



FAIR TRADE USA®

Impact Management System (IMS) Overview



Mohamed Rihan, 25, from Saharanpur, Uttar Pradesh has worked as a wood carver at Sumitra Woodwork in Hapur, Uttar Pradesh, India for 4 years.

“I enjoy working on handicraft and fine carving—it’s proof of the quality we can produce here. I like the friendly atmosphere at the workplace. The tools and handling machines are all top-notch.”

Contents

About Fair Trade USA	3
Impact Management System (IMS)	3
How Does Fair Trade USA Create Change?	4
What is Fair Trade USA’s Theory of Change?	5
Who Are the Primary Stakeholders in the Theory of Change?.....	6
How to Read the Theory of Change.....	7
Theory of Change	8
Logic Model.....	9
Outcomes and Key Performance Indicators (KPIs)	10
Sample Outcomes and KPIs	11
Program Measurement Approach	13
Collection Methods	14
Communication of Fair Trade USA’s Impact	15

(cover) Elu Valdez, 78, a life-long cacao grower, holds a cacao pod while sitting on her steps with her great-granddaughter Yaritza Berberan, 5. Fortaleza del Valle: Canuto, Chone, Manabi, Ecuador.

About Fair Trade USA

Fair trade is a movement that empowers farmers, workers, and fishers to fight poverty in ways that improve lives and protect the environment. Founded in 1998, Fair Trade USA is the leading 501(c) (3) nonprofit, third party certifier of fair trade products in North America. It is building an innovative model of responsible business, conscious consumerism, and shared value to eliminate poverty and enable sustainable development for farmers, workers, fishers, their families, and their communities. Fair Trade USA achieves their mission by empowering producers around the world with the business training, environmental knowledge, and capital investment necessary to create high-quality products that can compete in global markets, and by certifying and promoting fair trade products.

Impact Management System (IMS)

The **IMS** is Fair Trade USA's approach to defining, measuring, and communicating the impact of their model. The foundation of the IMS is the organization's Theory of Change. It also includes the indicators, processes, and technologies used to monitor and evaluate its programs and report on progress toward achieving its outcomes over time.

The objectives of the IMS are:

- 1 Define the outcomes and impact that Fair Trade USA aims to achieve and the methodology for measuring it

- 2 Evaluate the effectiveness of program strategies and activities (e.g. standards, market support, consumer activation programs) in realizing goals and desired outcomes

- 3 Use internal and external evaluations to refine Fair Trade USA's programs and improve results

- 4 Communicate the change Fair Trade USA is enabling for producers, communities, businesses, and consumers

How Does Fair Trade USA Create Change?

Fair Trade USA’s impact for farmers, fishers and workers results from two primary mechanisms: Certificate Holders’ adherence to rigorous standards and the investment of Community Development Funds, an output of the standard. To amplify the impact at origin, Fair Trade USA provides producer support services such as education and training on human rights, leadership, gender equity, and financial resilience.

Certificate Holders are the farms, factories, fisheries, and cooperatives that hold a Fair Trade Certificate. They implement fair trade production standards, ensuring that they are operating in an ethical and fair manner. These standards are designed to protect the livelihoods of those who produce goods by requiring decent and safe working conditions, supporting economic well-being, advocating for gender equity, requiring fair prices*, and protecting human rights.

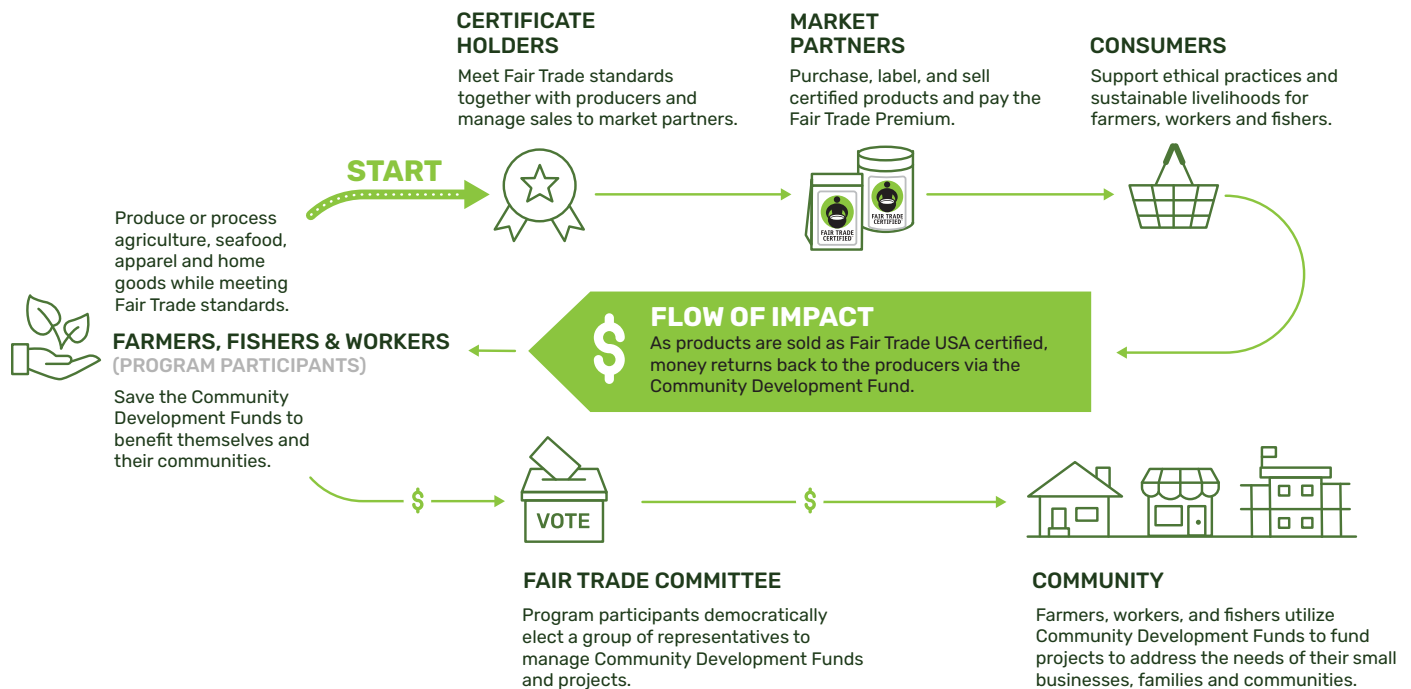
Through adherence to the Trade Standard, each industry and brand partner commits to pay an additional sum of money above the purchase price of the Fair Trade Certified product, also known as the Fair Trade Premium. These funds are then returned to the farmers, fishers, and workers, also known as Program Participants, in the form of Community Development Funds. Program Participants organize into a committee and democratically vote on the administration of these funds, supporting empowerment and agency over the impact on their communities and livelihoods.

