



**UNIVERSIDAD  
DEL AZUAY**

FACULTY OF LAW

SCHOOL OF INTERNATIONAL STUDIES

**“PROPOSAL FOR WORLD FAIR-TRADE ORGANIZATION (WFTO)  
CERTIFICATION OF MAKI FAIRTRADE, SUBSIDIARY OF RED DE  
TURISMO COMUNITARIO DEL AUSTRO PAKARIÑAN”**

GRADUATION THESIS PRIOR TO OBTAINING A BACHELOR’S DEGREE IN  
INTERNATIONAL STUDIES WITH A BILINGUAL DEGREE IN FOREIGN  
TRADE

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## **DEDICATION**

I dedicate this work, done with effort and dedication to the most important people in my life; my daughter Emma, my husband Xavier, my parents: Pedro and Patricia, my siblings: Marcela and Pedro, and my aunt Mercedes. You have been my great inspiration for the culmination of this work and this journey; without you, I could not have reached this goal, I love you.

In a special way, I also like to dedicate this work to the artisans of Ecuador and the world, without their perseverance and effort; Fair-Trade would not have been possible.

Sincerely:

Ana Galarza Hidalgo

## **DEDICATION**

I dedicate this work to each artisan that allows several consumers to value the art transmitted in crafts that preserve the Ecuadorian culture.

In addition, young entrepreneurs, capable of generating ideal projects for the dissemination, transmission and preservation of ancestral knowledge, allowing a sustainability in time for future generations to know the Ecuadorian essence.

Sincerely:

Sofía Zúñiga

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Sofía Zúñiga

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## **ABSTRACT**

The present investigation studies a new current of traditional trade known as Fair-Trade through the analysis of its theory, applicability and influence in the international market and in Ecuador. For this purpose, the Red de Turismo Comunitario del Austro Pakariñan and its subsidiary Maki Fair-Trade is used as a case study proposing a plan of action to achieve the certification of the World Fair-Trade Organization in order to allow the organization access to the Labeling System and thus granting small producers an easy access to the international market.

### **Keywords:**

Community Tourism (CT), Fair-Trade (Fair Trade), Pakariñan, World Fair-Trade Organization (WFTO).

# INTRODUCTION

Traditional trade has a long history throughout time, which has allowed the relationship between producers and consumers, and the entire global community. However, inequalities have been established where the countries of the North have greater opportunities compared to some of the South. The developed countries direct most of the decisions for international business; on the other hand, the countries of the South have some disadvantages in social, political, technological advances and severe extractivism that does not allow a better development and emergence; for these reasons, the trend of Fair-Trade was born.

Fair-Trade looks for innovative and sustainable development for vulnerable people, prioritizing the preservation of their culture and traditions, through the valorization of their work. In addition, it aims to eradicate poverty, avoid child labor, protect the environment, and generate a fair and equal payment for both men and women being common situations of small producers.

This commercial model resulted in the establishment of World Fair-Trade Organization (WFTO) and its ten principles of Fair Trade. These principles seeks to fulfill all of the rights of small producers; taking into a count that they are the basis for the development and support of this new type of commercial exchange, not only for the WFTO, but also for all the international organizations that defend Fair Trade.

It is important to mention that this type of trade is growing and expanding. Its presence is necessary for the support of less favored producers.

# CHAPTER I

## GENERALITIES OF FAIR TRADE

“Commerce is the art to buy for three francs, something that cost six, and to sell something that cost three for six”

*Francois Marie Charles Fourier*

Small producers and artisans are still living in constant inequality in the attempt to introduce their products in the international market. Fair-Trade (Fair Trade) has been in a constant struggle since World War II seeking greater equity in the international area under a model of sustainable development with the application of ten principles aligned with the work of the United Nations (UN). Its introduction in the market has begun to have relevance through well-known organic products which are highly valued in European countries.

Throughout the development of Chapter I, Fair-Trade will be introduced, its history, characteristics, the benefits for those who are part of it, who are executing it from local and international organizations, its representativeness in the market and how Ecuador promotes it, everything that is involved in this model of commercialization. To help an organization be able to obtain a certification it is essential to inform about the conception of Fair-Trade and incorporate more artisans, small producers and developing economies.

### **1. Commerce and globalization**

Trade is an act of exchange of goods or services, present from the beginning of the human species. The human being began to exchange food, tools, and even clothes through the well-known "barter" for basic needs to survive. These exchanges created a system of currencies, an indispensable tool for international trade (Sigcho, 2009). Each coin or the set of these represented a product that through time began to take on greater value and representativeness for the State and governments established a designation of symbols for such coins (Hidrovo, 2016).

At first, coins used to be made with different materials; later their production in gold and metal was standardized. In other parts of the world, such as in China throughout the *Chou*

dynasty, the first use of paper currency was recorded. At the beginning, it was a valueless object until it began to relate with society, creating trust in people by basing its value on government gold reserves (BancaFacil, 2018). Paper currency began to have greater use and relevance, because it was lighter than gold or metal coins. The world began to interconnect and support this paper currency. An important event of paper currency happened when the United States in 1976 began to print it for distribution to solve expenses of the War of Independence, and many fakes started to appear, so stamps were created to give originality and security to each paper currency (U.S Currency Education Program, 2018).

Growth and use worldwide of paper currency has been inevitable for all types of exchanges and transactions in fact, all bank institutions use paper currency known as banknotes. After all the types of currency were created around the world, a standardization of currency started and nowadays there are more than one hundred exchange rates (Colombia.com, 2018), among the main ones of which are the Pound Sterling, US Dollar, Euro and Yen. Currently, electronic money is booming from development of the Bitcoin that was born in 2009, a part of the new world of digital finance. Electronic money handles endless numbers of money, having the same way of use as physical money, but through virtual platforms (Hidrovo, 2016). In addition, Bitcoin as all types of cryptocurrencies or electronic currencies, is not managed and regulated by any company, government or specific person, it is managed by the same users (Jaimovich, 2017).

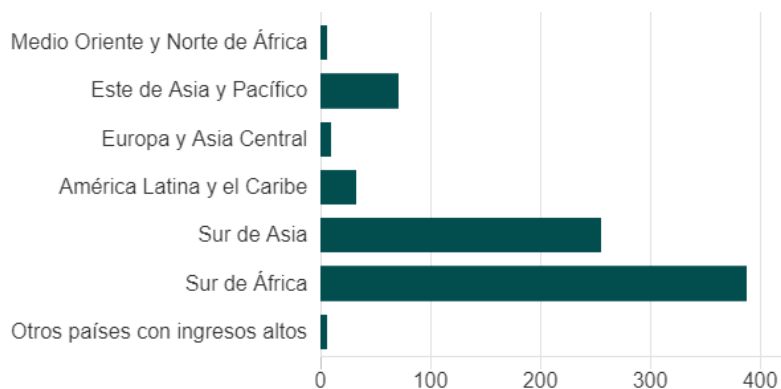
Along with the evolution of trade, globalization that enables economic, social, political and cultural integration of the international community, is present. Societies have interacted through the exchange of information, goods and services, in order to create a homogenization; however, the world reality does not demonstrate such homogenization. The developed countries are those who establish the guideline in the improvement processes of the third world countries; analogously to the Western tendency of cultural hegemony. Hegemony means the acceptance of traditions, customs, principles, values, etc., of a despotic class culture by another society. Moreover, powerful countries have not facilitated the self-determination of vulnerable States and an equitable growth (Alvarez, 2016).

The United States, Germany, Japan, among other countries have been considered as world powers since the 20th century; however, the world is in a process of change and nations that were considered vulnerable or in a state of extreme poverty are the new representatives of large economies worldwide. These countries are characterized by their low labor and production costs which encourage the investment of foreign capital. According to the report of the 'Evolution of Emerging Markets', it estimates that by the year of 2000 "the global financial wealth of developed countries (...) measured in dollars, (...) stands at 75 billion of dollars compared to 175 billion dollars accumulated by developed markets" (Giles, 2016, p. 3).

As these countries grow, measures, reforms and policies need to be adapted to the new reality, supporting a continuous and stable growth. India is considered as the next leading economy by the year 2040, surpassing the United States. An estimation between 2017 and 2050, determined that India's GDP will increase by 4.9%, corresponding to an annual average and 15% of the world economy by 2050. Several factors have allowed the emergence of India and China, which is another of the emerging countries that has excelled in the global economy after 1990. The first factor is the population, which is part of the growth of the economy with adequate policies for the supply of work places. The second factor is the different political systems applied by these states, for example India has a parliamentary democracy and on the other hand China applies an authoritarian style, and for its economic growth policies of greater incentive for entrepreneurship in the population have been adapted (BBC MUNDO , 2017).

In more powerful countries, there is less equity and greater inequality, and deepening significant problems that remain such as poverty, hunger, disease and poor sustainability; difficulties that are currently the focus of attention within the 17 "Sustainable Development Goals" (SDG) made by UN (Alvarez, 2016). Moreover, the World Bank established that, until 2030 there would be a smaller number of people who receive less than \$ 1.90 per day (Banco Mundial, 2017). According to the chart below, Ecuador is part of the fourth continent with the highest poverty in the world.

