Fairtrade Premiums

Facilitation Manual for Fairtrade Facilitators to Facilitate the Establishment of Fairtrade Premium Committees (FPC) and Use of Fairtrade Premiums (FP) within Hired Labour Organisations (HLOs)

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List of Abbreviations

FPC	Fairtrade Premium Committee
FP	Fairtrade Premiums
FPP	Fairtrade Premium Plan
GA	General Assembly
HLO	Hired Labour Organisation

Using this Manual

This manual contains topics to facilitate sessions within the setting of a Hired Labour Organisation (HLO) about the creation and functioning of a Fairtrade Premium Committee (FPC), the development of the Fairtrade Premium Plan (FPP), and the management of projects funded with the Fairtrade Premium.

Target group

This manual should be used by Fairtrade trainers to facilitate sessions for the management, workers representatives, and Premium Committee of hired labour organisations. That means that this manual should NOT be given to

This manual contains of several sessions which are compiled into four programs.

PROGRAM 01

This 0.5-day program consists of 3 sessions which will be facilitated before the election of the Premium Committee. Participants are management and a large group of workers representing different groups of workers. The main purpose of this program is to create a basic understanding of the Premium Committee and the Fairtrade Premium, and to develop procedures for the election of the Premium Committee..

PROGRAM 02

This 1-day program consists of 3 sessions which will be facilitated after the election of the Premium Committee but before the committee is fully registered and established. Participants are all members of the Premium Committee. The main purpose of this program is to develop the constitution of the Fairtrade Committee and an action plan for the actual establishment of the committee

PROGRAM 03

This 1.5-day program consists of 4 sessions which will be facilitated after the registration and establishment of the Premium Committee. Participants are all members of the Premium Committee. The main purpose of this program is to build capacity of the committee to develop the Fairtrade Premium Plan.

Program 04

This 0.5-day program consists of 2 sessions which will be facilitated after the committee has developed the Fairtrade Premium Plan. Participants are all members of the Premium Committee. The main purpose of this program is to build the capacity of the committee to manage Premium projects.

	TITLE OF THE SESSION	TIME NEEDED
	Program 1 Establishing of the Premium Committee	**0.5 day**
1.1	Introduction of participants and program	Appr 20 min
1.2	Introduction to the Fairtrade Premium and its use	Appr 20 min
1.3	Developing procedures to establishing a Premium Committee	Appr 2-3 hours
	Program 2 Functioning as Premium Committee	**1 day**
2.1	Introduction of participants and program	Appr 20 min
2.2	Developing the constitution for the Premium Committee	Appr 4-5 hours
2.3	Setting up the Premium Committee	Appr 2-2.5 hours
	Program 3 Developing the Premium Plan	**1.5 days**
3.1	Doing a needs assessment	Appr 25 min
	TITLE OF THE SESSION	**TIME NEEDED**
3.2	Analysing and gathering information	Appr 3.5 to 4.5 hours
3.3	Deciding how to use Fairtrade Premiums	Appr 3.5 to 4 hours
3.4	Writing the Premium Plan	Appr 3 to 3.5 hours
	Program 4 Managing Premium projects	**0.5 day**
4.1	Implementing projects with Fairtrade premiums	Appr 20 minutes plus 1 hour per project
4.2	Monitoring premium use and management	Appr 1 hour plus 30 minutes per project

Premiums in the Fairtrade Standards

Aspects of the Fairtrade Premium and Premium Committee are covered in chapter 2.1 of the Fairtrade Standard for Hired Labour. During the sessions described in this manual, you will not discuss the requirements; that is done in the training topics on the Fairtrade Standards (see Overview of Fairtrade requirements on Fairtrade Premium and the Premium Committee).

Link with topics on association management

The topics on project development and project management are fully covered in the training manual on project management. In that manual you will find guidelines on how to facilitate the development of a budget, action plan, activity reporting, monitoring, and accounting. In this manual only aspects that are specific for the implementation of projects with the Fairtrade Premium are mentioned.

The Fairtrade Premium at a Glance

The Fairtrade Premium Committee and the Fairtrade Premium

- The Fairtrade Premium Committee is responsible for managing the use of the Fairtrade Premium on behalf of the workers.
- The Fairtrade Premium should be used to support social and economic development for workers, their families and the community.
- The company and management are not direct beneficiaries of the Fairtrade Premium.
- The Fairtrade Premium Committee is accountable to the workers for the use of the Fairtrade Premium.

Representation of all the workers on the Fairtrade Premium Committee

- All groups of workers should be represented in the Fairtrade Premium Committee, including migrant, seasonal or temporary workers.
- All workers must be informed about Fairtrade and the Fairtrade Premium Committee and understand how and when they can participate in Fairtrade Premium Committee decision-making processes.
- The Fairtrade Premium Committee should invite all workers to attend regular meetings, and records of those meetings must be kept.

Role of management of the Fairtrade Premium Committee

- Management advisors together with worker representatives are equally responsible for the functioning of the Fairtrade Premium Committee.
- Management of the company should appoint advisors on the Fairtrade Premium Committee.
- Management should guide and advise the Fairtrade Premium Committee.

Separate legal body

- A separate and independent legal body must be established to receive and own the Fairtrade Premium.
- The legal body must have its own terms of reference and own bank account.
- The Fairtrade Premium Committee must be elected as the management committee of the legal body.
- The Fairtrade Premium Committee must consist of both democratically elected workers and appointed management advisors.

Administration of the Fairtrade Premium Committee and the Fairtrade Premium

- Administration of the Fairtrade Premium Committee must be transparent, meaning that all workers must be able to see and understand the activities of the Fairtrade Premium Committee.
- The Premium Committee must meet and consult with the workers to understand workers' needs and to discuss project ideas regularly.
- All activities, including meetings, trainings, and projects should be written down either in minutes, notes or reports.
- A detailed yearly Fairtrade Premium plan must be prepared, with a reasonable budget, and it must be approved by the General Assembly (GA) of workers.
- Risk assessments must be undertaken for all major projects.
- The Fairtrade Premium Committee must monitor and report annually to the GA on the activities carried out with the Fairtrade Premium funds
- All workers and the certification body should have access to the Fairtrade Premium Committee records.

Fairtrade Premium spending and project management

- Fairtrade Premium projects may only be decided on the basis of consultation with all the workers.
- The Fairtrade Premium can be used for projects that involve individual disbursements of non-consumable goods when they are accessible to all workers equally.
- Up to 20% of the Fairtrade Premium may be distributed equally among the workers, per year in cash as a Fairtrade bonus. This amount may be increased to 50% in exceptional circumstances or where there is a majority of migrant workers who do not generally benefit from Fairtrade Premium projects. Cash distribution is only an option and does not have to be applied.
- The Fairtrade Premium may not be used for any illegal activity or for any activity which clearly jeopardizes the business or certification of the company or have a demonstrable negative structural, financial or social impact on the company.
- Fairtrade Premium projects should be managed by the Fairtrade Premium Committee.

Training and capacity building

- Training for the Fairtrade Premium Committee and for workers should be regular and ongoing.
- This should include opportunities for different types of training and learning.
- The Fairtrade Premium Committee should develop a training plan based on an assessment of training needs.

Checklist of Requirements for Hired Labour Organisations

Year 0

2.1.1	Core	Create a Fairtrade Premium Committee (FPC) that manages the Premium for workers.
2.1.3	Core	Create and register a legal body to allow the workers to be the sole owners and beneficiaries of the Premium.
2.1.5	Core	Establish a separate Fairtrade Premium account with worker and management representatives as joint signatories.
2.1.6	Core	Ensure all Premium payments are paid directly into the Fairtrade Premium account.
2.1.8	Core	Sign a legally binding agreement with the legal body to ensure the balance of the Premium is used for on-going Premium projects or distributed among workers within 3 months.
2.1.9	Core	Democratically elect workers representatives to the FPC and have management appoint advisors.
2.1.11	Core	Ensure that the FPC meet regularly during working hours.
2.1.12	Core	Provide information on current Fairtrade sales, cross checked against Premium received and minute in FPC meetings. Make all relevant Premium accounting books available to the FPC members and the certification body.
2.1.13	Core	Management must participate actively and responsibly in the FPC as a non-voting advisor.
2.1.19	Core	Ensure that Premium is used, according to the Fairtrade rules, to benefit workers, their families and communities.
2.1.20	Core	If workers choose, up to 20% of the Premium can be distributed as a Fairtrade cash bonus. If this is the case the FPC must consult with the workers' representatives. Note: exceptional circumstances can raise the limit to 50%.

2.2.2	Core	Workers understand purpose of Fairtrade Premium and role of the FPC.
2.2.3	Core	Provide initial training for the workers' representatives on the FPC.

Year 1

2.1.2	Core	Multi estates need to provide an overview of the Fairtrade Premium income of the company and how it is distributed as well as the local FPC premium plans.
2.1.4	Core	Create a Terms of Reference for the Fairtrade Premium Committee, have it approved by the general assembly (GA) of workers and follow it.
2.1.7	Core	For multi estates only - ensure that the distribution principles of the Fairtrade Premium are transparent and documented.
2.1.15	Core	Prepare a Fairtrade Premium plan based on consultations with workers, taking into account the needs of different groups of workers. From this prepare a budget based on expected Premium income, setting priorities.
2.1.16	Core	Ensure that the FPC leads a General Assembly (GA) at least once a year to approve the Fairtrade Premium plan.
2.1.17	Core	Administer Premium funds responsibly. Undertake risk assessments for all major Premium projects, loans and investments.
2.1.18	Core	Ensure that the FPC monitors activities and presents a documented annual report on Fairtrade Premium activities to the general assembly of workers.

Year 3

2.1.10	Development	Ensure that the composition of the FPC reflects the composition of the workforce.
2.1.14	Development	Ensure that the FPC understands the workers needs by meeting and consulting with them on a regular basis, during working hours, to discuss and record project ideas.

Program 1

Establishing the Fairtrade Premium Committee (FPC)

Session 1.1
Introduction of Participants and Program

Materials needed: None

Time needed: 20-25 minutes

Preparations:

- [ ] Carefully read the guidelines to facilitate this session.
- [x] Write the topics of the sessions on a flip-sheet (no need to print a program for everyone, which will generate unnecessary waste).

Guidelines for facilitation:

1. Welcome everyone. Ask everyone to stand up and form a circle while holding hands. You are outside of the circle (meaning you are not part of it nor in the middle).

2. Say that our venue has 4 corners. Ask everyone to choose a corner of the room that is 'theirs' but not to tell anyone. Confirm if everyone has selected a corner.

3. Explain that the objective of the exercise is to ensure that each person visits 'his/her' corner. The circle must not be broken during the process. Tell everyone to go to 'his/her' corner, while repeating that they should hold hands. Let everyone visit his/her corner. Most likely people will try to drag their colleagues to a particular corner under lots of laughter.

Note for the trainer:
When doing this exercise, explain one step and let participants do the step right away. This is to avoid that participants are going to anticipate to the resultse.

4. Ask everyone to let the hands go and **form again a circle** without holding hands (now you are part of the circle). Discuss what happened by asking the following questions:
   a. *Did everyone visit their corner? Why not?*
   b. *Was there consultation in the group or did some individuals just drag the others to their corner?*
   c. *What are the possibilities to visit every corner? It is possible to visit all corners as a group one by one after agreeing on the order in which to visit the corners.*

5. Explain that the circle is where the group is standing at this moment and that the corners are possible ways to spend the Fairtrade Premium (or directions to go). Whatever which direction is chosen, it is important that everyone knows what the direction is and that it is agreed on how to get there, because everyone will have his/her own priorities.

6. Let everyone introduce his/herself. Everyone should mention their name and which group of workers (or management) they are representing. Start with yourself and make the round.

7. After the introduction, share the program for the day (paste the flip-sheet on the wall) and explain the objectives of the program. After that you will start with the next session.

Session 1.2
Introduction to the Fairtrade Premium and its Use

Key Information

Fairtrade Premium

The Fairtrade Premium is an **extra sum** paid to the company **in addition to the price of their products** (either the Fairtrade International minimum price or the market price, whichever is higher). The premium serves as a tool for socio-economic and environmentally sustainable development and empowerment for the organised workers in the company.

The **Fairtrade International** Pricing Database lists the Fairtrade Minimum Prices and Premiums for all certified products. When the market price is higher than the Fairtrade Minimum Price, producers should receive the current market price or the price negotiated at contract signing. The amount of Fairtrade Premium that a Fairtrade organisation receives depend on the **quantity of products that have been sold as Fairtrade**. This means that even when products are produced according to the Fairtrade Standards but not sold as Fairtrade, **no Fairtrade Premium will be paid**. The Fairtrade Premium is calculated as a percentage of the volume of produce sold. The amount of Premium received by Organizations differs from product to product and across regions. The price is reviewed every three to four years to adjust to local inflation. The Fairtrade Premium is paid separately from payments for the product.

Fairtrade Premium Committee

To ensure that the Fairtrade Premium is managed for the benefit of workers, their families and communities, the Fairtrade International Standard for Hired Labour requires that **the Fairtrade Premium is owned by a separate legal body representing all the workers.** This legal body is called the **Fairtrade Premium Committee** and is a group of democratically elected worker representatives and appointed management advisors who are responsible for jointly managing, investing, and spending the Fairtrade Premium on behalf of this legal body. In other words, the workers and management of the company **work together** to achieve improvements in the workers' lives using the Fairtrade Premium.

Projects for socio-economic development

The Fairtrade Premium is intended to be used for socio-economic development that will benefit workers, their families, and their communities. Funds will be used to implement projects, in which a project is a planned undertaking that uses resources to attain well-defined objectives through a number of activities. There are guidelines for what type of projects the premium can be used and cannot be used (see also in the training manual for Hired Labour Organizations). In general, the Fairtrade Premium may not be used for expenditures for which the company is legally responsible, nor may it be used to support the company's running costs or costs of compliance with Fairtrade standards. Per year, **up to 20% of the Fairtrade Premium can be distributed equally amongst all workers in cash** as a Fairtrade bonus.

Fairtrade International considers socio-economic development to be **a process resulting in changes** which improve the capacity of a community to fulfil its aspirations. The aim is to empower individuals and groups with the skills they need to identify their needs and priorities and to develop plans and projects to address these. The Fairtrade Premium is intended to be used both for **empowering workers**, and for **investing in plans and projects for social and economic improvement** in the wider community. The Fairtrade Premium cannot solve all the social and economic problems and needs of workers and the community. But if it is invested wisely and builds the capacity of workers to change their own lives, the Fairtrade Premium can have long-lasting benefits.

Source: Explanatory document for the Fairtrade Premium Committee in Hired Labour Situations

Guidelines for the Facilitator

Materials needed: ☐ Flip-sheets, markers, masking tape or gum

Time needed: 20-25 minutes

Preparations:

☐ Carefully read the key information and all steps of this guideline.

☑ Check up the current Fairtrade Premium for the product of the company (see http://www.fairtrade.net/price-and-premium-info).

☑ Prepare a flip-sheet with the key points of this session (to be used at the end during the summary):

- Fairtrade Premium = extra sum in addition to price of products
- Products produced as Fairtrade BUT not sold as Fairtrade >> no premium
- Fairtrade Premium Committee manages the premium
- Premium spent on socio-economic development through projects

Session in Short

Set up: 2-5 min

Delivery:

10-15 min: explaining the Fairtrade Premium, Premium Committee, and projects

5-10 min: current situation

Finish: 2-5 min

Set up – 2-5 minutes

Attention: Say that this the first sessions on Fairtrade Premiums.

Title: Tell the title of the session: *Introduction to the Fairtrade Premium*.

Objectives: During this session you will explain what the Fairtrade Premium is, the Premium Committee, and premium projects.

Benefits: If you know the basic information about the Fairtrade Premium, it is easier to understand the details that will be discussed in next sessions.

Direction: This is a short introduction session. During the next sessions, we will go into detail on all aspects mentioned in this session.

Delivery

Explanation, **V**isualisation, **E**xercise, and **A**pplication:

Explaining the Fairtrade Premium, Premium Committee, and projects – 10-15 minutes

8. Say that we will start with the **Fairtrade Premium**. Ask the following questions to check the understanding on the Premium:

    - *What is your understanding of the Fairtrade Premium? Collect answers from different people. Then explain that the Fairtrade Premium is an* **extra sum** *paid to the company* **in addition to the price of their products** *(either the Fairtrade International minimum price or the market price, whichever is higher).*

  - *What is the* ***purpose*** *of the Fairtrade Premium? Why does the premium exist?* The premium serves as a tool for socio-economic and environmentally sustainable development and empowerment for the organised **workers** in the company.

9. Explain that the height of the Fairtrade Premium is **set by Fairtrade International** for **each specific product** and can be found in the Fairtrade International Price and Premium table. Ask: *Does anyone know how high the premium was for XX (mention the product of the company) last year?* Tell the height of the premium. Say that the height of the premium can be found on the Fairtrade website. At the end of the session, you will share the link with them.

10. Explain that the total amount of Fairtrade Premium that a Fairtrade organisation receives will depend on the **quantity of products that have been sold as Fairtrade**. This means that even when products are produced according to the Fairtrade Standards but not sold as Fairtrade, **no Fairtrade Premium will be paid**.

11. Explain that an important aspect of the Fairtrade Premium is how it can be used. We will discuss this in detail in a next topic. For now, it is important to know that the Fairtrade Premium is intended to be used for **socio-economic development** that will benefit workers, their families and their communities. The idea is to implement **projects**, in which a project is a planned undertaking that uses resources to attain well-defined objectives through **a number of activities**. Give a few **examples** of Premium projects.

12. Add that **up to 20% of Fairtrade Premium per year can be distributed equally amongst all workers in cash** as a Fairtrade bonus. This bonus may be subject to tax payment (we will discuss that when the committee will be registered).

13. Explain that there are **guidelines** for what type of projects the premium can be used and cannot be used. In general, the Fairtrade Premium may not be used for expenditures for which the company is legally responsible, nor may it be used to support the company's running costs or costs of compliance with Fairtrade standards. The Fairtrade Premium is intended to be used both for **empowering workers**, and also for **investing in plans and projects for social and economic improvement** in the wider community.

14. Say that another important aspect of the Fairtrade Premium is that it does not belong to the company and the company does not decide how the premium is spent. The premium is **owned by a separate legal body representing all workers.** The committee is a group of democratically elected worker representatives and appointed management advisors. That means that workers and management of the company **work together** to achieve improvements in the workers' lives using the Fairtrade Premium. The premium committee is responsible for jointly managing, investing, and spending the Fairtrade Premium. In one of the next topics, we will look into detail at the role of the committee and how the committee functions.

Current situation – 5-10 minutes

15. In case the company is already Fairtrade certified, ask the following **questions** to get an idea of what has been done so far:
    - *How much premium was paid out last year? In case the group does not know, make a note and come back to this question during a next session.*
    - *Is there a Premium Committee?*
    - *For what was the Premium used?*
    - *What was the role of the Premium Committee in the Premium use?*

Do not comment on any of the answers; you will go into detail on all issues on the next sessions.

Set up – 2-5 minutes

Summary: Repeat that the Fairtrade Premium is an extra sum paid to the company in addition to the price of their products. The premium does not belong to the company but is owned by a separate legal body, called the Fairtrade Premium Committee. The committee is a group of democratically elected worker representatives and appointed management advisors.
With the premium, projects will be implemented to empower workers and to improve the socio-economic situation in the community.

Questions: Ask if anyone has a question or comment.

Evaluation: Ask the following questions:
- What is the Fairtrade Premium?
- What is the Premium Committee?
- For what type of projects can the Fairtrade Premium be used?

Next step: We have discussed the basic information on Fairtrade Premiums that should be shared with all workers

Session 1.3

Developing Procedures to Establish the Fairtrade Premium Committee (FPC)

Key Information

The participation of all workers in the decision-making process related to Fairtrade Premium projects is required by Fairtrade International standards. The Fairtrade Premium Committee is the elected committee of the legal body, and the officers of the Fairtrade Premium Committee therefore have legal and financial duties to perform on behalf of the workers.

