

Fair Trade, Responsible Investments and Ethical Finance

Proposals for Public Policy Recommendations



Introduction

The PRICE (Promoting Responsible Investments and Commerce in Europe) project has been progressing since 2013 to create stronger links and synergies among the main European actors who promote and are involved in Fair Trade and Ethical Finance - and alternative practices to the for-profit oriented economy in general. This document is the formalizing and bringing together proposals for public policy recommendations to the EU and its Member States in terms of promotion of Fair Trade, Ethical Finance and Responsible investments. They are just the “headlines”, to be developed further with the appropriate stakeholders.

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The recommendations are ordered as follows:

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1) Legal and political recognition at the EU level

An institutional framework that allows to legally recognise, support and help spread the Fair Trade and Ethical Finance initiatives needs to be created in the EU system, while at the same time a stronger regulation on speculative finance needs to be put in place. In this regard we ask to the EU institutions:

- a) To promote a **uniform enabling environment of Fair Trade at EU level**, in order to define a common framework policy that can enlarge and strengthen Fair Trade markets. In EU partner countries, support legal frameworks protecting Fair Trade smallholders.
- b) To promote a **legal framework that recognises and promotes Ethical Finance practices and socially responsible investments** at the EU level, differentiating them from traditional banking and financial operations and making them more readily accessible to citizens and to public authorities.
- c) To promote a **political framework that allows to govern the financial system**, with a series of policies to cancel the shadow banking system, define a financial transaction tax, limit the use of derivatives and similar speculative instruments; abolish tax havens; promote, monitor and enforce mechanisms for the financial market worldwide, which enable to restore the supervision of the global financial system under democratic and transparent institutions.
- d) To promote the **professional integration of people with new skills and entrepreneurship based on Fair Trade and Ethical Finance practices**, providing incentive/tax exemption measures for economic, social, environmental value added productions and services.

2) Concrete measures to support FT and EF

The European Commission has already issued guidelines on Green and Socially Responsible Public Procurement. It now needs to encourage Public institutions around Europe to use this criteria in their calls for tenders, supporting with guidance, incentives and recognition. We ask, to the EU institutions:

- a) To support the **Microfinance and Microcredit** instruments, put in place by financial cooperatives or enterprises, who contribute to Social Local Development and Fair Trade.
- b) To recognise **social and complementary currencies** as valid support for sustainable, fair and solidarity based circuits of production and consumption, promoting their use and addressing legal issues so they can be adopted in every country of the EU.
- c) To support **Crowdfunding and Social-lending platforms** directed to social and responsible enterprises and social innovation, allowing for a widespread participation and investment in environmentally and socially viable projects.
- d) To promote the inclusion of topics as **education** on responsible consumption and Fair Trade principles in schools and universities.
- e) To promote awareness raising and educational activities in schools, local authorities, civil society organisations, and generic public.

3) Trade policy

As new Free Trade Partnerships and Agreements are being negotiated, it is fundamental to involve all stakeholders and ask the European citizens for their opinion, since those treaties will have a strong impact especially on the development of local economies. In particular, we ask the EU institutions and each member government:

- a) To commission a study on **how to promote sustainable development in trade**, by exploring existing initiatives that allow to differentiate products on the basis of the best practices of the producing and trading organisations, and propose different options of extending this at EU level, starting for example with agricultural products (this could then translate into a new initiative that grants preferential EU market access for sustainably produced goods).
- b) **To reject the TTIP and similar Free Trade Agreements (FTAs)** where they have provisions that allow economic actors to overcome local and State regulations and damage small producers, with unsustainable labour, environmental and trade practices. Conversely, as already pointed out in its "Trade, growth and Development communication", the EU should «support [the] participation of small businesses in trade schemes that secure added value for producers, including those responding to sustainability (e.g. fair, ethical or organic trade)». This can already take place in the context of the implementation of sustainable trade chapters of the existing FTAs, by better directing development funds towards the promotion of Fair Trade.
- c) To follow the examples of Member States which have signed **bilateral cooperation agreements with developing countries for the promotion of Fair Trade and Social Economy** in their bilateral commercial relations (for example, the recent agreements between France with Ecuador, Bolivia and Brazil).

d) To **revise the EU Aid for Trade (AfT) strategy** to include more systematic support to small producers and economically disadvantaged sections of society, particularly towards Fair Trade smallholders in low income countries, and ensure that AfT promotes poverty-reducing and inclusive instruments, based on small producers' needs with an emphasis on developing local markets and sustainable value chains.

e) To improve the availability of **statistics and impact studies of sustainable trade projects** and their contribution to achieve poverty reduction objectives.

