






FAIR PROCURA Project

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Fair Trade in Public Procurement

CASE STUDY – United Kingdom

-  Fair Trade in the UK: some figures
-  Fair Trade Purchasing policy and practice
-  “Fair” Transposition of the Directive 18/2004
-  Other Fair Trade legislative initiatives and other governmental supporting initiatives;
-  Contacts/ Links

"Individual Government Departments are responsible for taking decisions on the goods and services they acquire, taking into account the Government's policy of seeking value for money for the benefit of the taxpayer. However, as my right hon. Friend the Secretary of State for International Development has made clear, the Government are also committed to promoting and supporting ethical trading wherever possible."

Prime Minister: Parliamentary Question (13 November 1997, col. 617)

• Fair Trade in the United Kingdom : some figures¹

In the United Kingdom, the largest Fair Trade importing organisation is Traidcraft, founded in 1979. Among the other big importing organisations are: Cafedirect, which buys from 36 producer organisations in 11 country, Twin Trading, Day Chocolate Company, AgroFair Ltd and the Body Shop, as an associate member of

¹"Fair Trade in Europe 2005", FTAO Brussels

International Fair Trade Association. Smaller importers include: Equal Exchange, Tearcraft, FM Foods - Tropical Wholefoods and the Bishopston Trading Company. Together they had an aggregate turnover of approximately 62.9m Euros in 2005.

There are also about 100 independent Worldshops in the UK, which are coordinated by the British Association for Fair Trade Shops (BAFTS). Details of these independent Worldshops can be found in the regularly updated UK Directory of Fair Trade Importers, which is published by the BAFTS. They had a total net retail value of approximately 10.4m Euros in 2005. Fair Trade products are also introduced into British supermarkets by the Fairtrade Foundation, which was established in 1992 and is the UK member of Fairtrade Labelling Organizations International (FLO). The Foundation contributes to the growth of Fair Trade in the UK by certifying the use of FAIRTRADE Mark. Currently the Foundation is working with over 262 licensees, covering all of the major supermarket retailers, many independent stores, wholesalers and catering companies, offering over 2,500 products to the public. The Fair Trade Leaders Forum has been established as a platform for the chief executives of the major UK Fair Trade organisations to discuss concerns related to the development of Fair Trade in the UK.

Under the effort of all these Fair Trade organizations, there has been a significant increase in consumer recognition of the FAIRTRADE mark in the UK, from 12% in 2000 to 57% in 2007. Growth in awareness of the FAIRTRADE mark has translated into growth in sales. In 2006 the total UK sales of Fair Trade products reached £300m a year, a rise of almost 50% in 2005 and over 1000% since 1998, making the UK the largest single market of FAIRTRADE labelled products in Europe. MINTEL, the research organisation, predicts in its report *Attitudes to Ethical Foods in the UK* that Fair Trade will see a further 138% growth over the next five years in the UK alone, with sales crashing through the half billion pound mark (£547 million) in 2011.

- **Fair Trade Purchasing policy and practice**

The UK government is a strong supporter of fair Trade products. In August 2003, the Public Sector Food Procurement Initiative (PSFPI) was launched by the Department for Environmental Food and Rural Affairs (DEFRA). Its aim is to encourage public sector bodies to buy food and manage catering contracts in a way that promotes sustainable development and opens up opportunities for small and local suppliers.

Among the objectives of the PSFPI is for public authorities to seek from their suppliers fairly traded products in accordance with the Office of Government Commerce Guidance on Fair and Ethical Trading² issued in 2002. Using the OGC Guidance as a point of departure, the PSFPI encourages public sector bodies to request their suppliers “where appropriate – provide fair trade and food produced under ethical assurance schemes as options – reflecting such needs in non-discriminatory specifications...”³ In addition, DEFRA has also created a Catering Services and Food Procurement Toolkit that contains guidance on how to incorporate the aims of the PSFPI into catering and food supply contracts.

DEFRA advocates an approach that encourages buyers to work in partnership, typically through voluntary agreements, with their suppliers and caterers to provide fairly traded options where such options provide value for money and without making it a requirement or a criterion. The UK authority adopts this approach because there is legal opinion that specifying a trademark such as the Fair Trade Label, or making the provision of fairly trade goods as a requirement of a public sector contract is not permissible under the EC public procurement directives.

Fairtrade Foundation also ties with the local authorities’ commitment to the Local Agenda 21 initiative, which brings together communities to promote sustainable development. By February 2007, 250 towns, islands, boroughs and cities across UK achieved the Fair Trade status⁴. One of the five goals to obtain this status is that the council passes a resolution supporting Fair Trade, and agrees to serve Fair Trade coffee and tea in its meetings. Fair Trade coffee is served in the House of Commons and Fair Trade coffee and tea is a standard at internal meetings of the Bristol City Council, the Leeds City Council and the London Borough of Camden.