The Fairtrade Premium Committee has two main responsibilities:

1. To inform and consult all the workers of the company about the Fairtrade standards and the Fairtrade Premium and its use.
2. To manage and invest the Fairtrade Premium transparently and responsibly. This means that the committee decides how the Fairtrade Premium will be spent and that the committee is responsible for the proper management of projects funded with the Fairtrade Premium.

Raising awareness

Workers should be aware about the Fairtrade Premium and the Premium Committee before the committee is elected. The purpose of the Fairtrade Premium and the role of the Fairtrade Premium Committee should be well explained before the workers are given the opportunity to nominate their worker representatives for election. Workers and management must understand that the Fairtrade Premium Committee is a **joint organisation of workers and management**: the workers elect their representatives, and the management appoints their representatives to work together.

Representation

The Fairtrade Premium Committee is made up of representatives of different types of workers. A workers' representative is a person who represents the interests of other workers in the committee. The representatives are elected by the workers to manage the Fairtrade Premium on their behalf. **Representation of all type of workers** is essential to ensure that needs and priorities of different types of workers are considered in Fairtrade Premium projects. A representative Fairtrade Premium Committee is one in which **the different groups of workers** are all represented.

When planning the first Fairtrade Premium Committee election, management and workers should decide **which groups of workers need to be represented**, and how everyone will be able to participate in the election. Some groups of workers are at particular risk of being under-represented in the Fairtrade Premium Committee. Which groups are at risk of being under-represented will vary from situation to situation, but might include female workers, workers from different work areas, workers from different communities, temporary or seasonal workers, and unionised workers. Management and workers should make an extra effort to ensure that these categories of workers are represented.

The number of representatives required will depend on the total number of workers and the number of different groups of workers that need to be represented on the Fairtrade Premium Committee. This depends on the specific work force but should be agreed before the Fairtrade Premium Committee election takes place. The Fairtrade International Standards require **proportional representation** if possible. In other words, if 50% of the workers are women, 50% of the representatives on the Fairtrade Premium Committee should also be women, wherever possible.

Elections of the Committee Members

The management and workers of the company should agree on an election process of the Fairtrade Premium Committee – they must agree on how, when and where the election will be done. Both the company and the workers can invite **external support to assist** with the election process. The election process should include the different groups of workers and ensure their representation on the Fairtrade Premium Committee. For example, female seasonal workers should be able to vote for a female seasonal worker to represent them on the Fairtrade Premium Committee. It is important that **each worker has the opportunity to vote**, and that different workers' interests are represented on the Fairtrade Premium Committee.

The agreed election process should be written down in the **constitution or terms of reference** of the Premium Committee and made known to all the workers. Workers should know who they can nominate, and which work areas and groups must be represented. The nominated individuals should understand and accept the responsibility. The election process should enable workers to vote freely for the representatives of their choice without threat or fear of discrimination. The Fairtrade Premium Committee should be elected <u>before</u> any Fairtrade Premium is paid.

All workers in the company are eligible to be nominated to the Premium Committee and to participate in the elections. The requirements for the composition of the committee should be part of the constitution of the committee. If there is a very low percentage of any one group in the workforce, reasonable judgement for representation should be made. If seasonal and temporary workers cannot participate in regular meetings, then it might be more practical to elect a permanent worker to represent the interests of seasonal and temporary workers.

The **office bearers** of the committee include the Chairperson, the Treasurer and the Secretary. The office bearers can be elected by the Premium Committee or by the General Assembly. The nominated individuals should understand and accept the responsibility.

Disadvantaged groups

At the beginning it is often difficult to ensure that enough women, temporary workers and other disadvantaged groups are represented on the Fairtrade Premium Committee. However, it is important that these groups' interests are represented in the projects and activities of the Fairtrade Premium Committee. **Specific plans** should be developed to increase the representation of these groups on the Fairtrade Premium Committee.

Continuous awareness-raising about Fairtrade with under-represented groups is essential to ensuring that they become more informed and involved. The responsibility for informing the workers about the Fairtrade Premium and Fairtrade Premium projects should be shared by the management advisors and worker representatives on the Fairtrade Premium Committee.

External support

Workers' representatives can invite external support from the Fairtrade International producer support, regional producer networks, Trade Unions, NGOs, or independent consultants. These individuals can attend Fairtrade Premium Committee meetings as non-voting, advising participants if they are invited by the Premium Committee.

Source: Explanatory document for the Fairtrade Premium Committee in Hired Labour Situations

BEST PRACTICE for the composition and Elections of the Premium Committee
Learning from others is always a good idea to avoid making the same mistakes. When establishing a Premium Committee, the HLO can organise a working visit to another HLO with a well-functioning Premium Committee. For such a visit, it would be good to invite representatives of different types of workers, and management.

Guidelines for the Facilitator

Materials needed: ☐ Flip-sheets, markers, masking tape or gum

Time needed: 2 to 3 hours

Preparations: ☐ Carefully read the key information and all steps of this guideline.

☑ *Prepare a flip-sheet with the following text:*
- *Premium Committee composition*
- *Represents all workers*
- *Worker representatives are elected*
- *Also includes appointed management advisors*

Note for the facilitator:
This session is not really a training session but rather a session in which the group will take decisions on certain procedures. That means that you will rather facilitate (meaning: guide the process) than train.
All decisions taken during this session on the procedures of the establishment of the committee will be part of the constitutions (see session 2.3).

Session in Short
Set up: 2-5 min
Delivery:
60-90 min: composition of the Premium Committee
10-15 min: term of office
10-15 min: functions in the Committee
Finish: 2-5 min

Set up – 2-5 minutes

Attention: Say that we have just seen that the Premium Committee plays an important role. Ask: *What is some of the information you remember on the Premium Committee?*

Let several people answer but do not comment on any of the contributions.

Title: Tell the title of the session: *Developing procedures to establish a Premium Committee*.

Objectives: The functioning of a Premium Committee can be compared with the functioning of an executive council or board of an association. An association has a constitution in which is described who the members of the council are, how the council is elected, how decisions are taken, etc. During this session, we will take decisions on the composition of the committee and its election. The a greed election procedures are part of the constitution of the Premium Committee and will be shared with all workers.

Benefits: A well-functioning Premium Committee starts with a fair and proportional representation. In addition, clear procedures on the composition and election of the committee will avoid discussions during the elections.

Direction: Management appoints their representatives in the committee. We will not discuss this in this topic.

Delivery

Composition of the Premium Committee – 1 to 1.5 hours

3. Say that in general, the Premium Committee has **two main roles**. The first one is to **manage and invest** the Fairtrade Premium transparently and responsibly. This means that the committee decides how the Fairtrade Premium will be spent and that the committee is responsible for the proper management of projects funded with the Fairtrade Premium. How the committee will do this, will be discussed with the elected committee. The second role of the committee is to keep all workers **informed** about the premium use.

4. Say that the functioning of a Premium Committee can be **compared** with the functioning of an Executive council or board of an **association**. An association has a constitution in which is described who its members are, how the association is functioning, how an executive council is elected, how decisions are taken, etc.

5. Say that we will start with the composition of the Premium Committee. Paste the flip-sheet with the heading "**Premium Committee composition**" on the wall. Read out loud what is written on the flip-sheet. Then ask the following questions:

   a. *The committee should represent all workers. What does that mean?* It means that every worker should feel that he/she is represented. Those on the committee will speak on behalf of all workers.
   b. *How can you ensure that the committee will represent all workers?* Every group of workers should be represented.

   c. *What do we mean with "different groups"?* You can think about workers from different work areas, temporary/seasonal workers, unionised workers, workers doing different types of work, etc. Groups can be segregated according to gender, for example one group can be male seasonal workers and another group can be female seasonal workers.

6. **Split people into pairs**. In case you have an odd number of participants, form one group of 3. Every pair should discuss the following question: *Which groups of workers need to be represented in your Premium Committee?* Let the pairs discuss for a few minutes.

7. After a few minutes, ask everyone to pay attention. **Discuss the results**. Ask the first pair to mention one group of workers they feel should be represented in the Premium Committee. Write their answer on a **flip-sheet**. Ask if any of the other pairs have listed the same group of workers.

Note for the trainer:

Do not yet discuss if everyone agree that this group of workers should be represented; you will do this when you have collected all answers.

Ask each pair for only 1 answer to avoid that none of the other pairs have anything to contribute.

8. **Continue with the second pair**; ask them to mention one group of workers they feel should be represented. Again, write it on the flip-sheet and ask if any of the other pairs has listed the same group of workers. **Continue with the other pairs**. When you have collected input from all pairs, ask if any of the pairs has additional input. Add any additional input to the list on the flip-sheet.

9. **Discuss all inputs.** Read out loud all the groups that are suggested to be represented in the Premium Committee. Ask the following questions:
   a. Are there too many groups or too few groups, keeping in mind that representatives of all groups will form the Premium Committee.
   b. Is there any overlap of groups? If yes, can we eliminate one of the groups?
   c. Would it be possible to combine any of the groups?
   d. Is there any group someone strongly feels does not need to have a separate representation?
   e. Is there any group that you have forgotten?
   f. Agree on a final list of groups that need to be represented in the Premium Committee. Write all decisions on a **flip-sheet**.

10. The next step is to look at every group of workers that has been identified and decide **how many people they represent**. Write the number behind every group. For example, if there are 35 female seasonal workers, their representative will represent 35 people. In case the company has many workers, you can make an estimation of the numbers (instead of given an exact number).

11. Say that the Fairtrade Standards require **proportional representation** if possible. In other words, if 50% of the workers are women, 50% of the representatives on the Fairtrade Premium Committee should also be women, wherever possible. It also means that a specific group of workers which represents only a very small number of workers (for example less than 5% of the total workforce) might not need a special representative in the committee. For example, if more than 95% of the seasonal workers is male, it might be agreed to have representatives for seasonal workers, instead of representatives for male seasonal workers and representatives for female seasonal workers.

12. The last step is to agree on the exact **composition of the committee**, which means the total number of representatives and the groups each representative will represent. **Share the best practice** on the composition of the committee as described in the key information of this top
    Ask: *What would be a good composition of the Premium Committee that*:
    a. *Will ensure representation of all groups of workers?*
    b. *Is proportional to all types of workers?*

Note for the trainer:

- **It might be a puzzle to get a fair, proportional representation of all workers. You can write down several possible compositions and then ask the group which of the suggested composition will be most feasible and workable.**
- **Try to avoid voting on the composition but rather reach consensus.**
- **A committee that is too large will be less effective and efficient. Therefore, you should try to find a balance between a committee that reflects the different types of workers and a "workable" committee.**

13. When the group has decided on a composition of the committee, ask the following questions:
    a. *With this composition, will every worker have the feeling to be represented?*
    b. *Will this composition be workable (meaning: be effective and efficient)? Can all members participate in meetings? If seasonal and temporary workers cannot participate in regular meetings, then it might be more practical to elect a permanent worker to represent the interests of seasonal and temporary workers.*
    c. *Do we foresee any challenges with this composition?*

14. Mention that in addition to workers' representatives, the **management of the company** will appoint representatives in the committee. Agree on **how many members** the management can appoint in the committee.

Note for the trainer: :

Although there are no strict recommendations on the exact division of workers representatives versus management representatives, a guidance can be 70% workers and 30% management.

15. In addition, workers' representatives can invite external support during meetings from the Fairtrade International producer support, regional producer networks, Trade Unions, NGOs or independent consultants. These individuals can attend Fairtrade Premium Committee meetings as non-voting, advising participants if they are invited by the Fairtrade Premium Committee.

Term of office – 10-15 minutes

16. Now that the composition of the committee has been agreed, explain that another aspect of discussion is **the term of office**. A term means the **number of years** someone can be member of the committee until the next election. Ask:

    a. *How many years should one term be? It varies within organisations with some having terms of 2 years and other three years. A good practice can be three years, after which a re-election is done.*

    b. *How many times can someone be **re-elected** (meaning: for **how many terms** can someone serve in the committee? Although there are no guidelines on this, as best re-election should not exceed more than two times. That means in case the terms of office is 3 years and someone can be re-elected twice, the total number of years serving on the committee would be 9 years.*

Write all decisions taken on a **flip-sheet**.

Note for the trainer:

You can explain what a term is by using the government as an example. In most countries, representatives (for example the President or Member of Parliament) can be elected for a term of 4 years, and they can be re-elected once (meaning, they can serve for a maximum number of 2 terms which is 8 years in total).

Functions in the Committee – 10-15 minutes

17. Say that any committee always has certain functions or office bearers. The most common office bearers are chairperson, secretary, and treasurer. Keep in mind that management can hold functions as well.

    a. *What is the function of a **chairperson**? The chairperson chairs all meetings, sets the agenda, and often functions as the main face of the committee.*

b. *What is the function of the **secretary**? The secretary takes notes during meetings and manages all documents of the committee.*

c. *What is the function of the **treasurer**? The treasurer oversees the financial records. Because the Premium Committee is all about the Premium and its spending, the treasurer will work closely with the accountant of the company.*

18. Ask the group if they would like to add any **other office bearers**. Agree on all functions and list them on the flip-sheet.

Note for the trainer:
Often a group wants to have a whole list of office bearers including vice-chair, vice-secretary, vice treasurer, financial secretary, vice financial secretary, etc. to give every member of the group a feeling of importance. There are no specific rules of what should be done and what should not be done, so leave it to the group to decide what they want.

19. In case the HLO is large and the yearly amount of premiums is substantial, it might be necessary to divide the work to be done by **establishing sub-committees**. If applicable, discuss with the group possible sub-committee.

Electing representatives of the Premium Committee – 45-50 minutes

20. Say that now they have agreed on a composition of the committee and the terms, the next step is to discuss **how, when, and where to organise elections** of the members of the Premium Committee. Before any elections can take place, the company should **provide information** about Fairtrade to the workers and to the different levels of management. The purpose of the Fairtrade Premium and the role of the Fairtrade Premium Committee should be explained <u>before</u> the workers are given the opportunity to nominate their worker representatives for election. Ask the following **questions** and write input on a flip-sheet.

a. *How can awareness on the Premium Committee be created (how can this be organised)?*

b. *Who is responsible for organising this?*

c. *When can it be organised?*

21. Continue with **the organisation of the actual elections**. Say that the committee represents certain groups of workers. That means that the groups need to elect their own representatives. Look together at the composition of the committee. Ask the following questions:

a. *The first step is for workers to know to which group they belong. How can that be organised? Workers can best be separated according to their working departments.*
b. *When everyone knows to which group he/she belongs, everyone needs to have the opportunity*

to be nominated as candidate. How can people put themselves forward as candidate? A simple majority vote is mainly used to nominate representatives.

c. *What can you do in case no one from a certain group of workers wants to be nominated as candidate? In the beginning it is often difficult to ensure that enough women, temporary workers and other disadvantaged groups are represented on the Fairtrade Premium Committee. However, it is important that these groups' interests are represented in the projects and activities of the Fairtrade Premium Committee.* ***Specific plans*** *should be developed to increase the representation of these groups on the Fairtrade Premium Committee. Continuous awareness-raising about Fairtrade with under-represented groups is essential to ensure that they become more informed and involved.*

d. *When everyone knows to which group he/she belongs, everyone needs to have the opportunity to elect someone. How can that be organised? It is possible to organise separate elections for each group or organise one big meeting in which all groups elect their representatives.*

e. *Are elections by secret vote or by raise of hands? The advantage of raise by hand is that it is transparent and quick. The disadvantage is that people can influence others.*

f. *In case it is by secret vote, who will count the votes? It can be done by two people who are trusted within the company. In addition, the counting should be done openly while observed by everyone.*

g. *Where can elections take place? Is it possible to get everyone physically together?*

h. *How can functions/office bearers within the Premium Committee be elected? The function can either be elected by all workers, or by the Premium Committee (meaning: the Committee will have an internal election for functions). Management representatives can hold functions as well.*

On all points, you should get **an agreement**. Especially on the actual elections it would be good to write down all steps that need to be taken. Note all that has been agreed on a **flip-sheet**.

Note for the trainer:
The following questions only need to be discussed in case functions are elected during the General Assembly. If functions are elected by the Premium Committee, this will be discussed in session 2.2 on Developing the constitution).

Agree on **the procedures for the election of all functions**, including:

a. *Are there any* ***conditions*** *for any of the functions? For example, being literate (for the functions of secretary and treasurer), having worked for a certain number of years for the company (for example for the functions of chairperson, secretary and treasurer), representing a minimum number of people (for example for the functions of chairperson, secretary and treasurer), etc.*

b. *In which order will the functions be elected? The most common order is chairperson, vice-chairperson, secretary, treasurer, followed by the vice-functions and other functions.*

c. *Can someone who is not elected for a certain function, stand for another function? For example, if you are not elected as chairperson, can you still stand for the function of the vice-chairperson or secretary?*

d. *How will the office bearers be elected: by means of voting or by means of consensus? Consensus means that the committee will discuss together who will be the best person for a certain function and that everyone agrees on this. That means there will be no voting.*

e. *In case of voting: will it be a secret vote or by raise of hands?*

f. *In case of consensus: what if no consensus can be reached?*

Note down all steps that are agreed on a flip-sheet as input for the constitution.

22. Finally ask: *When can the elections be organised?* Agree on a date. Remind that the purpose of the Fairtrade Premium and the role of the Fairtrade Premium Committee should be explained <u>before</u> the workers are given the opportunity to nominate their worker representatives for election. In addition, the committee should be elected <u>before</u> any Premium is paid.

23. When the group has decided on the election procedures, ask the following **questions to check the agreed procedures**:

a. *Will every worker have the opportunity to become candidate?*

b. *Will every worker have the opportunity to vote?*

c. *Does the election process enable workers to vote freely for the representatives of their choice without threat or fear of discrimination?*

d. *It is possible and allowed to invite **external support to assist** with the election process. Would you like to do this? If yes, who could you invite? Fairtrade Producer Network representatives can be invited*

Note for the trainer:

Make sure to keep the flip-sheets with all procedures because you are going to rediscuss them with the elected Premium Committee in session 2.2..

Set up – 2-5 minutes

Summary: Repeat that the Premium Committee should be composed of representatives of different types of workers in a fair and proportional way. Repeat what a term of office is and functions with a committee. Repeat the importance of fair elections.

Questions: Ask if anyone has a question or comment.

Next step: Repeat the decisions that were taken and the next steps to be taken.

Program 2
Functioning as Fairtrade Premium Committee (FPC)

Session 2.1
Introduction of participants and program

Materials needed: ☐ Flip-sheets, markers, masking tape or gum

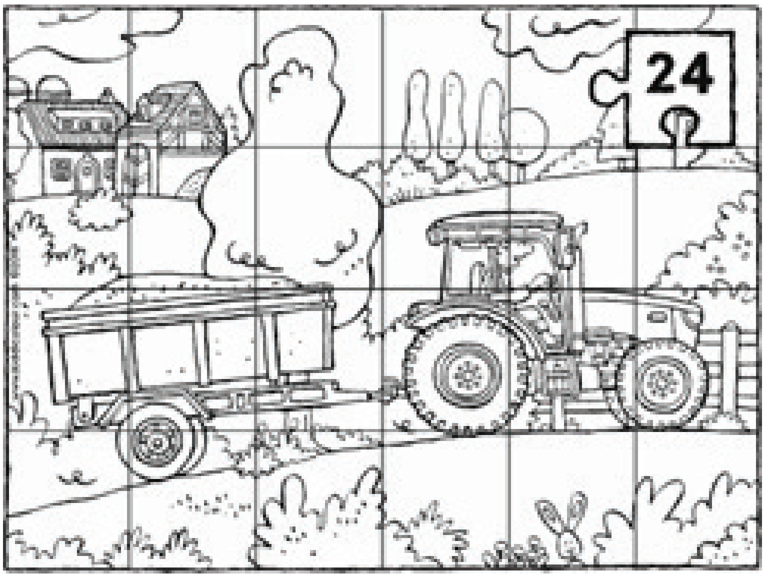
Time needed: 20-25 minutes

Preparations:

☐ Carefully read the guidelines to facilitate this session.

