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Promoting Socially Responsible Business, Ethical Trade and Acceptable Labour Standards

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Social Development Systems for Coordinated Poverty Eradication
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PROMOTING SOCIALLY RESPONSIBLE BUSINESS, ETHICAL TRADE AND ACCEPTABLE LABOUR STANDARDS [1]

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[1] This is a revised version of an earlier draft which has attempted where possible to include comments and suggestions by Vic Heard and Neil Thin.

This paper is one of a series of twelve written as outputs of **SD SCOPE: Social Development Systems for Co-ordinated Poverty Eradication**. SD SCOPE was initiated in 1997 by DFID's Social Development Department. The project ran for two years from January 1998 and was implemented by the Centre for Development Studies at the University of Bath, the Institute for Development Policy and Management at the University of Manchester, and Development Initiatives.

The project's aims were to: improve DFID's capacity to support the achievement of positive social outcomes for poor and disadvantaged people; develop systematic approaches to analysing the effectiveness of social development work; and identify and increase access to good practice on social development.

A full list of SD SCOPE papers and authors appears below.

Theme Papers

1. Direct assistance to poor and vulnerable people for greater livelihood security (Philippa Bevan, CDS, University of Bath).
2. Promoting equality between women and men (Nazneen Kanji, Dept of Social Policy, LSE & Sarah Salway)
3. Support for very poor and marginalised individuals through appropriate social protection (Joseph Mullen, IDPM, University of Manchester, with additional material by Peter Davis, CDS, University of Bath).
4. Protecting and strengthening social capital in order to produce desirable development outcomes (David Hulme, IDPM, University of Manchester).
5. Strengthening policy reform by addressing the needs, interests and rights of poor and vulnerable people (Philippa Bevan, CDS, University of Bath with Stephen Lister, Mokoro).
6. Promotion and protection of the human rights of women, children, ethnic minorities, vulnerable groups (Douglas Saltmarshe, CDS, University of Bath).
7. Strengthening productive capacity and environmental conservation through applied understanding of poor people's livelihood systems (Peter Oates, Mokoro).
8. Promoting socially responsible business, ethical trade and acceptable labour standards (David Lewis, Centre for Civil Society, LSE).

Cross-Sectional Papers (drawing on papers 1-8)

9. Concepts and themes: landscaping social development (Geof Wood, IFIPA, University of Bath).
10. Developing guidelines for assessing achievement in the eight focal areas of social development work and for assessing outcomes (Uma Kothari, IDPM, University of Manchester).
11. Programme approaches: spaces and entry points for social development (Philippa Bevan, CDS, University of Bath).
12. Characteristics of DFID-funded projects (Neil Thin, Dept of Social Anthropology, University of Edinburgh)

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Acronyms

ATO	Alternative Trading Organisation
BPU	Business Partnerships Unit
DFID	Department for International Development
BPU	Business Partnerships Unit (BPU)
ETI	Ethical Trading Initiative
HO	Handicrafts Organisation
IEPD	International Economics Policy Department
IFAD	International Fund for Agricultural Development
ILO	International Labour Organisation
IPEC	International Programme on the Elimination of Child Labour
KWFT	Kenya Women's Finance Trust
NEF	New Economics Foundation
NGO	Non-Governmental Organisation
NNGO	Nepali Non-Governmental Organisation
PC	Paper Company
PM	Project Memorandum
SCF	Save the Children Fund (UK)
SDBP	Social Dimensions of Business Practice
SDD	Social Development Department
SD-SCOPE	Social Development Systems for Co-ordinated Poverty Eradication
SRB	Socially Responsible Business
SRBU	Socially Responsible Business Unit (DFID)
VSO	Voluntary Service Overseas
WTO	World Trade Organisation
WWW	Women Working Worldwide

Executive Summary

This theme paper addresses the Department for International Development's (DFID) experience with the promotion of socially responsible business, ethical trade and acceptable labour standards, a theme which has increased in policy importance since the 1997 White Paper. DFID's experience with this theme is relatively new and there is little documentation yet available for analysis. In the light of this, the report in Chapter 2 reviews four ongoing or recently completed DFID projects (Protecting the Rights of Working Children in Sialkot, Pakistan; Durini Foundation Forest Research Project, Ecuador; the Ethical Trading Initiative; and Ergonomics Research for Poverty Elimination). Chapter 3 examines some broader issues related to the theme. It begins by offering a clarification of the language of ethical business and suggests that three distinct types of intervention can be distinguished: the promotion of 'socially responsible business', 'legally accountable business' and 'fair trade'. Since most work of this kind involves partnerships between businesses, Non-Governmental Organisations (NGOs) and donors (and 'partnership' is another approach which is heavily promoted in the White Paper) this chapter considers a number of issues relevant to the building of 'active' partnerships. In particular, the tensions between 'social development' and business objectives are highlighted as a key problem. There is also a short discussion of relevant comparative material drawn from the New Economics Foundation (the 'social auditing' methodology) and The Body Shop (recent evaluations of their Community Trade programmes in Nepal and Bangladesh). Chapter 4 concludes with some lessons which are emerging from DFID's ongoing experiences. It suggests that more work is still needed on the clarification of terms and language of this theme; that better integration is needed between the work of social development advisers and other DFID advisers to allow the ethical business theme to inform existing programmes (such as Durini); that it should be recognised that this theme is presently at the stage of experimentation and learning within DFID and its partners and that every effort should be made to systematise learning and disseminate lessons. It then moves on to a discussion of some ideas which might be used for developing indicators for assessing DFID's progress with the 'ethical business' theme. By breaking down the ethical business' theme into six levels of activity and objectives (material, social, educational, cultural, environmental and legal) it is possible to begin to develop sets of indicators for each.

Purpose of paper

To improve the description and definition of socially responsible business activities usually undertaken by Social Development Advisers and to define outcomes from such work.

Note: DFID's experience with this theme is relatively new and there is little documentation yet available for analysis. The content of this paper is drawn from limited review of ongoing activities combined with relevant comparative material drawn from other sources. It also suggests a framework for designing and assessing future activities under this theme.

<u>Keywords re analysis of problem</u>: improving social development record of private sector business and at the levels of production, trade and consumption in relation to key stakeholders.

<u>Keywords re project goals and objectives</u>: socially responsible business; fair trade; partnership; supply chain; voluntary codes of conduct; core labour standards; workers' rights; choice of technology; knowledge gaps; ergonomics; workloads; child labour; rights of

working children; advocacy; vocational training; sustainable forest management; community participation.

Concepts

Working definitions of the theme:

- The promotion of socially responsible business aims to make a positive impact on society through relations with its stakeholders, such as employees, suppliers, customers and the communities in which it operates.
- The promotion of ethical business is at the heart of the UK government's foreign and international development policy.
- This theme has substantially increased its policy importance since the 1997 White Paper.

Three distinct types of intervention can be distinguished:

- *Socially responsible business*, which has the objective of promoting voluntary participation by the private sector in developing and maintaining guidelines relating to social development issues such as child labour, work conditions; promoting dialogue designed to strengthen the social aspects of laws and frameworks (which may eventually become legally enshrined).
- *Legally accountable business*: which has the objective of keeping the private sector within the framework of local, national and international laws which impact upon social development (e.g. labour standards, environmental requirements, minimum wages etc.).
- *Fair trade* – which has the objective of ensuring that producers in vulnerable communities are paid higher prices for their products by companies selling them on international markets, and the education of consumers in rich countries about product sources and worker conditions.

Objectives

What difference has the Social Development Division (SDD) sought to achieve through the socially responsible business agenda as perceived through this study?

Six kinds of impacts are required in work of this kind:

- *Material*: well-paid producers, safe and healthy conditions, high quality products, sound environmental management.
- *Social:* resources generated for common good/public benefit; targeted beneficiaries in the wider community; inclusive towards certain social groups (e.g. women) and exclusive towards others (e.g. children).
- *Educational*: educated consumers in the North who can make informed, ethical choices;
- *Cultural*: reorientation or development of an organisational culture in keeping with both the organisation's social and business objectives.
- *Environmental*: economic activities which are sustainable and environment-friendly;
- *Legal*: compliance with laws and codes of conduct by businesses at national and international levels.

Indicators and assessment procedures

The following are ideas which might be used for developing indicators for assessing DFID's progress with the 'ethical business' theme.

