

Fairtrade Foundation submission to the International Development Committee's inquiry on the impact of the coronavirus on developing countries around the world and the UK's response – long-term impacts

May 2020

1. Introduction

- 1.1. The Fairtrade Foundation welcomes the opportunity to respond to the International Development Committee's inquiry on the impacts of the coronavirus on developing countries with a focus on long term issues, implications and lessons to be learned.
- 1.2. Fairtrade in the UK is part of a global Fairtrade system which supports 1.71 million Fairtrade workers in 73 countries around the world. Our vision is to make trade fair and secure a better deal for farmers and workers, contributing to the UK's wider international development efforts and achievement of the Sustainable Development Goals (SDGs).
- 1.3. The Fairtrade Foundation has been monitoring the impact on Fairtrade producers, smallholder farmers and workers in developing countries during the COVID-19 emergency. We are continuing to see a devastating impact across sectors, leading to heavy job and/or income losses amongst groups who were already vulnerable, which will increase poverty unless urgent support is given.
- 1.4. Information in this submission is correct to the best of our knowledge. Due to communication difficulties associated with the COVID-19 pandemic, we have not been able to independently verify all information sources.

2. Key messages

- 2.1 The crisis reveals the **inequality which often underlies our global economy**. Many farmers and workers that Fairtrade works with are likely to suffer immense hardship throughout the crisis due to the loss of livelihoods and incomes. We expect to see a risk of poverty, health impacts and a higher risk of human rights violations.
- 2.2 The crisis points to the fragility of our trade and food systems, transport systems and public health systems. Governments, business and civil society will need to **"build back better" with a more resilient, sustainable and fair approach** in place so that we are **better able to face future shocks including climate related risks or the risk of a future pandemic**. The Sustainable Development Goals (SDGs) provide a helpful benchmark against which to assess the impact of the crisis and the gap which must be met.
- 2.3 Our supply chains are only as strong as their weakest link. **Farmers and workers need to be prioritized as part of any national and international response**, and stimulus packages and other economic measures must reach farmers in meaningful ways. **Supporting farmers and workers now and in the future will not only be critical to the lives of millions, but is also in the interests of UK food security and resilience**.
- 2.4 We may be seeing evidence that **fairer and more sustainable supply chains are more robust in the face of the crisis**. For example, **Fairtrade farmers and workers have been able to call**

on reserves from Fairtrade premium funds to set in place health and social protection measures to buffer, to an extent, the immediate impact of COVID-19 (though these funds will become quickly depleted). Communities that have benefited from investment in housing, sanitation and healthcare are better able to face the public health needs arising from the virus. In addition, many businesses working with Fairtrade have been quick to see the need to support vulnerable producers and set supportive measures in place. Such supply chains may be better able to face the current crisis and be better placed to recover quickly.

- 2.5 The crisis helps make visible **the critical role businesses and retailers play** in global supply chains and **the importance of fair purchasing practices, workers' rights and human rights due diligence processes**. Businesses, retailers and Governments need to work together to address the scale of the crisis including ways to strengthen the resilience of its food supply chains through the introduction of **mandatory human rights due diligence for businesses and organisations**.
- 2.6 **Any restart to the global economy needs to accelerate action on the climate emergency**. Smallholder farmers and workers already live at the frontline of the climate emergency, facing increasing struggles caused by droughts, floods and unpredictable, changing weather. The economic impact caused by COVID-19 could mean they are less able to withstand future climate related shocks. **Investment in sustainable, fair production that will be resilient for the future is vital, so recovery measures should promote emissions reduction and adaptation**.
- 2.7 The COVID-19 crisis is showing how **communities around the world are all profoundly interdependent** for the food and supplies that we rely on. Where there has been a failure to address poverty and environmental sustainability we now experience a shared vulnerability. **Future wellbeing and shared prosperity for all needs to be built on a new commitment to fairness and sustainability in trade**.
- 2.8 As explored in more detail in our submission to the first part of this inquiry, in the short term there is an **urgent need for a coordinated response to the crisis facing developing countries, and which is visible within the communities that Fairtrade works in**. Urgent needs include:
- 2.8.1 Measures to address the public health crisis**, by strengthening already fragile healthcare services, providing Personal Protective Equipment (PPE) and health awareness raising.
- 2.8.2 Provision of emergency support to protect jobs and livelihoods** and to provide social protection, to avoid widespread poverty amongst people who could otherwise lose their livelihood as a result of the crisis. A widespread loss of livelihoods without social protection would also compound the public health emergency, removing the income to access health services and placing pressure on movement restrictions.
- 2.9 As part of underpinning long and short-term measures **we encourage the UK Government to take the lead within the global response and to back wider economic support and stimulus**.
- 2.10 At this time of crisis, the **Sustainable Development Goals (SDGs)** remain a very useful, multi-dimensional framework and set of targets, shared across governments, private sector