Ultimately, these stakeholder journeys culminate in shifting the global systems of inequity to create a model where producers, as well as their communities, thrive under strong social protections and fair trading relationships supported by a movement of conscious consumers. Businesses are in turn rewarded by consumers for responsible sourcing and supporting the people producing the products they buy and sell.



“Fair Trade Community Development Funds are a really good incentive for us; plus we feel like we are better supporting our community with this program. For example, this year we bought air conditioners for the local primary school. That was pretty special.”

—Gabriel Tiburcio García Inzunza, Cooperative Pescadores del Puerto de Altata, Sinaloa, Mexico



*in certain supply chains

Segundo Cuevas Villalobos checks his coffee plants. Segundo is a member of the Peruvian coffee cooperative Agua Azul that used part of the Fair Trade Community Development Funds to pay for an adobe home that is used as an office, meeting area, and local communal bank.



What is Fair Trade USA's Theory of Change?

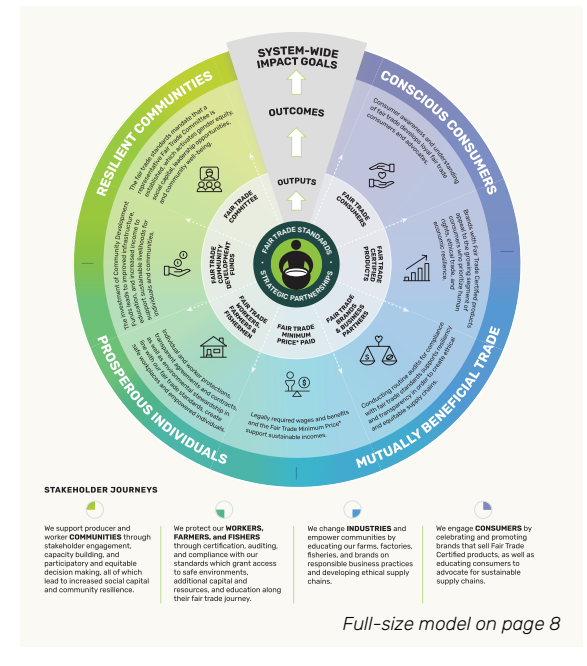
The Fair Trade USA Theory of Change describes the vision of how the fair trade programs catalyze change in the lives of people around the globe. The Theory of Change is also the foundation of the IMS.

The Theory of Change is a visual and narrative representation of how the strategies and activities of Fair Trade USA impact the livelihoods of small farmers, fishermen, and hired workers on farms and in factories (collectively referred to as producers) over time.

In many global supply chains value is not shared equitably, and producers have limited ability to control whether they receive a fair exchange for their goods or services. Labor is still commoditized, and producers may not receive payment (wages or prices) that covers their basic needs or costs of production. Despite increasing awareness of these inequalities, global systems change is needed to create fair trading relationships.

To create a better model of trade, Fair Trade USA, with support from their strategic partners, advocates for and implements decent work to drive more equitable supply chains. This model empowers producers and enables businesses to support sustainable livelihoods more transparently, creating shared value.

Fair Trade USA's Theory of Change frames a model in which people prosper in resilient and sustainable communities by building a market for responsible business and mutually beneficial trade that cultivates conscious consumption.



Fair Trade USA's *Theory of Change* frames a model where people prosper in resilient and sustainable communities through building a market for responsible business and mutually beneficial trade that cultivates conscious consumption.

Who Are the Primary Stakeholders in the Theory of Change?

The Fair Trade USA vision manifests across four main groups of stakeholders: individual producers, the communities where producers work and live, the industries that buy and sell their goods, and the consumers who purchase products with the Fair Trade Certified™ seal.