- *Material*: Documentation of increased wage levels; sectoral in-country wage comparisons; increased sales of products; observed new working conditions such as longer breaks, protective clothing at work.
- *Social*: Stakeholder appraisals; participatory employee household income surveys to assess improvements in nutrition, access to education; decline in numbers of child employees; increases in female employment.
- *Educational*: Assessment of public social development knowledge in schools, trade unions, businesses etc. through focus group discussions measured against benchmark; increased resources spent on this type of work among UK NGOs and other agencies.
- *Cultural*: Observed changes in orientation of NGOs or Alternative Trade Organisations (ATOs) towards business principles and tools away from 'charitable' selling; increases in social responsibility and public giving for social development purposes among business community in UK and elsewhere. voluntary codes of conduct developed and adhered to by business.
- *Environmental*: Evidence of new production processes with reduced environmental damage; participatory community assessment of environment impact; implementation of ergonomic principles in the workplace.
- *Legal*: New laws on the statute books of countries or at international level; successful prosecutions of companies infringing laws.

Programme approaches

These are still evolving within DFID but include:

- Engaging business in development dialogue;
- supporting business statements about mission and values;
- raising awareness about laws on child labour and trafficking;
- sharpening the social development focus of labour rights legislation;
- supporting civil society 'watchdog' organisations;
- strengthening the implementation of laws;
- linking low income producers with new markets;
- building capacity in producer groups and alternative trading organisations to deal with changing international markets;
- improving design and production inputs.

Most work of this kind involves partnerships between businesses, NGOs and donors; and the attempt to build 'active' partnerships is crucial to meeting objectives. Relevant comparative material includes that drawn from the New Economics Foundation (the 'social auditing' methodology) and The Body Shop (recent evaluations of their Community Trade programmes in Nepal and Bangladesh).

Lessons learned and good practice

- More work is still needed on the clarification of terms and language of this theme.
- There are likely to be tensions between ‘social development’ and ‘business objectives’.
- Better integration is needed between the work of social development advisers and other DFID advisers to allow the ethical business theme to inform existing programmes.
- This theme is presently at the stage of experimentation and learning within DFID and its partners, and efforts are needed to systematise learning so far and disseminate lessons.

1. Introduction

Background to the study

Social Development Systems for Coordinated Poverty Eradication (SD SCOPE) is a project to establish improved social development products and services contributing towards the achievement of the Department for International Development's (DFID) objectives. These products and services include relevant concepts, methods, indicators, approaches and models of good practice. This theme paper was commissioned as one of eight reviews of DFID work in social development activities.

The 'ethical business' theme

There is increasing evidence for growing public support and interest in aspects of the 'ethical business' theme. For example, in the industrialised 'North', changes in consumer tastes and increasing social and environmental awareness are currently creating a higher level of demand than ever before for products from around the world which benefit communities and the environment (Millard, 1996). Public concern about the accountability of multinational companies is also growing, as Shell's experience with Brent Spa perhaps demonstrated.

In a consumer poll undertaken by Christian Aid in 1993 and quoted by Burns (1995), 68% of those questioned said that they would pay more for such 'fairly traded' products, 85% agreed that 'workers in the Third World are exploited and do not get enough for their produce' and 86% preferred trade as a means of helping poor countries than giving aid.

The theme of this present paper is defined in the terms of reference as "promoting socially responsible business, ethical trade and acceptable labour standards". In other words, the theme is concerned broadly with the business sector and efforts to ensure that this sector contributes to social development.

The general term 'ethical business' can be used broadly to cover these various strands or themes. The term 'socially responsible business' is increasingly used within DFID to reflect these concerns and, as discussed later in this report, this can be 'unpacked' into at least three sub-themes. These are *socially responsible business, fair trade* and *legally accountable business*.

The ethical business theme has been reflected in the November 1997 DFID White Paper but has not been a major component of DFID activities before that time.

Background to the theme

Within the development community, the roots of what has been loosely termed 'fair trade' can be traced back to the 1970s, when so-called Alternative Trading Organisations (ATOs), often linked with non-governmental organisations or church-based agencies, initiated links with handicrafts and food producers in developing countries.

Fair trade can be seen as the linking of economic benefits of trade with social objectives. According to Burns (1995: 2) fair trade is a trading ideology which seeks among other things to source products and offer prices which give producers a greater rate of return; to research and identify sources which do not exploit people or the environment; and to encourage consumers to use their purchasing power for the greater good. Fair trade has mainly taken the form of partnerships between small-scale producers in ‘the South’ and a business or NGO which markets their products in ‘the North’.

The broad aim of ‘fair trade’ is to improve the terms of trade available to producers in poor countries so that increased economic benefits - such as increased employment and income - will accrue to small scale producers, while at the same time seeking to educate consumers in rich countries about wider social and environmental development issues.

Fair trade has come to mean more than simply making sure that better wages are paid to producers. These wider concerns include seeking to enhance the position of a disadvantaged section of a community, the promotion of gender equality, generating resources to fund health or educational initiatives or promoting more sustainable forms of natural resource management (Millard, 1996). ‘Fair trade partnerships’ may also seek to build local organisational capacity by strengthening the organisation and seeking to improve the performance of local producer and marketing groups.

Fair trade also covers environmental and organic sourcing. Fair trade was preceded by concerns about sustainable forestry and solutions which mirror the Ethical Trading Initiative (ETI) (e.g. Forest Stewardship Council, Marine Stewardship Council, the formal environmental standards recently produced by the British Standards Institute). Some of the bodies promoting environmental sourcing standards have moved into being concerned about labour standards (e.g. B&Q now report on both together). Some of the organic produce schemes also have fair trade aims.

These efforts are not restricted only to NGOs or non-profit organisations which profess alternative values. It has been long been observed that some mainstream businesses have learned to emphasise mission and values, rather than simply the making of money, as components of a successful, profitable company (Kanter and Summers, 1987). The current interest in ‘fair trade’ can be viewed as part of this trend.

At a conceptual level, fair trade can be seen as having two different though often co-existing strands:

- The first and dominant idea is fair trade’s ability to *redistribute wealth* in favour of those in need - what has been termed the ‘equity-oriented approach’.
- The second is that fair trade may be more *efficient* in terms of resource allocations and sustainability - the ‘efficiency-oriented approach’ (Neissner, 1995).

Some advocates of fair trade have therefore argued that unless the second strand of the fair trade approach gains ground and results in the mainstreaming of high quality fairly traded products in the market place (as has been the case in recent years with the UK’s Café Direct coffee) fair trade initiatives will remain marginal and unsustainable.

The following explanation may be helpful in understanding the difference between fair trade and ethical trade and their possible future directions and weightings. Fair trade aims to provide better prices and better market access to otherwise marginalised groups: its opposite is not ‘un-fair trade’ as is sometimes suggested, it is ‘conventional trade’ which is perfectly acceptable. Ethical Trade involves a specific system of ethics, in the case of the ETI those concerned with labour standards. Its opposite is 'un-ethical trade' which is not acceptable. It is reasonable to aim for all trade to be ethical. It is not reasonable for all trade to be fair trade. The fair trade movement is already aware that, as ethically traded goods are more widely marketed, the 'special' nature of fair trade goods is likely to become more difficult to promote.

Moving away from the 'development community', the concept of 'socially responsible' or 'ethical' business has gained a high profile in the corporate sector in recent years. Ideas about social auditing (see Box below) go back to discussions in the business literature by people such as the UK writer George Goyder in the early sixties. More recently, this has been driven by the wider debates and claims about 'corporate responsibility': as recently privatised public utilities have faced criticism in the UK, multinational oil companies have been challenged on the records of their environmental and social impact, and new businesses such as The Body Shop claiming alternative values have begun to receive attention.

Within the ethical business vision espoused by The Body Shop for example, a progressive developmental role is envisaged for the socially-aware business sector, which is favourably contrasted in terms of its potential with other official and non-governmental development agencies. In a 1989 video made by The Body Shop the commercial sector was described as *"…better resourced than the non-profit sector, more innovative than government"*.

At the same time, for those working in development, the need to engage with the private 'for profit' sector has also become a priority in recent years. For NGOs, the growth of global business power has attracted advocacy and campaigning work to raise public awareness, hold business accountable to human rights and environmental standards and to educate public opinion about the growing power of the corporations. The recent UK supermarket campaign carried out by Christian Aid and other NGOs in Britain is a case in point.

