

CREATING THE NEW ECONOMY

Business models that put people and planet first

By Prof. Bob Doherty (University of York), Prof. Helen Haugh (Judge Business School, Cambridge University), Dr. Erinch Sahan (WFTO) and Mr. Tom Wills (Traidcraft Exchange), Dr. Simon Croft (Stockholm Environment Institute)



CONTENTS

- 1. Executive Summary 1**
- 2. The Problem with Profit-Primacy 2**
 - 2.1 Driving Inequality 2
 - 2.2 Damaging the Planet 4
- 3. Introducing Mission-Primacy 5**
 - 3.1 How Fair Trade Enterprises do Things Differently 10
 - 3.1.1 Fighting Inequality 11
 - 3.1.2 Women Leading the Change 15
 - 3.1.3 Saving our Planet 18
 - 3.1.4 Going Places other Businesses won't 21
 - 3.1.5 Commercial Resilience 24
- 4. Other alternative business models 27**
- 5. Conclusions 31**
- 6. Recommendations 32**
 - 6.1 Recommendations for Policy-Makers 32
 - 6.2 Recommendations for Businesses 33
 - 6.3 Recommendations for Investors 33
- 7. Annex (Additional Case Studies) 34**
- 8. Notes 42**

EXECUTIVE SUMMARY

A new economy is emerging, one populated by enterprises born to put people and planet first. These businesses are a stark contrast to today's mainstream businesses, who largely remain trapped in a model of profit-primacy. Based on new research, this report uncovers insights from one of the most global and deep-rooted communities of mission-led enterprises: Fair Trade Enterprises. This growing global network, spread across over 70 countries, demonstrates commercially-viable business models that put people and planet first. These enterprises practice Fair Trade holistically across their business, reinvest the majority of their profits in their social mission and deploy mission-primacy in their governance. Built to make management and investment decisions to favour workers, farmers and artisans, they are effective in some of the most challenging contexts. They also drive ecological practices that

protect our planet. Fair Trade Enterprises prove this business model can be more resilient while fostering innovation. Key insights about Fair Trade Enterprises include:

- 92 per cent reinvest all profits in their social mission;
- 52 per cent are led by women;
- 4 times less likely to go bankrupt; and
- 85 per cent report actively sacrificing financial goals to pursue social or environmental goals, while retaining commercial viability.

To tackle inequality, end poverty and save our planet, these enterprise models must be fostered. The report ends with a challenge to governments, investors and all companies to shape the broader business ecosystem so as to spread such enterprise models far and wide.



Photo credit: Manos del Uruguay

THE PROBLEM WITH PROFIT-PRIMACY

Business is not working as it should. Millions are hungry, millions remain entrenched in poverty and inequality is growing. The reasons for this are many and varied, but it is clear that businesses have failed to spread the fruits of economic growth adequately.

Driving inequality

Inequality is socially, economically and politically destabilising, and is hindering our fight to end global poverty¹. Since the turn of the century, the poorest half of the world's population has received just one per cent of the total increase in global wealth². Meanwhile, half of newly-created wealth has gone to the richest one per cent. In 2018, just 26 people owned the same wealth as the poorest 50 per cent of humanity³. Inequality is rampant and has been getting worse. This is detrimental to all humans, to our shared society, and to the planet. World Bank research has found that global goals of eliminating poverty by 2030 cannot be achieved without significantly reducing inequality⁴.

What does business have to do with this? Businesses populate our economies, channel investments and wages, and are pivotal in determining how the fruits of our economies are shared. For some time now, profits have grown, but real incomes have not⁵. Economies are expanding, but farmers and workers are getting a decreasing share of the pie⁶. In

the 1980s, a cocoa farmer would get about 18 per cent of the value of a chocolate bar, while today that same farmer gets below six per cent⁷. Similar trends can be found across the board, as workers overall get a decreasing share of the global economy⁸. In global supply chains, prices paid are failing to cover the costs of sustainable production in products from tea to t-shirts⁹.

Directors of corporations have a fiduciary duty: they have to act 'in the best interests' of shareholders. In the absence of any broader concept of what the shared 'best interests' of investors might be, corporations have opted to interpret their brief as one of profit maximisation, a decision driven by, in the words of Lynn Stout, the Distinguished Professor of corporate and business law at Cornell Law School:

"...powerful activist hedge funds that profit from harassing boards into adopting strategies that raise share price in the short term, and by corporate executives driven by "pay for performance" schemes that tie their compensation to each year's shareholder returns."¹⁰

Highly financialised capital has transformed the traditional shareholder model. The expectation of high shareholder returns and the competition to attract shareholder investment by generating dividends means that businesses are less inclined to invest in furthering social goals.



Photo credit: Hermes Rivera

In a world where unequal distribution of capital is the key driver of inequality (according to the World Inequality Report¹¹), prioritising growing the capital of investors essentially supercharges inequality. While anyone can be a shareholder (through a pension fund for instance), if economic spoils are shared according to the size of capital, we give a growing share of the pie to the people who have the most to invest.

This has contributed to a situation where, across the world, capital is increasingly more valuable than labour. Those with money are able to profit from interest payments, capital gains and dividends. Those with only their labour to sell have seen their wages stagnate¹². Why work for money, when your money can work for you? This stymies social mobility and promotes inequality, which since 1980 has risen almost everywhere around the world¹³.

Rather than benefiting workers, rising profits are being distributed to investors. In the past few decades, many larger corporations have pursued an extreme strategy where only one stakeholder group is prioritised – the shareholder. In the 1970s, a typical corporation in the U.S. would return about 33 per cent of its profits to shareholders¹⁴. Today, it is 70 per cent. In the UK, returns to FTSE 100 shareholders increased by 56 per cent from 2014 to 2018: if pay across the UK economy had kept pace with shareholder returns, the average worker would now be over £9,500 better off¹⁵.

This trend is seen around the world: from South Africa to India, shareholder capitalism has become supercharged¹⁶. This is central to the global story of rising inequality. As long as businesses have a governance and management structure that prioritises shareholder profits we can expect our societies to become more unequal.

Damaging the planet

All the while, we are over-stretching the carrying capacity of our planet. We are now living in the era of the Anthropocene, with overwhelming global evidence that the atmosphere and geology of the earth has been irreversibly altered by humans¹⁷. Businesses that pollute and deplete the planet's finite resources are a major part of this problem.

The drive to maximise profits shapes corporate decision-making leads to profit-primacy. As most companies are set up to maximise profits, investments in sustainability are justified only where they increase returns. Most companies are doing what they are designed to do – extracting maximum returns for their shareholders. Meanwhile the social license to operate,

without which businesses cannot function, is being eroded: corporate tax avoidance and evasion continues to spiral upwards, and trust in the private sector is low¹⁸.

In a world where consumers are bombarded with information, and investigative reporting is under-resourced, many businesses understand the need to be seen to do the right thing, whilst not necessarily feeling under the same pressure to follow through with their actions. This has become known as corporate 'purpose-washing'. This is a bleak picture. But it does not have to be the case. Growing inequality, entrenched poverty and a pending ecological crisis mean that it is time to revisit the central design features of business and explore the alternatives that exist the world over.

"The extractive economy of profits at any cost have brought us to an ecological brink and polarised society between the 1% and 99%. Fair trade based on ecological sustainability and social justice have become a survival imperative. Fair trade is based on giving back to the Earth and society."

Vandana Shiva (Environmental activist, food sovereignty advocate, founder and director of Navdanya International)



Photo credit: Wilsan U

INTRODUCING MISSION-PRIMACY

Increasingly, the world is asking about the kinds of companies we need. Fortunately, a variety of models already exist that demonstrate a way of doing business differently, from social enterprises to cooperatives, employee-owned businesses to Fair Trade Enterprises. WFTO is a community of 364 social enterprises that fully practice Fair Trade (Fair Trade Enterprises). They embed the 10 principles of Fair Trade into their operations and supply chains¹⁹. WFTO verifies that they (and their suppliers) are genuinely committed to the 10 principles of Fair Trade. This happens through the WFTO Guarantee System, which verifies through independent audits and peer reviews that an enterprise is mission-led, focused on the interests of its producers, and this is embedded in the structure, systems and practices of the

enterprise. As a community of enterprises built around the same values, they buy and sell from each other, collaborate in marketing and in production, and jointly campaign for trade and social justice. Collectively, they represent over €760 million in turnover and help support nearly one million livelihoods²⁰. Founded in 1989, WFTO is a core part of the broader Fair Trade movement, whose vision is captured in the International Fair Trade Charter²¹.