4) Private Sector Development Policy

It has become evident the importance that the private sector has in the economic development. As the Agenda for Change suggests, it is needed to forge public-private partnerships in order to ensure that the private companies' actions are aimed at promoting economic and social development and avoid the violation of human, environmental and social rights. In particular, we ask the EU institutions:

a) To support the **strengthening of Southern Fair Trade organisations and networks** (regional and national), in order to develop an inclusive local private sector, as mentioned in the **Agenda for Change**.

b) **To enhance the capacities of Fair Trade organisations and networks to better make business with European SMEs**, including support (in terms of differentiated taxes and incentives) for the use of Ethical Finance instruments, pre-financing practices, or socially-oriented credit policies.

c) To facilitate the **sharing and upscaling of best practices among Fair Trade producer support networks**, e.g. on climate adaptation, organisational improvements, Internal Monitoring Systems (IMS), against child labour.

5) Sustainable consumption

A general recommendation for the European Commission is to include Fair Trade as part of the implementation at European level of the Sustainable Development Goals that will be agreed by the United Nations in September 2015. Moreover, the Commission should conduct a revision of the Sustainable Consumption and Production Action Plan - or any other policy initiatives in this area - as a key tool for private and public consumers to contribute to sustainable development. In particular, we ask the EU institutions to target Consumers and Public Authorities implementing policies:

By Consumers

- a) **To support the increase of consumer awareness**, providing more information to consumers and operators, stimulating the use of Fair Trade standards. In its Staff Working Document on the EU 2013 Report on Policy Coherence for Development, the Commission already explains that it needs to “give consumers the power to make informed purchasing decisions and the ability to make a real difference to small producers in developing countries”.
- b) To conduct **regular surveys on EU consumers' awareness of Fair Trade and Ethical Finance** by Eurostat¹.
- c) **To support information websites dedicated to Fair Trade** which contain background of the topic, where to find Fair Trade products, organisations, as well as success stories in the consumption/awareness raising of Fair Trade².
- d) **To support information websites dedicated to Ethical Finance** which contain background of the topic, where to find Ethical Finance Services, organisations, as well as success stories in the use of savings, credit and investments in Sustainable Banking and Ethical Finance.
- e) **To put in place cross-European public information campaigns** so that all citizens across the 28 EU Member States have access to a similar level of information on how they can support Fair Trade via their purchasing decisions as well as Ethical Finance via their savings decisions, with a special focus on Central and Eastern Europe.

By Public authorities

- f) To make sure that Member States have a common understanding of the possibilities offered by the new Directives in the area of Socially Responsible Public Procurement. Furthermore, **the Commission should encourage Members States to include Fair Trade alongside other social criteria in their public contracts** through specific guidance on how to do it, giving examples of public authorities that already support small producers through their public purchases.
- g) In addition, **DG GROW** - as the unit responsible for Public Procurement legislation - should liaise with other DGs to **ensure that the policy proposals that can affect Sustainable Public Procurement**, such as CSR, Private Sector and Development, Sustainable Consumption and Production in the post-2015 development framework, **are coherent with the revised Public Procurement Directives**.
- h) The Commission should make sure that **Member States have a common understanding on the specificities of Ethical Finance** and the possibilities it offers in promoting and financing *not only Fair*

¹ A good example in this direction is the recent Eurobarometer *Would you be prepared to pay more for groceries or other products from developing countries to support people living in these countries (for instance fair trade products)?* - see results under section 5.2 pages 42-45 of the following Eurobarometer report: http://ec.europa.eu/public_opinion/archives/ebs/ebs_421_en.pdf.

² Similar to the EC website devoted to “eat, buy and sell sustainable fish”.