**Figure 1: People who live with less than US\$1, 90 per day (millions) around the world**



**Source:** (Duarte, 2017)

Until 2013, it had been determined that 10.7% of the world population was poor and its economy did not exceed \$ 1.90 per day (Banco Mundial, 2018). The 'Annual Report 2017' of the World Bank established high percentages of poverty in each of the regions, where Africa still has the largest number of people in poverty worldwide with around 389 million people living with \$ 1.90 at day, its GDP per capita decreased with 1.5% per year. East Asia and the Pacific increased the number of poor people by 3.5% in 2013 and up to January 2017 saw 71 million people in the same state. Europe and Central Asia have been characterized by continuous growth, but in the same way poverty was present in 2013 with more than 32.8 million people and until the end of 2016 ten million poor people were registered (Banco Mundial, 2017).

Latin America and the Caribbean is a developing region and for several years, it has presented obstacles and recessions in its growth. Between 2003 and 2013 there was a decrease of people considered in extreme poverty in the region, receiving \$3.20 or less per day, from 24.7% to 11.6%, and up to January 2017, 34 million people were registered with \$ 1.90 a day. The Middle East and North Africa are regions with the highest number of conflicts, with a slow and highly risky development. By 2018 the expected growth of poverty will increase by 2.9%; however, armed conflicts are a limitation to generate estimated data on the number of people in this situation. On the other hand, the region of South Asia had a representative growth of 6.7% in 2016, until the end the year there were 256 million people with \$ 1.90 a day. During 2013, poor people were almost one third of the poor population worldwide (Banco Mundial, 2017).

Much of the data analyzed throughout this work is aligned with the work in favor of compliance with the SDGs. These goals are the new goals, after the failure of the Millennium Development Goals (MDGs). The MDGs had a deadline until 2015 and several objectives were not accomplished, even half of the expected. In 2011, even 60% of 1,000 million people in extreme poverty lived in five countries of the world. In addition, in 1990, there were 1.9 billion people receiving \$ 1.25 a day and by 2015, it decreased to 836 million. The literacy rate increased from 83% to 91% until 2015, but other goals of the eight objectives set out at that time were not carried out (Naciones Unidas , 2015). The work to achieve those goals should continue, because "millions of people are still homeless, particularly the poorest and disadvantaged because of their sex, age, disability, ethnicity or geographical location" (Naciones Unidas , 2015, p. 8). In 2015, new goals were set for 2030, to develop the seventeen SDGs that seek sustainability in the development of the world.

The MDGs have also been successful by promoting more sustainable and conscious decisions to prioritize the structure of policies and strategies in local governments. Nowadays, governments keep taking the same position (Naciones Unidas , 2015). Inequity among nations is related to their policies, which for the most part, do not allow a great opening towards collaborative economies. Through trade, countries interconnect, having benefits to their policies, and trying to eliminate the idea that the North has better economic possibilities. It is essential to stimulate South countries for national production and export (PRO ECUADOR, 2017).

According to the book 'Value, Accumulation and Crisis':

The principle of comparative advantage does not say something about what really happens in international trade. In fact, it would seem irrelevant to the actual process. After all, the capitalists are for profit, not for the benefit of the nation (Shaikh, 2006, p. 160).

The study of the Global Foundation 'Justice Now' identifies sixty-nine major companies in the world and takes into account the countries with the greatest economic influence. The United States, Germany, Japan and others occupy the first places and from the tenth place several companies begin to be on the list, like: Walmart with an income of \$482,130 million dollars, followed by State Grid with income of \$329,601 million dollars.



Moreover, the sum of the income of ten multinationals is equal to the total GDP of the less developed countries, representing 180 countries and demonstrating that globalization and disruptive growth of these transnationals could determine them as the next economic powers (Pozzi, 2016).

The 'report about the situation and prospects of the world economy in 2017' made by the UN, established that in 2016 the economy grew by 2.2%, being one of the lowest rates since the economic crisis of 2009. Some factors such as the slow development of productivity, lack of investment, external debt of the States and fragile foreign trade; are considered as the main influences in the slowdown of the global economy. Several developed countries have cut the insertion of money for infrastructure and social services, which makes the external debt increase, taking into account that the price of raw materials such as oil has fallen sharply since 2010. These investment cuts show little willingness to institute policies that encourage investment, being essential for the reconstruction of productivity (Naciones Unidas, 2017).

If there are no incentives for investment, exports, Fair Trade, decent work and many factors that influence for a sustainable development, achieving sustainable progress for less developed countries by 2030 will be a partially realized objective (Naciones Unidas, 2017). At the same time, in order to achieve highly effective processes, it is necessary for development policies to be transparent, considering that corruption and bureaucracy are obstacles from the public sector. A change in society's culture and education with respect to the law, its neighbors to strive for a common benefit, as long as the authorities encourage the same behavior is required. As an example, countries such as Denmark, New Zealand and Canada demonstrate transparency and integrity in their processes, which has allowed them to have stable growth through public policies (Transparency International, 2018). The following chart shows the ranking of corruption in each country:

**Figure 2: Corruption perceptions index 2017**

## **CORRUPTION PERCEPTIONS INDEX 2017**

2017 Rank	Country	2017 Score	2016 Score	2015 Score	2014 Score	2013 Score	2012 Score	Region
1	New Zealand	89	90	91	91	91	90	Asia Pacific
2	Denmark	88	90	91	92	91	90	Europe and Central Asia
3	Finland	85	89	90	89	89	90	Europe and Central Asia
3	Norway	85	85	88	86	86	85	Europe and Central Asia
3	Switzerland	85	86	86	86	85	86	Europe and Central Asia
6	Singapore	84	84	85	84	86	87	Asia Pacific
6	Sweden	84	88	89	87	89	88	Europe and Central Asia
8	Canada	82	82	83	81	81	84	Americas
8	Luxembourg	82	81	85	82	80	80	Europe and Central Asia
8	Netherlands	82	83	84	83	83	84	Europe and Central Asia

**Source:** (Transparency International , 2018)

The aspects mentioned before show that in developing countries, small producers are the most affected, being the less participatory actors in the external environment; it is necessary to apply certain strategies that contribute to non-discrimination, lack of equality and equity that go hand in hand with evolution and the constant empowerment of powerful economies over weak economies (Ceccon, 2008). Over time, it has been difficult for small actors such as farmers and artisans to be direct participants in international trade, industrialization processes, since intermediaries or transnational companies hinder their growth in an unstable world economy. The representatives of Fair-Trade do not have enough bases for negotiation like the big merchants; therefore, Fair-Trade seeks to develop skills by allowing the actors to associate with each other forming larger networks in order to negotiate as one with a common benefit.

Table 1 shows a differentiation between traditional trade and the Fair Trade, carried out by César Marcillo in collaboration with Camari, Conquito, Ninakay and the Mayor of Quito:

**Table 1: Differences between traditional commerce and Fair Trade**

<b>Fair Trade</b>	<b>Traditional Commerce</b>
Overriding for solidarity economy	Overriding for capitalist economy
Promotes an integral and sustainable development	Seeks for profit
It does not look for profit	Producer's reality is not taken into account
Provide opportunities to producers in vulnerability	The final product is the its only important object
It encourages direct contact between buyer and seller	There is no fair profit for the producer
Guaranteed payment	There is no guarantee
Strengthens capabilities	There are no social or environmental projects

**Source:** (Marcillo, Vive Comercio Justo, 2016)

**Authors:** Ana Galarza, Sofía Zúñiga.

## **2. Fair-Trade history**

The history of the Fair-Trade does not have an exact starting date, since over time there have been relevant events that allowed the creation and application of Fair-Trade policies. Some events began in the European colonies, after World War I, where the supply of products decreased and demand increased, causing an increase in the price of goods. Producers took advantage of the need of consumers, by increasing prices excessively, in order to raise their profits. However, the rest of the producers in disagreement with these commercial measures offered the same products at fair values, without taking advantage of the present vulnerability, a consequence of the war. After World War II, several Fair-Trade agreements were implemented as a basis for international trade, giving global opening to small producers and protection to southern countries that were less benefited (Tapia Cabrera & Paladines Veléz, 2010).

Fair-Trade had a better development in the 1940s and 1950s in the United States, as an initiative to benefit some representative artisans and producers. They had disadvantages with intermediaries, market restrictions, and rejection of their product payments, among others. The basic object of this development aimed to eliminate inequality and the

reduction of poverty through the application of solidary commercial practices (Coordinadora Estatal de Comercio Justo, 2016). All of these practices created some solidarity commerce organizations like Oxfam Trading, that imported products from underdeveloped countries, committing to the awareness of consumers to obtain products made by artisans (Márquez Climent, 2016).

The Netherlands began to create a Fair-Trade trend, where the organizations assumed their commercial roles and they had an exponential growth with approximately one hundred and twenty stores, which gave the initial step to develop the first generation of Fair-Trade (Márquez Climent, 2016). Through the creation of these non-governmental organizations around the world, the principal object was to support the commercial activities of vulnerable workers, allowing them to sell their products in international market through 'WorldShop' solidarity stores, establishing these stores in other countries such as Germany, Austria, Belgium, Great Britain, Switzerland, among others (Economía Solidaria, 2018).