NGOs have also been drawn to the business sector as a source of possible funding. As predictions about declining levels of development assistance become more common, some NGOs see corporate giving as an alternative, particularly if it is combined with a dialogue and negotiation about social development issues.

For donors, there are also growing links with business. For example, if as some aid agencies have argued, the growth of female employment in the garment sector in Bangladesh has brought about more social and economic change for women than the development agencies have managed, then it makes sense to work with the factories and ensure that child care facilities are provided, that health and safety training is given and labour legislation is enforced.

To some extent the socially responsible business theme overlaps with the 'fair trade' concept, although it has come to refer primarily to the setting and enforcement of labour laws, the development of business codes of conduct and international awareness raising on business ethics in order to improve conditions and strengthen the rights of vulnerable workers and improve the social and environmental accountability of business more generally.

DFID and the 'ethical business' agenda

The DFID lead on fair trade is shared between the Enterprise Group and the Business Partnerships Unit (BPU). Fair trade schemes are generally small scale with tightly focused beneficiaries and distribution networks relying mainly on specialist fair trade shops. The Enterprise Group has been investing in such schemes for years but in 1998, with the geographical department, began providing support to a much larger fair trade chocolate scheme sourcing in Ghana and aiming at distribution on a much larger scale through supermarket chains (in this respect it paralleled Café Direct's marketing arrangements). So far as is known, none of the existing Fair trade schemes, including DFID's, has been subject to a social audit.

Although Socially Responsible Business (SRB) is still an issue for DFID, it has not been Social Development Department's (SDD) role since June 1998. The terms are not clearly spelled out in DFID and other literature on these subjects and there is a need to achieve some conceptual clarity. For example, in the context of socially responsible business and the private sector, we need to distinguish between legally enforceable requirements and ethical choices to be promoted. This is not the place for an exhaustive discussion, but some clarification is necessary.

According to a recent DFID document (Walker, 1998: 2) SRB *"... is concerned with making a positive impact on society through relations with its stakeholders, such as employees, suppliers, customers and the communities in which it operates"*.

The same document goes on to list the following key elements:

- Respect for workers' rights and implementation of core labour standards, as established in international labour conventions.
- Delivering poverty-eliminating social impacts in the communities where business is trading, operating or investing.
- Promoting the production of goods made by poor people and marginalised communities and ensuring they receive a fair price.

For DFID, the Social Dimensions of Business Practice (SDBP) agenda has six main aims, to:

- Ensure that social issues are understood and addressed in the work of relevant international bodies such as the International Labour Organisation (ILO) and the World Trade Organisation (WTO).
- Support fora in which companies, trade unions and NGOs can negotiate different perspectives on SDBP.
- Help support with expertise the ways in which social responsibility is identified, monitored and further refined, both in supply chains form and investment in poorer countries.
- Assist consumers and consumer organisations in Britain, and eventually in poorer countries, to understand the role they play in influencing social responsibility.
- Assist the governments of poorer countries to establish appropriate legislative and regulatory frameworks concerning the impact of business on society, and to assist governments develop partnerships with business and civil society in promoting socially responsible business.

- Particularly help governments, civil society and the private sector in poorer countries to work together to improve conditions of labour for poor women and men and to eliminate intolerable forms of child labour speedily.

The newness of the theme and the lack of documentation

This is a new theme for DFID and has not traditionally been a major concern of the British Aid programme, although, as shown below, some DFID projects and activities have touched upon this theme directly or indirectly in pursuit of other related objectives. For example, the Durini Foundation Project in Ecuador (discussed in Chapter 2 below) has sustainable forest management and improved NGO research capacity as its objectives, but has also raised additional issues about working with private logging companies and this have been subsequently picked up by the relevant Social Development Adviser.

The theme has been made more explicit in the 1997 White Paper on International Development. Section 3.36 (p64-65) on core labour standards is concerned with maintaining core labour standards in both the informal and formal sectors, with a particular emphasis on women workers. The section outlines four types of strategy:

- Business/voluntary sector links in Britain to promote ethical business, including codes of conduct and means of monitoring and verifying these codes.
- Work with government, NGOs, trade unions and employers' associations to develop and monitor such codes of conduct in developing countries.
- Support to ILO to promote internationally recognised core labour standards, with a particular emphasis on the elimination of child labour and the generation of more and better employment for women.
- A human rights approach to labour issues is to be pursued through support to multilateral organisations such as the EU and the World Bank.

Since the White Paper was published, there has been a flurry of activity on the socially responsible business front and the theme has clearly moved to a higher priority in the past year. There has been considerable activity within DFID to put in place ideas and structures which reflect the White Paper's new emphases. For example, since the White Paper was published there have been two important institutional initiatives within DFID which relate strongly to this theme, although there has not yet been time to establish their agendas clearly.[2] These are:

The Socially Responsible Business Unit (SRBU): This unit was established in the SDD in London in December 1997 to support and facilitate the achievement of the SRB agenda listed above. It hoped to create a Resource Centre which would provide advice to bilateral country programmes on the promotion of socially responsible business and to provide DFID assistance to companies in the area of facilitation, expertise, information and influencing (Walker, 1998, p.4). This unit helped establish, with companies and NGOs, the ETI which is discussed below. Other initiatives initiated by the SRBU include the DFID Recognition and Award Scheme which being planned for Companies displaying 'exemplary behaviour' in conducting SRB; a consultancy on ethical investment to advise DFID and a workshop to allow trade unions and NGOs to explore and share their approaches to improving labour conditions for poor people.

[2] There is some confusion apparent in the rapid creation of these two units and, in the words of one staff member at the SRBU, DFID may be in a situation of 'running before seeing where you are going'.

With the establishment of the BPU (see below) in mid-1998 the SRBU ceased to exist and SDD instead focused on SDBP. Many of the issues on which the SRBU has initiated work and which did not fit the new focus transferred to the BPU or International Economics Policy Department (IEPD). For IEPD these included work with multinationals carried out through international fora.

The Business Partnership Unit (BPU): This Unit was established in June 1998 in order to develop DFID's approach to working with the business sector. It will act as a first point of contact for UK-based businesses seeking to develop a relationship with DFID (DFID, 1998). This unit has taken on some of the work which was originally to be done by SRBU such as work with multinationals, ethical investment portfolios, the DFID award for socially responsible business and relations with the major extractive industries. One documented example is the recent (August 1998) drawing up of a tourism strategy for DFID (see Box 1 below).

Box 1: DFID and the business of tourism – a new strategy of engagement

This strategy document begins with the proposition that since tourism is a major global industry DFID should take a more proactive stance and develop a framework for intervention. It draws attention to the lack of understanding on the relationship between tourism, poverty and the environment. DFID's approach should be 'to increase the developmental impact and minimise the negative impact of tourism in developing countries' (p.3). The opportunities identified for this work include: support to 'government/tourism institutions'; natural resource conservation; influencing the industry towards 'responsible' practice and policy; enhancing the economic benefits of tourism; development awareness and support to international bodies and multilateral organisations. Consultation within DFID has suggested that there is scope for country Programmes and Advisory Departments to undertake their own initiatives on tourism but that 'limited support' exists for 'major thematic interventions'. The document also suggests that greater note needs to be taken of tourism issues within existing initiatives on infrastructure, private sector development and health.

From: Tourism: A Strategy for DFID, Final Draft, August 1998, DFID,BPU.

This theme paper therefore differs from the other seven in that most of its themes are relatively new. It has not been possible to identify a set of projects which clearly relate to this theme and to review the full range of project documentation as planned.

Instead, the paper examines four recent or ongoing projects which touch on this theme (Durini logging, Ecuador; Sialkot child labour, Pakistan; the Ethical trading Initiative; and Silsoe's research on ergonomics). Each of these, with the exception of the last one, has only a logframe and short project memorandum. Some other supporting documentation such as evaluation reports have been identified for the Ecuador and Pakistan projects. Due to the lack of documentation, it was not possible to follow the format suggested in the terms of reference.

In order to supplement this material, some other (mostly new) small-scale initiatives are briefly discussed such as the tourism strategy (Box 1 above) and work with ILO on child labour and trafficking in Asia. Some other DFID projects have covered ground related to this theme, even if the theme has not been made explicit. These include:

- Work in Russia with establishing consumer associations with the partnership of Consumers International (there was no documentation available for this work).
- Development education work on tourism with VSO in the UK (there was no documentation available for this work).

