

FAIRTRADE ANZ's

# GOOD GOVERNANCE TRAINING PROGRAMME SUMMARY OF MAIN CONCEPTS

## About this document:

In the following pages you will find a summary of the main topics covered in the Fairtrade ANZ's training module on good governance practices. You will be first introduced to the cooperative principles, which drive the operations of any Fairtrade producer organisation. Then, you will be presented with the basic recommendations from the ILO (International Labour Organisation), for the development of statutes/by-laws, which guide the operations of Fairtrade small producer organisations. Finally, you will be taken through the main roles, powers and the relationship of each one of the organisation's bodies and teams.

## PRINCIPLES

The following principles were extracted from the statement on the cooperative identity, adopted by the General Assembly of the \*International Co-operative Alliance in 1995. These principles are extended by Fairtrade Standards to all types of small producer organisations, including associations, cooperatives and contract production organisations. The cooperative principles are guidelines by which Fairtrade producer organisations put their values into practice. Fairtrade International extends these principles to primary producer organizations, cooperatives, associations and to umbrella organizations where they exist.

Cooperative values are self-help, self-responsibility, democracy, equality, equity and solidarity; as well as ethical values of honesty, openness, social responsibility and caring for others  
– R193, *Promotion of Cooperatives Recommendation, 2002 (No. 193)*

Fairtrade International follows ILO Recommendation R193 "on the promotion of cooperatives" which is based on the cooperative principles of:

- Voluntary and open membership
- Democratic member control
- Member economic participation
- Autonomy and independence
- Education, training and information
- Cooperation among cooperatives
- Concern for the community

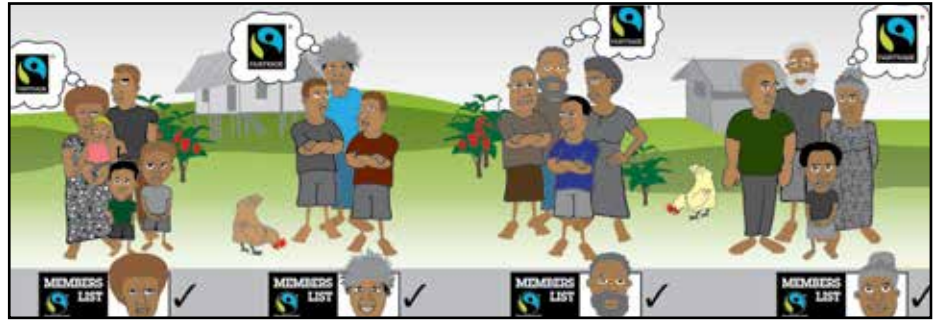
\*The International Cooperative Alliance is the umbrella organisation that represents cooperatives and the cooperative movement around the world. Visit: <http://ica.coop/>

**FAIRTRADE STANDARD:**

It needs to be clear who is a member of your organisation. Therefore, you must have written rules to determine who can become a member and you must keep a record of your members.

### Voluntary & Open Membership

Cooperatives are voluntary organizations, open to all persons able to use their services and willing to accept the responsibilities of membership, without gender, social, racial, political or religious discrimination.



### Members' Economic Participation

Fairtrade organisations are democratic set-ups controlled by their members, who actively participate in policy and decision-making. Members contribute equitably to, and democratically control, the capital of their organisation.



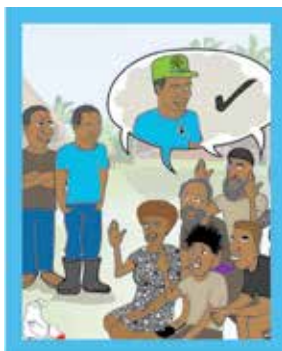
### Education, Training & Information

Fairtrade organisations provide education and training for their members, elected representatives, managers, and employees so they can contribute effectively to the development of their organisations.



### Autonomy & Independence

Fairtrade organisations are autonomous, self-help organizations controlled by their members. If they enter into agreements with other organizations, including governments, or raise capital from external sources, they do so on terms that ensure democratic control by their members and maintain their cooperative autonomy.



### Concern for Community

Fairtrade organisations contribute to the sustainable development of their communities through policies approved by their members.

### Cooperation among cooperatives

Fairtrade organisations serve their members most effectively and strengthen the cooperative movement by working together through local, national, regional and international structures.