and civil society. Using the SDGs as a reference point could help in identifying needs, structuring and monitoring contributions to long term recovery.

3. The economic impact of COVID-19 on developing country producers

3.1 The impact on jobs and livelihoods in developing countries has been rapid and deep, with hundreds of thousands of farmers and workers experiencing job losses and loss of income. We share below examples of the estimated scale of the impact in several key commodities¹:

3.1.1 Fairtrade flower farms have been some of the hardest hit by the early stages of the pandemic, with the flower industry experiencing a catastrophic drop in orders². An estimated £2.4 million will be needed to maintain a skeleton workforce on Fairtrade flower farms every 3 months to ensure a level of continued income for already vulnerable communities³.

3.1.2 An estimated £800m will be in lost cocoa tax revenue for Ghana, which provides essential extension services⁴. Cocoa communities are already among the most vulnerable with high levels of poverty and health risks.

3.2 Alongside such heavy economic impacts, the public health and social protection/humanitarian costs facing producer groups in meeting the initial stages of the crisis are substantial. The following are some examples of financial needs estimated by Fairtrade producer groups⁵:

3.2.1 Flower farms - Emergency social protection payments for 59,000 workers for 3 months: £1.1m.

3.2.2 Wine grape farms - Distribution of handsoap, sanitiser, facemasks to 36 farms: £150,000.

3.2.3 Coffee farms - Emergency social protection for 4,000 farmers: £350,000.

3.3 The economic damage to business continuity for agricultural producers could also have consequences for the UK's international food supply chain. 10-15 percent of the UK's food, including basics such as fresh fruit and vegetables, comes from Africa, Asia and Latin America/Caribbean⁶, so supporting producers through this difficult time is also of direct importance for UK food sourcing.

3.4 We welcome the vital public health measures⁷ funded by UK aid in the Government's initial aid decisions. We now encourage the Government (together with governments worldwide) to address rapidly the economic and social protection crisis that is accompanying the public health emergency, and which will compound the public health crisis if unaddressed. The UN

¹ Source: Fairtrade supply chain information

² <https://www.reuters.com/article/health-coronavirus-kenya-flowers/kenyas-flower-exports-wither-as-demand-drops-amid-coronavirus-pandemic-idUSL8N2BA7M8>

³ Fairtrade Foundation estimate based on supply chain information

⁴ <https://www.comunicaffe.com/cocobod-the-fall-in-cocoa-prices-has-cost-ghana-1-billion-in-revenue/>

⁵ Fairtrade Africa assessment of funding requests from producer groups

⁶ Calculation by the Fairtrade Foundation based on DEFRA statistics

⁷ <https://www.gov.uk/government/news/uk-leads-global-fight-to-prevent-second-wave-of-coronavirus>

University World Institute for Development Economics Research estimate that half a billion people will fall into poverty as a result of the economic impact of this crisis⁸.