Each stakeholder on the graphic is represented by a color; each color blends into the adjacent color, indicating that these stakeholders are not exclusive in how they contribute to and benefit from the model, but rather how they share the impact that is created.

There are two primary types of producer stakeholders at origin, known collectively as Program Participants:

- Small producers (farmers and fishers)
- Hired workers (agricultural and factory)

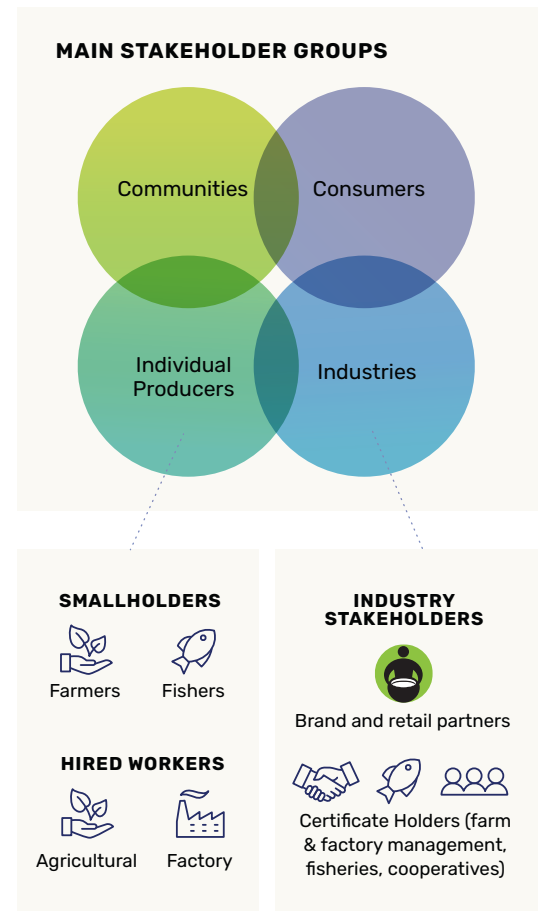
Fair Trade USA consumers, and the industries that produce Fair Trade Certified products and goods, are also global actors in the model.

These industries are comprised of:

- Brand and retail partners
- Farms, factories, fisheries, and cooperatives that hold a Fair Trade Certificate (also known collectively as Certificate Holders)

These business entities partner with Fair Trade USA to drive change and build equity in their supply chains. Consumers are able to choose Fair Trade Certified products with the confidence that the individuals and communities behind the seal are treated equitably and empowered through the program.

The ability of Fair Trade USA to create value for producers is dependent on the value created by businesses and consumers. In other words, stakeholders collectively generate shared value. Growing consumer and business demand for fair trade products is a key component in the impact of the model.



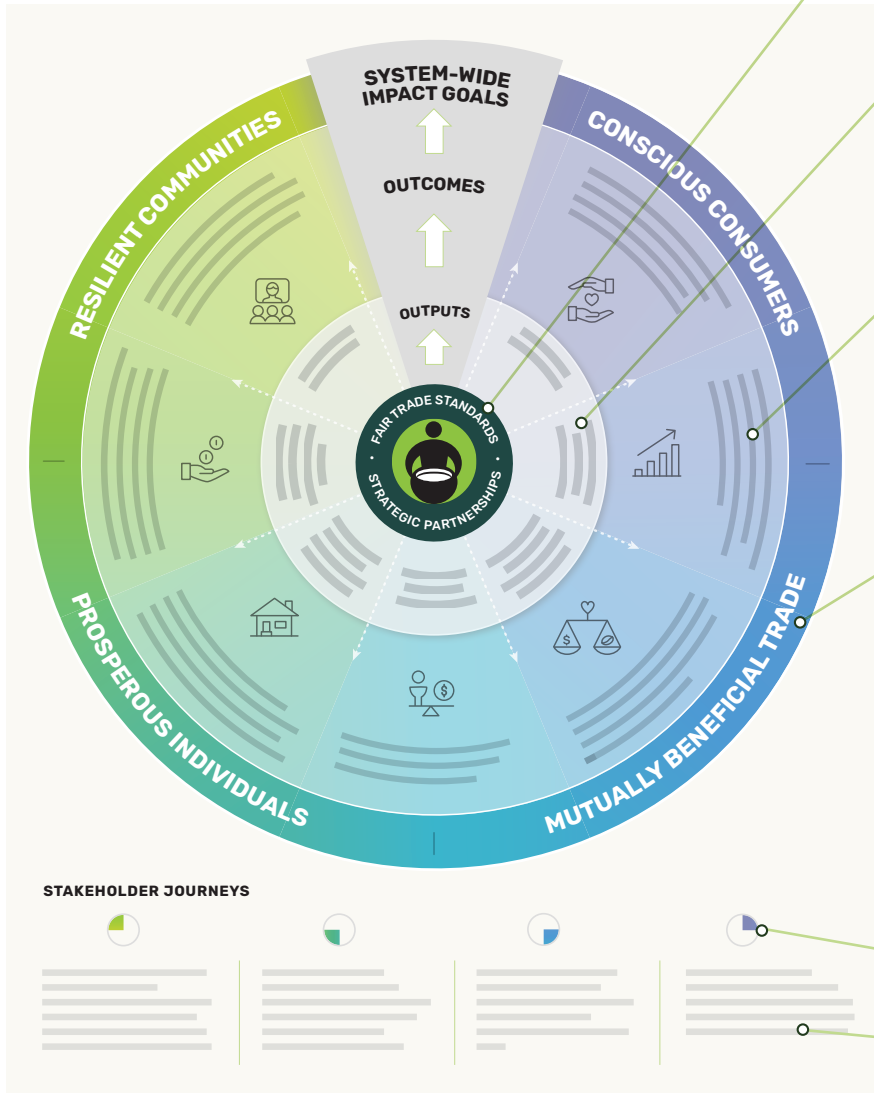
(left) Fair Trade Committee election day at Connoisseur Fashions, a Fair Trade Certified factory, in Chennai, Tamil Nadu, India.

