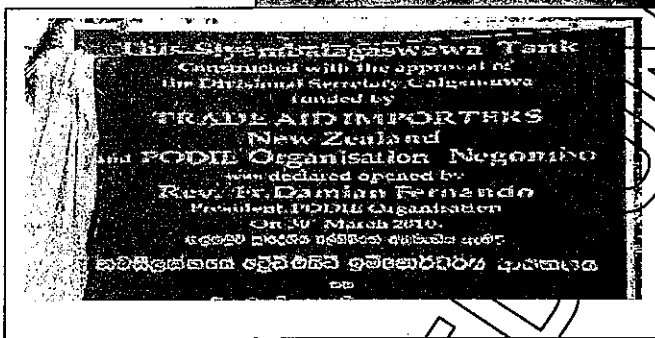


Review of Trade Aid Importers Ltd



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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 chilli, 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 (MFAT¹) 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.

¹ 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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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 ²	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

² 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
Total	\$690,384	\$797,176	\$833,364

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.

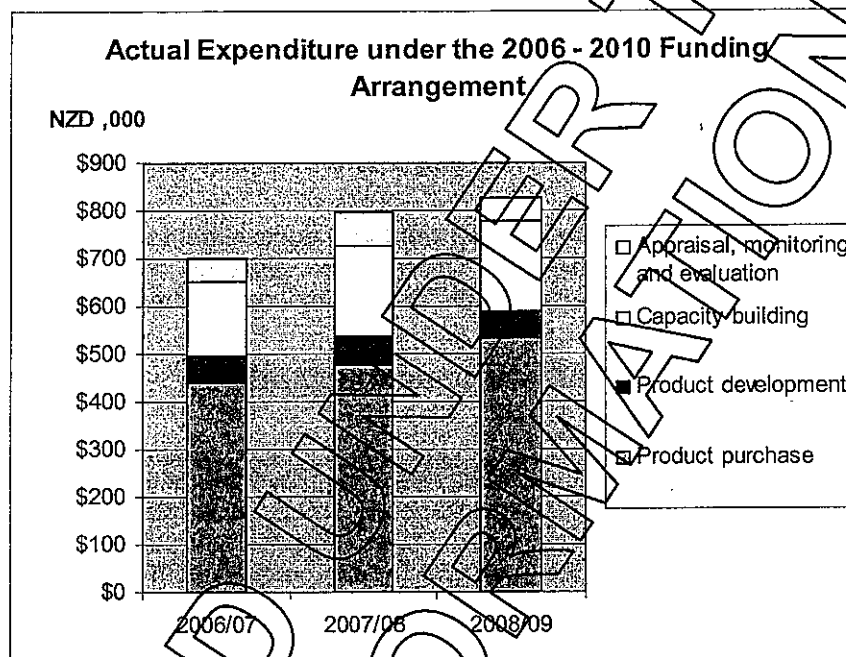
37. In assessing the overall effectiveness of MFAT-funded activities it is useful to refer to TAI's Charter and Strategic Plan 2007/08 to 2011/12. The former sets out objectives relevant to MFAT funded activities (see para.4 above); the latter highlights the achievements of the first two years of the 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	