- 3.5 We encourage the UK Government to work with origin governments, retailers, traders and civil society / NGOs to support business continuity measures, social protection and emergency support for supply chains that import food or goods from low income countries, focused on production where farmers and workers are most at risk from poverty and hunger. **In many situations the need for such support is now. Lockdown and market impacts have struck very quickly in many industries and job losses have been rapid.**
- 3.6 In addition to the impact on poverty and inequality, human rights risks could rise in factories and agricultural settings, both because poor incomes / job losses lead to distress strategies, and because movement restrictions lead to a lack of independent observation/inspection. If employment becomes scarce or income drops there is a higher risk that farmers and workers accept abusive working terms and conditions. External scrutiny by journalists, researchers and agency staff will also reduce due to movement restrictions, for example if plantation communities are placed in isolation. Human rights due diligence processes will be harder to operate. In this context it is very important that UK businesses uphold fair purchasing practices and remind their suppliers of the importance of maintaining high human, environmental and workers' rights, despite the difficult circumstances.
- 3.7 We encourage the UK government to back responsible business practices from UK business through the crisis response period, in line with its strong historical commitment to the UN Guiding Principles on Business and human rights and recent DFID expenditure.
- 3.8 We encourage the Government to resource DFID to act decisively in the face of the pandemic, to meet short and longer-term priorities and to take rapid needs-based decisions. A strong global recovery from the pandemic will save lives and prevent hardship worldwide, and will also be intrinsically linked to the UK's own recovery, security and sustainability.

4 Building Back Better

- 4.1 During this crisis, the importance of systems of social protection, business reserves, strong organisations and investment in public health for agricultural food produces are becoming apparent. We may be seeing evidence that **fairer and more sustainable supply chains are more robust in the face of the crisis.**
- 4.2 For example, Fairtrade farmers and workers have been able to call on reserves from Fairtrade premium funds to set in place health and social protection measures to buffer to an extent the immediate impact of COVID-19 (though funds will become quickly depleted). Communities that have benefited from better wages, investment in housing, sanitation and healthcare are better able to face the public health needs arising from the virus both at the household level and in terms of community infrastructure. In addition, many businesses working with Fairtrade have been quick to see the need to support vulnerable producers and set supportive measures in place. Such supply chains may be better able to face the current crisis and be better placed to recover quickly.

⁸ <https://www.wider.unu.edu/publication/estimates-impact-covid-19-global-poverty>

- 4.3 This adds evidence to the business case (as well as the moral case) for measures such as the payment of living incomes and living wages to farmers and workers, for investment in environmental sustainability measures and human rights standards. A new determination in recovery to uphold commitments to poverty reduction, human rights and the environment in the UK's food supply chains will enhance UK food security and the resilience of our food supply chains against future global shocks.
- 4.4 In addition to the payment of living incomes and wages, we welcome the call by the International Trade Union Coalition (ITUC) for a Universal Social Protection Fund for the poorest countries, which would require multilateral funding of \$5bn. We also support calls for the cancellation of debt owed by low income countries, many of who rely on export revenues that have fallen due to this crisis.
- 4.5 The climate emergency strikes at the heart of Fairtrade's mission to support and empower smallholder farmers. Our aim is to end unjust trade and realise secure, sustainable livelihoods for farmers, producers and workers in the global South. Many poor farmers and workers in developing countries (who have done least to cause the crisis) have already been forced to abandon their fields and migrate. Climate-related risks to livelihoods are predicted to rise rapidly, and coupled with the impacts of the COVID-19 crisis, the scale of the challenge facing producers on the front line is stark. Restarting the economy needs to include consistent commitment to tackling the climate crisis, including looking at how we can build back better with low carbon trade and responsible business practices, whilst also upholding development outcomes and the rights of farmers and workers to earn a sustainable living.
- 4.6 The Fairtrade Foundation is also keen to ensure that the UK Nationally Determined Contribution (NDC) (currently under review ahead of COP26) is ambitious and pays our 'fair share' of the global effort to tackle climate change. Given the high level of food sourcing from overseas the UK's carbon footprint within supply chains is significant. The UK's climate action plans must now go hand-in-hand with economic recovery plans and increased support to the most vulnerable suffering the worst impacts of the climate emergency and the health emergency. It is vital that the investment decisions taken now ensure we align with 1.5°C and are firmly on the path to net zero.
- 4.7 The above measures would help ensure that global supply chains become more sustainable, more resilient, and better able to protect UK consumers and vulnerable farmers and workers against future shocks. DFID could also consider working with UK companies, CSOs and Multi-stakeholder initiatives (MSIs) to develop emergency-preparedness plans which could rapidly mobilise resources to protect farmers and workers in global supply chains in the event of a future pandemic, climate-related shock or economic shock.
- 4.8 The Fair Trade movement was founded on the principle of solidarity between communities around the world. The Fairtrade system is actively coordinating its COVID-19 response between Fairtrade International, Producer Networks and national Fairtrade members including the Fairtrade Foundation. Our Producer networks represent the voices of over 1700 Fairtrade certified producer organisations in 75 countries and hold 50% of the decision making power at Fairtrade, giving us good insight into needs on the ground, and the mutual interdependence between consumer and product. 84% of consumers have trust in the