☑ Write the topics of the sessions on a flip-sheet (no need to print a program for everyone, which will generate unnecessary waste).

☑ Make a puzzle out of a large colourful poster: paste the poster on a flip-sheet (so the pieces of the puzzle will be thicker) and cut the poster in 24 pieces as shown below:



Guidelines for facilitation:

1. Welcome everyone. Ask everyone to **stand up**. Give everyone **1-2 pieces of the puzzle** so everyone will have at least one piece but **keep one piece yourself** (without anyone seeing this).
2. Tell everyone that you have given each of them a piece of a puzzle. Their task is to **make the puzzle together**. Let the group make the puzzle (they can use the floor).

3. When the puzzle is ready, ask everyone to form a circle around the puzzle on the floor. Ask if the puzzle is complete: No, there is **one piece missing**. Show the missing piece. Say that this puzzle **represents** the Premium Committee, and all pieces are the **members** of the committee. Each committee member has **a role to play** because each of them represents a group of workers (or the management). If one piece (or member) is missing or not playing his/her role, the puzzle (or the committee) cannot function as it should be.

4. Let everyone introduce his/herself. Everyone should mention **their name** and which group of workers (or management) they are **representing**. Start with yourself and make the round.

After the introduction, share the program for the day (paste the flip-sheet on the wall) and explain the **objectives of the program**. After that you will start with the next session.

Session 2.2

Developing the Constitution for the Premium Committee

Key Information

The Terms of Reference or Constitution

The first elected Fairtrade Premium Committee should define in writing the aims of the legal body. This should be written down in the form of terms of reference or constitution. The constitution should be developed by the representatives elected by the workers and by the appointed management advisors, and should be explained to the workers and formally adopted at a General Assembly of all the workers.

The constitution should include at least:

- The aims of the committee.
- The composition (who are the members).
- How worker members of the committee are elected.
- Procedures of the committee (determining terms of office, frequency of meetings, how decisions are made, criteria for selection of Fairtrade Premium projects, criteria for classifying major projects, documentation, which reports should be delivered, what happens to the committee if the company is decertified or dissolved).
- Internal regulations, responsibilities, especially those responsible for finances.
- That all decisions on Premium use are approved by the annual General Assembly (GA) of all workers.
- The delegate system of the General Assembly where applicable.
- How the interests of migrant and seasonal/temporary workers are taken into account.
- How consensus can be reached for decisions.
- Signatories of the Fairtrade Premium Bank account. A good practice can be 2 workers and 1 management representative.

In the case of multi estates, there must be a system for elected delegates to represent each affiliate plantation if a central premium committee exists. The constitution or terms of reference are approved by the general assembly of workers and made available in appropriate languages to workers.

It is key when a draft document is done to have a legal person look at the draft and make necessary legal amendments and directions or he/she should be part of the constitution working group.

Below some examples for what needs to be covered in the constitution is described.

Accountability

The Fairtrade payments must be paid directly into the established Fairtrade Premium bank account(s). It is recommended that the management representative who is a signatory is also an advisor to the FPC. In the cases of multi-estates, there may be separate Fairtrade Premium accounts for each local (on-site) FPC or there may be a joint bank account. If under exceptional circumstances Fairtrade Premium is received by the company, it must be transferred to the Fairtrade Premium account as soon as possible or in exceptional circumstances within 30 days from the date received.

For multi-estates, the distribution principles of the Fairtrade Premium should be transparent and documented in the internal regulations of the local Fairtrade Premium Committees. The distribution of Fairtrade Premium funds may be based on volumes sold or number of workers represented by the local Fairtrade Premium Committee.

The Fairtrade Premium Committee is accountable to the workers as well as to the certification body for the administration and use of the Fairtrade Premium. Accountability means that the Fairtrade Premium Committee members are responsible for their decisions and actions and are required to explain them to others. The Fairtrade Premium Committee is responsible for informing and consulting workers about the Fairtrade Premium.

The Fairtrade Premium Committee is also responsible for managing and spending the Fairtrade Premium according to the Fairtrade Standard for Hired Labour and the guidelines given in the Explanatory Document, as well as the internal rules written in the terms of reference or constitution. The Fairtrade Premium Committee is responsible for its activities as well as Fairtrade Premium projects and should regularly inform other workers about the Fairtrade activities and progress. Fairtrade Premium Committees generally need a significant amount of support and training both from management and from external trainers to develop good administration and communication systems.

Office bearers

The activities (meetings, training, information and feedback sessions, project management) of the Fairtrade Premium Committee should be organised by the office bearers. The office bearers should be trained and supported by management in their roles and responsibilities. In the beginning (and for new Fairtrade Premium Committee members) it is also important that the Fairtrade Premium Committee learns more about Fairtrade and what is required by the Fairtrade International Standards so that they can explain, answer questions, and motivate other workers.

Records and documentation

All activities, meetings, election results, communications and project proposals should be written down. At the minimum, reports should include annual reports, financial reports, a work plan for the following year, and meeting schedules. Minutes should be taken accurately and reflect all decisions made by the Fairtrade Premium Committee, especially spending decisions. The Fairtrade Premium Committee should have its own file, which is available to all Fairtrade Premium Committee members, to all workers and to the certification body.

Financial records

The Fairtrade Premium Committee should keep transparent records of all receipts and expenditure made on behalf of the legal body. These should be backed up with original paperwork. A designated internal auditing committee is a best practice for checking relevant books of the Fairtrade Premium account.

External financial audits

If there is a significant amount of Fairtrade Premium income (e.g., if the legal body becomes eligible to pay taxes) then the financial records of the Premium Committee should be externally audited in addition to the cross-checking done by the internal audit committee. The Premium Committee should budget for the costs of auditing in the annual budget.

Internal rules

With some experience the Premium Committee should define and write down internal rules and processes for transparent management of the premium e.g., displaying minutes of committee meetings, having a yearly schedule for the committee and General Assembly meetings, project progress reports. 'Transparent' means that the management of the premium, and decision- making about projects, should be clear and available to all the workers. All the workers have the right to see how decisions are made and how money is spent.

Meetings

Management must be willing to offer time for regular committee meetings and consultation with workers during working hours. Time should also be given for additional management support for committee activities including the carrying out of duties between meetings and other project related tasks. Sometimes of the year are less busy than other times, but management must ensure that there is some continuity in the time available for committee activities.

The Premium Committee should meet regularly. Meetings can take place once a month, once every 3 months, or twice a year, depending on amounts and flow of Fairtrade Premium received. The committee or its representatives are also expected to have regular meetings with workers or with delegations/groups of workers. In these meetings they are expected to consult with workers to understand their needs and discuss project ideas on a regular basis.

The committee is expected to have at least an annual General Assembly with all the workers. The purpose of this meeting is to report to all the workers about the previous year's projects and activities, to present the financial reports (what was the income, what was spent, what is the balance), and to present and approve the work plan for the following year. An example of and template for planning and reporting on Fairtrade Premium is available in the Supplemental document section to the Hired Labour Standard on the Fairtrade website.

The Premium Plan may need to be changed in between General Assembly meetings e.g. in situations where, for example, more or less premium money was received than planned, or where members or the community are affected by an unexpected event and workers wish to respond, the committee will need to document the decisions to make the changes, and explain the changes and get ratification from the General Assembly of workers retrospectively. If large changes need to be made in the Premium Plan, then these changes would normally be pre-approved by an extraordinary General Assembly.

The General Assembly should be held during the time of year when the majority of the workforce is present. A delegate system can be put in place where appropriate to ensure representation of all workers in the case of a large workforce, as defined in the terms of reference of the committee. Minutes must be taken for all meetings held.

Source: Explanatory document for the Fairtrade Premium Committee in Hired Labour Situations

The Fairtrade Premium

The Fairtrade Premium is to be used for improvement of the social and economic conditions of the workers, their families, and communities. The Premium Committee decides how to spend the Fairtrade Premium. However, there are certain requirements and procedures to follow, which are described in the Fairtrade Standard for Hired Labour. To ensure that all requirements are followed, the procedures on how to spend the Fairtrade Premium needs to be described in the constitution.
Every year, the Premium Committee needs to implement the following steps when deciding how to spend the Fairtrade Premium:

1. **Consultation with the workers** to collect the needs of the workers and ideas for projects. The consultation can be conducted either to individual workers or in groups (women, workers in a certain community, migrant workers, etc.).

2. **Development of the Fairtrade Premium Plan** which describes the expected Fairtrade Premium income for the year, which projects are selected and why, and for every project a budget and action plan.
3. **Approval of the Fairtrade Premium Plan** by the annual General Assembly. The plan needs to be presented in an understandable way and language.

Additional Information

The Relationship between the Fairtrade Premium Committee and trade unions or other worker/community organisations

The Fairtrade Premium Committee is an **independent body** in the company and its purpose is different from that of other organisations like unions or workers committees, housing and community land associations, workers' welfare committees, savings committees, credit associations or charitable workers' trusts representing the interests of specific workers. The Fairtrade Premium Committee is only responsible for managing the Fairtrade Premium as described above.

Organizing, negotiating and defending the interests of the workers are the responsibilities of a Trade Union, or a workers' organisation where there is no active Trade Union. The roles and duties of the Fairtrade Premium Committee and the Union should be clearly distinguished and not confused. The presence and work of a Fairtrade Premium Committee must not undermine the work of the Trade Union or other worker representative body.

If a Trade Union or other worker/community organisations are active in the company, they should be informed about the Fairtrade Premium and the role of the Fairtrade Premium Committee in managing it. Trade Unions and workers' organisations should recognize and support the role of the Fairtrade Premium Committee. If no official from the Trade Union or other worker organisations has been elected onto the Fairtrade Premium Committee, then one could be invited to sit on the Fairtrade Premium Committee as an observer (this would mean that they could contribute to discussions but would not be eligible to vote on Fairtrade Premium Committee decisions).

If workers choose to use up to 20% of the Premium as a Fairtrade bonus, then the Fairtrade Premium Committee must consult with the Trade Union or workers' representatives to ensure that the collective bargaining process is not undermined. If the elected workers' representative or Trade Union is already present on the Fairtrade Premium Committee then they would be expected to ensure that the collective bargaining was not undermined.

Source: Explanatory document for the Fairtrade Premium Committee in Hired Labour Situations

Template for a Constitution for the Premium Committee

ARTICLE I – LEGALITY

Section 1 **Name:** full name of the committee.

Section 2 **Location:** location of the main office or registered office and possible regional or other offices, address, telephone, fax, e-mail address, website.

Section 3 **Working languages:** describes the working languages in official documents and meetings.

Section 4 **Legal authority for the committee:** describes the link with Fairtrade Standards and the hired labour company. Additionally, a statement that indemnifies council members from recrimination for their activities, as executives, might be appropriate.

ARTICLE II – PURPOSE

Section 1 **Definitions:** gives an explanation on certain terminology used in the constitution (for example: Fairtrade Premium, seasonal worker, migrants, etc).

Section 2 **Nature:** describes the type of committee, who it is to serve (all workers of the hired labour organisation), under what mandate it is created (Fairtrade Standards) and what functions it is to perform.

Section 3 **Aim/objectives:** describes what the committee would like to achieve and guiding principles (for example: only for workers, their families and communities, in collaboration with the hired labour organisation, etc.).

Section 4 **Activities:** describes the main activities.

ARTICLE III – COMPOSITION

Section 1 **Definition of membership:** who is considered as a member.

Section 2 **Categories of membership:** this article will define who may be a member of the committee:

a. Workers: those involved directly with the purpose of the committee.
b. Management advisors: those not involved directly, but still having an interest in the activities of the association.

Section 3 **Type of workers:** describes which groups of workers will be represented in the committee.

Section 4 **Structure:** describes how many members in total and how many members per group of workers and management advisors.

Section 5 **Elections:** describes how worker members of the committee are elected.

Section 6 **Functions:** describes what functions there are in the committee (Chairperson, Secretary, Treasurer) and how functions are elected (by the General Assembly, by the Premium Committee?).

Section 7 **Task description:** describes for every function the main tasks.

Section 8 **Management advisors**: describes how management advisors are appointed.

Section 9 **Term of office:** for how long members are elected and possibilities for re-election.

Section 10 **Rights and privileges:** describes the rights and privileges of the worker members and management advisors, describes possible voting rights and being eligible for certain functions.

Section 11 **Remuneration:** describes if members receive remuneration and allowances to cover costs, if applicable.

Section 12 **Vacancies:** describes the procedures when a seat comes vacant before the term of office is expired.

Section 13 **Resignations:** the way membership ends automatically if a worker leaves the company.

Section 14 **Sanctions:** describes sanctions when members misbehave.

Section 15 **Terminations:** describes when and how membership can be terminated (because of violating constitutions).

ARTICLE IV – PREMIUM COMMITTEE MEETINGS

Section 1 **Definition:** describes the why and what.
Section 2 **Frequency:** when meetings will take place.
Section 3 **Location:** where meetings will take place.
Section 4 **Quorum:** describes the quorum (minimum number of members present) for making the meeting legal.
Section 5 **Decision making**: describes how decisions are taken by consensus.
Section 6 **Power of attorney:** how a member can give the authority to vote to another committee member in case of absence.
Section 7 **Reporting:** describes how takes minutes and how notes are shared and approved, where minutes are stored.

ARTICLE V – GENERAL ASSEMBLY MEETINGS

Section 1 **Definition:** describes the why, who and what.
Section 2 **Meetings:** describes when and where, how they will be announced, special meetings.
Section 3 **Delegates:** describes (if applicable) how the delegate system works.
Section 4 **Affiliated plantations:** describes In the case of multi estates a system for elected delegates to represent each affiliate plantation if a central premium committee exists.
Section 5 **Quorum:** describes the quorum (minimum number of members present) for making the meeting legal.
Section 6 **Voting rights:** describes who has a vote.
Section 7 **Decision making**: describes how decisions are taken.
Section 8 **Reporting:** describes how takes minutes and how notes are shared and approved, where minutes are stored.

ARTICLE VI – FAIRTRADE PREMIUMS

Section 1 **Fairtrade Premium:** describes how the Premium is calculated and transferred to the committee.
Section 2 **Trusteeship:** describes who can sign for cheques.
Section 3 **Banking:** describes who can open a bank-account for which purposes.
Section 4 **Fairtrade Premium Plan:** describes what the plan is, how it is developed, who develops it and how it is approved by the General Assembly.
Section 5 **Limitations of use:** describes for what type of payments the premium cannot be used.
Section 6 **Accounts:** describes the accounting system used, what is included in the accounts (income, cash payments and payments for projects), who keeps the accounts, where accounts are kep, and how they are approved by the General Assembly.

ARTICLE VII – FAIRTRADE PREMIUM CASH PAYMENTS

Section 1 **Description:** describes what a cash payment is.
Section 2 **Limitations:** describes that only up to 20% of the Fairtrade Premium can be distributed in cash annually.
Section 3 **Allocation:** describes how cash payments are allocated to the workers.
Section 4 **Distribution:** describes how cash payments are distributed.

ARTICLE VIII – FAIRTRADE PREMIUM PROJECTS

Section 1 **Description:** describes what a Fairtrade Premium project is.
Section 2 **Criteria:** describes the criteria for selecting projects.
Section 3 **Risk assessment:** describes that a risk assessment is undertaken for all major projects (more than 50% of total annual Premium income or exceeds 15,000 EUR) and reported on at the GA.

Section 4 **Selection and approval:** describes how projects and selected and approved by the General Assembly.

Section 5 **Migrant and seasonal/temporary workers:** How the interests of migrant and seasonal/ temporary workers are taken into account

Section 6 **Execution:** describes how projects are executed, including procedures when work is outsourced and how favouritism is avoided when selecting a contractor.

Section 7 **Management:** describes how projects are managed and by whom.

Section 8 **Monitoring:** describes how projects are monitored and by whom.

Section 9 **Reporting:** describes who how reporting on projects is done and by whom, with whom and how reports are shared.

Section 10 **Accounts:** describes how accounts are developed, why whom and how they are approved by the General Assembly.

ARTICLE IX – ASSETS AND LIABILITIES

Section 1 **Interest of workers:** in the event of a termination of a contract for a worker, the worker shall have no claim against the committee, or against the other members of the committee, or their representatives.

Section 2 **Distribution of assets on dissolution:** in the event that the committee is no longer needed and the members decide to dissolve it this article should explain the procedure and state how the assets are to be disposed of.

ARTICLE X – AUDIT

Section 1 **Auditors:** describes who can appoint an auditor for which purposes and when external audits are done.

Section 2 **Remuneration:** describes who has the authority for remuneration pf the auditor.

Section 3 **Financial year:** describes the beginning and ending of the financial year.

Section 4 **Books of accounts:** describes where the books are kept and who is responsible for them.

ARTICLE XI – AMENDMENTS AND DISSOLUTION

Section 1 **Amendments:** includes comments as to what meetings the constitution could be changed, the amount of prior notice involved, quorum and percentage of votes necessary for a change and when the new constitution would come into effect after the time it is adopted.

Section 2 **Dissolution:** describes when and how the committee shall be dissolved and what happens to the committee if the company is decertified or dissolved.

ARTICLE XII - PROMULGATION

Section 1 – Effective date: describes from which date the constitution is effective.

Guidelines for the Facilitator

Materials needed:

- [ ] Flip-sheets, markers, masking tape or gum
- [x] A copy of the template of the constitution for the Premium Committee
- [x] The flip-sheets with procedures to establish the Premium Committee as discussed in session 1.3.

Time needed: 4 to 5 hours

Preparations:

- [ ] Carefully read the key information, additional information, and all steps of this guideline.
- [x] Prepare a flip-sheet with all responsibilities of the Fairtrade Premium Committee:
  - *Informing and consulting workers about the Premium.*
  - *Managing and spending the Premium.*
  - *Organising activities and projects.*
  - *Informing other workers about plans and progress.*

Note for the facilitator:

During this session, the committee will take decisions that will serve as input for the constitution. Make sure to note all decisions on flip-sheets so you have a trace on all decisions taken.
This is a very long session. Take as many short breaks as needed if you see the group is getting tired.

Session in Short

Set up: 2-5 min

Delivery:

10-15 min: introduction
30-35 min: composition of the premium committee
30-35 min: developing procedures for the election of functions
10-15 min: short break
30-35 min: organising meetings of the Premium Committee
20-25 min: organising General Assembly meetings
10-15 min: records and documentation
45-60 min: procedures and criteria to decide on the Premium use
10-15 min: short break
45-60 min: procedures on projects
5-10 min: setting up a working group to write the Constitution

Finish: 2-5 min

Decisions to take
Election of office bearers (article III)
Section 6: Which functions? Chairman, Treasurer, Secretary, any other function?
Section 6: Any conditions to be candidate for a certain function?
Section 8: How elections are done and order of electing functions? Can someone who is not elected, stand for another function?
Section 8: How to elect the functions: by vote or consensus? If by vote: 50% or 2/3 majority?
Meetings of the Premium Committee (article IV)
Section 2: How often?

Set up – 2-5 minutes

Attention: Say that we have seen that we cannot assume that we all have the same objectives. But we can reach several objectives as long as we communicate them clearly. In addition, we need rules on how we want to achieve our objectives.
Title: Tell the title of the session: *Developing the constitution of the Premium Committee*.
Objectives: During this session we will discuss input for the constitution of the Premium Committee, including articles on meetings of the General Assembly and Committee, decision-making, and use of the Premium.
Benefits: The decisions that you will make during this session will serve as input for the constitution. The constitution will help the Committee to function as best as possible.
Direction: We will not discuss all aspects of the constitution yet. We will also not discuss any records or financial records. All of that will be discussed during next sessions.