There are also a number of new proposals and ideas in the pipeline which are emerging in the wake of the White Paper and DFID's new priorities. These include:

- An education and consultation exercise by the NGO Women Working Worldwide to increase women workers' awareness of company codes of practice developed under the ETI (from a WWW project proposal, undated).

- Work with ILO and the International Programme on the Elimination of Child Labour (IPEC) on child trafficking and exploitation in Asia. DFID has recently begun to coordinate with ILO led efforts on lobbying national legislation, developing a new Convention on the rights of the child on child labour issues to be adopted in 1999; capacity building with law enforcement agencies to strengthen child rights; preventative activities such as safe boarding schools for girls at risk from prostitution in Thailand; and rescue and rehabilitation activities such as community mobilisation in the Philippines to detect trafficking activity; research in the form of country studies on trafficking (from ILO/IPEC DFID Briefing Kit, 1998).

- A project established by the ETI and managed initially by New Economics Foundation (NEF) and the Fair Trade Foundation to develop "*widely endorsed guidelines for implementing and monitoring codes of practice for sourcing goods from poor countries and promoting positive engagement between UK importers and their developing country suppliers to improve workers conditions*" (Project header sheet, December 1997).

Thirdly, some wider experiences are drawn upon (such as work on 'Community Trade' and its evaluation by The Body Shop and the NEF's promotion of the 'social auditing' methodology) in order to expand on the theme and develop ideas and conclusions which may be fed into SD SCOPE. More detailed information on the former is provided in Annex 1 below.

After discussions following the first draft of this paper, it was decided to review briefly four other DFID projects in order to look specifically at the issue of labour rights (Annex 2 below). While these projects do not explicitly address labour rights as a social theme, they do provide an opportunity to suggest how the new importance of labour rights in DFID's thinking might be related to such programmes and projects. The absence of explicit discussion on labour rights in many project documents is a finding which provides an entry point for signalling future needs and possibilities.

2. A Selected Review of Relevant DFID Projects and Activities

Pakistan SCF Child Labour Project

This project seeks to protect the rights of children (as enshrined in the Convention on the Rights of the Child) in Sialkot, Pakistan, particularly those working in the sports industry. It is designed to complement the recent 'Atlanta Agreement' drawn up with manufacturers in Pakistan designed to eliminate child labour in the football stitching industry by the end of 1998. The three year project is managed by Save the Children Fund UK (SCF).

The objective of the project is to support the efforts of the Government of Pakistan to protect the rights of working children as enshrined in the UN Convention on the Rights of the Child. The stated aim is to develop a replicable model of advocacy and 'social protection' which will demonstrably protect the rights and livelihoods of working children in Sialkot and Sindh province.

The project targets over 7000 children in the football stitching industry and some in carpet making and fishing. The project speaks of 'excluding' children from the workplace while protecting their rights and family livelihoods. The project is also playing an advocacy role inside and outside Pakistan on child labour issues. The project forms part of the ILO's International Programme for the Elimination of Child Labour (IPEC). The Atlanta Agreement is an international agreement which includes the Sialkot Chamber of Commerce and is committed to removing children from the football stitching industry by the end of 1998.

The Project Memorandum (PM) section 3.5 states that *"This is an innovative programme in Pakistan, with no comparable precedents. Ex-post evaluation is recommended"*. Indicators were set in the original logframe and were to be modified in consultation with stakeholders in December 1997. The indicators in the original logframe are to be based on project reports and ILO monitoring of numbers of children leaving the football industry, child-focused indicators of income, and numbers of people entering new vocations after training.

The project includes building capacity of government, NGOs and the private sector to deliver services needed by children leaving the industry; provide a savings and credit scheme for families of children leaving the industry; establishing women's stitching centres; assisting with vocational training for families affected; developing the 'social monitoring' capacity of partner organisations to report on the qualitative impact of the project; working with the state to improve the quality of primary and middle education.

The monitoring visit document is useful in assessing progress. It raises a clear range of problems and suggested actions. For example, the ILO monitoring staff in the area predict that the Atlanta Agreement targets will not be met in time, raising the issue of trade sanctions against local manufacturers. Export of footballs raises the option of seeking to mobilise international consumer pressure.

This project is still in its first year of operation. It deals with complex themes and the documentation sets many of these out. However, monitoring is already showing that it is perhaps over-ambitious and is not meeting targets. Nevertheless, its efforts to generate a replicable model for use elsewhere, and its wider linkages with ILO and with SCF increase the likelihood of this replication being possible.

IPEC is a potential partner in many countries. Although the content of IPEC's programmes will vary between participating countries it usually aims to establish at national level a group of institutions with interests in child labour. This generally involves relevant government departments, multilaterals (including IPEC itself and UNICEF) local and international NGOs and donors. The capacity of national committees is variable but their existence may also increase the likelihood of replication. A common structural problem for IPEC is that its normal interlocutor in government is the national Ministry of Labour which may be administratively weak and not well placed to access resources or mount initiatives. The, often, wider membership of national IPEC committees may provide additional links with government.

Keywords and phrases: child labour; rights of working children; social protection programme; advocacy; vocational training

Ecuador, Durini

This project was concerned with improved forest management and research in Ecuador through support to an NGO, The Durini Foundation. The Durini Group is an association of timber companies carrying out large scale logging in Ecuador since 1978. In 1980 the Foundation was formed as an NGO to handle plantation research and management and by 1990 it had taken on clear environmental and social concerns. Under the country's forest laws, timber companies must consult with the local forest dweller community and submit a forest management plan to the government. Community participation at present is adequate in some areas of the forests but not in others.

The wider objectives are to improve forest management in the Andes and forest research capacity. The immediate objectives are to build the capacity of the Durini Foundation NGO to manage forests and undertake research on sustainable forestry and conduct analysis of results.

Through a series of consultants' reports and site visits, improvements in research and conservation techniques were to be observed primarily through quantitative measures of improved techniques. A series of consultant trainer visits and UK based training for staff of the NGOs form the basis of the project activities.

What is interesting about this project is that the consultants' evaluation report (1997) draws attention to the sensitivity of the issue of the logging companies' relations with local communities living in the forests, and the need for clear contractual agreements and participation in forest management. This issue does not form part of the original logframe at all: the forest communities are invisible in the original document.

The Chachi and Afro Ecuadorian communities were found to require better legal documents for harvest agreements signed between local communities and the Durini Group of businesses.

A consultancy report by UK consultants was commissioned and provides detailed conclusions and recommendations, although these are not tied explicitly to the project logframe. A social development consultant was commissioned separately to examine the project.

The output to purpose review gives the project a positive evaluation. The capacity of the Durini Foundation to carry out research has been strengthened, and the choice of consultants was considered appropriate.

This project is described by DFID in the letter from Appleton (1998) to the SDD as:

"... an unusual project for DFID, in that it is working with a private group of companies, and some highly sensitive issues have emerged. It is however a model which could be used more extensively in the future and there are lessons to be learned from the experience."

It is clear from the letter that DFID have drawn a number of key issues from the report around the weaknesses of company understandings of community needs, the lack of participatory skills on both sides and the tension between business concerns and social priorities.

What is also interesting is the identification of donor conflicts in that DFID has been supporting the Foundation which is an extension of the logging companies, while GTZ is funding a group of local NGOs who are working with local communities trying to change the behaviour of the companies.

This is a programme in which the language appears to have changed from being couched in natural resources terminology (environmental issues and sustainable forest management) towards social development terminology by the end (community needs, socially responsible business). The output to purpose report reflects the original language of the logframe, since the social development issues were discussed separately in the Rival consultancy. One might conclude that social development issues were only taken on board once the project was underway.

Keywords: private sector development; research; sustainable forest management; community participation; ethical business

The Ethical Trading Initiative (ETI)

The SRBU helped to establish a partnership of government, non-government and private sector organisations known as the ETI. This was based on a project proposal from the NEF. DFID is a main funder and sits as an observer at ETI meetings. The ETI was established in early 1998 and is managed initially by NEF and the Fairtrade Foundation while a nine member Board is assembled, (three each from workers' organisations, private and voluntary sectors). It will then be established as independent legal entity and will exist for three years. The process of developing a full logframe for the ETI will begin in September 1998. According to a recent briefing document:

"The ETI is a civil initiative which brings together companies, NGOs, and trade unions working together to develop and promote standards designed to improve the quality of life of workers throughout worldwide supply chains of companies trading into the UK. The ETI will develop standards, methods and systems for monitoring and verifying labour standards in relation to company codes of conduct, as well as developing training and other approaches to building much-needed institutional capacity in the field". (ET Briefing 3/1998).