Over the last 30 years, the experience of these Fair Trade Enterprises shows that in order to holistically practice Fair Trade (across their entire business), businesses need to exhibit mission-primacy. This is necessary to ensure the desire to pursue additional profits (e.g. by cutting costs) does not simply lead to producers

WFTO members fully practice the 10 Principles of Fair Trade across their entire business and with their suppliers.



and communities being abandoned. For Fair Trade Enterprises, even in cases where buyers and consumers do not reward the extra effort, or the commitment to producers leads to additional costs or risks, these enterprises still continue to practice Fair Trade. They remain

commercially viable but their priority is always to promote the welfare of workers, farmers and artisans. This is a vastly different reality than businesses built around profit-primacy. One good example of the Fair Trade Enterprise model in practice is Manos del Uruguay.

"Fair Trade Enterprises are not just a niche; they are a laboratory for what all business should become. In a world of scarce resources and growing inequalities, the corporate world must reinvent itself."

Prof. Olivier De Schutter (Former UN Special Rapporteur on the right to food
Member, UN Committee on Economic, Social and Cultural Rights)



Manos del Uruguay (Uruguay)

Manos del Uruguay is a fashion producer and brand made up, and owned, by 12 women's producer cooperatives across Uruguay. It is an enterprise that exists to serve these producers, prioritising the mission of providing livelihoods and personal development opportunities for rural women in Uruguay. All profits are reinvested to benefit, or are redistributed to, the producers.

To achieve its social mission, *Manos* has had to ensure commercial success, and it has certainly proven to be a resilient and profitable enterprise. Founded in 1968, *Manos* has consistently achieved sales of \$4.5-5 million per year over the last ten years. Each of the 12 producer cooperatives that own and control *Manos* has around 20 women producers. Two of the cooperatives specialise in dyeing the yarn, and ten others knit or weave the products.

The board of *Manos* is made up of artisan representatives, who vote for their three board representatives at an artisan assembly. Its social mission has meant it invests in and remains fully committed to the producer cooperatives in rural Uruguay, regardless of their remote locations and other challenges. Its social mission gives it an advantage in attracting motivated and talented staff, as well as in export markets with select buyers. *Manos* owns two large stores in Montevideo that drive domestic sales, though exports still represent the majority of the business.

The focus for *Manos* has been high quality hand-woven fashion items, which it sells both under its own brand and as a private label producer for brands such as Gabriela Hearst and Ulla Johnson. It has invested in growing sales through its webshop, as well as in its branding and marketing. The enterprise sees access to finance as a key barrier, and has benefited greatly from a credit line with Oikocredit, a social finance institution.

This is about more than just the vision of a few alternative business leaders. Fair Trade Enterprises have governance and management models that enable such a commitment to their social mission. Their model is replicable and provides lessons for the mainstream business world.

The 2019 research study by Professor Bob Doherty and Professor Helen Haugh²², supplemented by analysis from the WFTO, found that a range of key structural models deployed by Fair Trade Enterprises allow these businesses to prioritise social and environmental goals. This report builds on the research to provide an overview of key insights into the business model of Fair Trade Enterprises.

As WFTO members, they have been assessed to exhibit mission-primacy across their business. This means they put the interests of producers first (including across their suppliers). Apart from having demonstrated long-term commitments to their suppliers and producer-groups

they also take on specific governance models. While many embody more informal governance arrangements, a set of structural features are also common across these Fair Trade Enterprises. According to the research, of the 62 enterprises surveyed: 32 per cent have producer representation on the board, 48 per cent have a formal policy on profit reinvestment into social and/or environmental objectives and 11 per cent are owned by the producers. Though this only tells a small part of the story.

The vast majority of Fair Trade Enterprises are SMEs who have developed less formal structures (including in their supplier relationships) to ensure mission-primacy. This is demonstrated by the fact that 85 per cent of Fair Trade Enterprises report actively sacrificing financial objectives to pursue social or environmental goals. Being freed from the need to deliver greater profits to shareholders is an important enabling factor. A good example of how this works in practice is Gebana from Switzerland.



Photo credit: Gebana

Gebana, The Global Farmer's Market (Switzerland)

Gebana is a pioneer of Fair Trade. It has its origin in a Swiss women's movement in the 1970. Today, *Gebana* is a growing company working closely with organic family farmers in Europe, Africa and South America. Through *Gebana*, these families sell their products directly to customers in Europe. *Gebana* is specialized in organic fruits – fresh and dried – in nuts, cereals like soy and cocoa.

Gebana Switzerland has an annual turnover exceeding 10 million Euro (2018). When including the subsidiary companies in the Netherlands, Burkina Faso, Togo and Brazil, turnover exceeds 31 million Euro (2018). As a company, *Gebana* considers itself as a network of customers, farmers and partners who share the vision of a much fairer trade. *Gebana* forms value chains spanning from family farmers to customers in the most direct way possible, aiming to maximise the social and environmental added value, creating of jobs in country of origin and investing with a long term perspective, also in difficult regions.

The *Gebana* network supports the resilience of the companies and farmers connected to it as *Gebana* is able to channel support if needed. In 2017, *Gebana* proved this concept of close collaboration by rescuing its subsidiary in Burkina Faso. The company was close to bankruptcy due to poor harvest and escalation of prices. Together with existing and new investors, a handful of trade customers and more than 2800 individual end customers, *Gebana* was able to rehabilitate its subsidiary successfully, enable a new start for *gebana* Burkina Faso and preserve the local jobs.

The board of *Gebana* consists of experts with different background such as running family businesses, social entrepreneur, Fair Trade, finance and marketing. *Gebana* shares its profit with employees worldwide, with investors and customers in equal parts. So far no dividends have been issued, but shareholders always decided to reinvest profits into the development of the company. In 2019, *Gebana* Switzerland has started to share 10 per cent of the mango and cashew sales turnover (of sales to end customers) with the farmers producing the products. Through this new trading model, over 120,000 Euros have been distributed to over 2500 family farmers in Burkina Faso. This model will be extended to other supply chains in 2020.

5 UNIQUE FEATURES OF FAIR TRADE ENTERPRISES

Pioneering business models to put people and planet first

1

Fighting inequality

Fair Trade Enterprises exist to create opportunities for economically marginalised people and small scale producers. By using profits to benefit producers and by holistically practicing Fair Trade, they fight inequality every day.

2

Women leading the change

Women make up 52% of CEOs, 54% of senior managers and 51% of boards in Fair Trade Enterprises. Whereas in mainstream business, the figures are 8%, 24% and 12% respectively.

3

Saving our planet

Fair Trade Enterprises, who knowingly prioritise social or environmental goals over the desire to accrue greater profits, have more flexibility to develop investments that minimise environmental impact.

4

Going places other businesses won't

As they prioritise social goals over profits, Fair Trade Enterprises invest in and support communities that mainstream businesses don't and go places other businesses won't.

5

Commercial resilience

Fair Trade Enterprises retain a stable turnover over many years. Their pursuit of social and environmental goals does not undermine their commercial viability. They are 4 times more resilient than regular SMEs.



How Fair Trade Enterprises do things differently

Fighting inequality

Fair Trade Enterprises, by contrast, offer an alternative model where shareholder dividends are secondary. According to the research, over 92 per cent of WFTO members pay no dividend at all to shareholders²³. This owes to a number of design features that may include:

- a board that represents a diverse range of stakeholders
- a formal policy to limit the profits being extracted for distribution to shareholders
- an explicit mission in their governing documents, or
- part-ownership by a mission-led organisation (such as a community organisation or producers themselves).

This approach is transformational in two ways:

1. Without the quarterly siphoning off of money from the corporate balance sheet, directors are more able to invest in the business. Rather than paying dividends, they can pri-

oritise creating opportunities for farmers, workers, artisans and communities. They can develop new products, pioneer new production methods and target new markets.

Survey data of WFTO members paints a picture of vibrancy. Of the 62 Fair Trade Enterprises surveyed, 84 per cent had invested in product innovation, 76 per cent had innovated by sourcing from new suppliers or producer groups, and 60 per cent had invested in new ways of delivering social impact. A good example comes from Mahaguthi in Nepal, described below. It is difficult to compare these figures with mainstream businesses, but it is notable that Fair Trade Enterprises feel positive about their own future: 90 per cent reported that they expected to grow in terms of size and turnover in the coming five years.

"Fair Trade Enterprises are demonstrating that an alternative business model is economically viable and ecologically sustainable - another world is possible. This is a message that now urgently needs to be heard and acted on by policy-makers, investors and business leaders."

Dr Matthew Anderson, Senior Lecturer in Business Ethics, University of Portsmouth

Mahaguthi (Nepal)

Mahaguthi are a social enterprise that was set up as a profit non-distributing company. This means they reinvest 100 per cent of their profit into supporting their producers and communities, building capacity, new product development and supply chain development (all with the goal of increasing social impact). They produce in-house and through their extensive network of producer groups. Their product range is broad, including products made from felt, textiles and paper. Founded in 1984 by a non-profit foundation, today *Mahaguthi* have sales of around \$1 million. They have two shops in Nepal that help drive domestic sales, but 70 per cent of sales come from exports, predominantly to Australia, New Zealand, Japan, Korea, USA and Canada. They are also investing in new product designs, including using Dhaka fabric, and pioneering new products made from nettle fibre (Allo).