Delivery

Introduction – 10-15 minutes

1. Say that the Fairtrade Premium Committee has several responsibilities including the following (paste the flip-sheet with all responsibilities on the wall):

   - **Informing** *and consulting workers about the Fairtrade Premium.*
   - **Managing and spending** *the Fairtrade Premium according to the Fairtrade Standard for Hired Labour and the guidelines given in the Explanatory Document, as well as the internal rules written in the terms of reference or constitution.*
   - **Organising** *activities and projects.*
   - **Informing** *other workers about plans and progress of activities and projects.*

2. The Fairtrade Premium Committee is **accountable** to the workers as well as to Fairtrade for the administration and use of the Fairtrade Premium. Ask:

   a. *What do we mean with accountability?* Accountability means that the Fairtrade Premium Committee members are responsible for their decisions and actions and are required to explain them to others, including other workers and Fairtrade.

   b. *What do you need to put in place as committee to be accountable for your decisions and actions?* Collect input from several people (note all input on a flip-sheet). You need to have clear procedures on decision making and implementation of actions, and you need to keep track of decisions and actions taken by means of minutes of meetings and reports on projects and activities.

3. Say that just as each organisation, the Premium Committee needs clear rules and guidelines, also called a **constitution**. We are going to discuss several articles of the constitution and the group is **going to make decisions** on what to put in the constitution.

Composition of the Premium Committee (article III) – 30-35 minutes

4. Say that the **procedures for the creation of the Premium Committee** have been discussed with a group of representatives before the first General Assembly (maybe some of them were present during those discussions). The first step is to check if what had been decided still applies or if some changes are necessary.

5. Paste the flip-sheets with the **procedures to create** the Premium Committee on the wall and take the group through all procedures. Make sure the following points are covered (see Constitution article III on Composition):
   a. *Who can be member of the committee?*
   b. *What groups of workers are represented in the committee?*
   c. *How is the composition of the committee in terms of total number of members and number of representatives per group of workers?*
   d. *How are workers elected?*
   e. *What are the functions in the committee?*
   f. *How are the functions elected?*
   g. *What is the term of office?*

Carefully **note any change or adjustment on the flip-sheets** (you can use a different colour of marker).

Developing procedures for the election of functions (article III) – 30-35 minutes

Note for the trainer:
In case the office bearers (of functions) are to be elected by the Premium Committee (and not by the General Assembly), you should discuss the following points (point 6 to 10). In case the office bearers were elected during the General Assembly, just check if any of the procedures needs to be adapted or not.

6. Say that any committee always has certain **functions or office bearers**. We will first discuss the procedures on how the committee would like to elect its office bearers. When we agree on the procedures, the committee will elect its office bearers.

7. The most common office bearers are chairperson, secretary, and treasurer.
   a. *What is the function of a **chairperson**? The chairperson chairs all meetings, sets the agenda, and often functions as the main face of the committee.*
   b. *What is the function of the **secretary**? The secretary takes notes of all meetings.*
   c. *What is the function of the **treasurer**? The treasurer oversees the financial records. Because the Premium Committee is all about the Premium and its spending, the treasurer will work closely together with the accountant of the company.*

8. Ask the group if they would like to add any **other office bearers**. Agree on all functions and list them on the flip-sheet.

9. The next step is to agree on **the procedures for the election of all functions**, including:
   a. Are there any ***conditions*** for any of the functions? For example, being literate (for the functions of secretary and treasurer), having worked for a certain number of years for the company (for example for the functions of chairperson, secretary and treasurer), representing a minimum number of people (for example for the functions of chairperson, secretary and treasurer), etc. Management representatives cannot hold any of the functions.

   b. In ***which order*** will the functions be elected? The most common order is chairperson, vice-chairperson, secretary, treasurer, followed by the vice-functions and other functions.

   c. Can someone who is not elected for a certain function, stand for ***another function***? For example, if you are not elected as chairperson, can you still stand for the function of the vice-chairperson or secretary?

   d. How will the office bearers be elected: by means of voting or by means of consensus? Consensus means that the committee will discuss together who will be the best person for a certain function and that everyone agrees on this. That means there will be no voting.

   e. In case of ***voting***: will it be a secret vote or by raise of hands?

   f. In case of ***consensus***: what if no consensus can be reached?

Note all steps that are agreed on a flip-sheet as input for the constitution.

10. Announce a short break of 10 minutes.

Organising meetings of the Premium Committee (article IV) – 30-35 minutes

11. Continue with **meetings of the Premium Committee** (see Constitution article IV). Ask: what should be discussed during committee meetings? Collect several answers. A possible agenda could include:

    - Opening by the chairperson
    - Attendance and apologies
    - Establishment of a quorum
    - Approval or amendment of agenda
    - Approval or amendment of minutes of previous meeting

- Matters arising from minutes tasks assigned and unfinished business from last meeting
- Any other business
- Date of the next meeting

12. Say that as Premium Committee they need procedures on meetings. The group must take decisions on the following issues (into brackets are references to the section under article IV):

    a. **How often** the committee will meet (section 2). Meetings can take place once a month, once every 3 months, or twice a year, depending on amounts and flow of Fairtrade Premium received. It is always easy to set a fixed day. For example, if the committee wants to meet once month, they can for example, agree on every second Tuesday of every month.

    b. **Where** the committee will meet (section 3).

    c. **Quorum** for meetings (minimum number of members present) for making the meeting legal (section 4).
    d. Application of **Power of attorney** (section 6): the possibility to give the authority to vote to another committee member in case of absence.

    e. The person **keeping minutes**, how minutes are distributed, how they are approved (and by whom), where they are stored (section 7).

6. Continue with decision **making** (section 5 under article IV). Say that there are several ways how groups can take decisions. The most common for a committee is by:

Vote meaning that each person gets one vote (representatives of management do not get a vote). A decision is accepted if a majority agrees. A majority can be more than 50% or 2/3 of all votes. The **advantage** of voting is that it is quick. The **disadvantage** is that there are always winners and losers. Therefore, the implementation of the decision will not always be supported by those who lost.

Consensus meaning that everyone agrees on the decision. It means that members look at **what is best for the group** and not necessarily what is best for themselves as individual. This is only possible if all members are willing to put the interest of the group before their own interest. For example, the committee would like to use the premium to establish a day care for young children within the company. Maybe an individual does not have young children, meaning he/she would never make use of the day care. However, the person sees that the lack of day care is a serious challenge for many (mainly) female workers. A day care would ensure that young mothers could continue working. Therefore, the person agrees to use the premium to establish a day care, although he/she would not benefit directly from it.

The advantage of reaching consensus is that there are only winners and no losers. Therefore, the implementation of the decision will be easy to do. The disadvantage is that it can be a lengthy process.
Say that it is possible to have different decision-making procedures for different issues. For example, on issues that are very important, like the decision on how to spend the premium, you can try to reach consensus. For issues that are less important, you can use a voting system.

Have a discussion on the **decision-making procedures**. The group needs to agree on the following:
Do they want to use different decision-making procedures? If yes, for what would they like to use consensus?
If there will be any voting mechanism, how many votes will be the majority: more than 50% or at least 2/3 of the votes?

Organising General Assembly meetings – 20-25 minutes

7. Continue with the **General Assembly meeting** (see article V in the constitution). The Fairtrade Premium Committee is expected to have at least one General Assembly meeting per year. Ask:

Section 1: *Who will participate in the General Assembly?* All workers.

Section 1: *What is the* ***purpose*** *of the annual General Assembly meeting?* The purpose of this meeting is to report to all workers about the previous year's projects and activities, to present the financial reports (what was the income, what was spent, what is the balance), and to present and approve the work plan for the following year.

Section 2: The General Assembly meeting should be held during the time of year when the majority of the workforce is present. It would be good to **agree on a fixed date of the year**, for example every Thursday of the third week of April (it would be good to set a date around the period that the premium amount is known and the plans to spend the premium are developed). **Agree on a fixed date of the year**.

Section 3 and 4: *Is it feasible to organise a General Assembly in which all workers physically participate? What would be an alternative option?* In case there are many workers (more than a few hundred), workers can be represented by so-called delegates. For example, one delegate per 25 workers can participate. **Agree on who will participate in the General Assembly** meeting (either everyone or a system of delegates). In case delegates will be invited, write down the **details of the procedures** (which groups will be represented, the number of delegates per group of workers, how delegates will be selected, etc.). **Note all steps that are agreed on a flip-sheet as input for the constitution.**

Section 5: Also, for the General Assembly meetings there is a **quorum** (the minimum number of members present to make a meeting legal). Normally this is 2/3. **Agree on the quorum for General Assembly meetings**.

Section 6 and 7: The General Assembly needs to take decisions and approve several documents (the Fairtrade Premium Plan, reports, accounts, etc.). **Agree on who has a voting right and how decisions are taken.**

Section 8: Agree on the following with regards to the **minutes of General Assembly meetings**.

Who should take the minutes? That is the task of the Secretary of the Premium Committee, possibly supported by admin staff of the company.

What should be done with the minutes of all meetings? They should be shared with all workers and management.

How can you share the minutes of meetings with all workers? You can pin them on the notice board of the company and/or distribute them via the representatives of all groups of workers.
Where will all minutes be stored? In a file that is stored in a dedicated place where other documents of the committee will be stored.

Records and documentation – 10-15 minutes

8. Say that in addition to minutes of meetings, other documents also need to be stored, including reports, project proposals, etc. The Fairtrade Premium Committee should have their own files, which is available to all Fairtrade Premium Committee members, to all workers and to the certification body. **Agree on where the files will be stored**.

9. The Fairtrade Premium Committee should keep transparent **records of all receipts and expenditure** made on behalf of the legal body. These should be backed up with original paperwork. Ask:

Who is responsible for all financial records of the committee? The Treasurer supported by the accountant of the company. The Premium Committee could hire a bookkeeper or accountant who will be tasked with the keeping of proper books of accounts on behalf of the Treasurer.

Note for the trainer:
In case the office bearers (of functions) are to be elected by the Premium Committee (and not by the General Assembly), you should discuss the following points (point 6 to 10). In case the office bearers were elected during the General Assembly, just check if any of the procedures needs to be adapted or not.

10. Say that a designated internal auditing committee is a best practice for checking relevant books of the Fairtrade Premium account. Members should have accounting/bookkeeping knowledge. **Agree on who should be member of that internal auditing committee. Note what is agreed on a flip-sheet as input for the constitution.**

11. Say that if there is a significant amount of Fairtrade Premium income (e.g., if the legal body becomes eligible to pay taxes), then the financial records of the Fairtrade Premium Committee should be **externally audited** in addition to the cross-checking done by the internal audit committee (**see Article X of the constitution**). The Fairtrade Premium Committee should budget for the costs of auditing in the annual budget (write this as a reminder on a flip-sheet for when you are going to prepare a budget together during a later session). Ask: *Who would be responsible to organize this external audit?* The Treasurer supported by the accountant of the company.

Procedures and criteria to decide on the Premium use – 45-60 minutes

12. Say that the Fairtrade Premium is to be used for **improvement of the social and economic conditions of the workers, their families, and communities**. The Premium Committee decides how to spend the Fairtrade Premium. However, there are certain **requirements and procedures** to follow, which are described in the Fairtrade Standard for Hired Labour. To ensure that all requirements are followed, the **procedures on how to decide on the Fairtrade Premium use** need to be described in the constitution.

13. There are certain **criteria** on how the Premium Committee can select projects (see Section 2 of Article VIII of the Constitution). The criteria are to be decided by the Premium Committee and will be **added to the constitution** because they need to be **approved by the General Assembly**. Add that criteria can serve as guidelines to select projects. However, the criteria should not be too restrictive, and you should not have too many criteria, otherwise you will restrict the selection of projects too much.

14. Mention the following criteria for project selection and **facilitate a short discussion on each of the criterion**. At the end of the discussion, the committee should decide if they want to add it as a criterion or not:

The number of people who benefit directly from the projects. Some projects will benefit (almost) all workers directly, for example when you decide to give a piece of equipment or item to every worker (a solar lamp, knapsack sprayer, protective equipment, agricultural tools, etc.). Other projects will only benefit a certain group of people, for example, projects linked to education of children will only be directly beneficial to workers with children (but might be beneficial for the whole community) and a borehole in a certain community will only benefit people living in that community. As committee you can decide to have at least one project per year that will benefit as many workers as possible.

The type of people benefiting from the project. Everyone in the committee represents a certain group of people including marginalised groups (women, youth, seasonal workers, etc.). As committee you can decide to have at least one project per year that will benefit a marginalised group.
The costs. Some projects might be very costly and need money from several seasons. As committee you can decide to use a certain percentage of the total premium to invest in larger projects.

The time it takes a project will generate benefit to workers. Some projects will be beneficial right away (for example when giving every worker a piece of equipment), whilst other project will need more time to show the benefits (for example when starting a nursery for the children of workers). As committee you can decide to have a mix of projects with an immediate benefit and those where it needs more time.

The implementation time.
The feasibility of the project to implement it. Some projects might be easier to implement than others.
Ask if anyone would like to suggest **any other criteria** and discuss them.

15. Announce a short break of 10 minutes.

Procedures on projects (article VIII) – 45-60 minutes

16. When the General Assembly has approved the projects paid by the Fairtrade Premium, the projects need to be **executed (section 6), managed (section 7), and monitored (section 8)**. Ask the following questions to agree how this can be organised:

Section 6: *Will projects always be executed by the same person(s) or does it depend on the **type of projects**?* If will depend on the type of project.

Section 6: *Will projects be executed **by workers**?* Some projects will be executed by workers or the Premium Committee, while others will be outsourced.

Section 6: *Who should **decide** who will execute the projects?* That will be the Premium Committee or a small group of people within the committee.

Section 6: *What should the committee **take into consideration** when deciding who could execute a project?* The capacity, knowledge and skills needed, the price, time needed to execute the project, etc.

Section 6: *What would be the **steps** to select someone or a company?* First, a Terms of Reference should be developed that describes the work to be done, it should be advertised or shared, people or companies should apply in writing including a proposal and budget, and the final selection should be made based on criteria (that could be different per project).

Section 6: *How can the committee **avoid favouritism**? For example, how to avoid that a project is outsourced to a relative of one of the committee members?* It would be an option to say that if a relative of a member would like to apply to execute a project, the concerned committee member cannot be part of the group that selects the executer.

Section 7: *Who should **manage** the project*? This could be outsourced or done by a few people from the committee. It will probably depend on the size and type of project.

Section 8: *Who should **monitor** the project*? *How will projects be monitored?* Also, this could be outsourced, although some monitoring should be done by the Premium Committee.

Continue by saying that other points that should be taken into account are **reporting** (section 9) and **accounting** (section 10). Ask the following questions to come to an agreement:

Section 9: *Who should do the **reporting** on projects?* Those who will execute, manage, and monitor all have a responsibility to report on progress.

Section 9: That means that different people will give input on progress reports. *Who should be **responsible** to ensure that all reporting is done and collect all these reports?* Per project, it could be the project manager (if applicable), while the Secretary of the committee needs to receive the reports from all project managers (in case there are more projects).

Section 9: All information should be **aggregated** into one report. *Who should be responsible for this?* This could be the Secretary of the committee.

Section 10: **Accounts** need to be made of all projects. The project manager is responsible for this. *In case the manager is an outsider, who within the committee is responsible that the accounts are made and checked?* The Treasurer.

Setting up a working group to write the Constitution – 5-10 minutes

17. Say that the group has taken lots of decisions that will be reflected in the constitution. You have kept track of all decisions by writing them on flip-sheet. A small group (2 or 3 people) from the committee will use all input to **write the constitution**. You will share a template that can be used. Agree on:

Who is going to write the constitution?
When will it be done? When will it be ready?
When will it be presented to the Premium Committee and discussed?
When will it be prepared to the General Assembly for approval?
Do you need support? If yes, who can provide that support?

Set up – 2-5 minutes

Summary: Use the flip-sheets to repeat all decisions and actions.
Questions: Ask if anyone has a question or comment.
Next step: Some of the decisions that were taken will be used to develop the constitution. It is key when a draft document is done to have a legal person look at the draft and make necessary legal amendments and directions. In the next session, we will look at some other issues that will be covered in the constitution.
Share the template of the constitution with the group that will write the constitution.

The purposes of the legal body are to be able to: receive the Fairtrade Premium in a separate bank account; be the owner of the Fairtrade Premium and any other assets bought by the Fairtrade Premium; reduce tax; and ensure that Fairtrade Premium is used for the benefit of all the workers. The legal body and the Fairtrade Premium Committee must be independent i.e. free from control or influence of other parties.

Type of legal body

The legal body could be – for example - an association, a charitable trust, a company a co-operative or a corporation. The legal body should be formed in such a way as to that reduces or is exempted from tax burden due to the social character of the Premium. The structure adopted depends on the legal forms available in the country where the body is being registered. The terms of reference will form the basis of a more formal, active legal body.

The process of formalizing should start once the first Fairtrade Premium Committee (see Section 1 on representation) has been elected and orientated, but could take as long as one or two years to complete. Where registration of the legal body is likely to take a long time to complete, alternative banking arrangements must be put in place for receipt of the Fairtrade Premium. However, the legal body should be in place before the Fairtrade Premium Committee purchases any assets.

Separate bank account

The legal body – and prior to its registration, the Fairtrade Premium Committee – should have a separate bank account, which is managed by the Fairtrade Premium Committee. The signatories to the account should include at least one worker representative and a management representative, as joint signatories. It is recommended that the manager who is a signatory is also a member of the FPC. The bank account should be in place before the first Fairtrade Premium is payable or there may be one joint bank account.

Upon establishment of the Fairtrade Premium account, the company must sign a legally binding agreement with the legal body registered to manage Fairtrade Premium that states that in case the company is decertified or dissolved, the balance of the Fairtrade Premium account must be made available to the Fairtrade Premium Committee and must be used for the on-going and planned Premium projects or be distributed among the workers (if allowed by national legislation) within 3 months after decertification or dissolution in accordance with the laws governing the legal body.

Guidelines for the Facilitator

Materials needed:

- [ ] Flip-sheets, markers, masking tape or gum

Time needed: 2 to 2.5 hours

Preparations:

- [ ] Carefully read the key information and all steps of this guideline.
- [x] As the last part of the session, you will talk about the legal status of the Premium Committee. Check what legal forms or entities available in your country would be suitable. It is important that the committee can own a legal bank account, can purchase assets, and preferably pays a reduced tax rate on the Premium or is even exempted from taxes (ask for advice if you are not sure). You can think about a civil society organisation, an association, a charitable trust, a cooperative or an NGO.
- [x] Check for each of the legal forms where you need to register and the requirements for registration.

Note for the facilitator:
During this session, you are going to develop an action plan. Make sure to write down all action points, and for each action point who is responsible and when it will be implemented.

Session in Short
Set up: 2-5 min
Delivery:
60-65 min: registering the Premium Committee
15-20 min: opening a bank account
5-10 min: signing a legally binding agreement
45-50 min: electing office bearers
Finish: 2-5 min

Decisions to take
Registration of the Premium Committee
As what legal entity to register?
Who will register the committee?
When will it be registered?
Opening of a bank account
Who will be the signatories?

Set up – 2-5 minutes

Attention:	In our previous sessions, you have taken decisions on the content of the constitution which guides how the Premium Committee will function. To set up the committee a few other issues need to be organised.
Title:	Tell the title of the session: *Formalising the committee*.
Objectives:	During this session, you will take decisions on the registration of the Premium Committee, the opening of a bank account, and a legal agreement between the company and the committee.
Benefits:	All actions we will discuss during this session are necessary to set up the committee.
Direction:	All decisions that you will take will be put into an action plan so you will know exactly what needs to be done, who will do it, and when it will be done.

Delivery
Registering the committee – 60-65 minutes

1. Say that in the previous session, you mentioned that the committee can be compared with an association. Just as an association, the Premium Committee will be a separate legal body, which means that the Premium Committee is a **formal body** which is recognised by law and **registered** by a public entity. It is **necessary to register** the committee because it important that the committee can own a legal bank account, can purchase assets, and preferably pay a reduced tax rate on the Premium or is even exempted from taxes.