After Oxford Brookes became the world’s first Fairtrade University in 2003, many other universities followed and fulfilled the 5 Fairtrade goals. By March 2007, there were already 51 Fairtrade Universities.

- **“Fair” Transposition of the Directive 18/2004**

² http://www.ogc.gov.uk/documents/Guidance_on_Fair_and_Ethical_Trading.pdf

³ <http://www.defra.gov.uk/farm/policy/sustain/procurement/pdf/foodprocure.pdf>

⁴ http://www.fairtrade.org.uk/documents/BuyingintoFairtrade_000.pdf

The Office of Governance Commerce (OGC) implemented the new Directive into UK law via the enactment of the Public Contracts Regulations 2006, which came into effect on 31 January 2006. The Regulations only apply to England and Wales, as Scotland has elected to implement the Directive independently. It enables public bodies to include social and environmental criteria in purchasing procedures. In the note on '*Social Issues In Purchasing*'⁵ issued in February 2006, OGC outlines how to take account of a list of social issues in public procurement, while remaining within EC public procurement rules. It is intended as a general guide for procurement and policy practitioners to show the positive actions that they can take to incorporate relevant social issues. One of the main social issues covered in the paper is Fair Trade⁶. In addition, OGC introduced innovative procurement procedures, including eProcurement methods, which it is hoped will encourage small businesses to enter the market.

Apparently, the UK has done very well in fulfilling its obligation under the EU Directive on public procurement. However, a research conducted by the Fairtrade Foundation shows that some local authorities consider the OGC interpretation of EC procurement rules restrictive and technical, and there is uncertainty about whether or not it is possible to specify fair trade products during tendering⁷. For example, the Bristol City Council has labelled the rules as "too restrictive" and the Croydon City Council has aired similar concerns. Also, the enactment of the new Directives has caused considerable confusion because many of the provisions in the new Directive are already in place in the previous Directives, though they are simplified and clarified. In particular, many of the new provisions representing best practices are also already in use in the UK, and the requirements laid out by the Directive only oblige contracting authorities and not the private sector. There still appears to be too much legal uncertainty about integrating fair trade principles into procurement and this is undermining efforts to promote it. The House of Common accepted evidence from the Ethical Trading Initiative (ETI), which claims that "far from exploring the full scope for promoting ethical public procurement, these guidelines are so cautious and negative in tone as to actively discourage meaningful initiatives."⁸ Other important findings of the ETI includes that the interpretation of EU public procurement rules is much less restrictive in France and Belgium, particularly with regard to incorporating compliance with ILO core conventions. In

⁵ http://www.ogc.gov.uk/documents/Social_Issues_in_Purchasing.pdf

⁶ Ibid

⁷ http://www.fairtrade.org.uk/documents/BuyingintoFairtrade_000.pdf

⁸ <http://www.parliament.the-stationery-office.com/pa/cm200607/cmselect/cmintdev/356/35602.htm>

view of these comment, the Department of International Development (DFID) has undertaken to review the guidance. The work is currently under progress.

- **Other Fair Trade legislative initiatives and other governmental supporting initiatives**

According to the Seventh Report of the Select Committee on International Development of the House of Common⁹, of a total of approximately £8.5 million which DFID says it has put into fair and ethical trade, only £1 million has gone directly to the Fairtrade Foundation, and another £1 million has gone toward Development Awareness Funds to promote wider awareness of fair trade.¹⁰ Some funding has been allocated to fair and ethical projects under the Business Linkages Challenge Fund (£3 million) and for the Ethical Trading Initiative (£3 million). The Committee also recommended in the report that a senior DFID official should be assigned to be responsible for fair trade within Government and for this responsibility to be properly publicised and supported. The official should be given the mandate to encourage greater coordination in the promotion of fair trade through public procurement.

Through the aforementioned Business Linkages Challenge Fund, DFID supported 57 programmes and projects that helped producers improve their position in the global economy. The substantial development benefits can arise from working in partnership with the private sector to support new business development with poor producers. Examples of the DFID support to small scale producers include:

- East Africa Tea Standards – project helping farmers to meet food safety standards
- Malawi Cotton Seed Treatment Programme, implemented in 2003, by the end of the first season had increased Malawi's national cotton crop by 265%
- Black Gold – charcoal company established by Mondi

Besides, the International Trade Department in DFID focuses on influencing, mainly by developing and deploying an evidence base with its networks in UK government departments, the European Commission and multilateral institutions and the WTO to ensure fairer trading arrangements. This holistic approach is appreciated and should be encouraged.

⁹ Ibid

¹⁰ Ibid

• **Contacts/Links**

- Traidcraft: <http://www.traidcraft.co.uk/>
- Cafedirect: <http://www.cafedirect.co.uk/>
- British Association for Fair Trade Shops: <http://www.bafts.org.uk/>
- Fairtrade Foundation: <http://www.fairtrade.org.uk/>
- Oxfam: <http://www.oxfam.org.uk>
- DEFRA: <http://www.defra.gov.uk>