Mahaguthi employ around 100 staff and workers (the majority of whom are women) and also work with 60 different producer groups in 15 districts that provide livelihoods for around 1,100 producers (85 per cent of whom are women). Without shareholders demanding a dividend, their board and management are able to prioritise their social mission. This allows them to commit to sourcing from communities that require additional investment and support. For instance, they worked with producers of handmade soap in Western Nepal during the Maoist conflict, an area that many businesses avoided due to higher costs and risks. *Mahaguthi* have also invested into eco-friendly production, improving fabric dyeing processes, installing a water treatment system and a system to monitor water quality. All this increased costs and time, but as a mission-led enterprise, they were able to prioritise these investments.



2. Without the pressure to pay a dividend, company directors have more freedom to prioritise social impact.

85 per cent of the WFTO organisations surveyed reported that they had sacrificed financial goals to pursue social or environmental goals. This also means that these enterprises avoid methods of increasing margins that would undermine the organisation's social goals - such as squeezing wages, paying lower prices to producers or switching suppliers in order to cut costs. In fact, these enterprises often purposefully pay more for products from artisans and producer groups.

There is also a need to distinguish between financial objectives of growing sales and growing profits. For many Fair Trade Enterprises growing sales is a priority, as it leads to more opportunities for producers. As they are set up to maximise social impact, more orders leads to more inclusive and empowering livelihoods. However, growing profits is linked to margins. The goal of Fair Trade Enterprises is to have sustainable margins that give security to both supplier and buyer.

More value-addition by the Fair Trade Enterprise is part of the answer. This can include brands owned by the enterprise as well as processing and manufacturing. Take Maquita, for instance, a farmer-owned business operating several social enterprises in Ecuador. Maquita is not content to merely supply global markets with cocoa. It is processing and manufacturing its own chocolate, capturing more of the value, and channelling this to support its farmers and community. In Peru, Candela is doing the same. And so is Pacari in Ecuador and Zotter in Austria. These are all WFTO members that have embraced the bean-to-bar approach and are making it work. Trade Aid in New Zealand (another WFTO member) has also now built its own chocolate factory and is already seeing sales growth.

Freed from the expectation of generating constantly growing shareholder returns, Fair Trade Enterprises are able to develop alternative ways of operating, featuring socially and environmentally sustainable products and practices. This enables them to pursue their main goal: to be part of the solution to some of the long-standing problems that we face as a global community. A good example of such a business model is Last Forest of India, whose business model is described below.



Photo credit: Yabal Handicrafts



Photo credit: Last Forest

Last Forest (India)

Last Forest is a social enterprise in India by Keystone Foundation, a not for profit civil society organisation. All profits are reinvested in the business (with a focus on growing social impact), invested into projects (including through the parent foundation) or distributed among producers and staff. With sales of over €0.4 million, they are based in Kotagiri in the heart of Nilgiri mountains. They focus on market opportunities for producer groups and communities that are working on forest and agriculture produce which are natural, wild and local. *Last Forest* procures from over 45 groups across the country and sell through over 100 outlets including three retail shops in the Nilgiris that are owned by them. Signature products include wild organic honey (from the mountain side), soaps and personal care products (from Beeswax).

Last Forest was set up to pioneer sustainable living choices by connecting indigenous producers with the market. The board is comprised of three civil society representatives, the managing director and one business expert. Its main supplier, Aadhimalai, is a producer-owned enterprise, with a board comprising of producers. Aadhimalai was also incubated by Keystone Foundation. The governance, management and business model is designed to allow *Last Forest* to be commercially nimble while prioritising the needs of indigenous communities and producers, ensuring the benefits of commercial success are enjoyed by them. This means they can invest into long-term partnerships with producers, into supporting global movements with staff time (e.g. Organic, Fair Trade and Slow Food) and support to production that maintains eco-systems and supports local communities (e.g. forest honey). They have focused on growing sales in the quickly developing ethical market in India, with domestic sales making up their income.



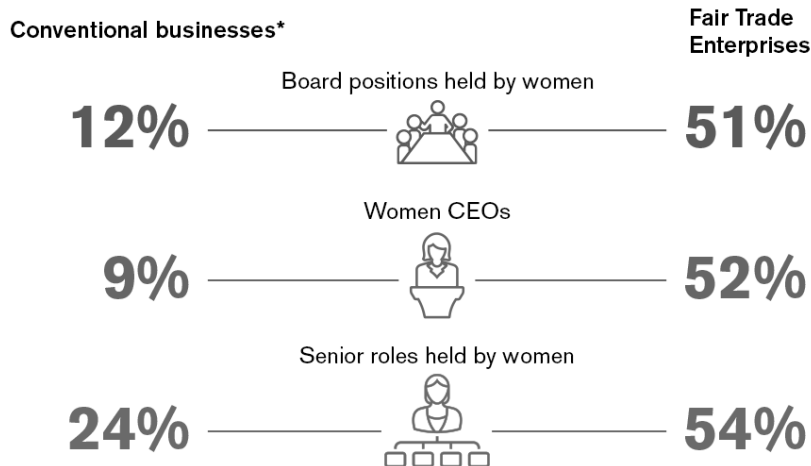
Photo credit: ACP

Women leading the change

Mainstream business is still a man's world. Senior positions are dominated by men and this contributes to broader gender-based injustices, such as a gender pay gap that sees women receive only 63 per cent of what men earn. The World Economic Forum estimated in 2018 that at the current rate, it will be 202 years before there is gender pay equality²⁴.

Unsurprisingly, businesses that champion and seek to proactively support marginalised groups are more likely to have taken steps to

tackle gender inequality and are therefore more likely to have women in senior positions. 51 per cent of board membership of Fair Trade Enterprises is female (compared to 12 per cent in mainstream business). This also leads to better representation in management positions. In the mainstream business world, only 24 per cent of senior roles are held by women²⁵. In the WFTO network, that figure is 54 per cent, whilst 52 per cent of CEOs are women (compared to nine per cent in mainstream business). One strong example of women's empowerment comes from Nepal.



*From a comparison with "Women in Business 2017" report by Grant Thornton

ACP (Nepal)

Association of Craft Producers Nepal (ACP) was founded by CEO Meera Bhattarai in 1984. She was the only woman in a management committee of eight people when *ACP* was set up, but today their management committee is made up of seven women and two men. The 11 member-strong board is made up of four men and seven women. *ACP* employs 100 people directly, 65 per cent of whom are women. *ACP* workers have two labour unions and the president of one of the union is a woman. In addition, *ACP* works with around 1000 artisans (mostly home based and, women comprising 90 per cent), who are not directly employed by *ACP* but produce for them. All trade with these artisans adheres to the 10 Principles of Fair Trade.

Collections cover home textiles, home accessories like vases and decorative pieces, and ceramic tableware. *ACP* has been exporting to the USA and Europe since its inception. They have innovated in traditional design in block printing, felting, copper crafts, with a focus on using these crafts to create a modern contemporary feel in their products. All profits are reinvested into growing the social impact of the business, including into innovations that can increase sales and support more livelihoods. Over the past three years, a grant from a European-based foundation has enabled *ACP* to provide the artisan groups loan at low interest rates of four per cent to invest in and grow their enterprise.

Another example is Creative Handicrafts in India, a garment production company set up to further the goal of women's empowerment. With nine women board members (all elected to represent the women producers) to one man (the CEO), they seek to be a gender-sensitive employer by providing a creche and offering paid maternity leave. They also carry out training in the local community on the topic of gender, sex and relationships to tackle wide-

spread domestic violence. They reinvest all their profits to benefit the women producers, and their social mission is enforced through their board and management. As such, they can make decisions to prioritise employing women who are particularly marginalised rather than employ workers who are skilled and may be a path to higher profits. Yabal in Guatemala is another example of an enterprise built around the mission of benefiting women producers.

Yabal (Guatemala)

Yabal is a Fair Trade Enterprise, focused on sustainable fashion that supports indigenous women's weaving cooperatives in Guatemala, providing them with the opportunity to sell their hand-woven products through local and international markets. It works with 50 to 60 women artisans to produce, market and sell woven blankets, bags, scarves, soft furnishings and decorative items. The Board of Directors is 80 per cent female and comprises the management team and representatives of the partner communities. The women are paid 40 per cent more than the minimum wage and, on average, earn between 40 to 75 per cent of the family income.