ETI sends out the Ethical Trade Briefing monthly which carries up to date information on these issues to partners. The objective of the ETI is *"to develop ways of maximising the positive impact of business on the lives and rights of producers, suppliers and workers in developing countries".* Voluntary codes of conduct have been identified as *"one means of* *institutionalising core labour standards throughout a company's supply chain"* and are rapidly evolving in the UK (Ferguson, 1998: 3). The partnership set up within the ETI initially proved more difficult to forge in practice than had initially been envisaged. Although all concerned recognised their common interests, an agreed set of basic criteria did not appear until September 1998. In December the ETI mounted a successful annual conference which was attended by more than 200 people, predominantly from the private sector. It is currently working on launching pilot monitoring missions in specific sectors in selected countries to pilot the implementation of its code and establish baseline data. Although so far only 10 companies have become full members and the field information from the pilots is still awaited, ETI has established an international presence as an innovative approach to supply chain management. A lot will depend on the success of its pilot missions. In the meantime, its existence has already generated efforts to replicate it, at least in part. Examples include work in Zambia to develop an organisation dealing with producer codes for local companies supplying the export market and requests from the Kenya Flower Council for help in developing its code for exporters. Some of the NGOs involved with the ETI have undertaken 'sub-projects' on the implementation of codes. Studies on gender issues in codes and their impact on working women carried out by the NGO Women Working World Wide are recent examples.

In June 1998 in support of the work of the ETI, DFID produced a review of UK private sector codes of conduct and focused on the content of these codes of conduct, and on labour standards in particular. The labour issues covered in these codes include unions, equal opportunity, child labour, forced labour, wages, hours of work, job security and health and safety. This review suggested that although still small, the level of UK private sector commitment to such codes is growing, particularly among larger companies. These have become more sophisticated and many contain explicit references to ILO conventions.

However, the review also notes that some of the most vulnerable groups, such as home-workers, are not included in these codes because they are not part of the regular labour force. There are still parts of the 'supply chain' which is not covered by these codes of conduct. The review also notes that monitoring is needed to ensure that intentions are translated into practice (Ferguson, 1998).

Keywords: fair trade; ethical business; partnership; supply chain; voluntary codes of conduct; core labour standards; workers' rights.

Priorities in ergonomics research for poverty elimination (Silsoe Research Institute)

This is a small research project established with Silsoe Research Institute in 1996 to address the potential of ergonomics in development aid. Three DFID projects were identified as case studies to demonstrate how the incorporation of the concept of ergonomics could enhance outputs and outcomes and improve the quality of life of poor people.

The themes identified were:

- Workload and the reduction of drudgery;
- closing the people-technology gap;
- improving health, reducing accidents and injuries.

The project has produced a set of Practical Guidelines intended to assist Project Leaders and Programme Managers to address ‘people-technology gaps’ in projects. These have drawn lessons from small-scale DFID project interventions in order to illustrate the potential of ergonomics research for poverty reduction agendas. According to a report by Jafry and O’Neill, 1997a:

“The inclusion of the ergonomics components has made a significant impact and consequently helped the projects to deliver their outputs to improve the quality of life of poor people” (p.1).

The guidelines which have resulted are intended as *“a practical tool to identify ergonomics problems … and to indicate where further advice and information may be obtained”* (1997b, p.1).

Keywords: Technology; knowledge gaps; ergonomics; workloads; guidelines.

3. Related Themes and Other Relevant Experiences

This section draws out and elaborates general themes from the DFID experience with ethical business activities discussed above. It first clarifies some terms used in the discussion about ethical business agendas. The chapter then considers the importance of partnerships between donors, business and NGOs in the pursuit of ethical business agendas. Drawing on work on analysing partnership, the section uses the partnership issue as a lens through which ethical business themes can be analysed.

Clarifying some terms and issues

The first challenge is to attempt a clarification of terms and concepts. Under the general heading of ‘ethical business’ it is possible to distinguish three related types of social development engagement with the private business sector: ‘socially responsible business’, ‘legally responsible business’ and ‘fair trade’.

The following discussion points are intended as a clarification:

Socially responsible business - the objective of promoting voluntary participation by the private sector in developing and maintaining guidelines relating to social development issues such as child labour, work conditions; promoting dialogue designed to strengthen the social aspects of laws and frameworks (which may eventually become legally enshrined).

Sample approaches: engaging business in development dialogue, building partnerships with NGOs; supporting business statements about mission and values.

Possible indicators: social audit materials, guidelines implemented and monitored.

Legally accountable business - the objective of keeping the private sector within the framework of local, national and international laws which impact upon social development (e.g. labour standards, environmental requirements, minimum wages etc.).

Sample approaches: raising awareness about laws on child labour and trafficking, sharpening existing legislation, supporting watchdogs, strengthening implementation of laws.

Possible indicators: watchdog and consumer organisations strengthened; successful prosecutions of companies contravening laws.

Fair trade - the objective of ensuring that producers in vulnerable communities are paid higher prices for their products by companies selling them on international markets, and the education of consumers in rich countries about product sources and worker conditions.

Sample approaches: linking low income producers with new markets, building capacity in producer groups and ATOs to deal with changing international markets, design and production inputs.

Possible indicators: rising profitability of producer groups and ATOs, measurable improvements in wages and conditions of employees, indirect benefits to worker households and wider community.

Partnership

The second key issue is that of partnership, which is a term used throughout the DFID White Paper and an ingredient of many DFID initiatives under the 'ethical business' agenda. Initiatives undertaken within this theme are likely to require a level of partnership between government, NGO and private sector business. The new emphasis on partnerships is clearly set out in the 1997 White Paper, but in practice partnerships are complex and clear guidelines are needed. Work on partnership in other contexts has shown that inter-agency partnership is a slippery concept and it requires strong, clearly set out guidelines if it is to be operationalised successfully. In particular, new ideas are needed about the ways in which partnerships can be evaluated and indicators of success or failure identified.

The term 'partnership' is used to refer to an agreed relationship based on a set of linkages between two or more agencies within a development programme, usually involving a division of roles and responsibilities, a sharing of risks and the pursuit of agreed joint objectives. However, partnerships in the field of international development assistance are frequently created as part of the provision of funds to participating agencies, businesses and other organisations. In other words, some partnerships involve genuine 'value added' while others may simply exist on paper as a means of securing resources. This has important implications for this theme. The use of the word 'partnership' therefore covers a wide range of different relationships between agencies which may have either an *active* or a passive, *dependent* character (Table 1).

Table 1: Contrasting characteristics of 'active' and 'dependent' partnerships

'ACTIVE' PARTNERSHIPS	'DEPENDENT' PARTNERSHIPS
Process	Blueprint, fixed term
Negotiated, changing roles	Rigid roles based on static assumptions about 'comparative advantage'
Clear purposes, roles and linkages but an openness to change as appropriate	Unclear purposes, roles and linkages
Shared risks	Individual interests
Debate and dissent	Consensus
Learning and information exchange	Poor communication flows
'Activity-based' origins – emerging from practice	Resource-based origins - primarily to gain access to funds

Active partnerships are those built through ongoing processes of negotiation, debate, occasional conflict and learning through trial and error. Risks are taken and although roles and purposes are clear they may change according to need and circumstance. Dependent partnerships on the other hand have a 'blueprint' character and are constructed at the project planning stage according to rigid assumptions about comparative advantage and individual agency interests, often linked to the availability of outside funding. There may be consensus among the partners but this often reflects unclear roles and responsibilities rather than the creative conflicts which emerge within active partnerships. The key challenge is therefore to generate 'active' partnerships which can have transformatory potential through the promotion of synergy between different types of partner.

Role clarification

A key problem in practice is the lack of role clarification which often exists between different organisational actors. For example:

- Agencies may have different, sometimes conflicting motives for participating in the partnership.
- Partnership in practice may prove more difficult than it appeared at the planning stage because unforeseen problems and conflicts can emerge.

This was evident in the case studies developed in The Body Shop case (see Annex 1) where fair trade partnerships produced a set of confused expectations: The Body Shop was seeking to strengthen the business capacity of local partners, while local partners were interested in access to large orders for their products. Partnership is therefore best viewed as a process requiring constant communication and redefinition in response to progress, learning and change.