The responsibility of the Fair Trade Committee is to effectively manage Fair Trade Community Development Funds and perform related activities such as identifying worker and community needs and implementing projects supported by the Fund.

How to Read the Theory of Change

The Theory of Change is graphically intended to represent a dial that visualizes change across the four main stakeholders and their outcomes, which are intertwined, or overlapping, as each outcome affects the others.

This dial is meant to be read from the center outwards, beginning with “Inputs” in the center and progressing outward to “Outputs”, “Outcomes”, and finally to “System-Wide Impact Goals.”



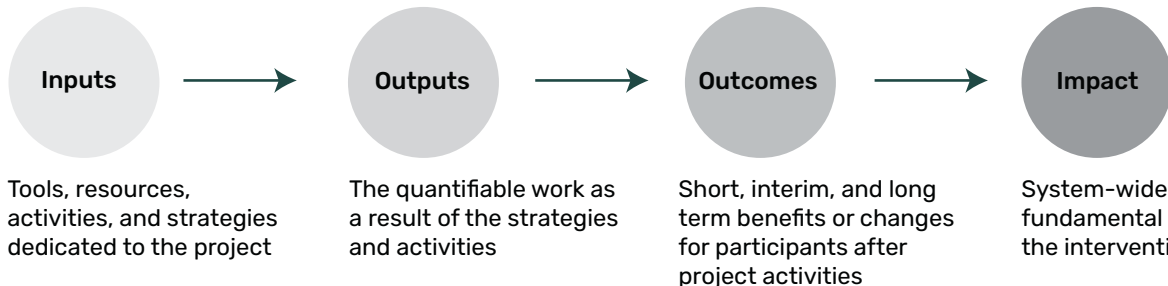
THE CENTER OF THE DIAL (INPUTS)
 Fair Trade USA’s logo represents the inputs used to implement the model. Two critical inputs that drive impact are the Fair Trade USA standards, as well as the many strategic partnerships such as auditors, businesses, and philanthropic donors that support the implementation of the model.

OUTPUTS include the creation of the Fair Trade Committees, the Community Development Funds to invest in producer communities, and, in some supply chains such as coffee and cocoa, the additional funds from the Fair Trade Minimum Price.

OUTCOMES As outputs develop over time, outcomes emerge. These include empowered individuals, resilient supply chains, responsible business production, ethical trade, and increased consumer demand for products supporting the health and well-being of all communities at origin.