Through its sister NGO, *Yabal Guatemala*, it also provides skills development workshops, financial literacy and supports savings circles. Analysis shows that as the flow of money into the household has increased, the men have begun to do housework and help with the children, especially in younger couples and families. *Yabal* is a small enterprise with a turnover of around €60,000, which relies on high quality and high margins rather than volume sales. *Yabal* particularly supports indigenous hand-loom weaving to maintain traditions, cultural symbols and crafts. Such artisan production methods, especially the hand-loom, have zero carbon footprint. *Yabal* also uses natural dyes made from plants.



Many of these Fair Trade Enterprises exist to benefit women producers and their communities for whom other economic opportunities do not exist. In fact, across the WFTO membership 74 per cent of the livelihoods they support are that of women²⁶. They earn their income through trading but focus on prioritising their social mission.

Saving our planet

The UN Intergovernmental Panel on Climate Change (IPCC) suggests that we must have global CO₂ emissions this decade (by 2030) in order to avoid the irreversible impacts of climate change²⁷. The climate crisis requires an urgent response from all parts of our society, from individual citizens to the United Nations. Business has a key role to play in this. However, the state of the planet is testimony to the fact that pollution, extraction and deforestation have been, and remain, part of a profitable short-term business model.

This cannot continue. Policymakers need to legislate so that businesses start to regenerate, rather than degrade the living planet. Business needs to significantly reduce its environmental impact.

Businesses often describe themselves as being on ‘a journey’ to sustainability²⁸. However, this ‘journey’ is often knocked off course by the need

to deliver maximum profit. Research from the TUC and High Pay Centre has shown that in 2018 the energy giant BP spent 14 times as much on pay-outs to its shareholders as it invested in low carbon activity²⁹. Fair Trade Enterprises, who knowingly prioritise social or environmental goals over the desire to accrue greater profits, have more flexibility to develop processes and investments that aim to minimise environmental impact and promote the circular economy.

For example, Prokritee in Bangladesh has built a business model that upcycles waste fabrics into bags and baskets (e.g. see recycled sari baskets below), including by gathering waste fabrics from local fast fashion factories. The Chilean Fair Trade Enterprise Green Glass collects discarded bottles and transforms them into drinking glasses, while Chako in Zanzibar turns waste glass into light fittings. Plastic recycling is also being embraced, with Plastics for Change in India building its business model so that it prioritises the interests of waste-pickers who collect the plastic that is later recycled into bottles (including for the Body Shop, who has fostered the initiative). Rice & Carry (through WLAB) is another Fair Trade Enterprise (based in Sri Lanka) focused on upcycling waste and recycling PET plastic to make 100 per cent recycled plastic polyester yarn.



Most of these Fair Trade Enterprises have always taken additional efforts to protect the local ecology on which they depend. Some pioneered anti-plastic campaigns decade before social media and brand marketing made it trendy. For instance, EZA of Austria (see annex for case study) participated in the Jute not Plastic campaign in the 1980s, one of the first attempts by the European Fair Trade movement to promote sustainable alternative packaging.

Having a mission-led business model can liberate such enterprises to prioritise a social or environmental mission, even if the returns on investment or margins are not very high. This can unlock investments and practices missed by mainstream businesses, which generate novel solutions that benefit the planet as well as producers.

The emphasis that Fair Trade Enterprises place on the environment owes partly to their close

links with their communities. Fair Trade Enterprises are typically owned, governed and run in a way that means they remain fully committed to their producers, workers and communities (e.g. see the case study of Maroma in the annex). This can happen through the long-term supplier and producer partnerships they are required to undertake by WFTO's Guarantee System. They cannot set up production models where they regularly shift between suppliers to minimise costs and maximise margins. The central role that the producer groups play in their mission, and the investment not being structured to 'exit' through a sale of the business or its assets, means this long-term commitment to communities and producers is a core part of their model. Such structures mean they are more likely to embrace environmental stewardship, as they must survive sustainably within their local ecology. A strong example is Ecoffins, based in the UK.



Photo credit: Ecoffins

Ecoffins (UK)

Demand for eco-friendly coffins is growing, and Ecoffins is leading the way. As a mission-led enterprise, they have focused on innovations that minimise their ecological footprint while retaining a steadfast commitment to workers and craftsmen. Innovation in material use (e.g. bamboo, Pandanus, recycled paper) and in production methods have led to all products being 100 per cent natural and biodegradable. The shipping footprint has also been minimised, as all coffins are now designed so that the different sizes fit inside one another 'Russian Doll' style. This means that a 20 foot shipping container can hold 198 adult sizes, using just one tenth of a gallon of fuel to ship one coffin from the East Asia to the UK (this is less fuel than an average car travelling eight kilometers).

Ecoffins has invested heavily in solar panels and electric vehicles, including at their site in China. They have planted 1,000 trees around their warehouse in the UK and have processes in place to track material use so that waste is reused in production. Ecoffins is a private business mostly owned by the founder, but has demonstrated to WFTO that it has built its model around mission-primacy. It has made very long-term commitments to suppliers, invests in them and is supporting its main supplier (in China) to become worker-owned. All profits are used to reinvest in the business and suppliers, typically for innovations that pursue the people and planet mission of the business.

Without the pressure to pay dividends to investors, managers are liberated to pursue innovations such as new product designs to reduce the carbon footprint of shipping, even where the financial return on this does not seem clear. They invested in creating a fair and eco-friendly coffin business a long time before demand and a path to future growth was clear, driven by a mission rather than a route to quick returns.

Ecoffins exclusively partners with suppliers that are also mission-led and fully practice Fair Trade, working with other WFTO members in Indonesia and supporting their Chinese operations to become a worker and craftsman-owned enterprise. The business model deployed by Ecoffins has consistently achieved between 5-10 per cent growth each year, with sales now reaching over €700,000 per year.

Given the small scale of many WFTO businesses, and the scale of the environmental challenges, their efforts cannot solve these issues on their own. But it is worth celebrating nonetheless, since it offers a sense of how the global private sector could begin to reimagine its relationship with the planet. Imagine what the giants of the FTSE 100 and the Dow Jones could achieve if they shifted their focus away from servicing shareholders and onto supporting the circular economy, carbon sequestration or tackling deforestation.

Going places other businesses won't

A business built around profit-primacy is likely to choose to operate in the most favourable and efficient business environments. By contrast, around the world there are regions and communities where doing business is more challenging. This could be due to lack of infrastructure, weak institutions, war, climate change and disasters.

If business is going to be an engine for social progress, it cannot leave marginalised communities and regions behind. The gap between the richest and the rest is only going to widen if it is left to NGOs and under-resourced governments to ensure that the global economy is inclusive of people living in challenging contexts. This is why there is a need for enterprises that are mission-led, who will invest in and support communities that other businesses don't and go places other businesses won't.

Operating in areas that have been shaken by war, extreme weather or natural disasters is a risky decision when it comes to maximising profits. However, if a business is more focused on a social mission, it may become the only decision that makes sense. Mahaguthi, alongside many other Nepalese Fair Trade Enterprises, purposefully invested in creating opportunities for people affected by the 2015 Nepal



Photo credit: Holy Land Co-operative

Holy Land Co-operative (Palestine)

Founded in 1981, *Holy Land Co-operative* aims to strengthen the economic and political position of artisans in Palestine and the Occupied Territories by providing employment opportunities. By providing livelihoods, the company hopes to decrease economic emigration out of Palestine, whilst also supporting traditional handicraft skills. It has a turnover of almost \$1 million.

The Co-operative's main products are carved decorations and kitchenware, with olive wood that comes from the annual pruning of the trees rather than from felling. These are sold to Fair Trade retailers in other countries, as well as to visiting tourists and pilgrims through a souvenir shop in the town of Beit Sahour.

It is a producer cooperative whose members comprise 36 artisanal workshops. The board is elected every two years and has employee and stakeholder representation. Producers are supported to renovate workshops, ensuring good health and safety. There are multiple challenges of operating a business in the turbulent political context of Palestine, including restrictions of freedom of movement, high costs of business registration and high levels of youth emigration. Nonetheless, *Holy Land Co-operative* is hoping to diversify into hospitality, opening a coffee shop to serve locally-sourced food and employ local people.

earthquake, while the Guatemalan brand Yabal sources from groups that have been devastated by hurricanes. In South Africa, *Township Patterns* exists to support a network of women sewing cooperatives based in townships, providing them with support and training. They have tailored their sourcing and business model to maximise benefits to these cooperatives and their communities. Other Fair Trade Enterprises operate in remote regions where mainstream business refuses to go. For example, WomenCraft (see annex for case study) sources from Burundian artisans living in the Mtendeli refugee camp in northwest Tanzania, who use grain sacks and local grasses to weave baskets. The Holy Land Handicraft Cooperative Society

(see below) and Sunbula (see annex for case study) work with Palestinian artisans in the West Bank and Gaza Strip.