2. Say that there are a few options **to register** the Premium Committee, for example, as a civil society organisation, an association, a charitable trust, a cooperative or an NGO. **Share the results of your research** on different types of legal entities available in your country. Ask the group: *What type of legal entity would have your preference*? Ask everyone for their opinion and ask for arguments why they prefer a certain entity. Discuss por's and cons of each type of entity. Try to reach consensus and write it on a flip-sheet.

3. Share with the group **the conditions to register**. Very likely they need the list with all members (meaning: the workers), the minutes of the constitutive meeting signed by all representatives, and the written constitution (or Terms of Reference). Ask the following questions:
    a. Who needs to register the Premium Committee? Probably the Chairperson and Secretary with support from the company.

b. Mention **the cost to register** and ask: Who will pay for the registration? This can be paid from the Fairtrade Premium. Most likely, the premium will not be transferred yet. In that case, the company can pay for it and be reimbursed later.

c. Who needs to ensure all documents needed to register are in order? The Secretary.

d. When can the committee be registered? The moment the constitution is written (refer to what has been agreed in the previous session).

Note all responses on the flip-sheet as input for the action plan.

Opening a bank account – 15-20 minutes

4. The next discussion concerns the opening of a bank account. Explain that the legal entity (discussed in the previous steps) should have a **separate bank account** (separate from the company), which is managed by the Fairtrade Premium Committee. The **signatories** to the account should include at least one worker representative and a management representative, as joint signatories. It is recommended that the management representative who is a signatory is also a member of the committee. It is a **good practice** to have 3 signatories including the Treasurer. Two signatures are needed for any payment. The Treasurer should always sign any check or transfer to ensure that one person has an overview of all payments. **Agree on who the two or three signatories will be**. Note this on a flip-sheets as input for the constitution (in the constitution the functions of the signatories will be mentioned, not the names).

5. Say that the bank account **should be in place** before the first Fairtrade Premium is payable. Ask the following questions:

    a. *Where would you like to open an account (name of the bank and branch)?* It might be easy to open an account where the company already has an account).

    b. *What do you need to open a bank account?* In case this is not known, agree on who will collect this information and when.

    c. *Do you have all required documents to open a bank account? What is missing? Who can get it?*
    d. *Who will open the bank account?*

    e. *When can you open the bank account?* Agree on a date.

Note all responses on the flip-sheet as input for the action plan.

Signing a legally binding agreement – 5-10 minutes

6. Mention that upon establishment of the Fairtrade Premium account, the company must sign a **legally binding agreement** with the registered Premium Committee that states that **in case the company is decertified or dissolved**, the balance of the Fairtrade Premium account must be made available to the Fairtrade Premium Committee and must be used for ongoing and planned Premium projects or be distributed among the workers (if allowed by national legislation) within 3 months after decertification or dissolution in accordance with the laws governing the legal body. **Agree on who will draft the agreement** and when it will be done. Agree on when the agreement will be signed. **Note all responses on the flip-sheet as input for the action plan.**

If applicable: ***Electing office bearers – 45-50 minutes***

7. Say that the last step the committee needs to take before it can fully function, is **to elect the office bearers**. Remind participants on what has been agreed in the previous session on the election of the office bearers, including which functions will be elected and the procedures for electing all functions.

Facilitate the elections according to the agreed procedures. When every function is elected, write all names and their functions on a flip-sheet. This will serve later as input for the minutes.

Set up – 2-5 minutes

Summary: Summarise the decisions that were taken.
Questions: Ask if anyone has a question or comment.
Next step: Remind those writing the constitution that some of the decisions taken during this session will be included in the constitution.

Program 3

Developing the Fairtrade Premium Plan

Topic 3.1

Understanding the Development of the Fairtrade Premium Plan

Key Information

Every year, the Premium Committee needs to implement the following steps when deciding how to spend the Fairtrade Premium:

1. **Consultation with the workers** to collect the needs of the workers and ideas for projects. The consultation can be conducted either to individual workers or in groups (women, workers in a certain community, migrant workers, etc.).

2. **Analyses and reflection** to analyse the results of the needs assessment, set priorities, look at the feasibility of projects, do a cost analysis and a risk assessment. A risk assessment is a must for major projects.
3. **Decision taking** to take a decision on which project(s) to support.

4. **Development of the Fairtrade Premium Plan** which describes the expected Fairtrade Premium income for the year, which projects are selected and why, and for every project a budget and action plan.

5. **Approval of the Fairtrade Premium Plan** by the annual General Assembly. The plan needs to be presented in an understandable way and language.

Fairtrade International Guidelines for Fairtrade Premium Use

The Fairtrade International Standard for Hired Labour states what the Fairtrade Premium cannot be used for, and this section will provide some ideas about how the Fairtrade Premium Committee should approach the Fairtrade Premium and think about Fairtrade Premium projects. It is important that the Fairtrade Premium Committee members are informed about these guidelines and that they also communicate these to the other workers. It is often necessary for the FPC to answer questions and manage the expectations of other workers.

- The Fairtrade Premium MUST NOT be used:
- To meet any expenditure for which the company is legally responsible (e.g., health and safety requirements).
- To replace existing social and environmental expenditures of the company.
- To cover the running costs of the company.
- For costs of compliance with the requirements of this Standard or associated.
- For Fairtrade product Standards unless stated differently.
- To be involved in any activity which is illegal or could jeopardize the business or certification of the company or have a demonstrable negative structural, financial or social impact on the company.
- As salary supplements to individual workers.

The issues of premium payments may not be raised or used during **Collective Bargaining Agreement (CBA) processes**. It cannot be used as an argument during negotiations. This applies specifically to 20% cash distribution, which should not interfere with the CBA process. In case the Premium Committee wants to distribute 20% of the premium received in the year by cash, they should consult the workers union.

The Fairtrade Premium **MAY** be used for:

- **Social projects:** including free/subsidized activities, equipment and facilities which are accessible to the workers and improve the quality of life of the community.

- **Education and training** of workers, their children, their families and the community. This could include adult education and literacy programs, labour rights training, training for the Fairtrade Premium Committee, bursary schemes for further education of workers and their children, community health training and any other training and educational needs expressed by the workers or identified by the Fairtrade Premium Committee.

- **Economic projects:** including provision of low-interest loans for the creation of small & medium-sized enterprises; pension schemes; projects intended to create additional employment; the creation of cooperative stores where workers can buy general provisions; and unconditional payments in response to specific circumstances (e.g. a crisis situation such as a family's house burning down); individual disbursements of non-consumable goods when these are accessible to all workers equally e.g. solar light, mattress, bicycles.

- **Environmental projects:** such as tree planting, the removal of alien vegetation, or recycling initiatives.

A part of the premium can also be used for the **functioning of the Premium Committee,** including legal costs, book-keeping costs, communication, costs of attending meetings, transport, internal and/or external auditing.

The criteria and limits of micro-financing should be defined and written down by the Fairtrade Premium Committee. The Fairtrade Premium can also be invested or loaned at competitive interest rates.

BEST PRACTICE for Premium projects
The most important of Premium projects is that they should benefits the workers. That means that projects should be tailored to the needs of the workers. Key is involvement: as long as workers have the change to provide input and have the feeling that the committee takes all their inputs seriously, the first step towards a well targeted project has been made.

Cash Payments
Up to 20% of Fairtrade Premium per year can be distributed equally amongst all workers in cash as a Fairtrade bonus. If this is chosen by workers, the Premium Committee must consult with the workers' representatives to ensure that the collective bargaining process is not undermined. The percentage of cash distribution may be increased to up to 50% of total Premium **under exceptional circumstances**, such as where there is a majority of migrant workers in the work force that cannot benefit from Premium projects or in case of a natural disaster or other natural occurrence.

Tax: Cash premium payment might be subject to tax payment and the premium committee legal body registered as a not-for-profit organization (NGO) could lose its status as NGO. The premium committee should contact the local tax authorities and check. Fairtrade staff is NOT allowed to do this.

BEST PRACTICE for Cash Payments
Cash payments to workers can be very tricky because they might attract taxation and distribution should be done equitably (which is different from equality in which everyone receives the same amount) which can be complicated to calculate.

Organisations may decide to implement in kind-projects, such that the 20%amount is used to purchase items to be distributed to the workers. These items however should be of the same value- worth as the amount of money that was to be received by each worker. E.g., if each worker was to receive USD 50, an item worth this amount is given to them as in-kind.

Advising role of management

Developing ideas and concrete plans for how to use the Fairtrade Premium can often be a challenge for the Fairtrade Premium Committee and the workers. Management plays a key role in the early stages of this process. Management is a **non-voting member** of the Fairtrade Premium Committee, yet should guide and advise the Fairtrade Premium Committee on suitable projects, and develop communication channels and documentation about Fairtrade, the Fairtrade Premium Committee and the Fairtrade Premium in the company which include all the workers. Fairtrade Premium projects must have the majority of the worker representatives' support.

Because the Premium Plan needs to be approved by the General Assembly, it means that planning begins way before end of financial year.

Premium Work plans

- The Fairtrade Premium Plan is a separate document from any company work plan. The descriptions of projects should include, at least:
- Purpose and objectives: describe why the plan exists and what you want to achieve.
- Target group(s)/beneficiaries: describes who will benefit from the projects, e.g. men, women or all workers, migrant and temporary workers, family members, community.
- Activities: describes in detail what will be done.
- Roles and responsibilities: describe who will do what.
- Project budget (total/annual): describes funds needed to implement projects.
- Project start and end date.
- Monitoring: describes how and who keeps track of the implementation of activities.
- Date of approval of the project by the General Assembly.

A quick and easy project will have a very simple plan. Bigger projects will have more detailed plans. Cash distribution must also follow the guidelines for planning and reporting.

Information provision

Management is responsible for informing the Fairtrade Premium Committee members about Fairtrade sales and sales forecasts, as well as other Fairtrade-related activities on a regular basis, and at every Fairtrade Premium Committee meeting. These should be cross checked against the Fairtrade Premium received and reflected in the minutes of the meetings together with the Fairtrade Premium balance.

Any high-volume receipts should be reported to the Premium Committee members without delay between meetings, and commissions and other bank charges should be made clear to members in the meetings.

For multi-estates, the central structure must provide the certification body with an overview of the total Fairtrade Premium income of the company, the distribution of the Fairtrade Premium to the local Fairtrade Premium Committees and an aggregated version of the individual Premium Plans.

Source: Explanatory document for the Fairtrade Premium Committee in Hired Labour Situations

Guidelines for the Facilitator

Materials needed:

- [ ] Flip-sheets, markers, masking tape or gum

Time needed:

25-30 minutes

Preparations:

- [ ] Carefully read the key information and all steps of this guideline.
- [x] Develop a flip-sheet with the following text:
  - *Content of Fairtrade Premium Plan:*
  - *Purpose and objectives*
  - *Target group(s)/beneficiaries*
  - *Activities*
  - *Roles and responsibilities*
  - *Project budget*
  - *Project start and end date*
  - *Monitoring plan*
  - *Date of approval*
- [x] Develop a flip-sheet with the following text:
  - *Steps to develop the Fairtrade Premium Plan:*
  - *Consultation with the workers*
  - *Analyses and reflection*
  - *Decision taking*
  - *Development of the Fairtrade Premium Plan*
  - *Approval of the Fairtrade Premium Plan*

Note for the facilitator:

The sessions in this program (session 3.1 to 3.4) will only be facilitated AFTER the Premium Committee has been elected and official established.

You are going to be very directive during this session (3.1), which means that you are just going to give information without much discussion. Of course, participants can ask questions, but most issues will become clear when you are going to discuss in detail them as described in the next sessions (3.2 to 3.4).

Session in Short
Set up: 2-5 min
Delivery:
5-10 min: recap of key information on Premium and Committee
5-10 min: the Fairtrade Premium Plan
10-15 min: possible Premium projects
Finish: 2-5 min

Set up – 2-5 minutes

Attention:	During the previous sessions, we have developed procedures and rules for the functioning of the Premium Committee.
Title:	Tell the title of the session: *Understanding the development of the Fairtrade Premium Plan.*
Objectives:	All Premium projects that the committee would like to implement are described in the so-called Fairtrade Premium Plan. During this session we will discuss what the Fairtrade Premium Plan is and the steps you need to take to develop it.
Benefits:	The Fairtrade Premium Plan is a structured way to describe the projects you would like to implement with the Fairtrade Premium. It helps to better manage projects and can be used to keep all workers informed about the plans.
Direction:	We will not discuss any of the steps in details yet; that will be done in next sessions.

Recap of key information on Premium and Committee – 5-10 minutes

1. **Repeat some information** that was discussed during previous sessions to ensure that everyone has a full understanding of what the Premium is:

   - The Fairtrade Premium is an **extra sum** paid to the company **in addition to the price of their products** (either the Fairtrade International minimum price or the market price, whichever is higher).

   - The Premium serves as a tool for socio-economic and environmentally sustainable development and empowerment for the organised **workers** in the company.

   - The Premium will be used to **implement projects**, in which a project is a planned undertaking that uses resources to attain well-defined objectives through a number of activities.

   - There are guidelines for what type of projects the premium **can** be used and **cannot** be used.
   - Per year, **up to 20%** of the Fairtrade Premium can be distributed equitable among all workers **in cash** as a Fairtrade bonus.

2. Repeat the main **role of the Premium Committee**:
    - **To inform and consult all workers** *of the company about the Fairtrade Premium and its use.*
    - *To manage and invest the Fairtrade Premium transparently and responsibly. This means that the committee* **decides how** *the Fairtrade Premium will be spent and that the committee is responsible for the* **proper management** *of projects funded with the Fairtrade Premium.*

The Fairtrade Premium Plan – 5-10 minutes

3. Say that the Fairtrade Premium Plan is one of the tools that can be used to plan and manage Premium projects. In addition, the plan is a Fairtrade requirement (2.1.15). The plan contains a detailed description of all projects that will be implemented with the Fairtrade Premium. Paste the flip-sheet on the wall with the content of the Premium Plan. Read out loud the text on the flip-sheet but do not explain it. Say that we will discuss the plan in detail in one of the next sessions.

4. Continue by saying that there are certain procedures that need to be followed to develop the Premium Plan. **Paste the flip-sheet** on the wall with the **steps to develop a Fairtrade Premium Plan**. Read out loud all steps and give a brief explanation of each step:

    - **Consultation with the workers** to collect the needs of the workers and ideas for projects. The consultation can be conducted either with individual workers or in groups (women, workers in a certain community, migrant workers, etc.).
    -
    - **Analyses and reflection** to analyse the results of the needs assessment, set priorities, look at the feasibility of projects, do a cost analysis and a risk assessment. A risk assessment is a must for major projects.
    - **Decision taking** to decide which project(s) to support.
    - **Development of the Fairtrade Premium Plan.**
    - **Approval of the Fairtrade Premium Plan** by the annual General Assembly. The plan needs to be presented in an understandable way and language.

Possible Premium projects – 10-15 minutes

5. Say that the Premium might be used for a **variety of projects**. However, there are a few **restrictions** for which the Premium can be used. Explain that the Fairtrade Premium **cannot** be used:

    - To meet any expenditure for which the company is legally responsible (e.g. health and safety requirements).
    - To replace existing social and environmental expenditures of the company.
    - To cover the running costs of the company.
    - For costs of compliance with the requirements of this Standard or associated.
    - For Fairtrade product Standards unless stated differently.
    - To be involved in any activity which is illegal or could jeopardize the business or certification of the company or have a demonstrable negative structural, financial or social impact on the company.
    - As salary supplements to individual workers.

6. Mention for what type of activities the premium **may be used**:

- **Social projects:** including free/subsidised activities, equipment and facilities which are accessible to the workers and improve the quality of life of the community. Examples would include health care projects, sports equipment, learning and play equipment for children, mobile libraries for workers and many others.

- **Education and training** of workers, their children, their families, and the community. This could include adult education and literacy programs, labour rights training, training for the Fairtrade Premium Committee, bursary schemes for further education of workers and their children, community health training and any other training and educational needs expressed by the workers or identified by the Fairtrade Premium Committee.

- **Economic projects:** including provision of low-interest loans for the creation of small & medium-sized enterprises; pension schemes; projects intended to create additional employment; the creation of cooperative stores where workers can buy general provisions; and unconditional payments in response to specific circumstances (e.g. a crisis situation such as a family's house burning down); individual disbursements of non-consumable goods when these are accessible to all workers equally e.g. solar light, mattress, bicycles.

- **Environmental projects:** such as tree planting, the removal of alien vegetation, or recycling initiatives.

- A part of the premium can also be used for the **functioning of the Premium Committee,** including legal costs, book-keeping costs, communication, costs of attending meetings, transport, internal and/or external auditing.

7. **Share any best practice** on projects as mentioned in the key information.

Set up – 2-5 minutes

Summary: Summarise what the Fairtrade Premium Plan is and the steps to develop it.
Questions: Ask if anyone has a question or comment.
Evaluation: Ask the following questions:
Why do you need to develop a Fairtrade Premium Plan?
What are the steps to develop a plan?
Next step: We have seen how we can develop a Fairtrade Premium Plan. In the next session, we are going to discuss how you can consult your colleague workers and get their input for the plan.

Topic 3.2
Collecting Input from Colleague Workers

Key Information

The Premium Committee **must design** and **start implementing** a process that collects and analyses the development needs of workers. When asking people in general what they want, they will likely come with a wish list that is not feasible and/or applicable. Therefore, it is the task of the Premium Committee to guide this process well. Guiding the process means that the committee **assists colleagues to make choices, not to impose their choice on them**.

To ensure that every worker is heard, it is advised to plan this process well. The committee can do this by taking the following steps:

1. **Inform workers** about the Fairtrade Premium, the purpose of the premium, for what it can be used and for what it cannot be used, the role of the Premium Committee in the planning and execution phase, and the process to collect input from workers.

2. **Prepare a list with potential projects**. This list should be prepared by the Premium Committee. It is much easier to guide discussions with a list instead of starting from scratch.

3. Collect input from different groups of workers:
   a. **Set clear goals**: *what is expected from the group, how many suggestions do you want from each group, how are the procedures, how are decisions taken?*

   b. **Share** *the prepared list with projects and the* **criteria** *that were used to compile the list of projects.*
   c. *Let the group add any* **additional projects** *that are not on the list.*

   d. *Agree on criteria to prioritise projects and let the group* **prioritise projects**.

   e. **Report** *on the priorities of a group using a format that can be used by all facilitators. In case the committee uses a prepared list with projects, the facilitator can mark on that list the priority top 3 or 5. Leave some space for additional ideas that were not listed.*

4. **Aggregate all input** from the different groups of workers.

In the first year it will be difficult to come to an agreement, because the process is new for workers. Therefore, it is necessary to take enough time. The more often workers are taken through this process, the easier it will get.

How to collect input from different groups?

The Premium Committee is composed of representatives of different groups. One way to collect ideas from

all groups, is to make group representatives responsible for collecting input from the workers they represent.

BEST PRACTICE for collecting input from workers
Another way to collect input from workers is to use an external person. Especially for the first year, this could help to ensure that input is collected equally from all groups.

Cash payments
Fairtrade recognises that workers are fully capable and qualified to determine how their interests are best served by Premium; whether through individual expenditure of a cash portion or though communal projects benefiting all workers. Should workers want to consider cash payment, it is recommended that the Premium Committee make the implications of using Premium for cash clear to workers by:

Calculating the amount workers would receive individually in case of a pay-out;
Suggesting that they compare the potential impact of that individual amount on their livelihoods with the impact of pooling those individual amounts and starting a new project or continuing existing projects.

Guidelines for the Facilitator

Materials needed: ☐ Flip-sheets, markers, masking tape or gum

Time needed: 3.5 to 4.5 hours

Preparations: ☐ Carefully read the key information and all steps of this guideline.