In the sixties, the UN developed the UNCTAD Conference (United Nations Conference on Trade and Development); the aim of which was to give access and benefits of the globalized economy in an equal and effective way for less developed countries. In addition, this conference helped them with training in topics such as technical assistance, consensus building and the proportion of analysis of the environment, necessary for them to face the possible disadvantages of greater economic integration. The small producers learned about trade, investment, finance and technology as guidelines for inclusive and sustainable (UNCTAD, 2018).

UNCTAD established the realization of an equal exchange between the North and the South because of the absence of a regime that favors all States equally, attributed to a variation in their prices. For the fulfillment of the purpose established in the conference, the North had to change their protectionist regimes of agricultural products to help less favored nations to offer theirs, backed by the slogan 'Trade not Aid'. The results of the conference had established essential information about Fair-Trade (Tapia Cabrera & Paladines Veléz, 2010). Nevertheless, not all of the countries from the North supported this initiative; consequently, stores of agricultural products were created, called 'third world stores', which had tariff benefits while they used to commercialize in Europe (López Mayorga, 2014).

Because of these influences, the South started to depend on the North, and as a result, there was an inequality in the capitalist system that the first world inherited in the colonial era. Consequently, the southern countries needed state intervention to be able to have autonomy and international commercial representation (Tapia Cabrera & Paladines Veléz, 2010).

In the 1970s, UNCTAD developed financial plans for the adaptation of international schemes in order to obtain safer prices for primary and agricultural products in rural areas of less developed countries. An example is the system of compensatory financing called STABEX, which started in the European Community, with the purpose of stabilizing the income of exports within the States of the same (Reverso Context, 2017).

In the same year, the Fair-Trade producer organizations expanded in Latin America, Africa and Asia. In 1973, an important milestone in the history of the Fair-Trade took place, with the beginning of the distribution of coffee called Indio Solidarity Coffee, produced by small Guatemalan producers under the support of Fair Trade, which resulted in a growth of productive activities, favoring farmers.

Fair-Trade increased its international networks and in 1987 the European Fair-Trade (EFTA) was born, representing eleven companies that imported Fair-Trade products, with the intention to coordinate, support and protect the rights of small producers and suppliers of goods with the diffusion of networks that facilitate the development of working conditions and solidarity community projects (Márquez Climent, 2016). In the same year the Berlin Conference began, where Alternative Trade Organizations (ATO) needed formality and a steering committee was established to plan the birth of a federation for alternative trade. They worked on a draft constitution presented to thirty-eight ATOs meeting in Nordwijk aan Zee, The Netherlands in May 1989 (Wills, 2018).

The International Fair-Trade Association (IFAT), now called the World Fair-Trade Organization (WFTO) was born, representing all members around the world of Fair Trade. In 1990, it was officially recognized, and on May 12, it declared the world day of Fair Trade. Moreover, the organization developed innovative projects that fulfilled the initial purpose of expanding the routes towards international markets to the small producers of the world. In 1994, the Network of European World Shops (NEWS) started by the union of approximately fifteen organizations of solidarity stores around twelve

countries, including more than 2 000 stores in Europe and improving its operation with a more effective management (Márquez Climent, 2016). Three years later, Fair-Trade Labeling Organization (FLO) created the International Fair-Trade Certification Mark, with the purpose to provide representativeness and importance to Fair-Trade products (Coordinadora de Pequeños Productores del Perú, 2015).

By 2004, the WFTO issued a procedure for rating and evaluating organizations with a focus on Fair Trade, making the label for Fair-Trade entities official. The organization allows institutions that represent small producers to have access to the label for their products, following compliance with the principles of Fair Trade. In addition, a guarantee system started to function with the aim to improve norms, process and practices of Fair-Trade (Coordinadora de Pequeños Productores del Perú, 2015). The associations between Fair-Trade organizations and small producer's stores strengthened the development of the conception and acceptance of Fair-Trade at the international level (Sello Comercio Justo, 2018).

### **3. Fair-Trade definition**

Conventional trade has created gaps between countries through the creation of cases of injustice that hurt the countries of the South. These gaps can be dumping and subsidy as measures established by developed countries to commercialize products. For example, for small farmers, the subsidy affects them in the following ways:

- Reduces the world price of products, which affect the farmers with a decrease of their incomes.
- Unfair competition is encouraged.
- There is a decrease in productivity (Ceccon, 2008, p. 25).

In relation to all of these disadvantages that small producers fight for every day, the WFTO establishes the definition of Fair-Trade as:

Fair-Trade is a trading partnership, based on dialogue, transparency and respect that seeks greater equity in international trade. It contributes to sustainable development by offering better trading conditions to, and securing the rights of, marginalized producers and workers – especially in the South (WFTO, 2018, para. 1).

For the Southern countries, it is a challenge to cohabit with a neoliberal globalization background that leads with inequality in international trade. Therefore, through Fair-Trade it is possible to avoid or eliminate intermediaries, allowing a direct connection between the producer and consumer. At the same time, Fair-Trade has been established as an instrument that facilitates foresee a dominant economy (Renard, 2003), because it is an alternative economic model, more human and sustainable, that seeks to encourage small producers and artisans to increase their production. This type of trade seeks for a sustainable way of life, offering opportunities to those who find themselves in a situation of economic vulnerability in underdeveloped countries (Ceccon, 2008). There is a work in conjunction with the International Labor Organization (ILO), creating decent employment based on available resources.

Even though Fair-Trade is a support to the most vulnerable producers, it does not mean that there must be a dependence on international Fair-Trade organizations or the national government in exchange for receiving this support. Nico Roozen mentions, "Who receives help becomes the passive object of the support offered by the donor" (Ceccon, 2008, p. 63). The less developed countries are characterized by their protectionism and paternalism, which represses the development and growth of these nations. If the government promotes protectionist policies to small companies, it facilitates their positioning in the market and the producers are terrified when they are not protecting anymore, and they do not know how to adapt without this support.

From the beginning of Fair Trade, it established a mission to institute development opportunities for those small producers, helping them to build their future without the need for absolute assistance. Besides, Fair-Trade is affected by some international norms like safeguards, subsidies or subsidies. A clear example is the situation that Ecuador suffered after the resolution of trade agreement with the European Union, in which until January 6 in 2017, around 30,0000 people, part of the Coordinadora Ecuatoriana de Comercio Justo, were affected. Dairy products or corn are protecting under a European

subsidy, which means that their price in Ecuador is relatively low. In addition, the European Union has acquired a large number of Fair-Trade products, with 1.5% in purchases in the last five years (El Telégrafo, 2017).

Additionally, Fair-Trade cannot be possible without its principle's actors, showed in the chart below:

**Figure 3: Fair-Trade actors**



**Source:** (Coordinadora Estatal de Comercio Justo, 2016)

Fair-Trade establishes efforts to avoid the chain of production through intermediaries as the traditional commerce and aims to create a direct chain between buyers and sellers. The synergy of each Fair-Trade actor plays an important role in it, based on the ten principles of Fair Trade. First, there are producer organizations, which are conformed by producer communities, mostly independent organizations. Second, Fair-Trade stores that offer products and spread the idea of Fair Trade. Third, the distribution companies that control the sale of products. Fourth, Fair-Trade networks that are representative associations of community trade actors. Finally, the certifiers, in charge of verifying that the products comply with the quality and the process determined in the ten principles (OXFAM INTERMÓN, 2018).



## 4. Principles of Fair-Trade

“Fair-Trade is not charity; but it is an association for change and development through trade”

### Charter of Fair-Trade Principles

The origin of Fair-Trade initiatives, are justified in several procedures and projects, put into practice to meet the needs of producers. It is difficult to satisfy all of the problems or necessities with one project, presented in different production area such as agricultural, artisanal, textiles, procedures or production stages. That is why, Fair-Trade seeks for the fulfillment of its principles and values through the implementation of practical processes that can be applied worldwide (WFTO, 2009). This is what the WFTO establishes within the 'Charter of the Principles of Fair Trade', which states that: "In Fair Trade, it is unquestionable that effectiveness improves not only for what an organization does, but also for why and how he does it” (WFTO, 2009, p. 13).

Therefore, the organizations supported by Fair Trade, as well as the people who is benefit from them have a firm commitment for the effective fulfillment of the principles designated at the international level. The fulfillment of the principles was established as a Fair-Trade standard of the WFTO, approved in 2013 by the World Council of the WFTO (WFTO-EUROPE, 2015). Following, the principles are mentioned:

**Figure 4: Principles of Fair-Trade**



**Source:** (WFTO, 10 Principles of Fair Trade, 2018)

#### **4.1. Creating opportunities for economically disadvantaged producers**

Fair-Trade aims to offer better opportunities to producers who have disadvantages because of intermediaries. This principle predicts a greater opening to the international market and security in the economic aspect for merchants to obtain autonomy (López Mayorga, 2014), (Coordinadora Estatal de Comercio Justo, 2016). The 'Charter of the Principles of Fair Trade' indicates that there are several producers who are marginalized from international markets of mass consumption, because their only alternative to access is through intermediaries or commercial networks. Community trade provides aid to producers, making traditional markets recognize traditional practices, providing the consumer a direct relationship with producers through a fair price (WFTO, 2009).