Of course, taking away the all-consuming drive to produce shareholder returns would not suddenly mean that mainstream businesses would begin working with marginalised groups and in challenging environments: there also needs to be a social mission that drives a business in that direction. For Fair Trade Enterprises, that social mission comes from a diverse and representative board, or from articles that embed social goals into governance. A good case study of how this shapes a business is Ellilta in Ethiopia, described below.



Photo credit: Ellilta

Ellilta (Ethiopia)

Ellilta was established with the aim of providing opportunities to women at risk of sexual exploitation and trafficking. A private company established and owned by the charity *Ellilta Women at Risk*, it sells leatherwork, semi-precious stones and other handicrafts, from which 100 per cent of trading profits go to support the social mission of the charity that founded it. To ensure that the company retains its charitable purpose, *Ellilta Women at Risk* provides all six of the board members. *Ellilta* directly employs 46 full time artisans, all of whom are women and most of whom are former sex workers. Payment for employees is determined via a wage survey – an assessment of the range of wages that craftspeople typically command, of which *Ellilta* then pays the higher end. The company’s goal is to re-invest in the business to offer employment opportunities to artisans, rather than to grow the profits to support the charity’s social programmes. If a larger percentage of profits is to go to *Ellilta Women at Risk* this is subject to agreement by employees and broader stakeholders. In either case, use of profits and the priorities of the business are all fully focused on positive social impact, not growing returns for shareholder. *Ellilta* now plans to grow, expanding its product range and establishing itself in Ethiopia’s five largest cities.

In summary, for businesses to invest-in and commit to communities in challenging contexts often requires them to have mission-primacy. Remote and unstable contexts, and marginalised communities can present high-risk, low-return prospects for profit-primacy businesses while those with mission-primacy are more likely to persevere and prioritise the interests of local communities.

Commercial resilience

There is little point in a business pursuing a social or environmental mission only to fold a few months or years down the line, unable to remain solvent. However, the business model of Fair Trade Enterprises is resilient. These enterprises have found ways to innovate and remain

viable. Some have grown, with the majority retaining a stable turnover over many years. This shows that the pursuit of social and environmental goals does not undermine the ability of a business to operate in a competitive market. The Fair Trade Enterprise model of mission-led enterprises holistically practising Fair Trade across their business and with all their suppliers goes back many decades. Ten Thousand Villages and SERRV International have been deploying this model since the 1940s. CRC in India goes back to the 1970s, as does GEPA in Germany, Undugu in Kenya and Corr: The Jute Works in Bangladesh. Across the world, dozens of Fair Trade Enterprises have stood the test of time, weathering recessions and political turmoil while surviving commercially.



Photo credit: GEPA



Photo credit: Trade Aid

According to the 19 case studies, their relationship with finance has some common-threads. In their early days, many drew investment from foundations (e.g. Last Forest), social finance institutions (e.g. ACP), buyers (e.g. Miquelina) and capital from their producer communities (e.g. Manos del Uruguay). Often, this meant that those investing had an interest in seeing the enterprise survive. For most, they grew organically, investing their profits and drawing from the long-term support and solidarity provided by other Fair Trade Enterprises (e.g. their buyers in major markets). The model of production deployed by most is not capital-intensive, instead focused on artisanal skills. This helps avoid expensive and often energy-intensive machinery.

The financial resilience of these enterprises is best evaluated when compared to other small and medium sized enterprises (SMEs), who typically have far worse rates of bankruptcy. In the United States for instance, 50 per cent of SMEs do not survive beyond the 5-year mark³⁰. This means that out of 100 SMEs, every year, 10 will go bankrupt. According to the data WFTO collected from 2017 to 2019, on average eight Fair Trade Enterprises reported (or are estimated) to have gone bankrupt each year. This is on average 2.4 per cent of Fair Trade Enterprises a year, making Fair Trade Enterprises four times more resilient (in bankruptcy terms) than typical SMEs.

The circumstances of any particular bankruptcy are discrete, yet it is difficult to avoid the conclusion that a business model that isn't driven by ever-increasing shareholder returns is more able to withstand the shocks and strain of operating in the modern economy.

Those lending to Fair Trade Enterprises also find that repayment rates are high among these resilient enterprises. One strong insight comes from Shared Interest, which is a social finance leader focused on lending to Fair Trade Enterprises and cooperatives in the Fairtrade commodity system³¹. By focusing their lending to Fair Trade Enterprises and producer cooperatives, 98 per cent of their loans have been repaid, a repayment rate that has remained strong through their 30 year history.

Not only are Fair Trade Enterprises remaining in business, many are flourishing and investing. The overwhelming focus of this investment in innovation is market-focused. This happens through investing in new product development (84 per cent of WFTO members surveyed), sourcing from new producers (76 per cent) and investing in e-commerce (68 per cent). A strong example of Fair Trade Enterprise investing in high-end production is Miquelina.

Fundación Creaciones Miquelina (Colombia)

Miquelina is a high-performance outdoor garment manufacturer based in the high Colombian Andes. It has a turnover of around €1.5 million Set up to vision to reduce poverty and unemployment among Colombian women affected by the long running civil conflict, *Miquelina* continues to prioritise this mission. In addition to providing employment opportunities for approximately 250 women, *Miquelina* also provides employees with access to education and vocational training. *Miquelina* was incorporated as a charitable foundation in 1997. *Miquelina* has a Board of Founders and Board of Steering Committee, all explicitly committed to prioritising the social mission. The profits of the *Miquelina* are reinvested in equipment and significant donations are made to the other associated projects, including a housing cooperative, canteen, nursery school and training facilities. *Miquelina* has an agreement with a local institution to enable women to continue with their education. Employees work at *Miquelina* from 06.00 to 14.00 and attend such classes in the afternoon. Vast majority of *Miquelina*'s production is for Paramo Directional Clothing, a UK-based outdoor clothing company. When the partnership was initiated in 1992, Paramo donated \$150,000 to *Miquelina* to fund the purchase of factory machinery and establish production. *Miquelina* is now working to diversify markets, seeking new ethical brands as additional commercial partners.



Photo credit: Miquelina

OTHER ALTERNATIVE BUSINESS MODELS

This paper has used data from surveys and interviews with Fair Trade Enterprises who are members of the WFTO. But these are hardly the only examples of inspiring businesses tackling the problems of today and the future. One global community pioneering solutions is the broader social enterprise (SE) movement, which Fair Trade Enterprises are a part of. The SE movement is broader though and includes a enterprises with a broader range of social missions. The SE movement creates and promotes entire models of business that hold the primary objective of achieving social goals. As with Fair Trade Enterprises, this means being commercially viable, but not maximising profits. In the words of the late director of Oxford's Skoll Centre for Social Entrepreneurship, Pamela Hartigan, they need to embrace "reasonable profits

as opposed to maximizing profits."³²

Social enterprises are distinct from the mainstream business models deploying shareholder capitalism. The three key characteristics of social enterprises are as follows³³:

- Social enterprises have a clear and primary social or environmental mission set out in their governing documents;
- Social enterprises purposefully reinvest the majority of their profits in pursuit of their mission;
- Social enterprises are majority controlled in the interests of the enterprise's mission and are usually autonomous of state.

"For over a century cooperatives and other Social and Solidarity Economy enterprises have been serving their members and communities for improved livelihoods and services. Fair Trade Enterprises are good examples of such mission-led businesses prioritizing social and environmental goals along with economic ones."

Simel Esim (Head of the Cooperatives Unit at the International Labour Organization)

Social enterprise business models mean more sustainable economic outcomes, with the positive impact of business activity spread more broadly across society.

Over the last two decades, the BCorp movement has also grown rapidly, asking a very similar question the social enterprise movement: “How do we create businesses that have goals broader than just profit?”³⁴. There are now over 2,000 BCorps in over 50 countries. BCorps do not require prioritisation of social goals over profit extraction, but they do challenge the prominence of shareholder value creation as the primary purpose of business³⁵.

The Cooperative movement offers another alternative. Cooperatives deploy a one-member one-vote model which means that power is not proportionate to wealth (in contrast, in mainstream shareholder capitalism, more shares

usually equals more votes). This approach democratises ownership and shifts power to people who otherwise are left out of decisions, including producers, workers, and community groups. Fair Trade Enterprises and the broader social enterprise movement is closely aligned with cooperative values, and attempt to create similar models of economic democracy, value distribution, power sharing and mission-primacy that the cooperative movement has pioneered.

In fact, WFTO is institutionally structured in alignment with cooperative principles. WFTO is a membership organisation and deploys a one-member one-vote model. Members (Fair Trade Enterprises) elect the WFTO board and president.

An example of an enterprise deploying a board and profit model aligned to cooperative principles is Salay in the Philippines.



