

Acacia Social Investment Fund

Developing a Social Agenda for the Gum Arabic Industry

Introduction

Gum Arabic remains an important cash crop for thousands of African farmers in the sub-Saharan "gum belt". The main production areas are in the Sudan but the commodity is also produced in, another 14 countries, many of them in the arid and semi-arid areas of the region including Nigeria and Senegal.

Gum Arabic itself is essential in sustaining their farming systems, but with fluctuations in prices and the prevalence for uncertainty in the profitability of the crop it is unclear whether this fluid situation can ensure the sustainability of gum supplies to the world market. By establishing the industry on a firmer footing and developing the rural areas and communities that it supports, will provide for a significant positive impact on the region's collective revival. Establishing fairer trade amongst the Gum Arabic supply chain participants will be one of the core objectives of the Fund's social agenda.

The Social Agenda and Fair Trade

Fair trade is a way of trading which seeks to empower producers who are disadvantaged by the structures of conventional trade. Those involved in fair trade seek to empower producers by adhering to certain principles, and standards of behaviour in their trading relationships, and also by campaigning to challenge mainstream trade structures. Fair trade seeks to reduce poverty, by trading specifically with poor or marginalised producers.

The goals of fair trade will be:

1. To improve the livelihoods of producers by improving market access, providing fair terms of trade and maintaining long-term stable trading relationships
2. To promote development opportunities for disadvantaged producers, and to protect children from exploitation in the production process.
3. To raise awareness and educate and encourage consumers to buy fair trade goods
4. To set an example of partnership in trade through dialogue, transparency and respect
5. To challenge the rules and practice of conventional trade
6. To promote social justice, sound environmental practices and economic security.

Fair trade is motivated by an ethical desire to work towards social and economic justice for all, and the sense that social and economic justice can often be compromised by the practices of conventional, or mainstream trade. In fair trade, buyers and producers cooperate to create a trading structure which does not exploit the poor; it helps to empower producers.

Fair trade is process-based and dynamic, involving long-term partnership and a commitment to continual improvement of the organisations involved, and the terms of trade between them. It is thus different from auditing processes such as that for organics, where inspections occur, certificates are issued, and you instantly 'become' an organic organisation.

The Benefits of Fair Trade to Producers

The Social Agenda of the Fund will therefore focus on creating awareness amongst the buyers of Gum Arabic of the production dynamics of the commodity and help provide key benefits of fair trade to producers. The Fund will help to assist in the development of these activities some of which may include:

- The package of assistance offered by buyers: this may include credit, product development and market access support
- Risk-sharing: advance payments, credit facilitation and long-term relationships which enable secure financial planning
- Fair terms of trade: fair trade involves the payment of a 'fair price', which should cover the costs of production and provide a 'living wage'. In some cases, this price will be higher than the market average. It often includes pre-export finance to aid producers with cash-flow and management of financial risk
- Social benefits: in some cases funds could be earmarked for social development, in others the buyer could be encouraged and helped with social development projects. The distribution of social benefits is usually managed by a democratic body of producers
- Long-term, stable trading relationships which are transparent and honest
- Support for the producer in developing responsible practices for their business and meeting fair trade standards.

This final point is less commonly discussed but is increasingly important. In the last 20 years corporate responsibility (CR) has become an important factor for companies in developed countries. Corporate responsibility is the responsibility of a company for its economic, social and environmental impacts at all stages of the supply chain. As the importance of CR grows globally, it will become more important for developing country businesses as well. The responsible practices which fair trade sets in place can make fair trade businesses 'one step ahead', thus making them better prepared for these changes.

The Principles of the Social Agenda

Everyone will share the goals and principles of the Fund's Social Agenda and its aim of establishing a fair trade process. However the ways of approaching the process may differ. To state a concrete set of rules or guidelines is unrealistic for two reasons; as different fair trade organisations have different approaches, and as different local and business contexts require different approaches.

Nevertheless, fair trade carries expectations and obligations for producers, which can be defined as 'standards'.

Fair Trade Standards

Meeting fair trade standards within the Gum Arabic supply chain will mean making fair trade principles part of the business. A buyer or monitoring organisation will usually expect the producer and others in the supply chain to meet certain basic requirements in most areas, and will work with the Fund and the producer in partnership to make more progress in all areas. The Social Agenda of the Fund will ensure that these 'basic' requirements will be the

minimum a buyer will be expected to follow with producers before beginning to trade. The Fund, via the Social Agenda, will work closely with the Fairtrade Labelling Organisation (FLO). FLO has developed specific standards (both 'minimum' and 'progress') to certify and monitor production of various commodities. FLO processes involve independent assessment and certification, resulting in permission to use the internationally recognised 'Fairtrade Mark'. Two sets of FLO standards are used; one for trading organisations (both producer and buyer), and one for products. So far, relatively few product standards have been developed, most of which are foods. Work is being done to extend the range and it will be the aim of the Fund and its advisors to include Gum Arabic to this list.

Broadly, the Social Agenda of the Fund will strive to establish and maintain a set of standards. As a practical guide these may include:

a) Commitment to the goals of fair trade

Those in charge of the Fund have a good understanding of the principles of fair trade, and will spread this understanding amongst all involved. There will be evidence of commitment to fair trade through communication with partner organisations and the wider public.

b) Fair trade adds development potential

Fair trade enables social development for producers. Social development can include projects that aim to improve schools, water supplies, adult literacy or health for the producers and their communities. The support for these projects could come from a specific fund set aside by the trading partners, provision of resources from bilateral and multilateral donors working in the producing regions or from any extra revenue derived from trading by the producers.

c) Fair wages and prices are paid

A fair wage is paid and is set at least at the local minimum wage, or higher. Suppliers will also be paid a fair price for their inputs. A fair wage or price is one that covers the cost of production and provides a 'living wage'.

d) Labour Standards

Certain labour standards are more applicable to large organisations that employ many workers than to small producer enterprises. They are included nonetheless, as they are important international standards, derived from those of the International Labour Organisation (ILO). In general, local law can be considered as the minimum standard.

e) Transparency and openness

There is openness and cooperation within the supply chain, and with external trading partners. Communication with trading partners is open and honest. The supply chain participants will seek to disseminate relevant information to all those involved.

f) Environmental Standards

Environmental standards are an important factor in social and economic development as they can impact on producers' lives. However, in the context of fair trade, issues of immediate social development and worker welfare tend to take priority. Areas to consider will include animal welfare, material sourcing, waste disposal, packaging and paper, conservation and energy use.

g) Business capacity

Business readiness is of crucial importance in fair trade. To enter a market, the producers must be able to meet market demands. Part of this is having a product to offer which is in demand by the market, so that it can then be sold. Another part is having the appropriate business capacity to meet buyer demands in areas such as quality, logistics, communication, accounting and timeliness.

Monitoring, Assessment and Compliance

The Fund, via its Social Agenda, will establish a process of monitoring and assessment. This



will be a cooperative process, over which both producers and assessors will have influence. For those whose products can be FLO certified, there is a clearly set out process involving independent inspectors and certification.

As fair trade is an ongoing process rather than an instant audit, trading partnerships will be monitored regularly. Both buyers and producers will be monitored. The monitoring process will usually involve questionnaires, and regular visits, to check that basic standards are still

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being met and that progress towards agreed goals are being made. The process will be cooperative and involve a review of the agreements drawn up between partners at the beginning of the trading relationship. If the monitoring process reveals issues or challenges, they will be addressed in partnership.

GUM ARABIC FOUNDATION

London UK

contact: foundation@gumarabic.org

website: www.gumarabic.org