#### **4.2. Transparency and accountability**

All the organizations that work under the direction of Fair-Trade must carry out transparent administrative processes in their management, as well as in their commercial relations. They cannot alter, denaturalize or modify for their own benefit or for a third party with interests, the principles and truthful information to which everyone voluntarily decided to participate. Therefore, all members and producers must ensure transparent decision-making and transactions (López Mayorga, 2014).

#### **4.3. Fair trading practices**

Agreements or negotiations should seek to benefit the two parties involved, producers and consumers (López Mayorga, 2014). Fair-Trade protects the rights of producers by promoting artisan production practices that have been lost and devalued with industrialization and technology (Gueico Gallardo, 2014). For a fair practice, a prior payment is established to the producer, paying back his work in case this order can be cancel, it is a guarantee for the worker. The commercial relations between the organizations should have respect, avoiding unfair activities in order to protect the cultural identity of their work (López Mayorga, 2014).

The WFTO express that:

For Handicraft Fair-Trade products, an interest free pre-payment of at least 50 % is made on request. For Food Fair-Trade products, pre-payment of at least 50% at a reasonable interest is made if requested (WFTO, 10 Principles of Fair Trade, 2018).

The interest rates that the providers have to pay should not be higher than the costs that the buyers pay for the loans to third parties, which means that the interest charge is not mandatory. If a Fair-Trade provider receives an advance payment from the buyer, he ensures that it reaches the traditional producers such as farmers or artisans. These practices allow commercial relationships based on solidarity, respect and trust, avoiding unfair competition, contributing to the growth and promotion of the Fair Trade, protecting the cultural identity of traditional activities (WFTO-LA, 2018).

#### **4.4. Fair payment**

It is established as a fair price, when the participating parties of Fair-Trade agree on it. It is a sustained price in the market based on equal payment for men and women socially accepted. Moreover, marketing organizations of Fair-Trade consider necessary the training of producers about the establishment of an honest price (WFTO-LA, 2018).

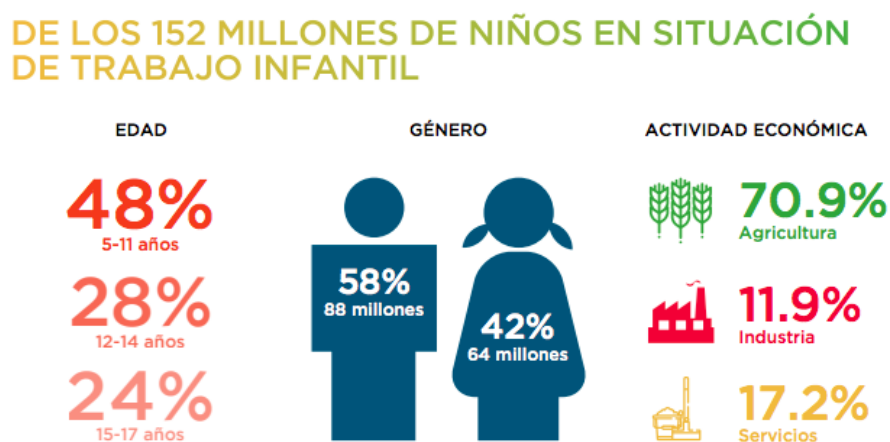
#### **4.5. Ensuring no child labor and forced labor**

Child labor consist in:

(...) economically active children (...) can include most of production activities undertaken by children, whether for the market or not, paid or unpaid, part-time or full-time, of an eventual nature or of a regular nature, in the formal or informal sector, legal or illegal activities (Oficina Internacional del Trabajo (OIT), 2004, p. 23).

Millions of children around the world are working in different activities, and it is shown in the illustration below:

**Figure 5: Distribution of child labor by age, gender and economic activity**



**Source:** (Oficina Internacional del Trabajo (OIT), 2004).

Despite the fact that child labor is still a problem, according to the ILO in its 'executive summary of the world estimates of child labor', it was established that child labor has considerably reduced between 2012 and 2016 (Oficina Internacional de Trabajo, 2017). Data presented in the following chart:

**Figure 6: World estimation of child labor 2012-2016**

			Niños ocupados en la producción económica		de los cuales: Niños en situación de trabajo infantil		de los cuales: Niños en trabajos peligrosos	
			2012	2016	2012	2016	2012	2016
<b>Global (de 5 a 17 años de edad)</b>		Número (en miles)	264.427	218.019	167.956	151.622	85.344	72.525
		Prevalencia (%)	16,7	13,8	10,6	9,6	5,4	4,6
<b>Grupo de edad</b>	5 a 14 años	Número (en miles)	144.066	130.364	120.453	114.472	37.841	35.376
		Prevalencia (%)	11,8	10,6	9,9	9,3	3,1	2,9
	15 a 17 años	Número (en miles)	120.362	87.655	47.503	37.149	47.503	37.149
		Prevalencia (%)	33,0	24,9	13,0	10,5	13,0	10,5
<b>Sexo (5 a 17 años)</b>	Masculino	Número (en miles)	148.327	123.190	99.766	87.521	55.048	44.774
		Prevalencia (%)	18,1	15,0	12,2	10,7	6,7	5,5
	Femenino	Número (en miles)	116.100	94.829	68.190	64.100	30.296	27.751
		Prevalencia (%)	15,2	12,4	8,9	8,4	4,0	3,6
<b>Región (de 5 a 17 años)</b>	África	Número (en miles)	--	99.417	--	72.113	--	31.538
		Prevalencia (%)	--	27,1	--	19,6	--	8,6
	Américas	Número (en miles)	--	17.725	--	10.735	--	6.553
		Prevalencia (%)	--	8,8	--	5,3	--	3,2
	Pacífico	Número (en miles)	129.358	90.236	77.723	62.077	33.860	28.469
		Prevalencia (%)	15,5	10,7	9,3	7,4	4,1	3,4
	Europa y Asia Central	Número (en miles)	--	8.773	--	5.534	--	5.349
		Prevalencia (%)	--	6,5	--	4,1	--	4,0
	Estados Árabes	Número (en miles)	--	1.868	--	1.162	--	616
		Prevalencia (%)	--	4,6	--	2,9	--	1,5

**Source:** (Oficina Internacional de Trabajo, 2017).

Fair-Trade strives to avoid the participation of children during the process of traditional production of goods. If they participate in them, their intervention must be communicated,

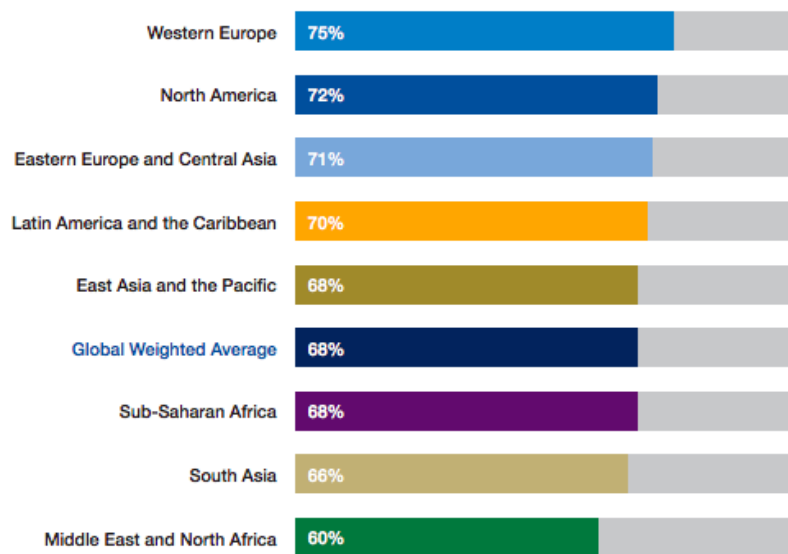
monitored and should not affect welfare, safety and education of the minor (López Mayorga, 2014).

Also, it is important to differentiate child labor, from the transmission of these practices by parents to their children, because parents, want to avoid the loss of these traditions by the time (WFTO, 2009).

#### **4.6. Commitment to non-discrimination, gender equity and women’s economic empowerment, and freedom of association**

Women’s participation in economic activities has been a challenge throughout history, for which Fair-Trade promotes the increase of the percentage of introduction of female gender in commercial work. The following illustration is the representation of feminine gender parity:

**Figure 7: Gender parity by region 2017**



**Source:** Global Gap Gender 2017.

It is inappropriate to discriminate in hiring, remuneration or in any other work aspect based on gender, race, religion, social or economic status, disability, and so on of a person (López Mayorga, 2014). It is an expectation to guarantee equal payment and employment opportunities in terms of developing their skills and responsibilities in the same type of work. This principle introduces the position of women and less advantaged groups as a fundamental element of development (WFTO, 2009).

