000	
2005.06	3,200	Effluent disposal unit for dyeing group	46,500	7%
2006.07	6,600	Market study for 6 grps. Skills training	52,300	4%
2007.08	6,739	Contribution to TA and CA building	71,000	7%
2008.09	7,530	Equipment for metal and stone grps	61,100	

### Review team visit Monday 22 March 2010

Accompanied for the day by Debasish Ray Choudhuri and Sujata Goswami from the Enterprise Development Foundation. The morning was spent at the distribution centre for the Associations of the Craft Producer and Textile Artisans. Spoke with both Coordinators and representatives of five producer groups who have received capacity building grants. The afternoon programme included a significant discussion with Debasish and Sujata on M&E / impact issues, followed by a visit to Asha Niketan, Centre for Specially Challenged Persons. Their production space has been renovated with CE funds and they have also rec'd funds for equipment. Our final visit was to the SASHA shop.

Key findings / observations:

- Long term productive relationship with TAI. *We, at Sasha cherish the relationship with Trade Aid. TA make clear orders, have good systems and always pay on time. We have no criticism of them and wish that all our trading partners were so reliable and supportive.*
- CB very helpful and Sasha make it go a long way. To act fairly, they undertake a needs assessment of their groups. This needs assessment was formalised in 2009.
- General comment on capacity building funds - an excellent way to move a producer from one level to the next. Often small assistance is all that is needed to overcome some type of hurdle that has limited their production or quality of production
- Individual producers were very positive about the assistance CB funds had given them. Two had travelled 2 – 3 hours to attend the meeting.
- SASHA now has a lot of design skills in house but still use Hannah. Find her excellent. She picks up what they have already developed and gives feedback on ways products could be improved to better meet NZ market. TAI is not restrictive about new products it helps design - this is greatly appreciated. Other buyers insist on exclusivity.
- Very useful discussion on M and E and impact assessment. SASHA wishes to continue with this work.
- Visit to Asha Niketan showed the care and attention that Sasha shows to its smaller, more disadvantaged groups.
- Large airy shop with goods beautifully displayed. Mentioned in Lonely Planet. Well patronised late in the day when we visited.

#### 4. Silence

**Address**

2/1A Monohorpurkur 2nd Lane, Kolkata, India

**Key contact**

**E-mail / website**

**Other key staff**

**Founding date**

1979

**Partnership with TAI commenced**

1999

Silence, a socio-economic rehabilitation centre for certain physically challenged persons, came into existence in the year 1979. It started with a few deaf artists with creative skill-sets and dreams of economic self-sufficiency. Their initiative to create hand-painted greeting cards attracted a group of social activists. Together they formed a society and registered it as a NGO. Through its formative years, Silence depended on well-wishers and a few funding agencies for infrastructure, construction of a workshop, procurement of an emporium for retail outlet, capital investments for mould equipments, certain manufacturing tools, etc. Silence is very proud of the awards it has received over the years. These have included both local (e.g. State Award for Service to the Handicapped) and international awards (e.g. Best Asia Pacific Web Award).

#### Mission statement and objectives

Silence describes itself as: "a self help movement for those who can neither speak nor hear, except visually, and others who cannot go anywhere, except in their imagination, and yet who aspire towards self sufficiency and acceptance as contributing members of the Society". They work towards this vision by:

- Offering training which will lead to jobs in the community
- Providing employment at the production centre, for those unable to get it outside
- Enabling members to feel that they belong to a normal community and to enjoy approved confidence and self image.

### Structure

The organisation is structured on participatory lines and there is a producer meeting every two weeks to exchange views with management and a group leaders meeting every week. The executive committee meets monthly with this group being elected every two years at the AGM. Operations in overseas markets were facilitated when IFAT (now WTO) was formed. Silence became a fully-fledged member in 1995-96.

### Producer members

Silence is at present providing jobs for 122 disabled people, and a further eight people. Forty per cent of these people are not literate, and without training, they have no employment opportunities. Producers are 55% male and 45% female now that more women are employed making jewellery, and the staff is equally divided between male and female.