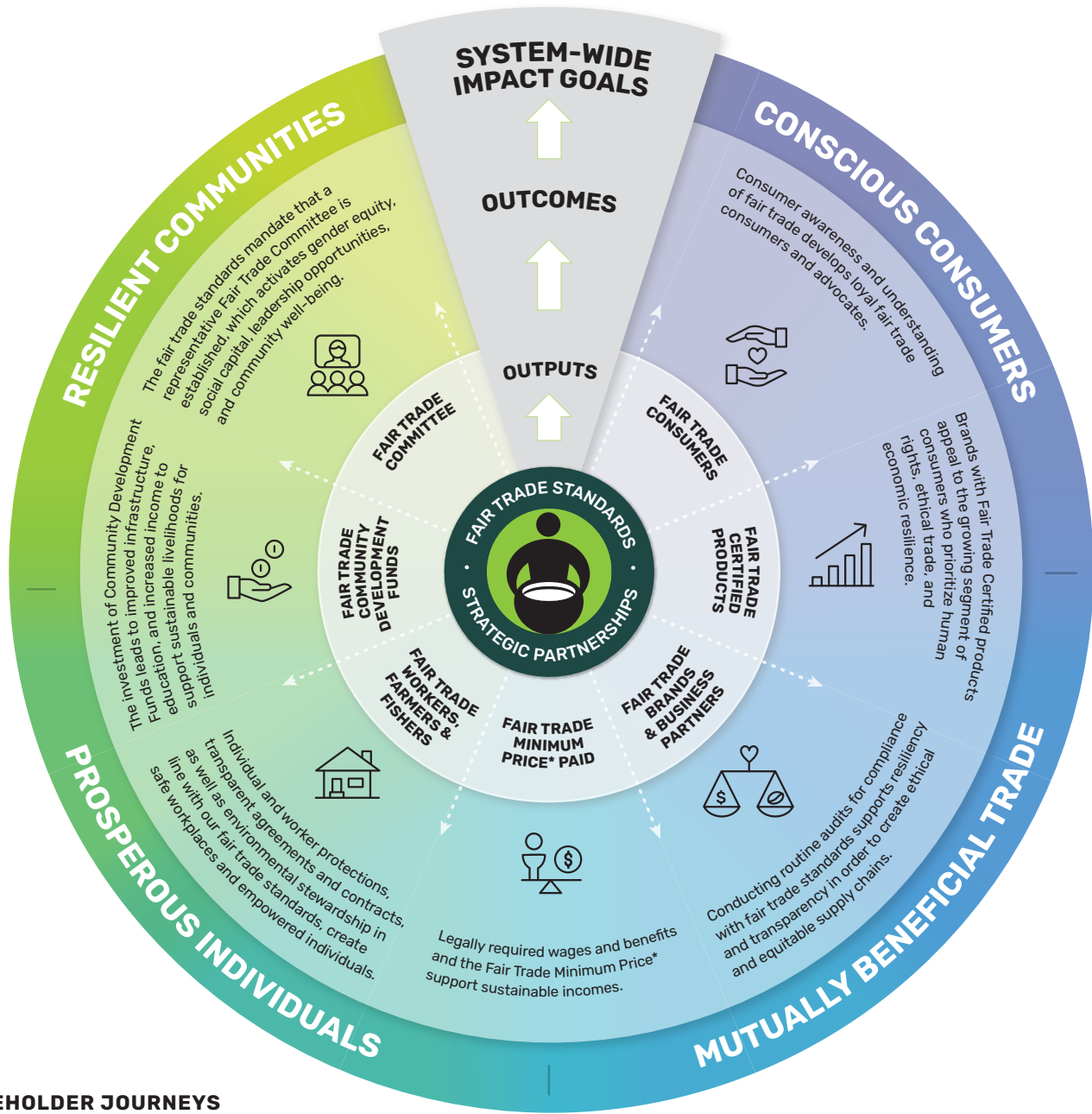
SYSTEM-WIDE IMPACT GOALS
 The goals stated in the outside ring of the dial cross over several sections of the dial as the outputs and outcomes listed are not exclusive to one stakeholder, but rather drive impact for all. The colors of the dial fade into the adjacent section to represent that all stakeholders mutually benefit from different outcomes of the model; what positively impacts a farmer can also impact their community as well as the consumer of their product and the businesses who are partners in creating change.

The **COLOR LEGEND** at the bottom is to guide the reader through the Fair Trade USA model and the different **STAKEHOLDER JOURNEYS** that work together to drive system-wide impact.



Theory of Change

Fair Trade USA's Theory of Change frames a model where people prosper in resilient and sustainable communities through building a market for responsible business & mutually beneficial trade that cultivates conscious consumption.



STAKEHOLDER JOURNEYS



We support producer and worker **COMMUNITIES** through stakeholder engagement, capacity building, and participatory and equitable decision making, all of which lead to increased social capital and community resilience.



We protect our **WORKERS, FARMERS, and FISHERS** through certification, auditing, and compliance with our standards which grant access to safe environments, additional capital and resources, and education along their fair trade journey.



We change **INDUSTRIES** and empower communities by educating our farms, factories, fisheries, and brands on responsible business practices and developing ethical supply chains.