Trade but also the social economy, social enterprises, renewable energies, organic agriculture, and other social innovations. Ethical Finance can be a unique lever to increase green, smart and inclusive development within the EU and **Ethical Banks should be given a prominent role in the design and implementation of EU financial instruments related to EU policies** on Employment and Social Inclusion, Growth, Education and Culture, Energy, Agriculture and Environment. Ethical Banks should be priority financial intermediaries for the Commission in the rollout of new instruments such as EASI, COSME, H2020, Creative Europe, etc.

i) In addition, **DG Market** - as highlighted by the EESC in its latest opinion in the application of the new banking rules - should preserve the "biodiversity" of the financial system, in order to **develop a stable and effective financial ecosystem that contributes to financing the real economy** and in the case of Ethical Banks to support the development of Fair Trade, as well as social economy, social enterprises, renewable energies, organic agriculture, and other social innovations.

j) This means the **European Commission must develop adapted financial regulation frameworks for ethical and cooperative banks**, that avoid the undesirable effects of uniform application of prudential rules and an overload of administrative burdens. In particular, this implies **the application of the proportionality principle in the new banking rules, by which the strictest requirements should apply to global banks**, stringent requirements should apply to pan-European banks (of a systemic nature in Europe) and more flexible requirements should apply to national and local banks, such as Ethical Banks, which operate for the most part as Cooperative Banks, and apply the strong ethical standards and codes of good governance, that are vital for restoring lost confidence in the financial sector.

k) **To issue guidance for Public Authorities** to explain the new possibilities offered by the Public Procurement Directives and encourage the uptake of Fair Trade by public authorities.

Concretely, the Commission will revise its **Buying Green and Buying Social guides** to provide proper guidance, tools and support for the sustainable purchasing of food services. The revised guidance will offer tools for different actors such as schools, hospitals, businesses and national or local governments to assist them in developing calls for food services.

l) To support the creation of an **Europe-wide purchasing platform for public authorities** willing to facilitate the sourcing of certain Fair Trade commodities that are not available on the market, such as Fair Trade cotton.

By private enterprises

m) To facilitate better match-making between Fair Trade producers and European consumers and businesses by **creating capacity building for European SMEs to include Fair Trade suppliers in their supply chains**.

n) **To promote "fair and ethical trade" in the international CSR guidelines and principles** through policy dialogue and development cooperation with partner countries, as pointed out in the Commission Communication "A Stronger Role of the Private Sector in Achieving Inclusive and Sustainable Growth".

o) The new EU Strategy for Corporate Social Responsibility will have a strengthened external dimension. **This Strategy could explicitly include Fair Trade and Ethical Finance as means for companies to fulfill their CSR commitments**, as suggested by the Council³. **The EU should encourage European companies to source under Fair Trade terms**, integrating cooperatives and SMEs from the South in their value chains as a best practice for their international CSR commitments. At the same time **all financial activities and cash flows generated by European companies should be managed through Ethical Banks**, which can offer higher standards of transparency.

³ The Council Conclusions of 23 June 2014 on "A Stronger Role of the Private Sector in Achieving Inclusive and Sustainable Growth".

These recommendations have been done by the PRICE Project Partners. PRICE is an EU funded project that aims to connect the dots between Fair Trade and Ethical Finance. **More information at:** www.thepriceproject.org

- LEADER



COPADE seeks to establish trade relations under the principles of Fair Trade and help to create a social structure that will enable disadvantaged groups to be agents of their own development.

More information at: www.copade.es

- PARTNERS



AGICES is a national Association formally established in 2003 which promotes Fair Trade and FT organisations in Italy.

More information at: <http://equosolidale.wordpress.com>



Equação, Cooperativa de Comércio Justo, is a cooperative created for promoting Fair Trade principles and products among consumers.

More information at: <http://www.equacao.org>



Fair Trade Hellas is a nonprofit NGO founded with the aim to promote the fair trade movement and ethical consuming in Greece.

More information at: <http://www.fairtrade.gr>



FCRE is the foundation of Banca Popolare Etica in order to spread awareness at the national and international levels about the impact that economic action and market dynamics have on society and the environment.

More information at: <http://www.fcere.it>



IDEAS believe that the development of creative potential is a key approach to changing the environment in which we live and their focus is catalyze social change through art and creativity.

More information at: <http://www.ideasfactorybg.org>



Koperattiva Kummerç Güst is a Maltese not-for-profit cooperative with the aim of raising awareness on various global issues and promotes responsible consumption.

More information at: <http://www.l-arka.org>



PFTA is the pioneer of the Fair Trade movement in Poland, focused on promotion of Fair Trade, education on sustainable development as well as distribution of Fair Trade products.

More information at: <http://www.sprawiedliwyhandel.pl>



Protect the Future has been encouraging people to participate in local and national public affairs.

More information at: <http://www.vedegylet.hu>



WFTO is the global network and advocate for Fair Trade, ensuring producers' voices are heard. WFTO will enable small producers to improve their livelihoods and communities through Fair Trade.

More information at: <http://www.wfto.com>

SPECIAL THANKS TO



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