# GOVERNANCE BODIES AND MANAGEMENT

The operations of a democratically controlled producer organisation, as opposed to that of a regular businesses, depends on the participation of its members, who must be willing to execute their rights to effectively influence the businesses and the organisation. Nevertheless, as a legal entity operating as a business, the organisation must be able to operate independently to certain extent\*. The following concepts intend to illustrate the difference between the roles and responsibilities of the most influential bodies of the small producer organisation.

## FAIRTRADE STANDARD:

An organization should have democratic structures in place and a transparent administration that allows members and the board to have effective control over the management of the organization.

\*ILO Guidelines for Cooperative Legislation, Henry, Hagen. 2010

## DEMOCRACY, PARTICIPATION & TRANSPARENCY

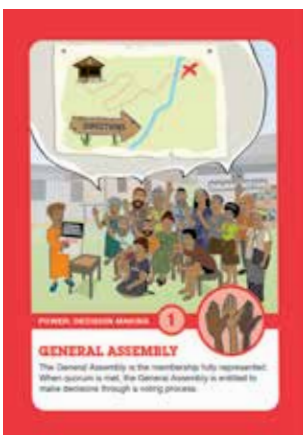
Fairtrade producer organisations are requested to:

- Hold a General Assembly at least once a year
- Inform your members in good time when the General Assembly will take place
- Take minutes of the General Assembly, to be signed by the president of the Board and at least one other member, and must contain a list of participants in attendance
- Present the annual report, budgets and accounts to the General Assembly for approval
- Have administration in place with at least one person or committee who is responsible for managing the administration and bookkeeping
- Keep records and books that are accessible to all members
- Explain to members about the ways they can participate in the organization so that they can have more control over it



## Good Governance Principles

1. One vote per member
2. To validly sit, deliberate and vote, organisations must set a minimum number of members to be present or represented during meetings. This is called quorum
3. Decisions should be made by simple majority, which is more than half of all votes
4. Members must be informed in order to vote and make decisions
5. To be transparent, organisations must have systems in place to share information with members
6. To be accountable, organisations and their bodies must take ownership of their responsibilities



## The General Assembly

1. Is the membership fully represented. When quorum is met, the General Assembly is entitled to make decisions through a voting process
2. Approves or rejects any amendments to the articles of the organisation's constitution
3. Has the final decision on the admission of members. It also elects and may remove the members of the board of directors
4. In consensus and meeting quorum, reviews and approves annual reports, accounts, and plans, including the Fairtrade Development Plan
5. Makes decisions concerning finances, including possible loans, grants or investments
6. Meets at least once a year and is the highest decision making body of the organisation



## The Member

1. Is committed to supporting and participating in the organisation
2. Participates in the organisation's elections and decision making processes
3. Provides the necessary capital for the operations of the organisation, for example through membership fees
4. As part of the General Assembly, understands and adopts the constitution
5. Listens to the annual reports during the Annual General Meeting
6. Participates in decisions on dissolution or merging of the organisation if necessary

## THE BOARD OF DIRECTORS:



### The Secretary

1. Is elected by the General Assembly to prepare agendas and circulate them prior to meetings
2. Keeps track of the board's duties and responsibilities
3. Attends all meetings and ensures that minutes are taken
4. Will sign or be present during signing of documents, with the chairperson
5. Will arrange and give notice of meetings
6. Organises and maintains the organisation's records



### The Chairperson

1. Is elected by the general assembly to represent the organisation on behalf of the board of directors, and to lead the board
2. Presides over general meetings and board meetings
3. Plans meetings and their agendas with other members of the organisation, including the secretary
4. Acts as the main link between the management team and the board of directors
5. Ensures the proper implementation of resolutions given by the board and the General Assembly
6. Will sign all relevant documents as per the organisation's constitution



### The Treasurer

1. Is elected by the General Assembly to oversee financial responsibilities
2. Ensures that all money owed by the organisation is paid and receipts for such payments are kept
3. Ensures that all of the organisation's financial records are kept properly
4. Ensures collection and deposit of the organisation's income
5. Acts as one of the signatories on the organisation's bank account
6. Will present and explain annual accounts in general meetings

## THE MANAGEMENT:



### The Manager

1. Is appointed and directed by the board to plan, coordinate, supervise and direct the organisation's operations
2. Will select, train and supervise personnel
3. Reports on the organisation's performance
4. Supervises the development of the organisation's annual budget
5. Is appointed to make information available for planning
6. Makes recommendations on the direction of the organisation

# BASIC RECOMMENDATIONS TO DEVELOP THE CONSTITUTION OF A PRODUCER ORGANISATION

The constitution should outline the operations of the organisation and facilitate the decision making process. The following is the basic information to be included in a producer organisation's statutes according to the international Labour Organisation's Guidelines for cooperative legislation.