Salay Handmade (Philippines)

Salay Handmade was founded in the Philippines in 1987 as a direct response to political unrest: providing economic opportunities to combat the recruitment of poor local people into rebel groups. Producing handmade paper and pressed flowers, *Salay* gained a lucrative market exporting to Japan in the 1990s and continues to provide training and employment to artisans. It continues to innovate in this sector, pioneering the use of alternative fibres including banana leaves, abaca fibre and salago bark. Profits are shared with workers, who also hold a seat on the board and are consulted via meeting and monthly meetings with management. As a WFTO member, *Salay* practices Fair Trade holistically and demonstrates a commitment to the environment via a tree planting scheme that has been in place since 2010. Via its social arm, the SHAPII Foundation, they offer scholarships to bright local children.

The Cooperative movement is global and shares a commitment to internationally agreed principles. However, the models are varied. Cooperative members can be made up of producers, workers, people in the community, or consumers.

Producer cooperatives may allow small-scale farmers or artisans to compete with larger businesses whilst retaining their individuality, for example by transporting or marketing on behalf of their member-owners, and therefore realising economies of scale and achieving market power that would otherwise not be possible. Multi-stakeholder cooperatives where farmers are a central part of the membership (e.g. Biocoop in France) also offer innovative structures that allow for mission-primacy in the business model.

Mondragon, the giant Spanish business group, is a worker cooperative that employs 75,000 people and has an annual revenue of around

€12 billion. One impact of the power of the workers within the corporate structure has been that Mondragon's salary ratio (1:9 between the lowest and highest paid worker) supports greater equality. It is spectacularly at odds with the approaches of its competitors (the average FTSE 100 company is 1:129)³⁶.

A prominent consumer cooperative is the Co-op, a UK groceries retailer whose members use their voice to promote solidarity with producers around the world³⁷. This has led to a world-leading commitment to Fair Trade (in particular the Fairtrade International commodity system) by being the first supermarket in the UK to sell Fairtrade products. The Co-op have expanded their commitment since then by introducing more and more Fairtrade products to the UK market and by sourcing the ingredients of an array of their products on Fair Trade terms. This has led to significant positive impact on farmers around the world.

The idea that alternatives to profit-primacy need to be fostered is becoming widely accepted. Ideas like For-Benefit businesses³⁸ are being embraced, encapsulating businesses built around mission-primacy like Fair Trade Enterprises. Leaders from business, finance and government are recognising the need to move on from profit-primacy in business with the 2020 World Economic Forum in Davos focused on 'Defining Stakeholder Capitalism'³⁹, showing

the world is in search of models that replace shareholder capitalism. In the words of Klaus Schwab, founder of the World Economic Forum: "the single-minded focus on profits caused shareholder capitalism to become increasingly disconnected from the real economy"⁴⁰. The alternative has been brewing as Fair Trade Enterprises join others to create the new economy, populated by businesses that put people and planet first.



Photo credit: Ten Thousand Villages USA

CONCLUSIONS

Fair Trade Enterprises present a viable and desirable alternative model of doing business. In many cases, they have emerged as a response to the needs of producers and communities, rather than the needs of the market. They are more likely to empower women, create livelihoods for marginalised communities, tackle inequality, protect the local environment and remain commercially resilient than a standard, profit-primacy business. The Fair Trade

Enterprise model has endured, prioritising workers, farmers and artisans; empowering women and communities; keeping traditional skills alive and pioneering eco-friendly production models; all while innovating commercially and navigating global markets. The 364 Fair Trade Enterprises in the WFTO are paving the way to an alternative business future. It is time for policy-makers, investors and business leaders to foster these models around the world.



RECOMMENDATIONS

Based on conversations with Fair Trade Enterprises, as well as our own research, there are a number of steps that policy-makers, businesses and investors can take to support alternative approaches to business.

Recommendations for policy makers

1. Access to finance

The investment needed by Fair Trade Enterprises and other Social Enterprises (SEs) is often different to that on offer in mainstream financial markets. They need patient investors, seeking low returns who also prioritise the social and environmental objectives. Policy-makers should support social finance initiatives that exist explicitly to support enterprise business models that pursue social and environmental goals.

2. Market access

Products and services from Fair Trade Enterprises and other SEs are increasingly in demand by ethical consumers. However, to reach these consumers, Fair Trade Enterprises and other SEs need to attend trade shows, create marketing materials, access market facilitation professionals and support awareness-raising campaigns with consumers. Governments should aim to encourage social enterprises by specifically supporting such activities, following the lead of governments who already do⁴¹.

3. Public procurement policies

Public procurement is a powerful tool to drive better business practices, comprising 12 per cent of GDP across OECD countries⁴². An increasing number of public authorities are introducing Fair Trade and sustainability criteria in their calls for tenders. However, this is not enough. Government procurement legislation should explicitly ensure that calls for tenders are designed to advantage social enterprises, whether by requiring ethical certification, shaping weighting criteria for tender documents or by showing flexibility when it comes to quantities and lead times.

Recommendations for businesses

1. Ethical supply chains

Businesses and corporations of all types can promote a transformation of business models through favouring and supporting Fair Trade Enterprises and other SE models in their supply chain. They can also support suppliers to transform their business model (e.g. by going through the WFTO Guarantee System). Oxfam GB has created a procurement tool to identify and favour such business models for their sourcing programme to supply their more than 600 shops⁴³.

2. Supply chain policies

Encourage commercial organisations to adapt purchasing policies to accommodate the distinctive characteristics of Fair Trade Enterprises and other SEs, e.g., flexible order lead times and minimum order quantities. In addition, making long-term commitments to social enterprises and ensuring that the prices paid and terms of trade support them to make similar terms available to their producer groups, workers, farmers and artisans.

3. Impact reporting

Report the impact of ethical supply chains on producers and communities to shareholders and stakeholders to create an expectation of ethical practice.

Recommendations for investors

1. Social investment fund development

Develop specific investment funds for Fair Trade Enterprises and other SEs such as social finance initiatives, social impact bonds and crowdfunding that embrace patient investment.

2. Investee mentoring and support

Support Fair Trade Enterprises and other SE applicants throughout the investment application process and provide follow-up support to recipients of social investment.

3. Impact reporting

Report SE investment fund performance to investors and stakeholders.

ANNEX: ADDITIONAL CASE STUDIES

Beautiful Coffee (South Korea)

Beautiful Coffee is a not-for-profit foundation in Korea that focuses on coffee, chocolate and nuts. With sales of over €2 million per annum, it focuses entirely on empowerment of farmers who are otherwise excluded and marginalised in global markets. In 2014, it separated from Beautiful Store in Korea, which is a network of second-hand shops with Fair Trade operations going back to 2003. *Beautiful Coffee* reinvests all profits into maximising its social impact, with much of this going directly towards supporting cooperatives and communities in their supply chain. They also invest in growing markets for their producers, including through product innovations (e.g. ready-to-drink coffee sachets), specialty ranges (e.g. Women's Coffee from Rwanda and Youth Coffee from Indonesia) and combining global with local Fair Trade initiatives (e.g. a snack made from cocoa from Peruvian and oatmeal from South Korean farmers).

Beautiful Coffee have also invested into growing ecommerce sales, which now represent 25 per cent of their business (but with higher margins), including through advanced logistics that allow next-morning delivery. Wholesale remains the biggest part of their business (40 per cent) while sales through four of their own specialty cafes represents a further 25 per cent of sales. The hybrid nature of their business model (as a foundation that runs a profitable business) means they have struggled with access to finance but remain focused on growing sales and opportunities for economically marginalised producers in every business decision they make.



Photo credit: Beautiful Coffee

EZA (Austria)

Established in 1975, *EZA* is a pioneering alternative trading company that imports hand-crafts, cosmetics, Fair Fashion and food products on Fair Trade terms and sells them into the European market. It has a turnover of €16 million and uses its size and brand to promote sustainable production and consumption. For example, *EZA* participated in the Jute not Plastic campaign, in the 1980s, one of the first attempts by the European Fair Trade movement to promote an environmentally sustainable product (shopping bag) to create income for women, mainly war widows in Bangladesh. 90 per cent of *EZA*'s sales are to the domestic market, via supermarkets, world shops and *EZA*'s own outlets (three *EZA* shops).

EZA has constantly innovated with new supply chains and sourcing models. Recently, it has incubated a coffee brand, called Adelante, sourced entirely from female small holder coffee growers in Honduras and Peru paying a premium price for the coffee and an additional premium that the coffee producers organized in women's groups can use to spend for their own projects and necessities. Another remarkable innovation is the development of an *EZA* Fair Fashion brand called Anukoo with its entire Fair Trade supply chain for organic & Fairtrade International certified cotton from India. The latest innovation was the creation of a coffee blend made from Arabica coffee beans from Mexico and Uganda called Coffee for Future. For this coffee *EZA* pays an additional premium for projects of climate mitigation and protection. In Mexico *EZA* trading partners engage with a tree replantation and reforestation project while the same premium is used to finance and built firewood saving stoves in the communities of the Bukonzo Organic Cooperative Union.