Tensions between 'social development' and 'business' objectives

A third key issue is that partnership may be difficult to manage because there may be tensions and differences between different kinds of participating agencies. For example, a historic distrust has been documented between business and non-governmental organisations based on a tension between social development values and the profit motive. Businesses and NGOs may have outdated, ill-informed or stereotyped views of each other which may perpetuate this lack of communication or linkage. This picture of mutual distrust or lack of comprehension is now changing as bilateral donors and development NGOs begin to look to the private sector and its practices for improvements in efficiency and economic sustainability. Socially responsible business partnerships are likely to embody a tension between fundamentally different incentive systems which motivate different partners. While businesses are primarily motivated by profit, a social development agency or NGO may have social justice and equity as its overriding concern. (This point emerges from the Durini logging project experience above).

An important theme for ethical business work is therefore the problem of managing contradiction and ambiguity. The basic contradiction for development organisations concerned with equity seeking to work with the private sector is that there are fundamentally different sets of incentives guiding each partner. For example, while expanding trade can benefit vulnerable groups through increasing employment and incomes, dependence on the market (and the danger of falling demand) may threaten the sustainability of the project which may be a major indicator of success. Many of these lessons are apparent from the experience of The Body Shop and its community trade programmes (see Box 2 below and Annex 1 for more details).

Box 2: Lessons from The Body Shop

Partnerships between businesses and NGOs which seek to promote 'fair trade' between small-scale producers in poor countries and Western consumers are beginning to open up new and potentially challenging approaches to development in terms of income generation and local organisational capacity building. However, such ventures face a distinctive set of problems, many of which are caused by the location of such activities uncomfortably on the boundaries between the non-profit and the business sectors. Two case studies involving trading partnerships between a commercial organisation, The Body Shop, and a paper-making business in Nepal and a not-for-profit handicraft producer organisation in Bangladesh illustrate achievements (improving worker conditions, consumer prices and stronger business orientation for non-profit businesses and consumer groups) as well as problems (confused expectations, fluctuations in international demand for products and tensions between business and development management styles and objectives (see Annex). Recognition of the concept of 'sectoral ambiguity' helps to explain observed problems of confused expectations, management tension and lack of sustainability. The keys to strengthening such partnerships will involve greater transparency, market diversification, long-range planning and the building of a set of more realistic expectations. A number of crucial priorities were acknowledged during joint participatory problem-solving meetings between trading partners in the search for 'active' partnership:

- The need to build **transparent relationships** with clear guidelines to show as far as possible how many products will be bought, at what time they will be required and for how long trade is likely to continue. In practice, this is a major stumbling block, because trade predictions for rapidly changing Northern consumers are difficult to make if the link is to remain financially viable.

- The need to **strengthen communication** between the parties involved and challenge constantly the assumptions and expectations, often mistaken, of both sides. The need was recognised to timetable according to local realities the complete cycle of operations from design to production. For example, problems around meeting deadlines during the less productive monsoon period in Bangladesh were recognised and timetables altered.

- The need to prioritise **market diversification** to prevent dependence on a single customer, due to rapidly changing consumer markets and the need to build improved design and marketing expertise within organisations marketing good produced. One issue which needed to be and was resolved the right of producers to market similar products to those jointly designed with The Body Shop, with small changes to the specification, was clarified.

(material drawn from evaluation documents prepared by the author)

Monitoring the partnership process

Fourthly, mechanisms are needed for monitoring how the partnership is measuring up once the linkages are in place and developing the means to achieve appropriate 'course corrections' when necessary. Many partnerships begin with a dependent character but can be made more 'active'. Essential to any notion of the value of deploying partnership as a tool for achieving project objectives is the idea that agencies acting together are able to achieve certain objectives which they would be unable to manage singly. This idea is the key to 'measuring' the success of any partnership. Partnerships therefore need to chart course corrections which show 'value added' through partnership. These might include (i) documentary evidence of joint problem and identification and solving, (ii) 'synergistic' activity which reveals successful joint activities or progress and (iii) evidence of functional partnership gains such as one partner developing a set of guidelines and another partner disseminating this information through its international contacts. The increased interest in the methodology of 'social auditing' (Box 3 below) is a useful approach to assessing partnership and the social dimensions of ethical business.

Box 3: The rise of social auditing

The assessment methodology which has emerged alongside changing notions of corporate responsibility and ethical business and which has a growing profile is that of social auditing, which attempts to measure the social and ethical performance of an organisation. In principle, it can be applied to either NGOs, businesses or government departments. According NEF 'Social auditing takes as its starting point what the organisation says it want to achieve – for example in a mission statement or through claims made in publicity or advertising – and also what its 'stakeholders' want it to achieve'. It is a continuous process which involves consulting with stakeholders (staff, customers, suppliers, local communities etc.), developing benchmarks for comparative assessment and an independent social auditor is used to verify the veracity of the material which is generated through these processes. The process itself is a form of 'structured listening' in which the auditor agrees an approach with stakeholders and a 'social statement' is prepared based on the social accounts produced. These are independently reviewed and the results made public According to NEF, which is the leading proponent of this approach in the UK, social auditing, like financial auditing before it, is rapidly becoming a professional discipline. Organisations such as Traidcraft, The Body Shop and Ben and Jerry's are all using the social audit methodology. DFID itself is presently carrying out a feasibility study in order to assess whether it should itself undertake a social audit in order to increase public accountability and operational transparency.

From the Social Auditing Briefing, NEF, 1996

Learning, feedback and replication

At present most activities under this theme are still at the exploratory or experimental stage for DFID. It is therefore vital that information is systematised in such a way that facilitates learning both with DFID and its partners (in order to improve performance) and more widely (to share lessons learned with other agencies involved in similar work). Following from this theme, learning needs to be built into processes of replication if this 'experimental' theme is to be of value more widely. Given the newness of this theme, many activities are being undertaken on a pilot basis and it is therefore important that activities are assessed and packaged for replicability elsewhere by DFID and other agencies. Hulme's (1990) work on 'institution breeding' as a form of flexible scaling up and replication may be important for DFID within this theme.

The next chapter attempts to synthesis some of these issues to provide a framework for DFID to plan and assess the progress of an ethical business agenda.

4. Conclusions: Learning Lessons and Strengthening Indicators

The first part of this section draws brief lessons from the material discussed. The second part attempts to develop a conceptual framework within which DFID can assess the progress of its ethical business work.

DFID's experience so far with ethical business

This theme constitutes a relatively new area for DFID's work. As a result there is a need to:

- Learn lessons from DFID's work so far;
- examine relevant experiences among other agencies, such as The Body Shop and NEF, which might be germane to DFID's work.

At present DFID is undergoing a process of reorganisation, led from within the Social Development Department, which will allow it to make more of the ethical business theme in its work. SDD's intention to establish a Social Dimensions of Business Practice Resource Centre and the creation of the BPU represent potentially exciting steps in this new direction.

From the existing record of work in this area (discussed in Chapter 2) the following lessons can be drawn:

Clarification
The ethical business theme is highly complex and needs to be 'broken down' into more clearly defined sub-themes. There is already evidence that some tensions and confusions exist in the precise division of responsibilities between SRBU and the BPU. The present report has made a start in breaking down the theme into three sub-themes.

Integration
There is a need to build in an awareness of this theme within existing projects and programmes at the planning stage through Social Development advice. In the Durini Project the issues only became apparent towards the end of the project, and the social development consultant's report was undertaken separately from the main evaluation, which made it more difficult to integrate the ethical business theme with the natural resources management focus of the project. This is all the more important in the light of indications in the tourist strategy document that issues should be mainstreamed into activities because major stand alone interventions on the tourist business are unlikely to find support within DFID.

Rhetoric versus reality
The experience of the Sialkot child labour prevention work undertaken with SCF shows how difficult it is to prioritise social development issues within the business agenda even when a measure of support has been secured from the local business community. The aims of such interventions may need to be made more realistic until more experience is gained with the development of best practice.

The need for experimentation and learning
Most of the initiatives discussed here are new and innovative for DFID and as such one might expect a high level of initial failure followed by learning, adaptation and dissemination. For example, the work by the ETI on voluntary codes of conduct notes that such codes are

unlikely to protect vulnerable groups such as home-workers and that monitoring will require new forms of collaboration and partnership between local, national and international agencies. Through this period of learning, good communication between actors will be crucial.