#### **4.7. Good working conditions**

The principle determines that decent work conditions must be provided, including the right of workers to have a safe and hygienic space, the respectful of work hours, compliance with human rights. As the official WFTO Latin America website declares, "They seek, on a permanent basis, to raise awareness about health and safety issues and to improve the health and safety practices of the producer groups" (WFTO-LA, 2018, parag.19).

#### **4.8. Capacity building**

It estimates that the development of the skills of small workers could help in their personal development (Gueico Gallardo, 2014). The relation with Fair-Trade allows the producer organizations to acquire a notion of the market and its trends, allowing them to determine the needs of their consumers (WFTO, 2009).

#### **4.9. Promoting Fair Trade**

Fair-Trade organizations must promote their principles and objectives to raise awareness about the need to value traditional and artisanal production practices, avoiding their loss over time. This promotion includes information about products, job description of the organizations, producers, values and other important aspects that have to be defused in a transparent manner (López Mayorga, 2014).

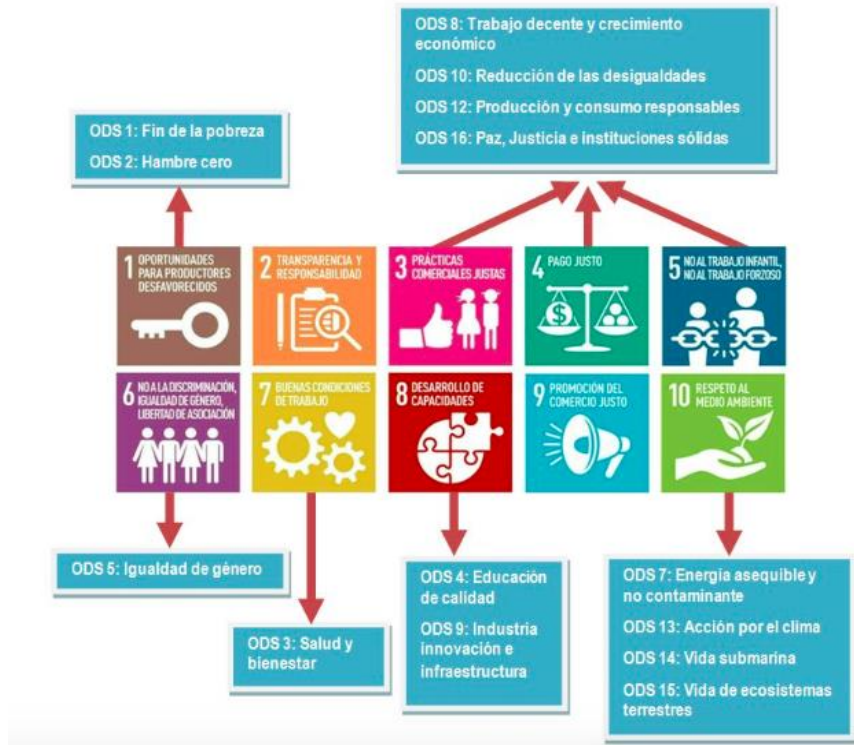
#### **4.10. Respect for the environment**

During commercial activities, the respect and caring of the environment because of its excessive wear. It is an essential aspect Fair-Trade promotes the production of goods that are environmentally friendly with techniques that minimize emissions of pollution such as greenhouse gases and toxic waste (López Mayorga, 2014). All members of this type of trade contribute to the reduction of environmental impact in economic activities, production and trade. The use of sustainable sources of renewable energies is encouraged to improve waste management. Finally, the adoption of organic production processes is encouraged in the case of agriculture, packaging application and biodegradable labeling or made with recycled products (WFTO, 2009).

## 5. Principles of Fair-Trade and Sustainable Development Goals

Fair Trade's principles have a direct relation with SDGs as the chart below:

**Figure 8: Relation between SDG's and the principles of Fair Trade**



**Source:** (Naciones Unidas, 2017)

Each principle has a direct connection with one of the SDGs, allowing a better implementation and fulfillment of these. It establishes new commercial relationships and respect for essential human rights, which is important to achieve the transformation towards long-term sustainable development (WFTO, 2009).

## 6. Aspects of Fair Trade

### 6.1. Environmental aspects

Most of the environmental impacts are produced by conventional socio-economic systems. The different productive processes executed by transnational corporations have a negative influence on the natural environment in exchange for maximizing their economic benefits. There has been a stimulation to create alternative economic systems in which economic, social and environmental sustainability are linked and correlate for the development of communities. This integration will promote responsible consumption

and will facilitate holistic human-environmental integration (FairTrade Organization, IDEAS, 2012).

According to Gloria Rodas, Maki's artisan commented during an interview the following: (Annex 1)

**Figure 9: Gloria Rodas, artisan of Maki FairTrade**



**Fuente:** (Rodas G. , 2018)

“I know that Don Julio is still using natural colors to dye his macanas. We no longer do it, we use colored threads, or we dye with artificial colors” (Rodas G. , 2018).

Based on good environmental care and in relation to what Gloria mentioned, it would be ideal to use natural colors because there are renewable; however, this is a complex process. Maki establishes annual training with experts that allow small producers to have good environmental care practices that benefit their production, providing quality products that use synthetic colors or natural colors, always in an environmentally friendly way (Ochoa, Socio principal MAKI FAIRTRADE, 2018).

## **6.2. Economic aspects**

There are gaps that benefit or harm producers and traders according to the previous analysis of the conditions and situations that occur daily in relation to globalization in international trade. Through Fair Trade, it is vital that traders do not have to be affected by price fluctuations, based on changes of supply and demand in the market. Traditional traders are the one who depend on these variations and traders from Fair-Trade not, because they have a fixed price that covers operating expenses, and if there is more supply in the market, the price of the products are not going to be affected (López, 2014).



The chart below shows how the international or traditional commerce affects to a fair payment to small producers.

**Figure 10: Payment to small producers in a traditional trade**

## DESGLOSE DE LOS GASTOS DE UNA CAMISETA



**Source:** (OXFAM INTERMÓN, 2018)

According to the exchange rate between the Euro and US dollars, 0.18 euros would represent 0.21 cents. This payment is very unfair to those who work daily for the production of a handmade product. If the t-shirt cost 29 euros, which means 32,98 US dollars, the small producer does not win even a quarter of it.

Small producers who are not part of Fair-Trade organizations, do not have enough money to do their next production, so they have to sell a considerable number of products to cover operating expenses generated by their small business, as well as household expenses. However, not all consumers pay, and small producers have to sell at low prices to survive (López, 2014).

By understanding the situation of native artisans from Ecuador, it is easier to appreciate the unfair situation. Angelita Rocano, member of the Red de Turismo Comunitario del Austro Pakariñan talked about this unfair situation in the following interview: (Annex 1)

**Figure 11: Angelita Rocano, artisan of Red de Turismo Comunitario del Austro Pakariñan**



**Fuente:** (Rocano, 2018)

“I cannot wait for someone to order macanas. I also need to find other places and forms to sell. Sometimes, I do not sell at the price I should sell, and I sell it for less, but I also have children and a home to maintain” (Rocano, 2018).

Based on the third principle of Fair Trade, small producers and merchants do not receive payments on credit, rather their vulnerability is taken into account and payment is made at the time of delivery of the products. In the case of handmade products, small producers receive a previous payment of the 50% before its delivery. According to principle four, the main actors of Fair-Trade have the right to receive a fair payment. A price that allows a stable income and is sustainable in the market (WFTO-LA, 2018).

### **6.3. Social aspects**

“Between 60-80% of the world’s food is produced by women” (FAIRTRADE IBÉRICA, 2018). It is a fact that 25% of women represent small producers and merchants of Fair Trade (FAIRTRADE IBÉRICA, 2018). In Latin America, indigenous women are discriminated against and prohibited from carrying out activities that are not related to family and home care. This way of thinking is given by the hegemonic thinking of ancient civilizations, in which man is the center of everything. Within the CJ there are times that the presence of women in the elaboration of final products is not valued (WFTO, 2009).

Women must be empowered to achieve their goals, for several years, they have learned art and tradition from their culture, embodied in crafts. This seeks to strengthen their voices in assemblies and networks of Fair-Trade (Ochoa, Socio principal MAKI FAIRTRADE, 2018).

Gladys Rodas express the following during an interview: (Annex 2)

**Figure 12: Gladys Rodas, artisan of Maki FairTrade**



**Fuente:** (Rodas G. , 2018)

“I see that some of my partners cannot make their dreams come true or even to work by doing handcrafts, because their husbands do not let them to do it. I think I am lucky, because my husband supports me in every activity” (Rodas G. , 2018).

On the other hand, the lack of access to education is a problem that affects the lives of girls and boys, because of the lack of infrastructure, economic possibilities, among other reasons. According to the World Bank report published on July 12, 2017, it is stated that:

The limited educational opportunities for girls and the obstacles that prevent them from completing 12 years of education cause countries to lose productivity and income throughout their lives that range between USD 15 billion and USD 30 billion.