Maroma (India)

Maroma is an Indian business with a \$22 million turnover promoting Fair Trade via the purchase and resale of home fragrance products, from incense to votive candles. It purchases from local suppliers who share a commitment to ethical, environmentally-friendly production and exports directly to markets in Europe, the Middle East and the USA.

Maroma's shares are owned by the Auroville community, a town established by an Act of the Indian Parliament with the aim of providing dignified and inclusive living to all creeds and nationalities. *Maroma* furthers these values, and 35 per cent of its profits go to Auroville, to be spent on infrastructure, housing and social services, with the remainder invested back into the business.

As it has such strong links with its community, *Maroma* is especially concerned with minimizing its environmental impact. Packaging is minimized, waste wax from candles is recycled into new products, and waste water is filtered. Auroville offsets all of its energy use by feeding energy back into the grid from windmills.



Mifuko (Finland)

Mifuko is based in Finland and was founded by two women designers, Mari and Minna in 2009. With a turnover of around €500,000, *Mifuko* focuses on producing and marketing baskets, made by over 600 artisans in Kenya (organised in self-help groups). *Mifuko* is built around the mission of benefiting the women artisans who make their baskets and reinvests all profits in pursuit of this mission (e.g. used for helping groups to register, train the artisans and groups, to create a saving group).

Mifuko has a long-term commitment to its artisans and does not switch artisans groups. They place regular orders for the groups even if *Mifuko* does not sell the products immediately and incurs warehousing costs in Finland. In order to ensure the long-term commercial success, product designs are based on the strengths of the producer groups, combining contemporary Finnish design with traditional Kenyan artisan techniques.

Mifuko has invested into improving their online platform that allow consumers to engage more with the artisans/makers, and to place the orders efficiently. A key aspect of innovation is in the working conditions and practices to adapt to the context of the local community. *Mifuko* allows artisans to work from home and they can decide whether they want to do it in the mornings or in the evenings. *Mifuko* uses M-Pesa to make payments directly to the artisan groups who then share it with the producers (ie without intermediaries) and shares materials directly with the artisans to ensure they avoid travelling (as going to the town to collect materials would take a full day).

Mifuko is registered as a limited company and has a very informal governance as the company is owned and managed by two people (Minna and Mari) equally. *Mifuko* plans to formalise the mission-led aspect of its governance model, as well as the profit reinvestment model it embodies. There is a focus on telling the stories of the makers and the production is transparent with each product signed by its maker.



Soap n Scent (Thailand)

Soap n scent has been creating handmade vegan soaps in Thailand since 2004. Starting out as a small stall in Chang Mai night bazaar, *Soap n scent* now operates a factory and employ 28 staff, with a turnover of more than \$850,000.

The soaps use olive oil, palm kernel and coconut oil, to which a variety of scents are added including lemongrass and lavender. As well as selling these award-winning soaps in Thailand, the majority of produce is exported to key markets such as Germany and Canada.

Soap n scent has a clear mission statement embedding Fair Trade and environmental sustainability. Staff are given a profit bonus and are engaged with the broader organizational mission via a regular employee meeting. Both staff and the broader community are invited to offer new ideas for community projects.



Photo credit: Soap n Scent

Sunbula (Palestine)

Sunbula is based in Jerusalem and committed to promoting social justice and economic empowerment for marginalised people in Palestine. *Sunbula* works in partnership with 24 partner producer organizations in Israeli-occupied West Bank and the Gaza Strip, and Palestinian minority inside the Israel proper. 2000 artisans are able to generate income and to develop their capacity as craft producers through *Sunbula*. According to Shirabe Yamada (Executive Director) “*Sunbula exists specifically to give people economic opportunities in an area that is already hard to live. Our mandate is to reach out to communities to provide sustainable and viable economic opportunities.*”

Sunbula is required to have two legal structures and boards are required to accommodate the different regulations of the two political regimes it deals with. For the operation of its two shops in Jerusalem, *Sunbula* is a registered non-profit with the Israeli Ministry of the Interior. To manage the payments to the producers and carry out development projects in the West Bank and the Gaza Strip, *Sunbula* is a registered non-profit with the Palestinian Ministry of the Interior. *Sunbula*’s two boards are 75 per cent female.

Sunbula works with Palestinian designers to develop new fashion, textile, jewellery and ceramic products. The designers work directly with producer groups and train artisans. For example, a range of needle felt products made from sheep wool was designed to be produced by the Bedouin women. The designers trained the women in needle felt making and typical products include animals and decorative items. While the use of traditional skills is fundamental to product authenticity, innovation in product design is vital to maintaining sales. The tension between tradition and innovation is held in balance by working collectively with designers, artisans and producer groups. Shirabe Yamada (Executive Director) says: “*We work with the designers to constantly renew the products because if the products are static it is hard for us to be able to market them.*”

Sales are predominantly domestic (85 per cent), which includes the very significant tourist market in Jerusalem. International sales (15 per cent) are predominantly online. Cost pressures in the market are significant, and currently, *Sunbula* needs to supplement sales income with grants.

Women Skills Development Organization (Nepal)

Set up in 1975 by a small group of women, *Women Skills Development Organization (WSDO)* is registered as an NGO. The nine board members are all women and represent the women workers and producers. Being an NGO, it is now only focused on doing social activities such as providing free vocational trainings on sewing, dyeing, weaving, doll making and marketing to empower poor, vulnerable and excluded women who had no education, were dependent on or abused by their husbands or generally in poor health due to lack of money and other circumstances.

In Nepal NGOs are not allowed to do business activities such as producing, selling products and earning profits. As selling products is the only medium for *WSDO* to provide the income sources to women, all of the business transactions and the employment program is being done through *Pokhara Women Skill Development Pvt. Ltd (PWSD company)*. *PWSD* was established in 1996. More than 13,000 women are benefiting from training provided by *WSDO* and many of them have set-up their own businesses in Nepal. *PWSD* currently employs 100 women inside the workshops and has 566 female craft producers as members. It also pays VAT to the government.

Their business is majority export-based with 25-30 per cent of sales coming from the domestic market in Nepal. Sales to Europe and North America have declined in recent years, but Asian markets are growing steadily for *PWSD* products (bags, purses, cases gifts etc.), particularly Taiwan, Hong Kong, South Korea and Japan. In addition, the domestic market in Nepal is also growing and several years ago *WSDO* decided to do the sale of the products through two retail outlets under the brand *Woven*. Both shops are in the popular tourist destinations of Kathmandu and Pokhara.

The techniques and designs of *WSDO* products replicate traditional indigenous designs of the Gurung, Magar Thakali and Newar ethnic groups with a modern twist. *PWSD* is focused on handmade and handwoven products. They use cotton and are all made from nettle fibre in Nepal. They also use natural dyes from pomegranate, tea, persimmon and other natural products. *PWSD* provide day care facilities for the children of their workers. They also provide a cooperative savings and credit program, where the women can save money for the future and can obtain a loan with nominal interest, as well as health and educational support for their workers and communities.

WomenCraft (Tanzania)

WomenCraft is a social enterprise established in Tanzania in 2007 to generate income opportunities for refugees fleeing instability and violence in neighbouring Rwanda, Burundi and the Democratic Republic of Congo.

Today, *WomenCraft* works with over 600 women artisans in Tanzania to design, produce, market and distribute modern Fair Trade handmade home décor items such as bowls, baskets, wall hangings and mats. 60 per cent of these are sold into export markets. In doing so, *WomenCraft* generates fair and reliable incomes in previously marginalised artisan communities.

Production is organised at community level in 26 artisan groups across four geographical zones. Each group is managed by one of six artisan leaders. The artisan leaders and their groups manage the orders, quality control and liaise between the communities and *WomenCraft*.

Since 2018, *WomenCraft* has partnered with UNHCR to develop a new line of products made by Burundian refugee artisans under the brand MADE51.

In addition to the impact of income generation from the production and sale of handicraft products, *WomenCraft* has also invested in counselling sessions which have changed gender relations in the otherwise still very traditional context. Artisans have become a lot more independent in the use of their income and husbands are accepting of and seeing the benefits of their wives' weaving work.