☑ Prepare a flip-sheet with the following text:
Collecting input from workers:
- *Inform workers*
- *Prepare a list with potential projects.*
- *Collect input from different groups of workers*
- *Aggregate all input*

☑ Calculate how much Premium will be available approximately. To make the calculations, you need to know the height of the Premium for the relevant crop and the total production. You can take the production of last year.

Session in Short
Set up: 2-5 min
Delivery:
10-15 min: introduction
60-65 min: informing workers
10-15 min: collecting input from workers
10-15 min: short break
2-3 hours: preparing a list with projects
Finish: 2-5 min

Set up – 2-5 minutes

Attention: Refer to the flip-sheet with all steps to develop a Fairtrade Premium Plan (see session 3.1).

Say that we are going to look at the first step.

Title: Tell the title of the session: *Collecting input from colleague workers*.

Objectives: During this session we will discuss how the Premium Committee can collect input from all workers for what projects to use the Fairtrade Premium.

Benefits: The Premium Committee must design and start implementing a process that collects and analyses the development needs of workers. When asking people in general what they want, they will likely come with a wish list that is not feasible and/or applicable.

Following steps to guide this process will make it easier to collect input and will give every worker the opportunity to contribute.

Direction: We will discuss the steps and tools to collect input from workers but we are not actually collecting input during this session. It is up to the Premium Committee to organise this.

Delivery

Explanation, **V**isualisation, **E**xercise, and **A**pplication:

Introduction – 10-15 minutes

1. Say that the Fairtrade Premium Committee or its representatives are expected to have **regular meetings with workers or with delegations/groups of workers**. In these meetings the committee is expected **to consult** with workers to understand their needs and discuss project ideas on a regular basis. Ask the following questions:

   a. ***Why** do you need to collect input from all workers? Why can't the committee decide how to use the Fairtrade Premium*? The Fairtrade Premium belongs to all workers. Although the committee consists of representatives of different groups, all workers should have a chance to provide ideas and input.

   b. *What would be **the best way** to collect input from all workers: during one large meeting or in smaller groups?* It will be difficult to collect input from everyone during one large meeting. Therefore, it is preferred to collect input in smaller groups or from individual workers. **Agree on this** and note it on a flip-sheet.

   c. *How can **groups** be formed?* The most logical would be to collect ideas from different groups of workers. **Agree on this** and note it on a flip-sheet.

4. Say that to collect input from workers, the committee needs to follow a few steps. **Paste the flip-sheet** with the steps on how to collect input from workers on the wall. Mention all steps without going into detail.

Informing workers – 60-65 minutes

5. Start with the **first step**: **informing workers**. Ask the following questions to agree on how this can be done:
   - ***a. On what*** *should you inform workers before you start collecting their input? Workers should be informed about the Fairtrade Premium, the purpose of the premium, for what it can be used and for what it cannot be used, the role of the Premium Committee in the planning and execution phase, and the process to collect input from workers.*
   - *b.*
   - ***c. How*** *can this be organised? The committee can organise one meeting in which all workers (or workers' representatives in case of many workers) are invited, or every member of the committee can inform the group of workers they represent.* ***Agree*** *on how workers will be informed and note it on a flip-sheet.*

6. Say that we are going **to practice** how to inform workers (not to collect ideas!). One person will stand in front of the group to address workers. Repeat the points that need to be covered (see point 3a in this guideline). The rest of the group will play workers. Ask for a volunteer to start. You can limit the time someone can speak (2 minutes is always a good timeframe).

Note for the facilitator:
It would be best to let everyone practice.
In case no one wants to start, prepare small pieces of paper with consecutive numbers on it and fold them. The numbers on the paper indicate the order. Let everyone at random pick a piece of paper.

7. **Give feedback** after every presentation:

First ask the person who addressed the group: What did you explain well? What would you like to improve?

Then ask the rest of the group: What was well explained? What can you advise to improve and how can this be done?
Add your own feedback.
Continue with the next person.

Collecting input from workers – 10-15 minutes

8. Continue with **step 2: prepare a list with potential projects**. Say that the next step is for the Premium Committee to prepare a list with potential projects before consulting with other workers. That list will serve as the basis for discussions with workers. The reason for working with a prepared list is that it is much easier to guide discussions with a list instead of **starting from scratch**.

9. Continue with **step 3:** to **collect input from workers**. Say that the third step is to collect input from workers. Repeat what was agreed on **how to do this** as discussed under point 3 of this guideline (in one large meeting or smaller groups, and in case of smaller groups, the composition of these groups). Say that guiding the process means that the committee **assists colleague workers to make choices, not to impose their choice on them**.

10. Explain the **steps** to collect input from colleague workers:

Set clear goals: what is expected from the group, how many suggestions do you want from each group, how are the procedures, how are decisions taken?

Share the prepared list with projects.

Let the group add any **additional projects** that are not on the list.

Agree on criteria to prioritise projects and let the group **prioritise projects**.

Report on the priorities of a group using a format that can be used by all facilitators. In case the committee uses a prepared list with projects, the facilitator can mark on that list the priority top 3 or top 5. Leave some space for additional ideas that were not listed.

Add that in the first year it will be difficult to come to an agreement, because the process is new for workers. Therefore, it is necessary to **take enough time**. The more often workers are taken through this process, the easier it will get.

11. The Premium Committee is composed of representatives of different groups. One way to collect ideas from all groups, is to make **group representatives** responsible for collecting input from the workers they represent. Another way is to use an **external person** (there might be costs involved). Especially for the first year, using an external person could help to ensure that input is collected equally from all groups. **Agree on how input will be collected from colleague workers**.

12. Say that the **final step** is to **aggregate all inputs** from the different groups of workers. The Premium Committee will use the aggregated input to take the final decision on which projects to implement (this will be discussed in the next session).

13. Announce a **short break** of 10-15 minutes.

Preparing a list with projects – 2-3 hours

14. Say the list with prepared projects as developed by the Premium Committee will help the discussions when collecting input from workers. The coming 2-3 hours we are going to prepare such a list. The first step is to know approximately **how much money will be available.** Calculate together how much Premium will be available.

15. Remind everyone that part of the Premium needs to be used **to cover costs of the Premium Committee**, including legal costs, book-keeping costs, communication, costs of attending meetings, transport, internal and/or external auditing. Estimate together how high these costs would be and subtract it from the total amount.

16. Also remind everyone that it is possible to pay up to **20% in cash**. Say that it is recommended that the Premium Committee make the implications of using Premium for cash clear to workers by:

Calculating the amount workers would receive individually in case of a pay-out.

Suggesting that they compare the potential impact of that individual amount on their livelihoods with the impact of pooling those individual amounts and starting a new project or continuing existing projects. **Calculate together** how much a 20% cash payment would be per worker (see fact sheet for an example of how to calculate this).

17. Repeat for what type of projects the premium can be used (see key information session 2.2):
    - *Social projects*
    - *Education and training of workers, their children, their families, and the community*
    - *Economic projects*
    - *Environmental projects*
    - *Cash payment up to 20%*

18. Agree on **how many projects** to put on the list. You can agree on for example a maximum of 10 or 20 projects with at least 1 or 2 projects in each category (social, education, etc.).

19. Repeat the **selection criteria** for the selection of projects that were agreed in session 2.2 on Developing the constitution for the Premium Committee (see guidelines point 19 to 22). Say that the selection criteria can help in formulating projects and for the final selection of the projects. It is advised to **share the criteria** with all workers.

20. **Agree how the decision** if a project will be put on the list yes or no will be taken (by vote, by consensus). Keep in mind that the main disadvantage of voting is that there are always winners and losers, and that consensus can only work if the committee members can put the interest of all workers before their individual interest. Another way is to **use a scoring system** which is linked to the selection criteria. For example, a project scores 1 point for every selection criterion that applies. The highest scoring projects will be selected. A final way is to **have everyone rank all listed projects** and using a scoring system (10 points for the highest, 9 points for the second, etc.) add all scores. The projects with the highest scores are selected.

21. **Facilitate the development of the list with projects**. You can do this using the following method:
    a. **Collect ideas** *through any of the following methods:*
    - *Let everyone mention any project they would like to add to the list.*
    - *Make a round and let everyone propose one project. Each should explain well why the project should be selected. You can do a second and even a third round.*
    - *Split participants into small groups of 2-3 people. Let each group discuss for some time and then suggest 1, 2 or even more projects.*

    b. **Discuss the ideas***:*
    - *Look at each idea and check the idea against the selection criteria.*
    - *Discuss reasons for not selecting the idea: are there several reasons or only a few?*

    c. **Make a selection of projects to put on the list***: In addition to the categories of projects (social, education, economic, environmental), it is also advised to add a mix of projects, for example projects that will benefit different types of workers, projects with an immediate impact and a long-term impact, smaller and larger projects, etc.*

22. When the list is compiled, ask some final **questions** to check the list:
    a. Is it an attractive list of projects? Will workers appreciate the list?
    b. Will every worker find at least one project which will benefit him/her?

23. Finally mention that the **methods** we used to compile this list can also be used when discussing the projects with the workers and get their input.

Set up – 2-5 minutes

Summary: Summarise the steps to collect input from workers.

Questions: Ask if anyone has a question or comment.

Evaluation: Ask the following questions:
Why is it important that every worker can contribute to the list?
What are the selection criteria we used to select projects?

Next step: When all workers give their inputs, you will get a list with projects. The final decision on which projects to implement is up to the Premium Committee. We will discuss this in the next session.

Topic 3.3
Deciding How to Use Fairtrade Premiums

Key Information

Once the input of workers is aggregated, the Premium Committee needs to take a final decision on how to use the premium.

It is advisable to start with simple and easy projects which are easy to implement and can have a wide impact, such as social and community activities and capacity building. When the Fairtrade Premium Committee has more experience, it may decide to plan and manage more complex projects like buildings and businesses. These types of projects require lots of planning, as well as legal arrangements which secure the legal body's ownership of its assets or enable it to donate assets to other community organisations. The Fairtrade Premium Committee usually requires external support for these types of projects.
It is important to remember that Fairtrade Premium projects will not always benefit all the workers and communities at the same time.

The steps to reach a final decision can include the following:

1. **Eliminate projects.** Projects can be eliminated from the list because:
   - *The costs are too high (meaning: the Premium will not cover the costs).*
   - *It does not comply with any of the selection criteria (as developed in session 2.2 from point 19 to 22).*
   - *It is not feasible to implement because there is no one who has the knowledge, capacity and/or skills to implement it, equipment or tools needed is not available, it is against the law, it is harmful for certain people or the environment, etc.*

It is possible that projects that are eliminated in a certain year, can be implemented in another year.

2. Do a **cost analysis** of all projects. Look at:
   a. *How much would the total project costs be (approximately)?*
   b. *Will all costs be spent in 1 year or spread over a larger period?*
   c. *How high are the costs per beneficiary? Is it worth it? For example, if the total costs are 100 and the number of beneficiaries is 20, the costs per beneficiary is 5. Depending on the expected impact, you can assess if the 5 is money well spent.*

3. Apply the agreed **selection criteria** and look at which projects comply with several or all criteria. The following criteria can be applied:
   - The number of people who benefit directly from the projects. Some projects will benefit (almost) all workers directly, for example when you decide to give a piece of equipment or item to every worker (solar lamps, a knapsack sprayer, protective equipment, agricultural tools, etc.). Other projects will only benefit directly a certain group of people, for example, projects linked to education of children will only be directly beneficial to workers with children (but might be beneficial for the whole community) and a borehole in a certain community will only benefit people living in that community. As committee you can decide to have at least one project per year that will benefit as many workers as possible.

   - The type of people benefiting from the project. Everyone in the committee represents a certain group of people including marginalised groups (women, youth, seasonal workers, etc.). As committee you can decide to have at least one project per year that will benefit a marginalised group.

- The costs. Some projects might be very costly and need money from several seasons. As committee you can decide to keep a certain percentage of the total premium separate to invest in larger projects.
-
- The time it takes a project will generate a benefit to workers. Some projects will be beneficial right away (for example when giving every worker a piece of equipment), whilst other project will need more time to show the benefits (for example when starting a nursery for the children of workers). As committee you can decide to have a mix of projects with an immediate benefit and those where it needs more time.
- The implementation time.

- **The feasibility of the project to implement it.** Some projects might be easier to implement than others.

4. Agree by consensus on the final projects taking into account the available funds.

Risk assessments

A risk assessment must be undertaken for all major projects including loans and investments, which must be carried out with all necessary formalities and guarantees. What is classified as a major project must be determined in advance and agreed on in the General Assembly.

Simple risk assessment examples are given provided below. Training on risk assessments is also recommended and may be provided by Fairtrade International producer support, your regional Producer Network or organized by the Premium Committee or by management.

Risk assessments may need to be undertaken by an independent third party if the Premium Committee does not have the qualifications to do so.

Budget

The amount of Fairtrade Premium that will be received depends on the quantities of Fairtrade-labelled products sold by the company. The spending of the Fairtrade Premium depends on the size of the farm, the composition of the workforce, the needs of the community, and the capacity of the Fairtrade Premium Committee to manage the projects. The Fairtrade Premium Committee should have an overall budget for the year. The budget should reflect:

- predicted Fairtrade Premium income for the year based on Fairtrade sales
- predicted expenses based on planned Fairtrade Premium projects and other Fairtrade Premium Committee activities.

Not all the Fairtrade Premium has to be spent each year, and the Fairtrade Premium Committee can also decide to save a part of the Fairtrade Premium. Management has a responsibility to provide information on sales and sales forecasts to support the Fairtrade Premium Committee budgeting process (see also section 4.3).

Project selection

The way in which Fairtrade Premium projects are selected will be different in different places, but it is important that the workers know how it will be done and where and when they can participate. The project selection criteria should be included in the constitution of the Fairtrade Premium Committee and clear

internal rules and procedures should be explained to the workers. The Fairtrade Premium Committee should consider criteria for how they will select Fairtrade Premium projects, including:
the number of people that benefit

- whether the project will have a lasting benefit
- whether the project provides something which was not available before
- which groups of workers will benefit.

Not all projects will fulfil all the criteria, but it is important that the Fairtrade Premium Committee should develop their own guidelines about how they will decide. For bigger projects the Fairtrade Premium Committee would need to conduct a feasibility study to assess whether a project idea or objective can be achieved with the resources available.

Planning

The Fairtrade Premium projects implemented by the Fairtrade Premium Committee depend on a number of important things: what the workers say their needs and priorities are; how much Fairtrade Premium is available for the year; and what the Fairtrade Premium Committee can manage and control. An overall work plan and specific project plans should be developed. The work plans should be presented in a format that suits the Fairtrade Premium Committee and is understandable to the workers. The work plan should include the aim of the project, the beneficiaries of the project, the necessary activities, when the activities will be done, who will do them and how much it will cost.

Source: Explanatory document for the Fairtrade Premium Committee in Hired Labour Situations

Conducting a Risk Assessment

Risk is the potential effect of uncertainty on project objectives.

Risk management has four essential parts to it: the risk assessment. which includes identification and analysis, or assessment of risks in a project, the subsequent action or responses and finally the evaluation of risks and responses. In other words, in order to manage the risks involved with any project, a risk assessment needs to be carried out to enable you to act on the finding

The process of risk management is basically a structures way to think about risk and how to deal with it and can be broken down into the progression shown with communication at its core.

Risks Monitoring
Evaluating risks and response
plans, identifying new risks

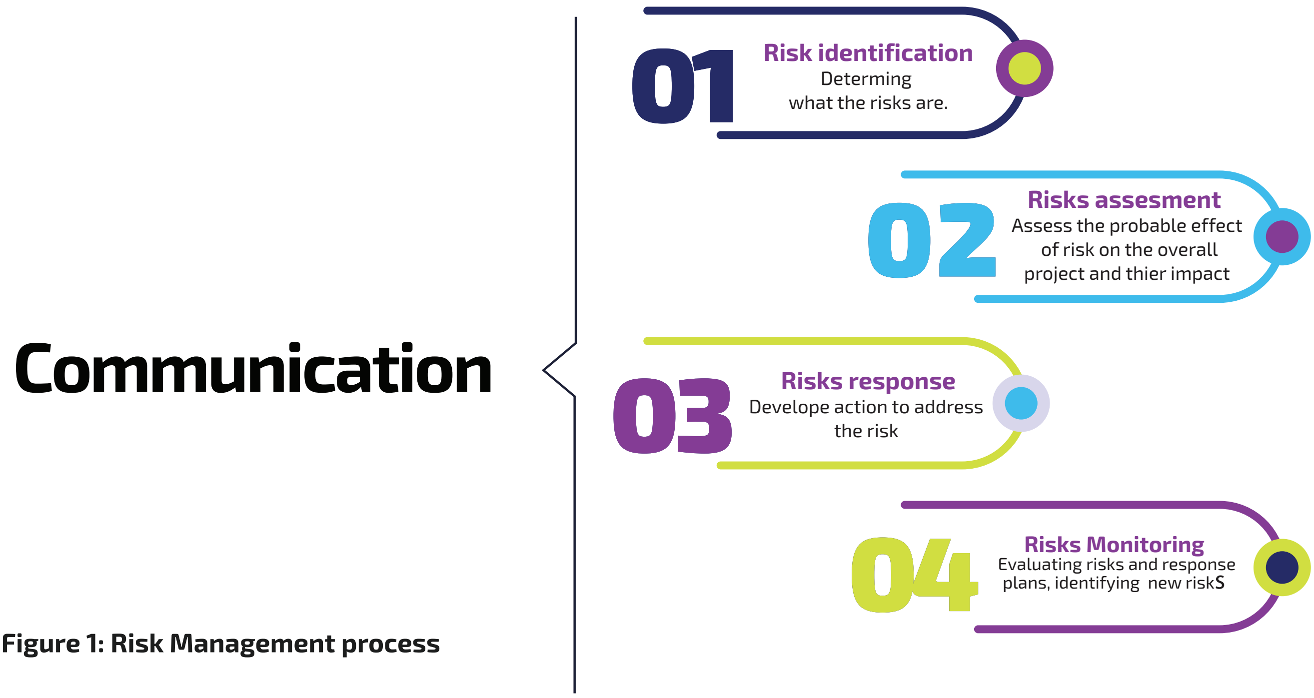


Figure 1: Risk Management process

For any major project that is to be carried out, understanding the potential risks that might affect the project is an important factor in the initial design and set up. For some larger projects, loans and investments, risk management is complicated, but often even a simple exercise can be carried out to highlight areas of risk and enable better set and management.

Note: what is classed as a major project by the FPC should be decided and approved through the GA

Below are some steps that can be followed to enable a very simple risk assessment to be done and integrated in to the management of a project.

Risk Identification: identifying and documenting all the risks that can affect the project.

These can be either negative or positive. Negative risks can be potentially harmful to the project and will generally be avoided, whereas as positive risks are those that are initiated because they might provide a potential opportunity, although this might also have the potential to fail.

Any risks that could affect the project either in a negative or positive way need to be identified and then ideally put into different categories for clarification.
Categories should not be too broad or specific but appropriate to allow the risk to be identified with ease, they can be either external or internal factors that might have an effect on the project. The categories chosen should be unique to the project itself.

Once risk categories have been identified, specific risks need to be identified from each category. This should be done by the member of the FPC and other stakeholders through brainstorming sessions, focus group discussions or specific interviews e.g. in the project was to build a new school laboratory. It should be useful to interview the science teachers, or the local education officer.

Table 1. Examples of risk categories.

Economic /financial Exchange rate on fluctuation Interest rates instability Market development adversely effect	**Organizational** Poor leader Lack of communication No clarity or roles and responsibilities Clash of personalities Lack of qualified personnel	**Technical/operational** Inadequate design and planning Unclear expectations
Political Change of Government War Interference by politicians	**Economic /financial** Natural disasters	**Project management risk** Lack of planning Unrealistic schedules Delays in the approval of project documents

Each identified risks should be written in a way that describes that the cause of the risk is, what the risk is and what its impact might be on the project, so that appropriate responses can then be given. For example, due to there being no chemistry teacher at the school to advise, there is a risk that the laboratory will not have all the necessary design specifications and therefore the school expectations will not be met.