Many of these are children of small farmers and producers, who are limited to acquire knowledge, which is necessary for the development of skills in the future.

## **7. Fair-Trade myths**

There are some erroneous ideas about Fair Trade, which has converted to myths known around the world. These are presented in the table below:

**Table 2: Fair-Trade Myths**

<b>Myth</b>	<b>Reality</b>
Fair-Trade is anti-globalization.	International exchange lies at the heart of Fair Trade. Fair-Trade Organizations seek to maximize the positive elements of globalization that connect people, communities, and cultures through products and ideas. At the same time, they seek to minimize the negative elements that result in lower labor, social, and environmental standards, which hide the true costs of production.
Fair-Trade is a form of charity.	Fair-Trade promotes positive and long-term change through trade-based relationships, which build self-sufficiency. Its success depends on independent, successfully run organizations and businesses—not on handouts. While many Fair-Trade Organizations support charitable projects in addition to their work in trade, the exchange of goods remains the key element of their work.
Fair-Trade is about paying developed world wages in the developing world	Wages is designed to provide fair compensation based on the true cost of production and are not based on any developed world (North American or European) wage standards.

**Source:** (WFTO, 2018)

**Authors:** Ana Galarza, Sofía Zúñiga

## **8. Influence of Fair-Trade at the international level**

During the last 20 years of evolution of Fair Trade, it has been possible to appreciate consumer awareness on the implementation and the promotion of change in international transactions. Initiating sustainable projects with the commitment of grouping several global production chains. Globalization has allowed consumers and workers to be informed and organized to work together for the welfare of people, as well as the environment (FairTrade Ibérica , 2016).

**Figure 13: Estimated volumes of products sold by Fair-Trade producers in 2015**



**Source:** (FAIRTRADE INTERNATIONAL, 2015)

The previous chart indicated a consumer adaptation, by buying Fair-Trade products (Saldías M. , 2017). It is expected that the supply of Fair-Trade products will gradually adapt to consumer needs, making sales to continue increasing in the international market. According to the ‘Annual Report of International Fair-Trade 2015-2016’, “global sales of Fair-Trade products are increasing, and the purchasing power of ethical consumers is making a lasting change for producers and farmers around the world” (Saldías M. , 2017, p. 14).

In 2016, around 1,6 millions of traditional producers and agricultures in 75 countries, obtained benefits thanks to the Fair-Trade system. The solidarity change that is encouraged within Fair-Trade implies achieving results that are equitable for all workers. Training and support networks have reached 80% of the production organizations (FairTrade International, 2016). Fair-Trade practices have spread to many countries, in which this type of commerce has increased the number of organizations and associations of producers. These associations have been developing mainly in countries such as Chile, Peru, Colombia, Ecuador, Guatemala and others, motivating more producers to join (Oxfam Intermón, 2017).

## 9. Leading Fair-Trade organizations

### 9.1. World Fair-Trade Organization (WFTO)

**Figure 14: WFTO official logo**



**Source:** (WFTO, 2018)

It is a global network that emerged in 1989, made up of more than 350 producer organizations around 70 countries; with the purpose of promoting Fair-Trade based on the principles of Fair-Trade in their daily productive activities. It allows the increase of access to different international markets, due to its presence in many of the continents (Marcillo, Vive Comercio Justo, 2016). Taking into account the relevance of the organization for the present research work, it will be described in detail later.

### 9.2. Fair-Trade Labelling Organization International or Fair-Trade International (FLO)

**Figure 15: FLO official logo**



**Source:** (FairTrade International, 2018)

It is the coordinator of certification of products elaborated through Fair-Trade techniques. FLO is one of the first organizations of certification of agricultural products. It began in the 80s when Fair-Trade movement was developing the improvement of security and trust

within international supply chains, meeting social, economic and environmental standards (FLOCERT, 2018). The FLO has an association of 25 organizations of traditional producers worldwide. Its mission is “to connect disadvantaged producers and consumers, promote fair trading conditions and empower producers to combat poverty, strengthen their position and take more control over their lives” (Fair-Trade International, 2018, parag. 7). Moreover, its vision is “a world in which all producers can enjoy secure and sustainable livelihoods, fulfill their potential and decide on their future” (Ibid).

### **9.3. Fairtrade producers and workers from Latin America and Caribbean (CLAC)**

**Figure 16: CLAC official logo**



**Source:** (CLAC, 2018)

An organization that represents South producers. It is co-founder of FLO. It was born in 2004 with background in two Latin American organizations of small producers in 1996, merging in CLAC later. Its mission is to represent and promote the interests, empowerment and development of its members and communities. Currently, it has over 800 members in 24 countries across the continent (CLAC, 2018).

### **9.4. European Fair-Trade Association (EFTA)**

**Figure 17: EFTA official logo**



**Source:** (EFTA, 2018).

It was established in 1987, formed by ten importers located in nine European countries: Austria, Belgium, France, Germany, Italy, the Netherlands, Spain, Switzerland and the United Kingdom. Its purpose is to foment the union of producers and facilitate collaboration among its members, increasing the effectiveness and efficiency of their work to expand entrances to different markets (EFTA, 2018). EFTA manages discussions with its members so they can transmit their knowledge and experiences to achieve better cooperation and coordination between them, achieving the objectives of the organization (Gueico Gallardo, 2014).

## **10. Advantages and perspectives of Fair Trade**

### **10.1. Advantages**

- Fair-Trade offers significant advantages to work with, because its work is based on ten principles of Fair Trade, which are related to SDGs.
- Every Fair-Trade organization works with communities who maintain ancestral knowledge on each country. Communities have their own board of directors, which allows them to apply a democratic assembly based on their values, customs and traditions.
- Small producers receive an earlier payment for their products, investing that money in raw material and guarantee the sale of their products without debt acquisition (Socías & Doblás, 2005).
- The purchase of products certified under the Fair-Trade system contributes to the development of a person, a family, or even a community in a state of economic vulnerability; because Fair-Trade is recognize as one of the most humane, ethical and moral, forms of international trade (FairTrade España, 2012).
- Its work is aligned with the requirements established in ISO 26000 regarding social responsibility, motivating and encouraging each small producer in order to achieve excellence and its best version (ISO, 2018).
- It allows achieving economic and social development in an effective way, reducing the gap between developed and less developed countries (Saldías M. , 2017).
- It looks for an economic growth through a sustainable development and eco-friendly.
- It strengthens equality (OXFAM INTERMÓN, 2018).



- The European Union had established Fair-Trade politics, which are guidelines for the strengthening of this system in less developed countries. This is benefiting the strengthening of international cooperation based on fair practices (Ceccon, 2008).
- It is not for profit.
- It strengthens direct contact between producer and consumer.
- It is a social commitment of Fair Trade, to ensure the safety of its workers and the entire community.

## **10.2. Perceptions**

It is important to mention that Fair-Trade does not have disadvantages; however, there are people who criticize this system:

- It is said that this type of trade follows the same model of traditional trade, as third world countries, they continue supplying raw materials to first world countries (Ceccon, 2008).
- "They create a Fair-Trade certification and regulation system guided more by commercial issues than by solidarity and even they act more against" (Ceccon, 2008, p. 110) small producers.
- Small producers need the backing of an association, network or organization to have international representation (Gueico, 2014).

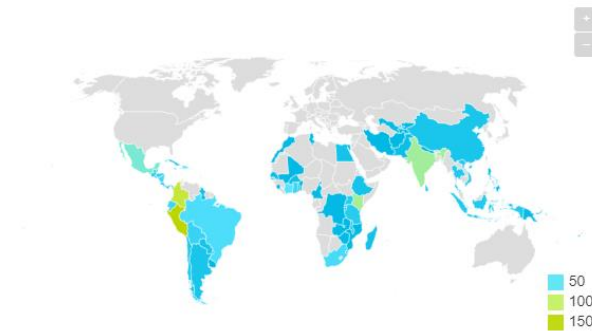
## **11. International Fair-Trade figures**

Fair-Trade is a system that is not established in its totality, however through international organizations, it has had a significant growth for the sustainable development of it. In the chart below, there is a presentation of the number of small producers and Fair-Trade organizations in the world until 2015.