NOTES

1. Lederman, D. (2015). *How does income inequality affect economic growth?*. World Economic Forum. Available at: <https://www.weforum.org/agenda/2015/07/how-does-income-inequality-affect-economic-growth/>
2. Oxfam (2016). *An Economy For the 1%: How privilege and power in the economy drive extreme inequality and how this can be stopped*. Oxford: Oxfam GB. Available at: https://www-cdn.oxfam.org/s3fs-public/file_attachments/bp210-economy-one-percent-tax-havens-180116-en_0.pdf
3. Oxfam (2019). *Public good or private wealth*. Oxford: Oxfam GB. Available at: <https://www.oxfam.org/en/research/public-good-or-private-wealth>
4. World Bank (2016). *Poverty and Shared Prosperity 2016: Taking on Inequality*. Available at: <https://openknowledge.worldbank.org/bitstream/handle/10986/25078/9781464809583.pdf?sequence=24&isAllowed=y>
5. Cohen, P. (2018). *Paychecks Lag as Profits Soar, and Prices Erode Wage Gains*. The New York Times. Available at: <https://www.nytimes.com/2018/07/13/business/economy/wages-workers-profits.html>
6. Sahan, E. (2016). *Tackling Inequality is a game changer for business and private sector development (which is why most of them are ignoring it)*. Oxfamblogs. Available at: <https://oxfamblogs.org/fp2p/tackling-inequality-is-a-game-changer-for-business-and-private-sector-development-which-is-why-most-of-them-are-ignoring-it/>
7. Oxfam (2016). *The Journey to Sustainable Food*. Oxford: Oxfam GB. Available at: <https://oxfamilibrary.openrepository.com/bitstream/handle/10546/605193/bp-journey-to-sustai%20%20%20nable-food-btb-190416-en.pdf?sequence=4>
8. IMF (2017). *Drivers of Declining Labor Share of Income*. Available at: <https://blogs.imf.org/2017/04/12/drivers-of-declining-labor-share-of-income/>
9. IDH & True Price (2016). *The True Price of Tea from Kenya*. Amsterdam: True Price. Available at: <https://trueprice.org/wp-content/uploads/2016/04/TP-Tea.pdf>; See also: *The True Cost*. Available at: <https://true-costmovie.com/>
10. Stout, L. (2015). *Corporations Don't Have to Maximize Profits*. The New York Times. Available at: <https://www.nytimes.com/roomfordebate/2015/04/16/what-are-corporations-obligations-to-shareholders/corporations-dont-have-to-maximize-profits>
11. World Inequality Lab (2018). *World Inequality Report 2018*. Available at: <https://wir2018.wid.world/>
12. OECD (2020). *Average wages (indicator)*. Available at: <https://data.oecd.org/earnwage/average-wages.htm>
13. World Inequality Lab (2018). *World Inequality Report 2018*. Available at: <https://wir2018.wid.world/>
14. Konczal, M. (2018). *The Shareholder Revolution Devours Its Children*. The Nation. Available at: <https://www.thenation.com/article/the-shareholder-revolution-devours-its-children/>
15. High Pay Centre & TUC (2019). *How the Shareholder first business model contributes to poverty, inequ-*

- ality and climate change*. High Pay Centre. Available at: <http://highpaycentre.org/pubs/how-the-shareholder-first-business-model-contributes-to-poverty-inequality>
16. Oxfam (2017). *An Economy for the 99%: It's time to build a human economy that benefits everyone, not just the privileged few*. Oxford: Oxfam GB. Available at: <https://www.oxfam.org/en/research/economy-99>
 17. Anthropocene (n.d.). Available at: <http://www.anthropocene.info/>
 18. 56 per cent of people trust business globally; Edelman (2019). *2019 Edelman Trust Barometer*. Available at: https://www.edelman.com/sites/g/files/aatuss191/files/2019-02/2019_Edelman_Trust_Barometer_Global_Report.pdf
 19. WFTO Europe (2016). *The 10 principles of Fair Trade*. Available at: <https://wfto-europe.org/the-10-principles-of-fair-trade-2/>
 20. WFTO (2018). *WFTO Factsheet October 2018*. Culemborg: WFTO. Available at: <https://wfto.com/wfto-factsheet-october-2018>
 21. The International Fair Trade Charter (2018). *How the Global Fair Trade Movement works to transform trade in order to achieve justice, equity and sustainability for people and planet*. Available at: <https://www.fair-trade.website/the-charter-1>
 22. Survey of 62 WFTO members and 19 case study interviews; Croft, S., Doherty, B. & Haugh, H. (n.d.). *Fair Trade Business Models Analysis for WFTO/Traidcraft Exchange*. Unpublished.
 23. Based on the survey of 62 WFTO members by the researchers
 24. Neate, R. (2018). *Global pay gap will take 202 years to close, says World Economic Forum*. The Guardian. Available at: <https://www.theguardian.com/world/2018/dec/18/global-gender-pay-gap-will-take-202-years-to-close-says-world-economic-forum>
 25. Grant Thornton (2017). *Women in business: New perspectives on risk and reward*. Available at: https://www.grantthornton.global/globalassets/1.-member-firms/global/insights/article-pdfs/2017/grant-thornton_women-in-business_2017-report.pdf
 26. WFTO (2018). *WFTO Factsheet October 2018*. Culemborg: WFTO. Available at: <https://wfto.com/wfto-factsheet-october-2018>
 27. An IPCC Special Report on the impacts of global warming of 1.5°C above pre-industrial levels and related global greenhouse gas emission pathways, in the context of strengthening the global response to the threat of climate change, sustainable development, and efforts to eradicate poverty; Intergovernmental Panel on Climate Change (2018). *Global Warming of 1.5 °C*. Available at: <https://unfccc.int/topics/science/works-treams/cooperation-with-the-ipcc/ipcc-special-report-on-global-warming-of-15-degc>
 28. Pfizer (n.d.). *Pfizer's Green Journey*. Available at: <https://www.pfizer.com/purpose/workplace-responsibility/green-journey>; Samsung (2019). *How Samsung Has Evolved Its Environmental Stewardship*. Available at: <https://news.samsung.com/us/samsung-global-green-management-initiatives-journey-sustainable-future/>
 29. High Pay Centre & TUC (2019). *How the Shareholder first business model contributes to poverty, inequality and climate change*. High Pay Centre. Available at: <http://highpaycentre.org/pubs/how-the-shareholder-first-business-model-contributes-to-poverty-inequality>
 30. Otar, C. (2018). *What Percentage of Small Businesses Fail -- And How Can You Avoid Being One Of Them?*. Forbes. Available at: <https://www.forbes.com/sites/forbesfinancecouncil/2018/10/25/what-percentage-of-small-businesses-fail-and-how-can-you-avoid-being-one-of-them/#5330bc2243b5>
 31. Interview with Malcolm Curtis, Head of Lending at Shared Interest, conducted by Erinch Sahan [7 January 2020].

32. Hartigan, P. (2014). *Why social entrepreneurship has become a distraction: it's mainstream capitalism that needs to change*. Oxfamblogs. Available at: <https://oxfamblogs.org/fp2p/why-social-entrepreneurship-has-become-a-distraction-its-mainstream-capitalism-that-needs-to-change/>
33. Social Enterprise World Forum (n.d.). Available at: <https://sewfonline.com/sample-page/understanding-social-enterprise/>
34. BCorporation (n.d.). Available at: <https://bcorporation.net/>
35. BCorporation (n.d.). *What are BCorps*. Available at: <http://bcorporation.eu/what-are-b-corps>
36. Co-operatives UK (2017). *New report highlights lessons from Mondragon - the world's largest worker co-op*. Available at: <https://www.uk.coop/newsroom/new-report-highlights-lessons-worlds-largest-worker-co-op>
37. Interview with Sarah Wakefield, Sustainable Sourcing & Fairtrade Manager at The Co-op, conducted by Erinch Sahan [8 January 2020].
38. Fourth Sector Group (n.d.). *What Are For-Benefit Organizations?*. Available at: <https://www.fourthsector.org/for-benefit-enterprise>
39. World Economic Forum (2019). *World Economic Forum 50th Annual Meeting in Davos: Defining Stakeholder Capitalism*. Available at: <https://www.weforum.org/press/2019/10/world-economic-forum-50th-annual-meeting-in-davos-defining-stakeholder-capitalism/>
40. Schwab, K. (2019). *What Kind of Capitalism Do We Want?*. Time. Available at: <https://time.com/5742066/klaus-schwab-stakeholder-capitalism-davos/>
41. CLAC & Fair Trade Advocacy Office (2015). *Public policies in support of fair and solidarity trade*. Available at: <http://clac-comerciojusto.org/wp-content/uploads/2015/04/Public-policies-in-support-of-fair-and-solidarity-trade-CLAC-FTAO.pdf>
42. In 2015, average across all OECD countries
43. Maitland, A. (2019). *Fairer procurement: The equitable business tool*. Oxfam Views & Voices. Available at: <https://views-voices.oxfam.org.uk/2019/01/how-to-buy-from-fairer-business/>



This publication was produced with the financial support of the European Union. Its contents are the sole responsibility of the World Fair Trade Organization and Traidcraft and do not necessarily reflect the views of the European Union.