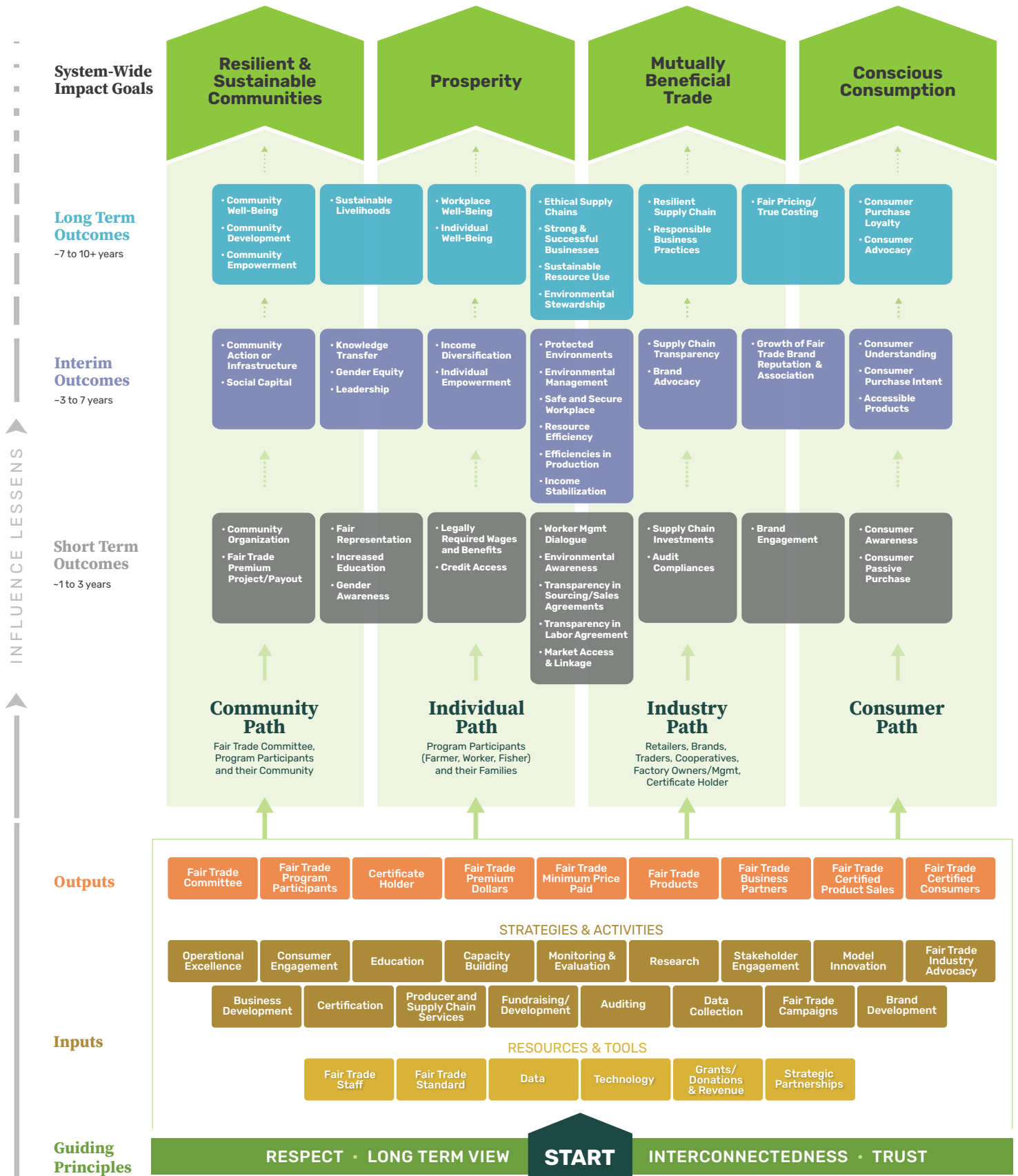


We engage **CONSUMERS** by celebrating and promoting brands that sell Fair Trade Certified products, as well as educating consumers to advocate for sustainable supply chains.

*in certain supply chains

Logic Model

The logic model depicts the Theory of Change in greater detail. It illustrates how the outcomes, or results, being driven change over time. The short term outcomes are most directly linked to Fair Trade USA's activities and investments, while interim and longer-term outcomes build in a non-linear manner on earlier outcomes. Moving from short-to-longer term, outcomes become less directly attributable to Fair Trade USA's activities and investments—recognizing how fair trade programs are implemented within complex environments where there are many factors contributing to system change.





Kokowa Gayo cooperative members (from left to right) Rubiah, 32, Naimah, 38, and Fitri, 28, display freshly picked coffee cherries at a farm associated with Kokowa Gayo in Aceh, Sumatra, Indonesia. Collectively, the women have almost thirty years of coffee farming experience.

Outcomes and Key Performance Indicators (KPIs)

The outcomes referenced in the Logic Model are the objectives that need to be met to achieve impact goals as stated in the Theory of Change. Within the Impact Management System, each of the outcomes is clearly defined and is assigned a suite of key performance indicators (KPIs). A KPI is a quantifiable measure used to evaluate the success of meeting an objective.

The KPIs are monitored to better quantify and understand the progress made towards achieving impact outcomes. Just as each outcome is associated with one or more KPIs, each KPI may be associated to more than one of the outcomes and pathways referenced in the Logic Model. Other KPIs are not directly associated with an outcome but have an operational focus to provide data that enables Fair Trade USA to improve their programs and partnerships. We also collect demographic indicators such as gender, household dependents, and education which provide key context for the analysis.

Fair Trade USA works in many countries, commodities, and production systems, with smallholder farmers and fishers, as well as workers in hired labor settings. The KPIs on the following pages often relate to producers and Fair Trade program participants. Depending on the context, the term program participant may refer to farmers, fishers, and/or workers. While some KPIs are universal, not all KPIs are applicable to all situations.

The following pages of this document provide a few examples of outcomes and a sampling of the KPIs associated with those outcomes. A detailed list of KPIs may be requested via email at impact@fairtradeusa.org.

Sample Outcomes and KPIs

This only a sample of KPIs that are collected, not a comprehensive list.