Dissemination and use of products and outputs

The Silsoe ergonomics research project highlights another important issue: the way in which products such as guidelines should not form the end of a project's activities but should be shared with other actors. In addition, there is a need to evaluate whether and how guidelines (which commonly form a central output of social development initiatives on such matters such as ergonomics, partnership, participation etc.) are actually used in the future.

A conceptual framework

This section analyses the ethical business agenda and breaks it down into six main components (Table 2 below), each of which lend themselves to different types of assessment. By breaking down the ethical business theme into six kinds of activity and objectives (material, social, educational, cultural, environmental and legal) it is possible to begin to consider different types of objectives within the ethical business agenda.

Table 2: Levels and objectives of ethical business activity

Level	Objective
Material	Well-paid producers, safe and healthy conditions, high quality products, sound environmental management.
Social	Resources generated for common good/public benefit; targeted beneficiaries in the wider community; inclusive towards certain social groups (e.g. women) and exclusive towards others (e.g. children).
Educational	Educated consumers in the North who can make informed, ethical choices.
Cultural	Reorientation or development of an organisational culture in keeping with both the organisation's social and business objectives
Environmental	Economic activities which are sustainable and environment-friendly
Legal	Compliance with laws and codes of conduct by businesses at national and international levels

The next stage (Table 3 below) is to begin to develop sets of indicators for each. These can be applied to existing projects, developed in the planning of new ones and distilled into sets of guidelines for use by DFID and other agencies for refining project documentation which relates to this theme.

Table 3: Levels and possible indicators of ethical business activity

Level	Indicators
Material	Increased wage levels; sectoral in country wage comparisons; increased sales of products; observed new working conditions such as longer breaks, protective clothing at work.
Social	Stakeholder appraisals; participatory employee household income surveys to assess improvements in nutrition, access to education; decline in numbers of child employees; increases in female employment.
Educational	Assessment of public social development knowledge in schools, trade unions, businesses etc. through focus group discussions measured against benchmark; increased resources spent on this type of work among UK NGOs and other agencies.
Cultural	Observed changes in orientation of NGOs or ATOs towards business principles and tools away from ‘charitable’ selling; increases in social responsibility and public giving for social development purposes among business community in UK and elsewhere; voluntary codes of conduct developed and adhered to by business.
Environmental	Evidence of new production processes with reduced environmental damage; participatory community assessment of environment impact; implementation of ergonomic principles in the workplace.
Legal	New laws on the statute books of countries or at international level; successful prosecutions of companies infringing laws.

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Annex 1: Fair trade case studies from The Body Shop

This material is included for information because it contains ideas and lessons which might be of relevance to DFID on this theme. It is drawn from two evaluations undertaken for The Body Shop by the author in 1995 and 1997. The names of the organisations involved have been changed.

Introduction

The Body Shop has been exploring the idea of fair trade since the 1980s. This has been carried out on an experimental learning basis and critics have been quick to point out (as has The Body Shop's own Social Audit) that fair trade has as yet formed only a tiny fraction of The Body Shop's overall turnover. However, by 1994-95 the value of 'fairly traded' products represented 17.8% of all Accessories purchasing by The Body Shop, a total of £2,069,615. 'Fair trade' is stated in the company's publicity to be an essential part of its business philosophy. The company has attempted to build links with local businesses and 'communities in need' under its 'Trade Not Aid' programme in the developing world, later renaming this as 'Community Trade'. According to The Body Shop (1996a: 16):

> The goal of Community Trade is to help create livelihoods, and to explore trade-based approaches to supporting sustainable development by sourcing ingredients and accessories direct from socially and economically marginalized producer communities.

The principles of Community Trade have been outlined in various Body Shop publications as: respecting environments and cultures; using traditional skills and materials; seeking to benefit primary producers; creating sustainable trade links; trading renewable natural resources; encouraging small-scale community economics; treating partners with respect and integrity; and giving people control over their own resources, land and lives. Commercial viability and environmental sustainability are key stated aims of Community Trade (The Body Shop, 1996b).

Case Study 1: Handmade paper production in Nepal: supporting the emergence of a local social business and its associated NGO

The first case study describes an attempt by The Body Shop to support the emergence of a local socially and environmentally aware paper business and a local Nepali non-governmental organisation (NNGO) associated with the business, funded by part of the profits generated by fair trade.

In Nepal, The Body Shop has worked with the Paper Company (PC) a local family-owned hand-made paper business established in 1984 which has supplemented its profit-making business objectives with a set of environmental, social and economic objectives. In addition to the promise of giving the PC access to a lucrative export market, a key objective for the trade link was to develop an environmentally sound alternative to the local shrub known as *lokta* (known in English as daphne) which is traditionally used in paper making but which is now restricted by government for environmental reasons since its over-exploitation on mountain sides is linked to problems of soil erosion.

Under the trade link, which has been in place since 1988-89, the PC has increased the size and scale of its operations considerably. Exports through the trade link reached a value of nearly £100,000 in 1992 and had increased to over £250,000 by 1995. From only 27 staff in 1988 by 1995 the PC was employing 104 people from the local community, on terms and conditions significantly more favourable than other comparable local employers. A new paper manufacturing process had been developed which used organic waste products and significantly reduced environmental costs during the production process which now produced no toxic waste products nor consumed any non-renewable energy. New products designed jointly with designers and technicians from The Body Shop have provided the PC the potential to compete in international markets instead of selling locally, a market which they then abandoned.

Linked to this growth, the community-based NNGO was established by the PC's senior managers, family and associates with the intention of using the profits from the business in order to undertake community work. The NNGO was financed in an innovative way through the payment of a 10% premium by The Body Shop, over and above the agreed price paid for the paper products. The NNGO initially worked on credit and literacy programmes with the local community around the factory, including employees and their families, but later broadened its activities to include other nationally identified priorities such as HIV/AIDS awareness raising and education work. This latter work earned NNGO a national reputation as a leading local NGO in the HIV/AIDS field and in 1995 was funded by the United States Agency for International Development (USAID) to take part in a national two year programme.

The key problem with the trade link has been one of sustainability. The Body Shop's purchasing of the PC's paper products is dependent on rapidly changing consumer tastes in the North and while sales of notebooks, boxes and writing paper boomed for several years sales were faltering by 1995 and orders were significantly reduced. This left the PC and the NNGO financially vulnerable and somewhat confused. Many of their activities had to be scaled down. Despite the long history of contact and good personal relations between the companies, staff at the PC felt let down by The Body Shop's declining orders. Management and staff had placed great store by what they saw as a special kind of trading relationship, which at times had seemed reminiscent of the project-based development world so familiar to many Nepalis. But despite occasional encouragement and help from The Body Shop, the PC had made little progress with diversifiying into other export markets, partly due to confusion about copyright and the exact nature of the 'special relationship' which had been built up between the PC and The Body Shop.

While a potentially valuable form of alternative resource mobilisation for the NNGO had been piloted, the resulting structures remained just as dependent on continuing trade with The Body Shop as other NGOs tend to be on the flow of funds from a particular aid donor. The main lessons which were learned by The Body Shop were that assistance to producers with the diversification of trading partners is essential to avoid vulnerability to particular buyers and markets; that transparency about time scales and likely sales patterns needs to be brought about from the very start of any fair trade relationship; and that shared problem-solving is the only way to proceed if long term change is to be achieved. With help from The Body Shop, the PC has found other international buyers, re-entered the local market and opened some shops and expectations have been scaled down somewhat on both sides.

Case Study 2: Handicraft producers in Bangladesh: reorienting a failing ATO for competitive social business

The second case study describes an attempt by The Body Shop to work jointly to improve the performance of an ATO in Bangladesh which works with rural women handicraft producers working with jute and terracotta. The jointly agreed objective was to enable the ATO to improve its management practices, to respond more effectively to increasingly competitive export markets in terms of product design and quality control, and to leave behind its predominantly 'charitable' image, ultimately benefiting the large numbers of women's producer groups it served throughout the country. Far from simply buying large quantities of products, the aim of the trade link was to support the emergence of a regenerated ATO equipped with a set of new skills and outlook.

Since 1993, The Body Shop has traded with the Handicrafts Organisation (HO), a women's handicraft non-profit marketing ATO set up in 1973 by the Bangladesh Catholic NGO Caritas (then known as the Christian Organisation for Relief and Rehabilitation) in the early years of the country's independence. A pioneer of fair trade, sales of handicraft products quickly reached an annual value of US$1 million with sales to ATOs in Europe and North America. The HO became an international success story with handicrafts produced by up to 9,000 village women, organised into primary and secondary producer groups. These women used the profits from their work as supplementary income during lean periods of the year. The Handicrafts Company became an independent non-profit trust, though it remained strongly linked to Caritas through its governance structure. It has not taken foreign funding since 1975 (Norton, 1996).