**Figure 18: Fair-Trade producers and producer organizations by country**

**FAIRTRADE PRODUCERS AND PRODUCER ORGANIZATIONS  
BY COUNTRY**

December 2015

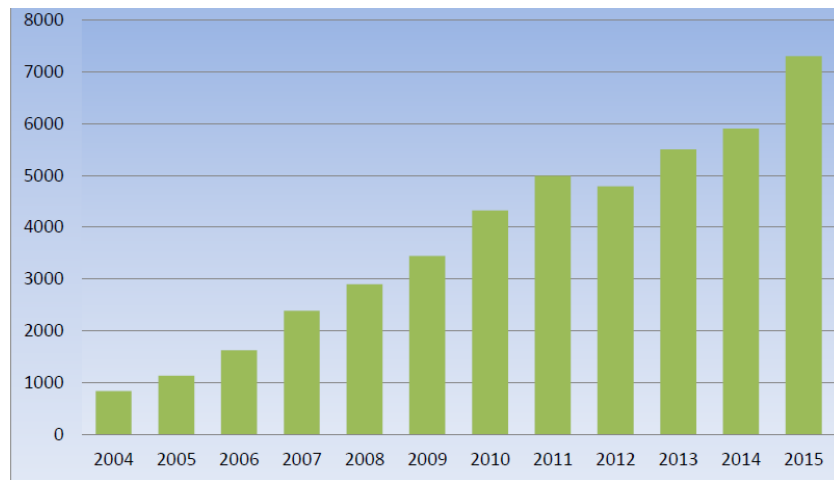


**Source:** (FAIRTRADE INTERNATIONAL, 2015)

By December 2015, Peru had 161 members and Ecuador 30. In Latin America, the countries with the largest number of members were Colombia and Peru. In Africa, Ivory Coast had 44 members, followed by South Africa with 36 members. The growth of Fair-Trade from 2010 to 2015 was representative, despite a slow development in 2011 (FAIRTRADE INTERNATIONAL, 2015).

The expansion of Fair-Trade in the world is increasingly significant. The most commercialized products under its principles are coffee, bananas, flowers, and cotton which have the international certification or label of Fair Trade. The labeling on these products caused a represented 5,900 million dollars of commercialization in 2014 (Coordinadora Estatal de Comercio Justo, 2016). According to the following chart, there has been a uniform growth in the sale of these products, which are a selection of Premium and organic products (Saldías M. , 2017).

**Figure 19: Global sales of Fair-Trade certified products**



**Source:** (Saldías M. , 2017).

Fair-Trade has more statistics based on food products, compared to handicrafts. "Regarding the volume of final sales to the consumer of Fair-Trade products, it is between 400 and 450 million dollars per year" (Socías & Doblas, 2005, p. 13). Despite the fact that crafts do not have a relevant sales volume, around 250 Fair-Trade companies dedicated their production and commercialization to handicrafts and textiles, made by empowered women; Africa and Asia contributed with 75% of that production (Coordinadora Estatal de Comercio Justo, 2016).

In 2015, there was a growth of 1.66 million Fair-Trade actors; however, it is a number that continues to increase. In comparison to previous years, around 195,701 Fair-Trade workers were involved (Fairtrade, 2016). These variations can be appreciated in the chart below:

**Figure 20: Overall growth in numbers of Fair-Trade farmers, workers and producer organizations 2014-15**

**1.1 OVERALL GROWTH IN NUMBERS OF FAIRTRADE FARMERS, WORKERS AND PRODUCER ORGANIZATIONS 2014-15**

	2012-13	2013-14	2014-15	Change 14-15
Total Fairtrade producer organizations worldwide	1,210	1,226	1,240	1%
Total farmers	1,305,992	1,448,363	1,466,127	1%
Total workers	210,932	203,389	195,701	-4%
Total farmers and workers	1,516,924	1,651,752	1,662,828	1%
Total countries with Fairtrade certified producer organizations	74	74	75	1%

**Source:** (Fairtrade, 2016)

At the beginning of 2016, many labeled Fair-Trade products were registered in each continent as the following map shows:

**Figure 21: Fair-Trade in the world**



**Source:** (Marcillo, 2016)

The European Union has the largest number of Fair-Trade stores, around 84,000. Countries such as the United Kingdom, France and the USA are the main buyers. Even the United Kingdom in 2013, had a consumption of 37.18% of Fair-Trade products. The

continent of Latin America and the Caribbean represents 300 organizations, followed by Africa with 260, being the continents with the largest number of members (Marcillo, Vive Comercio Justo. Manual básico de conceptos avances y proyecciones en Ecuador, 2018).

## **12. The WFTO**

The WFTO, as previously mentioned, is the main organization of Fair Trade, which is very important for the fulfillment of the objective of the research topic. Therefore, the relevant aspects of this organization will be explained.

### **12.1. WFTO objectives**

As a global organization, it ensures that its members comply with the ten principles of the Fair-Trade through the 'Guarantee System'. It provides spaces for producers, exporters, importers, retailers and consumers to connect and work together, in order to achieve a sustainable and fair global economy. The WFTO focuses its work on the following:

- **Membership and guarantee system:** organizations that are interested in becoming members of the WFTO must comply with Fair-Trade standards.
- **Fair-Trade standard for organizations:** A standard that allows developing best practices of Fair-Trade around the world, nurturing and protecting their fundamental values.
- **Fair-Trade voice:** the WFTO originated initially to bring together producers from all over the world to unite their voices in one and defend the issues of commercial justice, sustainable economy, the empowerment of producers.
- **Access to the market:** WFTO in conjunction with other organizations works to allow its members to have access to tools and training, favoring their access to the local, regional and international markets (WFTO, 2018).

### **12.2. WFTO's history**

The history of the WFTO will be developed through a timeline, based on events that started the organization. During the seventies, the consumer organizations of Fair-Trade held private conferences to deal with issues of commercial disadvantage, which affected all traders and producers. In 1987 the Berlin Conference started in which the Alternative

Trade Organizations (ATO) created a formal entity in order to solve commercial problems, establishing the steering committee in charge of planning the Federation of Alternative Trade. On May 12, 1989, the International Federation of Alternative Trade (IFAT) was born, because of the approval of the regulations.

In 1990, due to the necessity to establish allies, the Executive Committee of the Netherlands held the Irish Conference (1991) for the formation of international alliances. In 1993, there was an improvement plan for poverty, through the promotion of Fair-Trade at a local and international level, providing greater confidence and cooperation of its members in business relationships. Subsequently, the organization created a web page to expand the organization's information to consumers and producers around the world, while the number of members amounted to eighty-seven (Wills, 2018).

The IFAT annual report (1999) states that "... brings people together in partnership, as equals, to discuss Fair-Trade issues, to share experiences, to learn from each other, and to get to know each other better" (Wills, 2018, parag. 8). At the Milan Conference held in the same year, it was determined that the IFAT should develop a monitoring system for the control of Fair Trade, because it controls 160 representatives of members and tertiary organizations from thirty-four countries.

In 2000, FLO, IFAT, NEWS and EFTA formed the FINE (acronyms of organizations) in order to work together on issues of interest and develop a harmonized and integrated monitoring system for Fair-Trade (Wills, 2018). Therefore, the Arusha Conference created a definition of Fair Trade:

Fair-Trade is a trading partnership, based on dialogue, transparency and respect that seeks greater equity in international trade. It contributes to sustainable development by offering better trading conditions to, and securing the rights of, marginalized producers and workers, especially in the South. Fair-Trade Organizations (backed by consumers) are engaged actively in supporting producers, awareness raising and in campaigning for changes in the rules and practice of conventional international trade (Wills, 2018, p. 6).

IFAT changed its name to the International Fair-Trade Association and responding to the challenges facing Fair Trade, an Agenda for Change was prepared in 2007. Key decisions taken were:

- To develop a credible third-party certified label.
- To strengthen the membership and monitoring systems.
- To delegate more responsibility to the regions.
- To broaden the governance structure (Wills, 2018).

Thanks to world's reception and the support of the UN, the Association changed its name again to World Fair-Trade Organization (WFTO). In 2009, the organization created the principles of Fair Trade, through the signing of the 'Charter of Fair-Trade Principles'. In 2011, the new strategy of Fair-Trade was established, held at the meeting in Mombasa, Kenya where the president of the WFTO-Africa said:

In the end, the final test for Fair-Trade is the genuine improvement, the dent we make in the lives of marginalized producers who are struggling in the still worsening poverty by continuing in addressing the unjust practices and structures that perpetuate these. (Wills, 2018, p. 24).

### **12.3. WFTO memberships**

WFTO allows those interested to obtain membership as long as they meet the requirements established by it based on the ten principles. Through its web site, each step to become a member is described. The main requirements are to be organizations with at least two years of operation and work for Fair-Trade (WFTO-ASIA, 2018). The WFTO establishes the following categories to apply for a membership:

- **Fair-Trade Organizations:** an organization that does Fair-Trade trading activities, but to qualify for this category, a sales history must make up at least 50% of the total income.
- **Fair-Trade Network:** is for a legally registered organization whose primary function is to serve as an association of Fair-Trade Producers and/or Fair-Trade Organizations.

- **Fair-Trade Support Organizations:** is a Fair-Trade organization in which trading is not the main activity. A requirement is to have less than 50% of income is from trade. This organization supports and promotes Fair-Trade through business counseling, finance, advocacy and networking, etc.
- **Associate Organization:** an organization that is interested in supporting and promoting Fair Trade. Often times organizations that are too young to apply to be an FTO will fit into this category.
- **Individual Associate:** focused on researchers, writers, consultants or specialist in the field of Fair Trade. This category is for those who want to lend their experience and expertise to benefit WFTO's members (WFTO-ASIA, 2018).

The organization that is aligned with these categories has to fill out a form, which consists of all WFTO requirements. Once approved, it will continue with a self-evaluation process, followed by an audit, and if it meets the requirements, it will be part of the WFTO. It is necessary that all applicants demonstrate at least 50% of the total income (WFTO-LA, 2018).