	OUTCOMES	DEFINITIONS	KPIs
1	Community Organization	Fair Trade Premium beneficiaries come together to form a Fair Trade Committee and develop infrastructure such as voting rights, a constitution or agreement, and leadership positions	<ul style="list-style-type: none"> a. % of program participants who report fair trade enables sense of community and organization b. % of program participants who voted for Community Development Funds project c. % of program participants who feel their opinion was considered in deciding how to spend Community Development Funds
2	Increased Education	Stakeholders (producers and Certificate Holders) have a greater understanding of how the supply chain affects them, their decision making capacity, and possible education in other practices that improve their livelihoods. Also includes overall levels of education in the community.	<ul style="list-style-type: none"> a. % of Certificate Holders who claim the Fair Trade USA program has helped them to understand where to invest in their business b. % of school-age household members, under age 18, who have completed appropriate grade level for their age c. % of program participants' children not in school because of economic barriers d. % of Fair Trade USA Committee members who report learning any new skills as a result of serving on a committee
3	Individual Empowerment	Ability for the individual to take ownership of life and choices with confidence and knowledge of access to rights and privileges	<ul style="list-style-type: none"> a. % of female workers who feel they are compensated for their work equally to their male counterpart b. % of recruited workers in debt due to recruitment fees c. % experiencing discrimination, % experiencing sexual harassment, % experiencing harassment d. % of program participants who are satisfied with how their grievance was handled after reporting discrimination, harassment, and/or sexual harassment e. % of program participants who feel their opinion was considered in deciding how to spend Community Development Funds f. % of Certificate Holders who perceive improved worker/manager dialogue or communication
4	Safe and Secure Workplaces	Producers and workers are safe from physical hazards as well as emotionally toxic environments	<ul style="list-style-type: none"> a. % of Certificate Holders who store and transport pesticide and hazardous materials in a safe manner before certification b. % of farms/factories that implement a process to minimize risk of human exposure to pesticides and chemicals since Fair Trade USA certification c. % of workers who do not feel safe due to lack of PPE and/or do not feel safe because they have not been trained on job safety d. % of workers who feel pressured to work more hours than they would want to e. % of program participants who are under the legal age to work in the country f. % of workers who have had an accident while working in the last year g. Average percent of good labor practices by farmers

	OUTCOMES	DEFINITIONS	KPIs
5	Income Stabilization	More consistent income or an income less affected by commodity price fluctuation	<ul style="list-style-type: none"> a. Median portion of income being sent home in form of remittances in the last 12 months b. % of program participants who report borrowing money c. % of program participants who report the ability to save monthly d. % of program participants living above the national poverty line e. Daily average earnings for farm labor compared to (rural) minimum wage f. Amount of annual minimum price differential paid for coffee partners g. % of Certificate Holders who report smallholders access credit or pre-finance from them
6	Consumer Understanding	Consumers that understand what Fair Trade USA is at a basic level and have positive associations with the Fair Trade Certified seal and what it stands for	<ul style="list-style-type: none"> a. % consumers indicating they recognize the Fair Trade Certified seal and understand it b. % of consumers that completely or somewhat understand what the Fair Trade USA seal stands for c. % of consumers who indicate the trustworthiness of the Fair Trade Certified seal impacts their purchase decision d. % of consumers who indicate they have purchased Fair Trade Certified foods and beverages in the past 3 months
7	Ethical Supply Chain	A supply chain where the community stakeholders all have access to share their voice, there is gender equity, and equal representation	<ul style="list-style-type: none"> a. Average percent of good labor practices adopted by farmers b. % of workers who understand their terms of employment c. % of workers who are vulnerable to unethical recruitment d. % of workers who are satisfied with their working conditions e. % of female workers who feel they are compensated for their work equally to their male counterpart f. % of female farmers and feel they had equal opportunity to be part of Fair Trade g. % female workers who feel they are able to start or grow their family while working at that job if they wanted to h. % of female co-farmers with input into productive decisions
8	Strong & Successful Businesses	All businesses (from producers to retailers) are profitable, agile, resilient, competitive, and well positioned to meet their business goals and serve their customers well with the products and services they desire and demand. They are socially and environmentally responsible. As a result, they are able to invest, access finance, and plan for the future.	<p>% of Certificate Holders who...</p> <ul style="list-style-type: none"> a. report more transparent communication with their buyer since Fair Trade Certification b. claim the Fair Trade USA program has helped them to understand their market c. claim the Fair Trade USA program has helped them to understand where to invest in their business d. report Fair Trade USA services have contributed to the strength of the organization e. report the ability to withstand supply chain demand fluctuations as part of fair trade f. report improved financial health of the organization g. report improved worker retention/cooperative membership since Fair Trade Certification h. feel supported by Fair Trade USA field staff i. invest in diversifying income j. report that access to credit or pre-finance from buyers has helped to improve financial health

A detailed list of KPIs may be requested via email at impact@fairtradeusa.org.

Program Measurement Approach

Fair Trade USA's approach to monitoring and evaluation includes a variety of methods and tools to collect data and to measure the outputs, outcomes, and impact of their programs. The **Data Collection Pyramid** below breaks down the IMS data sources into different collection levels and methods based on their content and frequency of collection.

Level 1 – Systematic Data

Data collected from all producer organizations and systematically from industry partners.

Level 2 – Sampled Data

Data collected periodically across a selected group of producer organizations, consumers and businesses preferably a representative sample. Where appropriate, these results can be extrapolated to draw conclusions at an organizational level.

Level 3 – In-depth Studies

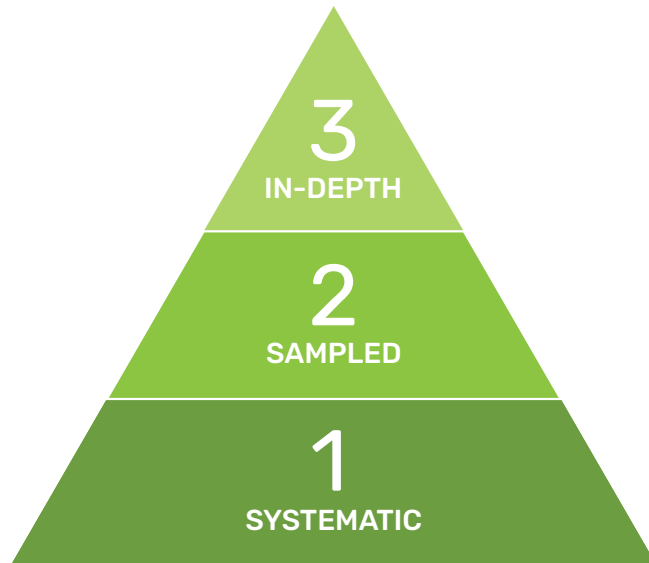
Deeper research studies on a specific topic or for a carefully chosen subset of program participants. The goal is depth over breadth. They can also include a “control” group of similar, non-certified entities to enable comparison.