The problem now faced by the HO is that the ATO market in handicraft has declined during the early 1990s as consumer expectations have become more demand-led and less motivated by charitable impulse, and that the Handicrafts Company has been unable to produce and market products which can compete internationally. Many of the Northern-based ATOs upon which the Handicrafts Company depended are now struggling for survival. While there is well-documented evidence of changing consumer demand for fairly traded products which are of a high quality and innovative design, the HO is finding that demand is falling for the traditional handicraft products which sustained the fair trade movement during the 1970s and 1980s.

The trade link has been successful in many ways. The Body Shop quickly became the HO's largest trading partner, buying 30% of its products in 1995. A range of new jute and terracotta products has been designed jointly with The Body Shop and produced on a scale and to a standard which is fair higher than anything achieved before. Standards of quality control and marketing have been increased and the HO has learned how to deal successfully with a large commercial buyer.

This progress in upgrading the ATO's production capacity and skills however was hindered also by a range of technical problems associated with the scale of the orders received. These required expensive and time consuming trouble-shooting trips to solve, and by problems of changing organisational culture in which staff and leadership accustomed to being guided by the goodwill and charity of their customers found it difficult to deal with the changed commercial environment in which they were now working. A key problem was that differences in expectations and values between the two trading partners led to clashes of organisational culture which made the identification, agreement and meeting of joint objectives very difficult.

Even after several years of joint exchange and support there was still a tendency for senior management to be appointed by the parent NGO without appropriate skills and for appeals to potential international buyers to be made on the basis of the needs of the women producers rather than on the quality of the products offered.

The main lesson which has been learned is that the fair trade link was attempted too quickly. This led to a number of related problems: increases in production scale and quality placed a great organisational strain on the partner; that confused lines of accountability between an ATO and its parent NGO need to be clarified because they can create tensions between different kinds of organisational culture - profit-making vs. social; that skills transfer between for-profit and non-profit business cannot easily be carried out, particularly in an aid-dependent culture within an organisation whose roots remain in the NGO sector. It remains to be seen whether the HO will manage its transition towards market-based sustainability in the coming years.

Conclusion

The case studies indicate that problems exist around confused expectations, the scale and pace of change, the need for producers to diversify their markets and avoid dependence on a single buyer, and the relatively high cost in time and resources of building fair trade links. Many of these problems have their roots in conflicts between (i) for-profit commercial organisational culture and non-profit charitable organisational culture, and (ii) business and social priorities.

Despite the problems, the cases suggest that it may be possible to build trading relationships, based on changing consumer demands, with primary producers in economically vulnerable communities. Fair trade partnerships are beginning to link the business and the non-profit sectors in creative ways and building the prospect of achieving positive impacts on local livelihoods. Fair trade also can be seen to raise the prospects of an innovative source of funding for local organisations such as community action groups or NGOs.

The Body Shop case studies indicate that fair trade partnerships are at an early stage at both the level of theory and practice. Such approaches face a range of problems which will need to be addressed through an ongoing processes of trial and error and rapid learning. Large business organisations seeking to establish fair trade partnerships need to start small and move slowly if they are to manage the tensions which tend to arise. In both of the case studies presented, a rapid expansion of trade created by the large scale of The Body Shop's level of operations led to production problems and to expectations of continuing, high level of trade which could not be realistically fulfilled. However, both the HO in Bangladesh and the PC in Nepal are developing a new set of production and marketing skills for their products from The Body Shop, while using The Body Shop's massive purchasing power to buy time to adjust to changing markets.

Annex 2: Towards the further incorporation of the new theme of 'labour rights' into DFID's work

A further four DFID project memoranda were examined in order to assess the question of private sector development and labour rights. Although these projects do not explicitly address the issue of labour rights, they are nevertheless concerned implicitly with this theme. This section briefly describes the projects (based on the project memorandum) and sets out key issues which arise:

1. Assistance to Informal Business Training Trust, Port Elizabeth

This project, which ran from 1994-96, aimed to establish a new business training centre in Port Elizabeth, with a Training of Trainers Programme, to provide business skills to actual and potential micro-entrepreneurs. The project, which cost £465,000, was co-financed with corporate sponsorship and trainee fees. As part of the Overseas Development Administrations's Small Enterprise Development work, the project seeks to fill the gap provided by the South African government's concentration of its support to the formal business sector. A one week business training programme developed by IBTA (a South African NGO) is to be replicated through the training of trainers programme. The social and economic appraisal of the programme emphasises that 65% of trainees are women, reflecting overall proportions in the country but does not comment on labour rights specifically.

This project raises the issue of labour rights within the informal sector (as opposed to the better-documented activity underway in the *formal* sector), in relation particularly to gender and employment. In view of the high proportion of women in informal sector employment the training could include a consideration of the complex issues around minimum wages, terms and conditions.

2. Feeder Roads Project, Mozambique

This project runs from 1995-99 and aims through infrastructural improvement to provide better access to markets and services for the rural population of Zambezia province, which includes displaced people now returning. The project costs £7.7m and has an innovative approach in that it has engaged 7 local private contractors to do the work, creating 1400 short term construction jobs and 350 long term maintenance jobs. Social Development Adviser involvement is intended to ensure that community involvement occurs in consultation, recruitment and organisation of the labour force. A parallel project exists to raise awareness on land rights and strengthen local community associations. The emphasis of the project is on the economic impact to local people and workers and there is no specific mention made of ensuring employment rights (e.g. wage levels, working conditions and safety, hours of employment etc.) The social and economic appraisal of the project expresses a desire to see women employed as well as men, but states:

"We will not seek to control this, given the likely fragility of the emerging contractors" (point 11.3).

This project raises the issue of labour rights for men and women employed by the private sector in public works projects (hours, wages, conditions etc.), and highlights the sensitivities around monitoring the ways in which such work is undertaken within the context of weak or emerging firms.

3. Faisalabad Area Upgrading Project

This project has the objective of urban poverty reduction through the organisation of the poor, improving the capacity of local service providers, provision of infrastructure, linking government and non-governmental organisations (including seeking to overcome the former's distrust of the latter) and communicating replicable lessons learned to policy makers and practitioners. Phase 2 runs from 1998-2002. The stakeholder analysis in the PM explicitly highlights private sector as an external stakeholder and notes that an improvement in the 'economic situation' of the local community will increase private sector demand for services and items. It suggests that recognition of the private sector will be strengthened if it contributes to social development through financial donations, and sees the potential overall for increasing the private sector role in service provision. However, the PM also notes the possibility of negative impacts such that (p.A2.13):

- Higher demand may force up prices which could exclude the poorest;
- the private sector may use its increased recognition as a shield for 'exploitative practices'.

This project illustrates the potential for bringing the private sector more fully into service delivery but highlights at the same time the possible negative impacts.

4. Kenya Women Finance Trust (KWFT)

This aims to support women's small enterprises through credit and training provision in partnership with the International Fund for Agricultural Development (IFAD). Most of these small businesses are in retail trade and services. Most women conducted businesses in the open air or at home. They tend to work long hours (11 on average, with a maximum of 20 hours a day). Little employment however was generated, with most women drawing on unpaid household labour. The 1996 IFAD study finds that loans have a generally positive impact on KWFT clients and their businesses, allowing some women to make the transition from 'poor' to 'successful' entrepreneurs who can obtain bank loans and provide basic resources to their families. However, the study also notes the problem that high transaction costs of providing loans makes it difficult for KWFT to become institutionally sustainable throughout its scattered branch offices.

This project raises the issue of informal sector businesses drawing upon unpaid family labour (including children) in their sustainability and expansion. It also addresses the issue of 'apprenticeship' and the need to ensure that personnel trained in this way are taken on as full time employees after an agreed time period or assisted in the wider employment market.

Conclusion

The integration of a labour rights theme more fully into DFID projects and programmes will therefore require the following:

1. An explicit link with women's rights and employment;

2. the safeguarding of child rights in relation to private sector employment;
3. the application of labour rights to informal as well as formal sector business;
4. attention to employment conditions within public works schemes whether conducted by the private or public sectors.