The risk identification process needs to continue through the entire life of the project as it evolves over time. Initially risks might involve funding, while later on they might involve more operational aspects such as budgeting and scheduling.

Risk assessment- determining the probability that risks will occur, estimating their potential impact an prioritizing risks.

Having identified the risks, the next step is to quantify them by:

- Prioritizing risks according to their probability an impact.
- Identifying the risks tolerance, which risks are acceptable and which needs to be manages.

A risk map or matrix is usually used to help to assess the risks using scoring system to identify the likelihood of the risk occurring and the impact that it might have should it occur.

An example is given below of a simple system that could be used.

First define your scoring system, for example

Table 2 probability of risk.

Points	Probability of risk occurring	Definition
3	High	Expected to occur more than even chance
2	Medium	Quite possible that it will occur even chance
1	low	Very unexpected and unlikely to occur

Table 3 impact significance

Points	Impact of risk	Definition
3	High	Impact can make a significance difference
2	Medium	Impact can make a difference
1	low	Can have impact bu it is manageable

Next assignment each of your risks a probability and an impact and multiply them

Probability = 1: impact =3: 3x1=3
Then ass them into your risk matrix

Table 4 example of the Risk Matrix

Impact		Probability		
		Low 1	Medium 2	High 3
	High 3			
	Medium 2			
	Low 1			

Risk tolerance will have to be established. i.e. What needs to be actively managed, what will be monitored and what is below the tolerance levels.

In this case, where the probability is high and so is the impact, the score would be 9 and this would be considered a major risk and would need to be actively managed. Slightly less of a concern would be risks that were scored at 4 and 6, and these could be monitored and reviewed. Of even less concern would be risks that were assigned values of 1, 2 and 3.

Risks response: deciding what actions are needed to reduce or remove threats, particularly those with high-probability and high-impact.

If a risk is identified to be above the risk tolerance line, a response or a strategy is needed to address it. Thy of the following options might be used as a way to respond to the risk.

Terminate/Avoid - Don't deal with the risk e.g. if the project area was decided to be insecure, then you might choose not to do it in that area.

Transfer — Share the risk by involving stakeholder or other party e.g. by taking out insurance to transfer the risk to the insurance company.

Treatment/Mitigation —Act to reduce the probability and/or impact of a potential risk e.g. adjust or revise certain activities.

Tolerate/Accept —If the risk is below the defined toleration level, you might choose not to take any action. Once the response activities have been selected a risk management plan should be prepared to determine the ways in which the risk responses are put into action and to plan for adequate resources for the risk assessment

For small projects the risk management plan might be as simple as a documented list of the risks that have been flagged or Identified as needing to be actively managed. The list should be kept updated as the project develops.

For larger projects a risk register can be produced which will give much more details. An example is given below.

Category	Risk	Current status	Probability	Impact	Score	response	Who	When
	Lack of communication leads to mistrust	Actively monitored	2	2	4	Treatment – consult with an expert from the local education	FPC and FTO	ALL YEAR
Operational	Design might not be appropriate due to lack of expertise	Resolved	3	3	9	Treatment – consult with an expert from the local education department for technical expertise Project manager	Project manager	Q1

Table 5 example risk register

Risk monitoring responding to risk as they occur and ensuring proper risk management procedures are being followed as well as the continual identification of new risks.

Regular risk reviews should be carried out throughout the life of the project to identify any new risks that might threaten the project and also to ensure that the previously identified risks are bring appropriately managed. The risk register is a good tool for this an if developed at the onset of the project then it can be used throughout the project.

Guidelines for the Facilitator

Materials needed:

- [ ] Flip-sheets, markers, masking tape or gum
- [x] The list with selection criteria as agreed in session 2.2 (guideline steps 19-22).

Time needed: 3.5 to 4 hours

Preparations:

- [ ] Carefully read the key information, the information on how to conduct a risk assessment, and all steps of this guideline.
- [x] Take the prepared list with projects as prepared in the previous session and add some projects that might have been added by other workers.

Note for the facilitator:
This is a training session on how to select projects to implement with the Premium. However, in case input from all workers was collected, you could change the session into a combination of a training session in which you explain all steps and a facilitation session in which you facilitate the actual selection of projects. In that case, the session can take a full day.

Set up – 2-5 minutes

Attention: Say that we have discussed how you can collect input from other workers. However, the final decision on what projects to execute is up to the Premium Committee.

Title: Tell the title of the session: *Deciding how to use Fairtrade Premiums.*

Objectives: During this session we will discuss how as Premium Committee you can select the projects you would like to execute and how to conduct a risk assessment.

Benefits: A risk assessment can help to avoid challenges when implementing a project.

Direction: We are not going to take a decision on which projects to executive; that can only be done if you have collected input from all workers. We will do a risk assessment for one project as an example. The Premium Committee is responsible to do a risk assessment for all selected large projects.

Delivery

Explanation, **V**isualisation, **E**xercise, and **A**pplication:

Eliminating projects – 15-20 minutes

1. Say that after all input from workers is collected and aggregated, it is up to the Premium Committee to make the **final selection.** Most probably some projects will have been added to the list of prepared projects. Paste the prepared list with projects (with your additional projects) on the wall.

2. Say that the first step is **to eliminate projects**. Ask: *Based on what can we eliminate projects?* Projects can be eliminated because:
   - The costs are too high (meaning: the Premium will not cover the costs).
   - It does not comply with any of the selection criteria (as developed in session 2.2 from point 19 to 22).

   - It is not feasible to implement because there is no one who has the knowledge, capacity and/or skills to implement it; equipment or tools needed er not available; it is against the law; it is harmful for certain people or the environment; etc.

3. Look together at the list: *Are there any projects that can be eliminated?* Because this is not a final list of projects, **do not spent much time on actually deleting projects**. It is just for practice, so everyone understands how it works.

4. Add that it is possible that projects that are eliminated in a certain year, can be implemented in another year.

Doing a cost analysis – 30-35 minutes

5. Say that the next step is to do a **cost analysis**. A costs analysis looks at the costs of the project **compared to the expected benefits** to check if the project is **worth pursuing**. Use one project of the list as an **example**. Ask the following questions and make the calculations together:

   a. *How much would the total project costs be (approximately)?*

   b. *Will all costs be spent in 1 year or spread over a larger period?*

   c. *How high are the costs per beneficiary? Is it worth it? For example, if the total costs are 100 and the number of beneficiaries is 20, the costs per beneficiary is 5. Depending on the expected impact, you can assess if the 5 is money well spent.*

Applying the selection criteria – 30-35 minutes

6. Say that the next step is to apply the agreed **selection criteria** and look at which projects comply with several or all criteria. Paste the flip-sheet with the selection criteria as agreed in session 2.2 (guideline points 19 to 22) on the wall. Go over every project and see how it **complies** with the criteria. Make notes.

7. Draw conclusions together: *Which projects comply with many criteria and which projects with none or only a few?*

Note for the facilitator:
This is just an exercise to show how to apply selection criteria so do not wase too much time on discussions.

Reaching consensus – 30-35 minutes

8. Continue by saying that one of the requirements of Fairtrade is that the final decision on which projects to execute is made **by consensus** and not by voting. Ask the following questions to better understand what consensus means.

   a. *What does a decision by consensus means? It means that everyone agrees with the decision.*

   b. *How is that possible that everyone would agree on the same projects because everyone has different opinions and preferences? Consensus can only be reached* ***if everyone puts the interest of the group before his/her own interest****. For example, a person who does not have children, will have no direct benefit with buying teaching materials for the primary school in his/her community. But the person sees that it would benefit so many children and will therefore support this project. Another example is a project that will benefit a certain minority group. Even if you do not belong to that minority group, you can support the project because you see that it would really benefit the minority group.*

   c. *If everyone needs to agree on a decision, will the process to reach an agreement be very long? Yes, reaching consensus takes much more time than voting.*

d. How can a decision reached by consensus help the implementation of the project? If everyone agrees, it means everyone supports the project. When you vote, there will always be winners and losers. Very likely the losers will not support the implementation of the project and might even try to sabotage it.

9. Practice how this works by **asking everyone to identify one project** that would not benefit them as an individual, but they would support it because it would be very beneficial for other people.

Note for the facilitator:
This is just an exercise to show how reaching consensus can work and not to take a decision on the selection of projects.

10. Say that to be able to reach consensus it is necessary to **listen to each other** and **be open to opinions** that are different from yours. Add that it helps to have a **(external) facilitator** who has nothing to gain from the decisions to guide the process.

Explaining the risk assessment– 10-15 minutes

11. Say that for every **major project** a **risk assessment** needs to be done. Fairtrade does not indicate what a "major project" is; it could be linked to the resources needed (costs) or complexity of a project to implement it. What is classified as a major project must be determined in advance and agreed on in the General Assembly. We will first look at what a risk assessment is and **how it can be done** and then we will discuss what you define as a major project.

12. Ask the following questions to get a better understanding of what a **risk assessment** is:
    a. What is a risk? *A risk is the possibility of something bad happening.*

    b. What is a risk assessment*? You are going to evaluate what can go wrong when a project is being executed.*

    c. Why *should you do a risk assessment? A good risk assessment can help you to be better prepared when something goes wrong. In case risks are identified, you can take action in advance to avoid that the risk will happen or to minimise the impact when it happens.*

13. **Explain briefly how to do a risk assessment** (see information on conducting a risk assessment):
    a. Identify all risks.
    b. Assess all risks by looking at the probability the risk will happen and the possible impact of the risk.
    c. Develop actions to avoid the risks or to mitigate the impact.
    d. Monitor the risk when implementing the project.

Doing a risk assessment – 60-65 minutes

14. **Select one project and do a risk assessment together**. See information on conducting a risk assessment (table 1) for examples of risk categories.

15. When the risk assessment is done, draw conclusions:

    a. *When looking at the risks we identified, would you still go ahead with this project?*
    b. *Which risks are most important to manage?*
    c. *Which risks can you accept?*

16. Say that the risk assessment should be part of the **Fairtrade Development Report** that needs to be shared and approved by the General Assembly.

Defining major projects – 10-15 minutes

17. Now that we have seen how a risk assessment works, you need to decide **how to define what a "major project" is**. Collect ideas and suggestions from everyone and try to reach consensus on what a major project is.

Remind everyone that the General Assembly needs to **approve** what the Premium Committee has defined as a major project.

Set up – 2-5 minutes

Summary: Summarise the steps to select Premium projects.

Questions: Ask if anyone has a question or comment.

Evaluation: Ask the following questions:
Based on what can you eliminate projects?
What is a risk assessment?
Why is it useful to conduct a risk assessment?
How do you conduct a risk assessment?

Next step: If necessary, agree on steps to get outside support to facilitate the selection of projects after input from workers has been collected.

FAIRTRADE AFRICA

Topic 3.4
Writing the Premium Plan

Key Information

BEST PRACTICE for writing the Fairtrade Premium Plan
When writing the plan for the first time, ask support from someone who has experience in this. Having plans from other HLOs as example may also help

Example of a budget for mango tree planting in community A

Description of cost	Number of units	Costs of unit	Total costs	Source of funding
Agro inputs				
Seedlings	250	20	5,000	Premium
Fertilisers	10	50	500	Premium
Equipment				
Shovels	25	10	250	Premium
Wood to construct protection around each seedling	25	10	250	Premium
Packages of nails	5	10	50	Premium
Watering cans	25	2	50	Premium
Labour				
Labour to dig holes and plant trees	25	100	2,500	In-kind by workers in the community
Travel				
Transport costs for 2 Premium Committee members to observe planting	2	15	30	Premium
Transport costs for 2 Premium Committee members to monitor progress yearly	8	15	120	Premium
TOTAL			8,750	
Premium funds needed			6,250	
In-kind contribution			2,500	

Example of project description as part of the Fairtrade Premium Plan

Project 1	
Action	Planting mango trees in community A
Objective	To reduce the negative impact of climate change in the community, to provide shade, to provide an additional nutrient and source of income for 25 households.
Target group	25 female headed households in community A with at least 4 dependent family members.
Selection criteria	Impact on the livelihood of marginalised women Ease of implementation Long term benefits
Activities	– Asking advice on what type of mango to plant and to get an estimate on production and revenues. – Awareness creation in community A on the project and selection of 25 female headed households in collaboration with the community. – Purchasing seedlings, fertiliser, and equipment. – Planting seedlings in the community by volunteers from the community guided by an expert on tree planting. – Agreeing with volunteers on watering schedule and application of fertilisers.
Start date	1 March 2022 (with planning of seedlings just before start of the raining season)
End date	End 2027
Person responsible within the Premium Committee	Elizabeth
Monitoring	Short-term indicators: – Number of households involved – Total number of trees planted – Average number of trees planted per household Long-term indicators – Average yield in kg year – Average yield in number of mangoes per year – Average revenues from mango sales per year The short-term indicators will be collected immediately after planting, while long term indicators will be collected once a year. For each farmer, a record keeping sheet will be developed to keep track of the long-term indicators.
Total budget	8,750
Total budget covered by Premium	6,250
Annual budget for this financial year	6,125

FAIRTRADE AFRICA

Template for the Fairtrade Premium Plan

Name of organisation	*Enter the name of the organisation.*
Financial year covered	*Enter the period that the plan is valid.*
Expected Fairtrade Premium	Enter the expected amount for the financial year covered in the plan.
Percentage cash payment	In case any cash payment is agreed, enter the percentage of the total Premium that will be paid as cash.
Amount of cash payment	*Calculate the total amount of the Premium that will be paid as cash.*
Number of projects proposed	Enter the number of projects that are proposed to be funded with the Premium.
Amount to be spent on projects	Enter the total amount that will be spent in this financial year on projects.

Date of approval by General Assembly	Enter the date of the General Assembly meeting in which the plan was presented and approved.
Signature Chairperson	Have the Chairperson of the Premium Committee sign here..
Signature Treasurer	Have the Treasurer of the Premium Committee sign here.

For every project, you need to complete a table as depicted below. For example, if you want to implement two projects this financial year, you need to complete the table for each of the two projects.

Project 1	
Action	Describe what you would like to do.
Objective	Describe what you would like to achieve with your actions.
Target group	Describe who will benefit from the project and how many people will benefit.
Selection criteria	Describe the criteria that you used to select the project.
Activities	Describe the activities that you will do to achieve your objectives.
Start date	Enter the starting date of the project.
End date	Enter when the project will be completed.
Person responsible within the Premium Committee	Enter the name of the person who is responsible for the project within the Premium Committee. Add his/her telephone number and possible e-mail address.
Targets	List the targets you would like to achieve
Monitoring	Describe how monitoring of the targets will be done.
Total budget	Enter the total amount that is needed to execute the project.
Total budget covered by Premium	Enter the total amount of the project that will be funded with the Premium.
Annual budget for this financial year	Enter the amount of the Premium you will be spending this financial year.

Template for Action Planning to Select and Start Premium Projects

	Action	Person responsible	Period	Budget
1	Prepare the consultation with workers.			
2	Consult with all workers.			
3	Collect and aggregate all results of workers consultation.			
4	Analyse the results, including: – Cost analysis – Risk assessment			
5	Select projects.	Chairperson Premium Committee		
6	Write the Fairtrade Premium Plan.			
7	Organise a General Assembly meeting.			
8	Prepare an easy-to-understand presentation on the Fairtrade Premium Plan.			
9	Present the Fairtrade Premium Plan to the General Assembly and have it approved.			

Remarks

The time between the first and last action is approximately 3 months. That means that the Premium Committee should start the collection of input from workers well in time.
The total costs can be covered by the Premium. However, in the first year when no Premium has been received yet, probably the company needs to advance the costs.

Guidelines for the Facilitator

Materials needed:

- [ ] Flip-sheets, markers, masking tape or gum
- [x] Copies of the template for the Fairtrade Premium Plan.
- [x] The flip-sheet used in session 3.1 on Understanding the development of the Fairtrade Premium Plan with the content of the Premium Plan.

Time needed: 3-4 hours

Preparations:

Carefully read the key information, the template for the Fairtrade Premium Plan, the template for action planning to select and develop Premium projects, and all steps of this guideline.

- [x] Draw an empty budget on a flip-sheet with only the headings of the budget (see key information for an example).
- [x] Prepare a flip-sheet (turn it horizontally) with the template for action planning to select and develop Premium projects (do not include the remarks).

Session in Short
Set up: 2-5 min
Delivery:
5-10 min: introduction
45-50 min: exercise on the Fairtrade Premium Plan
30-35 min: preparing the budget
45-50 min: preparing a monitoring plan
30-35 min: working with the template for the Fairtrade Premium Plan
30-35 min: action planning
Finish: 2-5 min

Set up – 2-5 minutes

Attention:	Say that once the Premium Committee has taken a final decision on how to spend the Fairtrade Premium, all information needs to be entered in the Fairtrade Premium Plan.
Title:	Tell the title of the session: *Writing the Fairtrade Premium Plan*.
Objectives:	During this session we will discuss how to write the Fairtrade Premium Plan.
Benefits:	The plan will help you to share your final selection with other workers and to manage the selected projects.
Direction:	We are not going to write an actual plan during this session; that will be done by a few members of the Premium Committee.

Delivery

Explanation, **V**isualisation, **E**xercise, and **A**pplication:

Introduction – 5-10 minutes

Paste the flip-sheet with the content of the Premium Plan on the wall as prepared for session 3.1. Read it out loud. Say that we are going to use one project as example, and we are going to try to develop a Premium Plan. Agree on which project to use as **an example**. Make sure to select a project that is known to the group so it will not be too difficult to cover all aspects of the Premium Plan.

Exercise on the Fairtrade Premium Plan – 45-50 min

Split participants into 3 groups: one group will describe the objective of the plan, one group will list the main activities, and one group will describe the target group. Let the groups work. Participants can write the results of their discussions on a flip-sheet.

Discuss the results. Let each group present their results. Check if there are any questions or if any of the other groups has a contribution.

Preparing the budget – 30-35 minutes

Say that we will continue with the budget. Paste the flip-sheet with the **empty budget** on the wall and explain all heading. **Try to complete it together** for the project you are discussing. In case there are labour costs involved, say that this could be an **in-kind contribution** of the community or workers (meaning: the labourers will not get paid for this time but will contribute their time to the project).

Preparing a monitoring plan – 45-50 minutes

Continue with **monitoring**. To get a better understanding of monitoring, ask the following questions:

What is monitoring? Monitoring means checking progress.

Why should you monitor progress? In case there are challenges, they can be addressed. If you never monitor and challenges are not addressed, you are not going to achieve your objectives.

What do you need to monitor? You need to monitor if certain activities have taken place, if the target group was reached, and if your objectives are reached.

Say that the easiest way to monitor is to describe in advance **what should be monitored**. In other words: you need to set **targets**. For example, you can write "250 seedlings are bought". With this target, you can check if seedlings were bought and the number of seedlings that were bought. Ask the following questions to get a better understanding of **targets**:

In case seedlings were bought, was the activity well executed? To evaluate this, you should know the exact quantity of seedlings bought.
In case 150 seedlings were bought, was the activity well executed? You are well on your way and action should be taken to buy the rest of the seedlings. In case it is the end of the project, it means the activity was partly executed.
In case 250 seedlings were bought, did you reach the target group? The fact that 250 seedlings were bought, does not give any information about the distribution of the seedlings and if the seedlings were bought in time (the right time of the season). You could add another target, for example "25 household received each 10 seedlings" and even put a time limit on each target (250 seedlings are bought before March).

Look at the project you have been discussing. **Split participants into pairs.** Each pair should **formulate 2 targets.** Add as advice that it is good to quantify a target, which means you can measure it. Let the pairs work for some time.

Discuss the results. Let every pair share their targets. Check if the targets are specific enough, measurable, achievable, and realistic. Explain that you can add a **time frame** to the targets. For example, 250 seedlings bought in April, and 25 households receiving each 10 seedlings in May.

