

Guidance on Fair Trade and Public Procurement

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Introduction

The Government has committed nearly £12 million to fair and ethical trade initiatives since 1997. But in addition to direct funding of fair trade initiatives, there is scope for the Government to support fair trade through public procurement. This note shows how Departments can buy fair trade products in a way that is consistent with the EU public procurement directives¹ and EC Treaty principles (which include non-discrimination, proportionality and transparency), as well as Government's policy on value for money.

Fair Trade

The term fair trade covers a range of activities aimed at helping producers and workers in developing countries. One important objective is to help excluded and disadvantaged producers - including independent small farmers - to access international markets and receive a fair price for their products. Other objectives are to encourage: traders to buy as directly as possible from producer groups and to develop long-term relationships; the transparency of supply chains; and the empowerment of producer groups and workers. Another vital goal is to ensure decent working conditions and fair wages for workers on plantations and in factories.

There are various fair trade labels that demonstrate that products have been produced in accordance with internationally recognised fair trade standards. Product groups that are covered include tea, coffee, wine, sugar, cotton, chocolate, bananas and honey.

Examples of fair trade labelling initiatives, for information purposes only, can be found in the annex below. This is not an exhaustive list and does not imply endorsement by the Government of these particular schemes.

¹ The European Union (EU) procurement directives, and the Regulations that implement them in the UK, set out the law on public procurement. Their purpose is to open up the public procurement market and to ensure the free movement of goods and services within the EU. [Directive 2004/18/EC](#) on the coordination of procedures for the award of public works contracts, public supply contracts and public service contracts. [Directive 2004/17/EC](#) coordinating the procurement procedures of entities operating in the water, energy, transport and postal services sectors.

The policy and EU law framework for public procurement

The Government's procurement policy is that all public procurement of goods, works and services is to be based on value for money, having due regard to propriety and regularity. Value for money is not just about price. It is defined as the best mix of quality and effectiveness for the least outlay over the period of use of the goods or services bought.² In addition to value for money, all public procurement must be carried out in accordance with the EU public procurement directives.

The scope to pursue fair trade objectives

Where Departments wish to obtain fair trade products, they must do so in a way that is consistent with value for money policy and the EU public procurement directives.

In so far as public procurement of catering services or supplies is concerned, positive steps that Departments can take include:

- making clear in advertisements and invitation to tender documents that fair trade options are welcomed as part of the products supplied to meet the Department's catering requirements. For example, fair trade coffees might be included in a range of coffees that providers can offer;
- after contract award, using contract documents to make it clear that, where the winning tenderer is able to provide fair trade options, such products should be made available for, for example, departmental meetings, conferences and hospitality activities.

However, Departments must take care to ensure that:

- specifications for catering services and supplies are not framed in terms of fair or ethically traded requirements, as such 'social' labels do not define the end product in terms of characteristics or performance as required by the EU public procurement directives;
- in referring to the possible inclusion of fair trade options, particular labels, marks or trade names are not specified to the exclusion of others. This is because it would be discriminatory to favour one or more of these above others. It can, however, be pointed out that where providers offer fair

² See annex 4.4 of 'Managing Public Money' for more detail on value for money in procurement: http://www.hm-treasury.gov.uk/documents/public_spending_reporting/governance_risk/psr_managingpublicmoney_annexes.cfm

trade options, asking for products bearing the Fairtrade Mark³ 'or equivalent' is a helpful way of demonstrating that fair trade standards are being met;

- contracts for catering services and supplies are awarded on the basis of the best value for money bid (in EU terms 'the most economically advantageous tender') for the whole requirement - regardless of whether fair trade options have been included. Quality aspects, as well as price, will be relevant. A bid cannot be rejected or considered non-compliant simply because it does not include any desired fair trade options; and
- in all cases, the Department concerned is meeting its needs in a way that makes efficient and effective use of public expenditure and delivers value for money for the taxpayer.

Direct selling of fair trade products

Where the canteen service provider sells teas, coffees etc. direct to staff, and there is no contract for the supply of such goods between the authority and the provider for consideration, public procurement policy and EU public procurement directives do not apply. In these cases, there are no procurement policy or public expenditure constraints on the supply or use of fair trade goods. Of course, the principles set out above will apply to the procurement for the canteen service provider itself. However, there may be opportunities outside the formal public procurement process and post-award, for Departments to work co-operatively with suppliers to encourage them to offer fair trade goods.

Wider social issues

There is scope to take other social issues into consideration during the procurement process. Guidance on considering social issues such as equality, supplier diversity and workforce skills in procurement can be found in the OGC publications '[Social Issues in Purchasing](#)' (February 2006) and '[Buy and Make a Difference](#)' (June 2008).

³ The Fairtrade Foundation awards a consumer label – the Fairtrade Mark. This mark demonstrates that internationally recognised standards of fair trade have been met.

Annex - Examples of Fair and Ethical Trade Organisations

Below are three examples of organisations working to promote fair and ethical trade internationally, in their own words.

The Fairtrade Foundation awards the **FAIRTRADE Mark** to products that meet international Fairtrade standards. These include long-term trading contracts and a price that covers the cost of sustainable production and living. Farmers and workers' organisations receive a premium to invest in social and environmental projects benefiting their communities. The Mark appears on a wide range of certified products, including coffee, tea, fruit, cotton and footballs, and composite products like biscuits which include a minimum percentage of Fairtrade ingredients.

www.fairtrade.org.uk

The **Rainforest Alliance** works with foresters, farmers and tour operators to ensure that their goods and services are environmentally and socially responsible. The Rainforest Alliance Certified™ seal of approval appears on products including timber, paper, bananas and coffee which have been grown or made sustainably. To earn the seal foresters and farmers have to meet comprehensive standards balancing all aspects of production – including protecting the environment, the rights and welfare of workers and the interests of local communities. Workers must be treated with respect and have access to clean water, medical care and education for themselves and their families. Sustainable practices also help ensure that natural resources are conserved for future generations.

www.rainforest-alliance.org

UTZ CERTIFIED *Good Inside* is a worldwide certification and traceability program, with 5 years of experience in coffee and expanding into other commodities like cocoa, tea, palm oil and soy. UTZ CERTIFIED means:

- Traceability and transparency - independent assurance of responsible production and sourcing; based on social, economical and environmental criteria
- **Good farmers, better businessmen** – facilitating all farmers to improve business practices to meet increasingly demanding market expectations
- **Credible trust mark** – sustainable quality label enabling brands to demonstrate their commitment to sustainability

www.utzcertified.org



Office of Government Commerce

Office of Government Commerce, 1 Horse Guards Road, London SW1A 2HQ

Service Desk: 0845 000 4999 **E:** ServiceDesk@ogc.gsi.gov.uk **W:** www.ogc.gov.uk

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Press enquiries

T: 020 7271 1318

F: 020 7271 1345

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