## FAIRTRADE STANDARD:

The structure of your organisation must have:

- A General Assembly as the highest decision making body, where all major decisions are discussed and taken
- Equal voting rights for all Members in the General Assembly
- A board chosen in free, fair and transparent elections

The demarcation of powers between the General Assembly, the board, and the management is to avoid inefficiencies that arise where a non-informed membership retains too much of the management powers and to prevent a loss of cooperative identity where the membership loses its effective control because the management uses its information without properly consulting with the membership.

– Henry Hagen, ILO Guidelines for Cooperative Legislation

**1 GENERAL INFORMATION:** Includes the general details of the organisation, such as contact person, purpose, geographic location, principles and area of work.

The infographic for 'General Information' features a pink background. At the top left is a circular logo with a stylized 'A' and the text 'THE FAIRTRADE ASSOCIATION OF THE HIGH VILLAGE'. To its right is a map of a village area with a wooden sign that reads 'THE HIGH VILLAGE'. Below the map, a blue banner displays '300 MEMBERS'. At the bottom, a manager in a yellow cap points to a sign that says 'Purpose: To sell members' crops to international markets'. In the background, there are yellow and orange shipping containers labeled 'AUSTRALIA' and 'SUMMARY'.

## 1. General Information

- The name and the trade name of the cooperative, given that the chosen name doesn't conflict with an already registered name.
- As well as information about the nature or purpose of the organisation and the financial liability of its members.
- The locality of the head office, if any, its postal address and contact details.

**2 OBJECTIVES OF THE ORGANISATION:** Describes the general activities of the organisation and its business, including services to members.

The infographic for 'Objectives of the Organisation' has a red background. It is divided into four panels. The top-left panel shows a red truck with 'OFFICER' and 'TO EXPORT' signs. The top-right panel shows a manager in a yellow cap holding a 'TO EXPORT' sign. The bottom-left panel shows a group of people with speech bubbles: 'Our rights' (1 VOICE, EQUALITY, 1 VOTE). The bottom-right panel shows a group of people with a speech bubble: 'We need: Bank loan'.

## 2. Objectives of the Organisation

- The definition of the objectives of the cooperative
- The type of services to be provided to members (such as training)
- Access to market and/or technical support.

3

**THE MEMBERSHIP:** Describes who can be a member and how, and what are members' rights and responsibilities.



### 3. Membership Requirements

- The conditions and procedures for admission, resignation/withdrawal, exclusion and suspension of members. This criteria must be coherent with the general structure of the organisation e.g., being a primary, a secondary or a cooperative of an even higher level.
- Membership fees should be included in this chapter, as well as its value. These should be high enough to support the operations of the organisation and to incentivise the members to exercise their control rights.
- Also, it should be described the procedure and conditions for payment of the fees. Fees may be paid in cash or in kind.
- Finally, the type of financial liability of the members for the debts of the organisation and the type of registration document to be used and kept for registers.

4

**MEETINGS:** Describes how to prepare and hold meetings, including the notice period, who would meet, and how often the meetings would occur.



### 4. Meetings

The conditions and procedures for convening and holding meetings, from notice to preparing and distributing the agenda for the respective meeting.

5

**INCOME GENERATION AND ACCOUNTS:** Describes how the organisation will make money and keep record of accounts, in order to be accountable and transparent.



### 5. Income generation & accounts

- How the working capital of the organisation will be established, as well as any potential funds and reserves.
- A procedure for the distribution of extra money and loss coverage, along with the distribution of the capital in case of termination of membership or liquidation of the organisation must be included.
- Finally, the financial year must be determined, as well as the financial management and social audit and advice systems.

6

**GOVERNANCE BODIES:** Describes who oversees and who implements the organisation's activities, and how governance bodies will interact with each other.



### 6. Governance Bodies

The constitution must describe all the governance bodies involved in the operations of the organisations, and its actors. The following are the three basic governance bodies recommended by Fairtrade.