Fairtrade Mark, and Fairtrade's work in providing fair prices, a living income and helping farmers to escape from poverty is crucial to this trust. The Fairtrade Foundation stands ready to support with the ongoing response to the crisis.

5. Fairtrade actions

- 5.1 In order to support small scale farmers and vulnerable workers and their communities in the Fairtrade network and beyond, Fairtrade at the global level has set up a COVID-19 Fairtrade Fund to coordinate fundraising and programming to (i) provide immediate relief efforts to save lives and preserve productive units; (ii) design targeted interventions to adapt and strengthen supply chains to grow resilience; and (iii) track relevant market, trade and producer information on global supply chains to provide up to date information to commercial partners, government, CSO and producers.
- 5.2 A temporary change has been made in Fairtrade Standards³ to give producer groups additional flexibility in use of Fairtrade Premium (FP) during the COVID response. In particular, that substantially more of the Premium can be used as cash payments subject to the agreement of FP Committees (democratic bodies at farm level made up of farmers and workers).
- 5.3 Producer Networks across the Fairtrade system are continuing to support actions taken at farm / plantation level, including public health and/ or economic measures such as health restrictions / social distancing, and health education.
- 5.4 We understand that many producer groups are using the emergency Premium arrangements to meet COVID related needs, including the payment of wages and emergency support payments, public health measures and social protection. This is helping to manage the initial phases of the crisis, though at the same time is drawing down quickly on Premium reserves which will need replenishment. For example:
 - 5.4.1 A Fairtrade flower farm in Kenya is using the new flexibility in the Fairtrade Premium to manufacture masks for their workers and their families, as well as the local community. Workers who would otherwise have been sent home on unpaid leave have been able to retain employment and develop tailoring skills⁹.
 - 5.4.2 Fairtrade certified producer organisations in Côte d'Ivoire are supporting the fight against COVID-19 by providing their members with personal protective equipment and sanitary items and helping to create public awareness in their communities. These cooperatives have embarked on education campaigns with some receiving support from the Conseil Café Cacao.
 - 5.4.3 Fairtrade coffee producers in Uganda are using the Premium to support vulnerable community members with essential items. They have also designated part of the Premium to be distributed as cash donations for

⁹ <https://www.fairtrade.org.uk/Media-Centre/Blog/2020/April/Kenyan-worker-tells-her-story-of-a-flower-industry-devastated-by-COVID-19>

workers and their families to purchase essential food items and protective equipment.

5.5 The ability of Fairtrade producer groups to respond quickly in the early stages of the emergency, enabling quick support to household level in many cases, derives from the role Fairtrade producer groups play as permanent market actors closely integrated with their communities combined with their links into markets and supply relationships with buyers committed to high ethical standards. This way of working is not limited to Fairtrade networks, but suggests that working through such systems, including with co-operatives, trade unions, responsible commercial farms and civil society groups can be an effective means of targeting rapid support at scale, appropriate to local needs, within agricultural communities linked to UK food sourcing.

6. Concluding comments

6.1 We may assume that the needs observable in Fairtrade supply chains are replicated in other UK food sourcing, and amongst other agricultural producers worldwide. The global crisis response and recovery planning for COVID-19 needs to prioritise food security and food production systems both in the interest of the farmers and workers themselves, but also with a view to the security of food supplies. As part of this overall picture, supply chain resilience in the UK's food sourcing should be a critical component of the Government's overall response to COVID 19 in the short term, and requires attention in future agriculture, responsible business and trade policy.

6.2 The UK has the benefit of a well-resourced and independent Department for International Development, which offers the opportunity to deliver timely, needs-based interventions in support of the global crisis response and in recovery.

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