### Training Centre

In response to the need for skill training for the physically challenged, Silence promoted the 'Silence Training Institute' (STI) in 1986. Every year, three different courses produce three fresh batches of skilled craftspeople in Art & Crafts, Computer Hardware and Data-Entry. With this added qualification, quite a few members get gainful employment though not necessarily in the area of training. In 2009, employment was found for all 81 graduates. Some are absorbed by Silence in its own sheltered workshop.

### Financial information

The average income of a person with physical deficiency was around Rs.3750/- per month. The society's pay structure is modest at present, but it is well laid out, with superannuation facilities for all. Profits are also shared on a biannual basis, 80% going to producers and the remainder to the staff. The pay is regarded as sufficient to support a family in some cases, and it is certainly much better than what might be available in the open market.

### Benefits for producers

Apart from Provident Fund and Gratuity facilities, Silence has initiated a voluntary monthly savings scheme linked with Life Cover Policy of the Life Insurance Corporation of India. To cover medical exigencies and health care, Silence contributes to the State owned Employees' Insurance Scheme. Silence also provides accident cover to all working members through another insurance scheme. In addition lunch or dinner is provided each day as is literacy and computer training.

### Sales information

Sales are mostly in export, although Silence has opened a shop where it also sells products from other fair trade producers. The main purchasers are Ten Thousand Villages in the US, and CTM in Italy. Sales have climbed in the last two years because of successful marketing of soap and candles to hotels. They are now 65% export and 35% domestic.

### Product

**Greeting cards:** Hand-painted, hand-touched and hand-printed. **Candles,** ornamental; smokeless and drip-free, with or without fragrance. **Incense sticks :** With a wide range of natural and synthetic fragrances. **Woodcrafts:** trays, coasters, toys, hangers and the like. **Costume jewellery:** Necklaces, rings and bangles. **Paper mache:** Hand-painted decorative and / or utility items. **Stone:** Various attractive semi-precious gemstone items. **Wrought iron:** Uniquely designed utility items including candle holders.

## Product development

Product development is always under consideration and new products are constantly added to the basic range. The development team has four members using the internet, overseas visits and customer ideas and feedback as their source of ideas for development.

### TAI data

	CB Funds USD	Use	TAI Orders USD
2004.05	1,050	Product design and training	5,400
2005.06	Held over	Held over	7,141
2006.07	2,400	Deposit for new elevator in factory	6,120
2007.08	3,750	Water filtration unit for drinking	9,904
2008.09	Held over	Equipment for metal and stone grps	4,375

### Review team visit Thursday 25 March 2010

Review team visited the factory including the sample room, shop, administration office and Training Centre.

#### Key findings / observations:

- Overall financial situation good; able to pay good wages and benefits to the producers and cover all administration costs from product sales. Aim for full self sufficiency – do not wish to be reliant on grants. Also want as much of the trading income to go back to the producers / workers
- 130 in-house workers at present. (55% female). Paid good local wage – 3750 Rupee per month. Average working wage is as low as 2000 Rupee per month (100R / day)
- Silence also provide a number of additional benefits. Rough calculations showed these double the salary
- Retail shop set up 1987. Great success. Employs about 8 - 10 disabled people – including the woman manager. Profit covers Silence's administration costs.
- Try to sell widely and not get caught with new narrow range of buyers. Feel they plan well and have good stock management (don't over stock) and raw material buying (can sell on local market if have excess). Have developed some very good local buyers – local hotels (HYATT and CHROME)
- Close personal relationship with TAI. Unable to express just how much Silence values this relationship. It is long term and has been built up over many years. TAI staff are "open hearted people". TAI has supported Silence through some difficult issues
- TAI very helpful during recession last year – were very worried might have lowered their order but TAI kept their full order. It was very helpful. Other buyers just cancelled orders without discussion
- Capacity building funds are also extremely helpful. Only trading partner that provides this type of support.
- PD is particularly helpful for Silence as they don't have staff with strong design skills. Trade Aid policy not to restrict their own product development is very "enlightened"
- Toured through factory – great feeling, staff happy and pleased to see us
- Viewed sample room – effect of product development (pd) very obvious eg candles – much better packaging and presentation. Photo of candles purchased from shop as 'before pd' and those from sample room as 'after pd'.