#### MANAGEMENT

The management team, led by the manager, is in charge of the day-to-day running of the business; delegated and under supervision of the board of directors.

#### THE BOARD OF DIRECTORS

Has the responsibility to contribute the improvement of the business and to give direction to the organisation, following the General Assembly's decisions. The constitution should describe:

- The size of the board of directors,
- The eligibility and qualification criteria
- The rights and obligations

\*ILO Guidelines for Cooperative Legislation, Henry Hagen, 2010

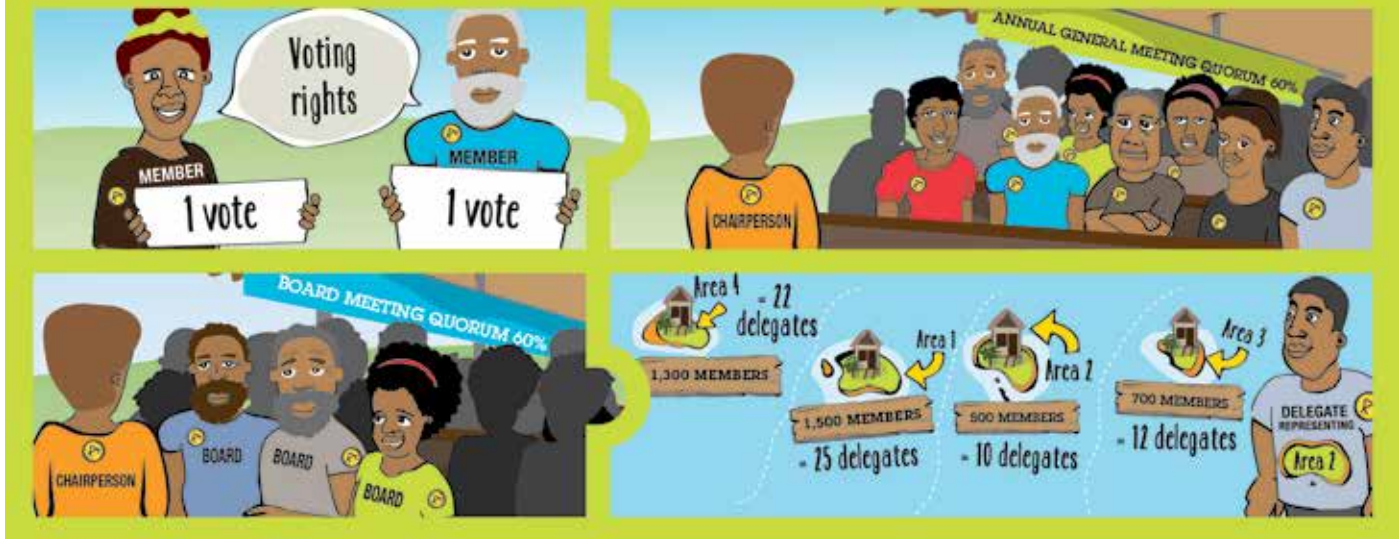
#### THE GENERAL ASSEMBLY

Is the supreme decision-making body of the organisation. The General Assembly generally deals with matters related to the associative character of the organisation, e.g. elections of board of directors. All important decisions must reflect the will of all members regardless of their financial contribution.

#### FAIRTRADE STANDARD:

You must follow your own rules and regulations such as a constitution, by-laws and internal policies, including those for election, membership processes and a delegate system (if applicable).

**7** **DECISION MAKING:** Describes the voting rights of the organisation's members and its governance bodies, and the requirements to validly sit, deliberate and vote.



**7. Decision Making Process**

In the constitution, it should be described how the different bodies of the organisation can exercise its powers, e.g. quorum and voting rights. Special regard must be given to the powers of the General Assembly and the board of directors. These processes must reflect the overall structure of the organisation, e.g. the case of delegate systems or voting by proxy.

It should be noted that for the purposes of this training, this concept is presented here as a separate chapter, however, these processes are normally described alongside the rights, obligations and requirements of each body/organ of the organisation.

**8** **DISSOLUTION AND DISPUTES:** Describes the steps to solve any disputes between the members and/or governance bodies. It also describes what is required in the case that dissolution is necessary.



**8. Conditions & Procedures for Voluntary Dissolution**

Dispute settlement procedures must be described, as well as the process of dissolving the organisation, including the responsibility of the different bodies/organs of the organisation regarding these matters.