Data Collection Pyramid

- 3 IN-DEPTH STUDIES***
 - Topical studies / Internal Evaluations
 - Partnered / Academic Research
 - External Evaluations

- 2 SAMPLED DATA***
 - Household Baseline & Progress Surveys
 - Premium Questionnaires
 - Partner Portal*

- 1 SYSTEMATIC DATA**
 - Member Information
 - Transaction data
 - Audit Data
 - Partner Portal*



**Not applicable for all supply chains*

Wu Lusun, 55, from Chetian, is the manager of the Wucun organic tea farm and processing plant in Dazhangshan, Jiangxi, China.

“Working with Fair Trade USA for 11 years, as one of the first farmers to join, I have seen the wide-ranging benefits this cooperation has brought to our community—everything from education and medical support through scholarships and grants to installing street lamps. By helping raise tea sales through stable buying relationships, our community has grown!”



Collection Methods

Level 1: Systematic Data Collection Methods

Fair Trade USA collects certain datasets systematically across all programs, consumers, businesses, and program participants via audits, transactions, and the newly developed Partner Portal.

In order to gain and maintain fair trade certification, producer organizations are audited by third-party Conformity Assessment Bodies (CABs) against fair trade standards. These audits evaluate adherence to the requirements of the fair trade standard, and they also provide compliance data which support insights into the supply chain. Once they pass the audit and become certified, these producer organizations are considered Certificate Holders.

Certificate Holders also share information such as demographics, production volume data, and information about the use of Fair Trade Community Development Funds through audits and questionnaires.

Business partners are required to report on fair trade purchases, sales, and payments on a periodic basis. These transaction reports are analyzed to assess business partners' compliance with the Trade Standard. Transaction reporting also enables insights on volume sold and Fair Trade Premium paid.

Fair Trade USA standards require Certificate Holders to form a Fair Trade Committee, which consists of democratically-elected representatives of the workforce, to assess their workers' and community's needs holistically and decide how to invest the Fair Trade Community Development Funds. These Needs Assessments provide data to inform how Community Development Funds are being utilized to drive impact goals.

Level 2: Sampled Data Collection Methods

Fair Trade USA collects survey data from Fair Trade Program Participants (fishers, workers, and farmers) and Certificate Holders.

Surveys of Fair Trade Program Participants in a subset of supply chains are an important component of Fair Trade USA's approach to monitoring and evaluation. Our Impact, Research, and Learning team designs and implements the surveys in collaboration with the Producer Services team and the Field team.

Depending on the context, surveys may be conducted in-person or remotely. In-person interviews are led by trained enumerators (interviewers) equipped with tablets who conduct the surveys in the local language. Remote surveys are conducted through various technology solutions, such as phone-based Interactive Voice Response (IVR) survey systems. In these surveys, producers and workers receive instructions and submit their answers anonymously.

Surveys collect individual- and household-level data that is evaluated to monitor and measure progress toward Fair Trade USA's impact goals as stated in our Theory of Change. Surveys are performed with a sample of stakeholders. The rigor of statistical and representative sampling of Program Participants allows inferences to be made about the populations as a whole.

In addition to individual- and household-level surveys, Fair Trade USA also surveys a sample of Certificate Holders to collect information about Community Development Fund spending. Fair Trade USA is developing new capabilities and technologies to better reach Certificate Holders and will leverage those to develop future surveys to gain additional supply chain insights. Fair Trade USA will also develop a survey to collect information from a sample of business partners and measure progress for the industry, as stated in the Theory of Change.

Level 3: In-Depth Studies

Fair Trade USA utilizes topical studies, internal evaluations, partnered/academic studies, and external evaluations to assess outcomes and evaluate programs in connection with the Theory of Change. In-depth studies can consist of large-scale program evaluations or smaller, more focused, topical studies. These evaluations can be executed internally or externally. Internal evaluations are conducted by the Impact, Research, and Learning team. External evaluations are managed by Fair Trade USA and conducted in partnership with academic institutions, grantors, expert consultants from the field, other NGOs, or business partners.

Communication of Fair Trade USA's Impact

Fair Trade USA is committed to sharing the results of our work. We utilize multiple channels to communicate the outcomes of our programs, including internal and external evaluations, brand impact reports, academic studies, and monitoring reports. As the IMS evolves, Fair Trade USA will continue to build out reporting mechanisms, including sharing survey insights and other data with producers and Certificate Holders. Fair Trade USA remains committed to working with partners to deliver on their sustainable sourcing and environmental, social, and governance (ESG) commitments.

For any additional inquiries, please contact impact@fairtradeusa.org.