Stress that for every project, specific targets need to be developed. Now that you have set targets, the next step is **how targets can be checked**. Explain that it helps to work with a **checklist** that contains the targets and leaves some room for remarks. Discuss who could do the monitoring of projects; somebody from the Committee should be involved. **Agree on how monitoring can be done.**

Working with the template for the Fairtrade Premium Plan – 30-35 minutes

Distribute the template for the Fairtrade Premium Plan. Say that this is a template for the Fairtrade Premium Plan. Explain how the template works:
Every year, a plan should be developed.

The first part provides general information and a summary on the number of projects and budget needed. The second part provides space for the official approval of the General Assembly.

The third part gives a detailed description of all projects. For each project, a table with information should be completed.

Agree **who** (can be 1 or 2 people) within the Premium Committee would be capable of developing the Fairtrade Premium Plan. Check if they need your support.

Add that **the Premium Plan may need to be changed** in between General Assembly meetings e.g. in situations where, for example, more or less Premium money was received than planned, or where members or the community are affected by an unexpected event and workers wish to respond. The Premium Committee will **need to document the decisions to make the changes**, explain the changes, and get ratification from the General Assembly of workers retrospectively. If **large changes** need to be made in the Premium Plan, then these changes would normally be pre-**approved** by an **extraordinary General Assembly**.

Action planning – 30-35 minutes

Say that **the Committee is now ready** to collect input from other workers, to select projects, and to develop a Fairtrade Premium Plan. **Paste the flip-sheet** with the template for the action plan to select and develop Premium projects on the wall. Say that there are **several actions** that need to be taken. We will discuss for each action point:

Who is responsible: this does not mean that this person needs to do the action but rather that the person is responsible to ensure the action is getting done.

The budget needed: you can also add where the money will come from. Normally, costs will be covered from the Premium. However, in the first year when there is no premium yet, the company probably has to advance the costs.

The time frame: when will it be done.

Complete the action plan together. When the plan is completed, look together at the **time frame**; the time between the first action point "Prepare the consultation with workers" and the last action point "Present the Fairtrade Premium Plan to the General Assembly and have it approved" is approximately 3 months. This means that the process to collect input from workers should start well in time every year.

Set up – 2-5 minutes

Summary: Summarise why the Premium Committee should develop a Fairtrade Premium Plan and what should be covered in it.

Questions: Ask if anyone has a question or comment.

Evaluation: Ask the following questions:
Why should you develop a Fairtrade Premium Plan?
What should be in the plan?
What is monitoring?
How can we organise monitoring?

Next step: Remind everyone on the action points as agreed.

Program 4

Managing Premium Projects

Topic 4.1
Managing Premiums Projects

Key Information

The Fairtrade Premium Committee is responsible for the management of the Fairtrade Premium projects. Sometimes this responsibility can be allocated to individual Fairtrade Premium Committee representatives. Sometimes the Fairtrade Premium Committee may need to establish a sub-committee or appoint a project manager, but the Fairtrade Premium Committee must still take responsibility for overseeing the sub-committee or project manager. When the project is completed the Fairtrade Premium Committee should report back and inform all the workers.

Source: Explanatory document for the Fairtrade Premium Committee in Hired Labour Situations

Project management is described in the Project Management Manual as developed by Fairtrade Africa. The materials include sessions on project identification and selection, budgeting, planning, setting of indicators, implementation, monitoring and evaluation, reporting, etc.

Checklist for Project Management

The following checklist can be used to manage a Premium project. Specific tasks will depend on the type of project and not all tasks always apply, so you need to adapt the checklist to make it suitable for a specific project.

Task	Current status	Still to be done
Collect proposal and budgets for implementation (if necessary)		
Collect proformas for any equipment or tools to purchase (if applicable)		
Communicate with everyone implementing any activity		
Release funds in time		
Collect expense reports and receipts and check them		
Collect activity reports and check them		
Monitor progress		
Organise an end of project evaluation		
Develop an activity report and financial report		

Guidelines for the Facilitator

Materials needed:

- [ ] Flip-sheets, markers, masking tape or gum
- [x] Copies of the checklist for project management

Time needed: 20-25 minutes plus 1 hour per project

Preparations:

- [ ] Carefully read the key information, checklist for project management, and all steps of this guideline.
- [x] Ensure everyone will bring their copy of the Fairtrade Development Plan.

Note for the facilitator

The sessions in this program (session 4.1 and 4.2) will only be facilitated AFTER the Premium Committee has developed the Fairtrade Premium Plan and it is approved by the General Assembly.

Set up – 2-5 minutes

Attention: Say that now that the Fairtrade Premium Plan has been approved by the General Assembly, it is time to manage the Premium projects.

Title: Tell the title of the session: *Managing Fairtrade Premium Projects*.

Objectives: During this session we will discuss what it means to manage Premium projects and the role of the Premium Committee in this. We will also discuss Monitoring & Evaluation.

Benefits: If you as Premium Committee are able to manage your Premium projects well, it will increase chances for successful implementation. In addition, it will gain you the respect and confidence of other workers.

Direction: We will not discuss reporting; that will be done in the next session.

Delivery

Explanation, **V**isualisation, **E**xercise, and **A**pplication:

Payment of the Fairtrade Premium – 5-10 minutes

Say that before we are going to look into project management, you need to ensure that there are **funds** to implement the projects. The Fairtrade Premium payments must be paid **directly** into the established Fairtrade Premium bank account(s). Ask:

Who pays the Fairtrade Premium? The client or buyer of the produce.
To ensure that the premium is paid directly into the bank account of the Premium Committee, what needs to be done? Normally the company issues a separate invoice for the premium. On that invoice the account number of the Premium Committee needs to be mentioned.

Who is responsible for this? The accountant of the company. He/she should share the invoice with the treasurer of the Premium Committee. This means that the Treasurer of the Premium Committee should follow up on this. Check who the treasurer is and he/she knows what to check

Introduction to project management – 10-15 minutes

Ask the following questions to ensure that everyone has an understanding of what **project management** is:
What do you understand by managing a project? Managing a project means that you lead a group of people to implement the project and to achieve all objectives as planned.

Does management mean that you have to carry out all activities? No, managing a project does not mean that you will carry out all activities. It means that you ensure that all activities will be done as planned.

What are some of the tasks of a project manager? You ensure money is released to carry out activities, ensure expenses remain within the budget, ensure equipment and other items are purchased (and collects proformas if necessary), ensure expense reports are developed, check if all activities are implemented as planned, communicate with those carrying out all activities to check if there are any challenges and offer solutions in case there are challenges, ensure activity reports are made, ensure monitoring is done, monitoring reports are made, etc.

How much time does it take to manage a project? That depends on how many activities need to be implemented, how much money is involved, how complicated the project is, etc. Some large projects need a fulltime project manager while other projects can be managed with a few hours per week.

Is it mandatory that one of the members of the Premium Committee is the project manager? No, that is not necessary. You can also hire a project manager or appoint a sub-committee. However, the Committee must still take responsibility for overseeing the sub-committee or project manager.

Would it be wise to hire a project manager? That will cost money, while if a sub-committee member or someone from the Premium Committee will manage the project, it will be for free. Smaller projects can easily be managed by a member of the committee or a sub-committee. For larger, more complex projects, it is worth to hire a project manager to ensure you will achieve your objectives. It might not be necessary to hire a fulltime manager; you can also appoint someone for a few days per month, depending on the size of the project.

Listing the tasks of a manager –45-50 minutes per Premium project

To get a better idea of what a project manager needs to do, we are going to look in detail at the tasks a manager needs to do. **Distribute the checklist for project management**. **Explain the list**: for every task the project manager needs to keep track of what has been done and if it was done successfully (current status), and keep track of what still needs to be done.

Say that specific tasks will depend on the type of project and not all tasks always apply, so it is necessary **to adapt the checklist** to make it is suitable for a specific project. We will now adapt the checklist for all projects that will be implemented this year. We will look at the objectives and activities as described in the Fairtrade Development Plan.

Depending on the number of projects that will be implemented this year, you can do the following:
In case there is one project: discuss in plenary session (with all participants together), the specific management tasks for the project. Write all tasks on a flip-sheet.

In case there are more projects: split participants into the same number of groups as there are projects (for example, if there are 3 projects, split participants into 3 groups). Allocate one project to each group. The groups should adapt the checklist according to their project. Ensure that every group has at least one person who is literate.

When **discussing the results**, check if all activities that need to be implemented (as described in the Fairtrade Development Plan) are mentioned in the checklist. Do not forget **monitoring and reporting**.

Decision on project management –10-15 minutes per Premium project

Look at the **projects** in the approved Fairtrade Development Plan. For each project, the group must agree on:
Who will manage the project: a member of the Premium Committee, a sub-committee (composed of 2-3 members of the Premium Committee), or an outsider?
In case of an outsider, discuss the requirements for such a person in terms of experience, knowledge, skills, etc. Also discuss for how many hours per week or days per month a person is needed and for how long.
Make sure that everything is **recorded** on flip-sheets.

Agree on the following:
Who will adapt the checklist for project management for all projects and when this will be ready? The results of the exercise you just did can serve as input.

***How** will the project managers **report** to the Premium Committee? How often?* Say that in the next session we will look at reporting which might be useful to decide how the project manager should report.
Note all decisions on a flip-sheet.

Set up – 2-5 minutes

Summary: Summarise what project management is and some of the tasks of a project manager.

Questions: Ask if anyone has a question or comment.

Evaluation: Ask the following questions:

What is project management?

What are some of the tasks of a project manager?

Next step: Repeat any action that needs to be taken.

Topic 4.2
Monitoring and Reporting

Key Information

Monitoring and evaluation

- **Monitoring** is continuously checking if activities are according to the plan.

- **Evaluation** is assessing achievement of goals, either at specific project intervals or at the end of the project. M&E ensures quality, allows corrections or adaptations and helps in learning and improving on future projects.

- **An evaluation workshop/ meeting** should be part of the calendar of activities. It should happen before the next planning meeting, because the learning from the evaluation (checking) is often into the next plan (planning).

Fairtrade Premium projects must be evaluated at least once during the implementation, after completion of the project, or on a yearly basis for on-going projects. Doing an evaluation means assessing the effectiveness of the project in achieving its goals. It is important to analyse both the positive and negative aspects of the project. The Fairtrade Premium Committee should answer questions like: was the project completed in time? Did we use the money as planned? Does the project meet our expectations? Who benefited from the project? How did they benefit? How could the project have been more effective? The results of the evaluation should be written down and should also be shared with the workers and management.

Questions that guide the evaluation:
- **Relevance:** Have the projects contributed to addressing the problems? Have they met the needs/ expectations of beneficiaries?
- **Effectiveness:** Have the objectives been achieved? (did we do the right things?)
- **Impact**: What has changed in the lives of beneficiaries as a result of these projects?
- **Efficiency:** Have you made optimum use of time and resources? (did we do things right?)
- **SWOT analysis:** Assessing the Strengths, Weaknesses, Opportunities and Threats of the projects.

Result of the evaluation are added to the annual report and must be approved by the Premium Committee. After that is presented and approved by the General Assembly and shared with FLOCERT.

Source: Explanatory document for the Fairtrade Premium Committee in Hired Labour Situations

BEST PRACTICE for Monitoring & Evaluation
The first question that needs to be answered is WHAT you need to monitor and evaluate. To provide an answer to this question, you have to formulate specific indicators that can be measured. For example, when measuring impact, you need to think about the results of the project. Organising a training on beekeeping for spouses will not have an impact, unless the spouses will start beekeeping activities and generate extra income for their families.

Reporting

All Fairtrade Premium project ideas should be recorded. All decisions about Fairtrade Premium projects should be recorded in the minutes of Fairtrade Premium Committee. The Fairtrade Premium Committee should also present progress and final reports about Fairtrade Premium projects to the workers and to the certification body.

The annual report on Premium Projects outlines activities of the year and evaluates their achievements and failure. A report must include an activity report and a financial report.

The activity report must include the following:
Actions/projects: an overview of each project that was planned, on-going or concluded projects within the last reporting cycle.
Activities: an overview of all planned activities per project and their implementation, including when activities were implemented and outstanding activities. In case activities were not carried out, an explanation should be provided.
Results: an overview of results and objectives achieved, an explanation why certain objectives were not achieved, and need for further action.
Monitoring and evaluation: a description of what was monitored and evaluated, how it was done, and overall result of the evaluation workshop.

The financial report must include the following:
Premium income: details on overall Fairtrade Premium income received, expenditures and balance
Budget: any amendments should be included, with the date of approval.
Expenditures: an overview of all expenses per project including any deviation from the original budget.
Balance sheet: an overview of how much money and other assets there are at the end of the year.

Source: Explanatory document for the Fairtrade Premium Committee in Hired Labour Situations

BEST PRACTICE for Reporting
Reporting is often not the favourite activity of people. It helps to have a good template in which you only have to add the information. In addition, every time there is something to report, add it to the report, instead of waiting the week before you need to submit the report.
Another good practice is to add pictures of the funds are used.

Guidelines for the Facilitator

Materials needed:
- [ ] Flip-sheets, markers, masking tape or gum
- [x] Prints.

Time needed: 55-60 minutes plus 30-35 minutes per project

Preparations:
- [ ] Carefully read the key information and all steps of this guideline.
- [x] Prepare a flip-sheet with the following text:
  Content of activity report
  - Actions/projects
  - Activities:
  - Results:
  - Results of monitoring and evaluation
- [x] Prepare a flip-sheet with the following text:
  Content of financial report
  - Premium income received
  - Budget and any amendments
  - Expenditures
  - Balance sheet

Set up – 2-5 minutes

Attention: Say that we have just seen that one of the tasks of the project manager is to ensure that monitoring and reporting is done.

Title: Tell the title of the session: *Monitoring and Reporting*.

Objectives: During this session we will discuss what monitoring and evaluation is and how we can do it, and what the reporting requirements are.

Benefits: Monitoring will help to stay on track and to reach your objectives. Reporting helps to keep everyone informed and to be accountable for the actions of the Premium Committee.

Direction: We will not do the actual monitoring or reporting of projects but provide you with the tools to do it.

Delivery

Explanation, **V**isualisation, **E**xercise, and **A**pplication:

Introduction to monitoring and evaluation – 10-15 minutes

Ask the following questions to ensure that everyone understands what monitoring and evaluation is:
*What is the **difference** between monitoring and evaluation?* **Monitoring** is continuously checking if activities are according to the plan. **Evaluation** is assessing achievement of goals, either at specific project intervals or at the end of the project.

***When** would you monitor and when would you evaluate?* Monitoring is done throughout the project while evaluation is done at the end of the project (unless you have a mid-term review for a long project).
*Why is it **useful** to do monitoring and evaluation?* Monitoring and evaluation ensures quality, allows corrections or adaptations, and helps in learning and improving on future projects.

***Who** should do the **monitoring**?* Monitoring should be done by everyone involved in the project because everyone needs to check progress for the part he/she is responsible for. The project manager has to ensure the overall monitoring of activities.
***What** should be **monitored**?* Refer to session 3.4 in which you explained targets, which describe in detail **what should be monitored**, and to the Fairtrade Premium Plan in which the targets are listed per project.

***Who** should do the **evaluation**?* The common rule is that those who implement and manage do not do the evaluation of the project.

What** should be **evaluated? You should check if all activities were implemented, the main challenges and how they were solved, and if all objectives and targets are achieved.

Organising monitoring and evaluation – 30-35 minutes per Premium project

In the next step you are going to develop a detailed **action plan to monitor** all projects. The basis for this, are the **targets** as described for each project in the Fairtrade Premium Plan. You can do the following steps:

Check the targets for all projects and make adjustments if necessary. In case there is one project, you can check it in plenary (all participants together). In case there are more projects, split participants into the same number of groups as there are projects and let allocate one project to each group.

Agree for every project who is **responsible** for monitoring. The project manager should be responsible. Check for each project who the project manager is.

Agree on **how often** monitoring will be done. In case of a large project, monthly monitor is recommended. For smaller projects, maybe every 3 months.

Agree on **how** the monitoring will be done. The person responsible for monitoring should communicate with those implementing activities and visit the implementation site to observe implementation, if applicable.

Make sure to **record all decisions**.

Do the same for **evaluation**.
Look at the objectives for all projects.
Agree for every project who is **responsible** for evaluation. The Premium Committee is responsible for organising it.

Agree for every project **who will do** the evaluation. The evaluation could be done be a few other workers (who are not member of the Premium Committee) or for larger projects an external person.

Agree on **when** the evaluation will be done. It should be done within a few weeks after close of the project. In case the project covers a few years, you can agree to have a mid-term review which is similar to an evaluation but done before the end of the project.

Agree on **how** the evaluation will be done. The person responsible for the evaluation will interview people involved in the project (including the project manager) and will visit the implementation site to observe implementation, if applicable.

Make sure to **record all decisions**.

Reporting – 30-35 minutes

The final aspect of projects that we are going to discuss is **reporting**. Ask the following questions about reporting:

All Fairtrade Premium project ideas should be recorded. Who is responsible for this? The secretary of the Committee.
How can the Secretary collect this information? Project ideas will be discussed during consultation rounds with workers and during meetings of the Premium Committee. Those facilitating the consultation rounds need to report to the Secretary. The Secretary will write minutes of all Premium Committee meetings.

All decisions about Fairtrade Premium projects should be recorded in the minutes of Fairtrade Premium Committee meetings. Who is responsible for this? The secretary of the Committee.
Say that in addition, the committee needs to **report annually on all projects** (ongoing and those finished that year) to the workers and to the certification body. The annual report on Premium Projects outlines activities and evaluates their achievements and failure. A report must include an activity report and a financial report.

Paste the flip-sheet with the **content of the activity report** on the wall and explain:

Actions/projects: an overview of each project that was planned, on-going or concluded projects within the last reporting cycle.

Activities: an overview of all planned activities per project and their implementation, including when activities were implemented and outstanding activities. In case activities were not carried out, an explanation should be provided.

Results: an overview of results and objectives achieved, an explanation why certain objectives were not achieved, and need for further action.

Monitoring and evaluation: a description of what was monitored and evaluated, how it was done, and overall result of the evaluation workshop.

Ask the following questions about the **activity reports**:
Who is responsible for developing these reports? The project managers of each project.

How can the project manager collect all information? The Fairtrade Premium Plan contains information, input from those implementing the project, monitoring results and own observations (for example during monitoring visits).

How should activity reports be presented? The reports must be sent together with the financial reports to Fairtrade International and Producer network through the FairInsight online platform and shared with all members of the Premium Committee. During the General Assembly, a summary needs to be presented in an easy-to-understand way. The reports should be accessible to every worker who would like to read them.
Share any best practices on activity reports as described in the key information.

Paste the flip-sheet with the **content of the financial report** on the wall and explain:
Premium income: details on Fairtrade Premium income received, expenditures and balance.
Budget: any amendments should be included, with the date of approval.

Expenditures: an overview of all expenses per project including any deviation from the original budget.
Balance sheet: an overview of how much money and other assets there are at the end of the year.
Ask the following questions about the **financial reports**:
Who is responsible for developing these reports? The project managers of each project. The Treasurer of the committee should check all reports.

How can the project manager collect all information? The Fairtrade Premium Plan (for the budget) and expense report from those implementing the project.

How should the financial report be presented? The reports must be sent together with the activity reports to Fairtrade international network through the FairInsight online platform and shared with all members of the Premium Committee. During the General Assembly, a summary needs to be presented in an easy-to-understand way. The reports should be accessible to every worker who would like to read it.

Share any best practices on financial reports as described in the key information.

Set up – 2-5 minutes

Summary: Summarise what needs to be done with regards to Monitoring & Evaluation, and reporting.

Questions: Ask if anyone has a question or comment.

Evaluation: Ask the following questions:
What is the difference between monitoring and evaluation?
Who is responsible for monitoring?
Who is responsible that the evaluation will be done?
Who will develop the activity reports?
Who will develop the financial reports?

Next step: Repeat all points that were agreed. In case any action needs to be taken, ensure the responsible person knows what to do.

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