The WFTO uses a guarantee system to verify the fulfillment of the ten principles of Fair-Trade (WFTO-EUROPE, 2017). The guarantee systems have the following three steps:

1. **Self-Assessment:** every two or three years.
2. **Monitoring audit:** by an approved WFTO auditor, every two- six years depending on the risk category.
3. **Peer visits by peers nominated by the FTO:** every two - six years depending on the risk category (WFTO-EUROPE, 2015).

The system applies to two types of memberships: provisional member and guarantee member.

### **12.3.1. Provisional Member**

An organization that has successfully applied for WFTO membership paid the first fee but not completed the first monitoring cycle of the WFTO Guarantee System. It is a member without voice and vote. These organizations have one year from their approval date as provisional to submit their self-assessment report (SAR) (WFTO-ASIA, 2018); (WFTO-EUROPE, 2017).



### 12.3.2. Guarantee member

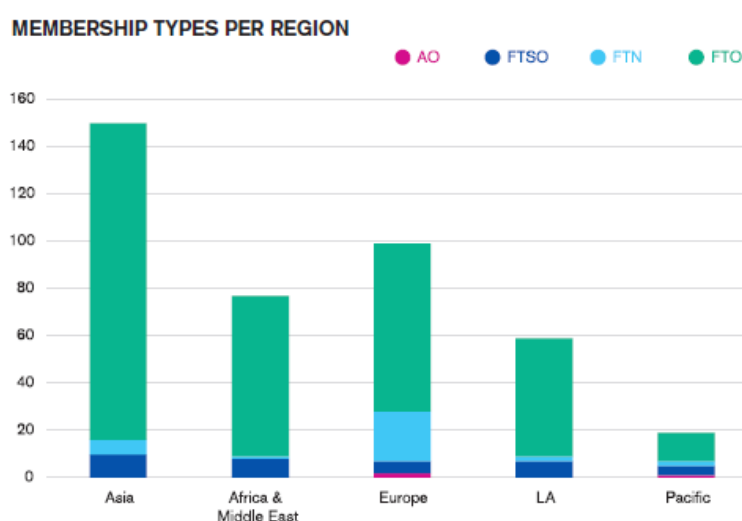
All the members that have completed the first cycle of monitoring requirements under the WFTO guarantee system. This means that they have submitted the profile and SAR and have undergone an audit as part of their first monitoring cycle. They have all of the benefits as having voice, vote in assemblies and the labeling in its products; among others (WFTO-ASIA, 2018).

Once approved as a guaranteed member, they can be Trading Organizations (FTO) whose turnover comes from more than 50% of sales; Fair-Trade networks, Fair-Trade Support Organization or Non Trading Organizations (NTO) which are not involved in trading or whose trading activities do not exceed 50% of their income (WFTO-ASIA, 2018).

### 12.4. Statistics of the types of membership and their categories

In 2017, Asia was the largest representative of members of commercial organizations or FTO followed by Europe; however, it does not have associated organizations (AO) as well as Africa, the Middle East and Latin America. In total, the member organizations were 401, the individual associations 37, and the three partner organizations, spread across the different continents (WFTO, 2017). Shown in the chart below:

**Figure 22: Membership types per region**



**Source:** (WFTO, 2017)

Based on the next chart, after 335 trade organizations were in the process of monitoring, 178 completed the guarantee system:

**Figure 23: Number of guaranteed members 2017**



**Source:** (WFTO, 2017)

### 12.5. Benefits of working with the WFTO

There are many good reasons to work and be part of the WFTO for organizations, people and communities, described below:

- Being part of WFTO permits to have international prestigious.
- The WFTO differs from any other organization with its guarantee system. It does not only certify the products, also ensures the full compliance of the principles by its members (WFTO, 2017).
- “WFTO is the only global network whose members represent the entire Fair-Trade chain from production to sales and its mission is to allow small-scale producers to improve their lifestyle and that of their communities” (Marcillo, 2018, p. 27).
- It allows to strengthen Fair-Trade positioning (Marcillo, Vive Comercio Justo. Manual básico de conceptos avances y proyecciones en Ecuador, 2018).
- Generates alliances with the best experts in supply chain issues to give their members update information (WFTO, 2018).
- Guarantees quality in products and the well-being of the actors of this type of trade with decent and humane conditions (WFTO, 2018).
- It allows its members to connect with international partners and thus expand their market, through the development of international fairs and events that provide spaces for the promotion of their products (WFTO, 2018).
- It has educational centers to train about Fair Trade.

- It is present on the five continents and in more than 75 countries, being the symbol of authority regarding Fair Trade, connecting the entire global community. It is about working as one and being a movement. (WFTO, 2018)
- It allows its members to reach their highest level of membership, certifying products or services to an organization or a person that is loyal to the principles of Fair Trade.

### **13. Fair-Trade in Ecuador**

“Since we achieved the conformation of the organization, our work has been in family and in fellowship, preserving our tradition, giving a hand in cultural work; this for us is a great joy to work in an organized way with our family and as a community”

**José Manuel Sagñay,**

**Corporación de Productores y Comercializadores Orgánicos del Chimborazo**

Fair-Trade is the change of marketing, production, distribution and consumption activities, achieving justice and local and international equity (Ministerio de Comercio Exterior, 2017). Fair-Trade in Ecuador has two purposes: to support the national workers and to promote the commercialization of products on a larger scale in the long term, in order to comply with the global sustainable chain. Within the Ecuadorian State, this economic system has allowed an expansion to markets, and producers can have a decent work life, ensuring social and cultural inclusion (EKOS, 2016).

Fair-Trade in Ecuador was born because of the Catholic Church’s labor which had support from non-governmental organizations and other actors, during the post-neoliberal period, in the seventies and eighties. The effort came from an association of artisan and producers. Since that, many organizations of small producers have been developing around the Ecuadorian State based on Fair-Trade statements. They have also started to join international organizations as the WFTO, FLO, among others. Later in the nineties, cooperatives and associations certified as Fair-Trade organizations began (Clark, 2017).

## 13.1. The pioneering organizations of Fair-Trade in Ecuador

### 13.1.1. Grupo Salinas (Salinerito)

Figure 24: Salinerito Official logo



Source: (Economía Solidaria, 2018)

Grupo Salinas, better known as “Salinerito”, is the first Ecuadorian organization that started to work for Fair Trade. It developed its activities in the seventies, focused in education, health, gender, environment, community tourism, popular finances, evangelization, production and mainly Fair-Trade (Ministerio de Comercio Exterior, 2017). Grupo Salinas promotes the identity of Salinas from Bolívar province, promoting the solidarity economy committed to integral human development, equity and inclusion. It has 2,230 producers, twenty-nine cheese makers, five women's artisan production centers, two stuffers, a spinning mill, a chocolate factory, two jam factories, an oil factory, an edible mushroom factory, a handicraft workshop, a hostel, a community tourism office and a Savings and Credit Cooperative (Economía Solidaria, 2018).

### 13.1.2. Maquita (Hermanos MCCH)

Figure 25: Maquita Official logo



Source: (Economía Solidaria, 2018)

Maquita Cushunchic Comercializando Como Hermanos (MCCH), is an association with 33 years of experience in solidarity economic by practicing human and Christian values. It encourages the need to establish equity in the social and economic relations of the

Ecuadorian population to improve their quality of life, through partnership, commercial and productive processes (CLAC, 2014). It manages the solidarity production chains of certain products of Ecuador, influencing the economy of producing families, by teaching principles of economy, leadership, capacity development and trade. In 2013, it provided training to 127,000 Ecuadorian families, promoting its "Maquita" brand, which is part of its social enterprises: AgroMaquita, Maquita Solidaria and Maquita Turismo (Economía Solidaria, 2018).

### 13.1.3. Camari

**Figure 26: Camari official logo**



**Source:** (Economía Solidaria, 2018)

Camari is the organization of solidarity system of commercialization of the social group FEPP. Its work is based on the weaknesses of agricultural and small-scale commercialization of small Ecuadorian producers. It benefits 7,000 peasant families with assistance for the marketing of their products and credits, helping marginalized communities to have a better quality of life and economy (CLAC, 2014). Camari sells agricultural products and handicrafts (Economía Solidaria, 2018).

### 13.1.4. Pacari

**Figure 27: Pacari official logo**



**Source:** (Economía Solidaria, 2018)

Chocolate Pacari, is a family business that has been working on the production of high-quality organic chocolate in Ecuador since 2002. They work directly with cocoa producers of fine aroma, rescuing ancestral knowledge of chocolate production with natives of the country. Pacari means nature in Kichwa, the Andean indigenous language, referring to the agricultural products it uses and its work with small producers. This company has a Fair-Trade certification (PACARI, 2018).

### **13.2. Political and constitutional framework of Fair-Trade in Ecuador**

Throughout Ecuador's history, just a few governments were interested in Fair Trade. Since 2007, during Rafael Correa's period, several reforms were established in the country from economic to the political. These reforms are present through public policies detailed in different official documents. (CLAC, 2014)

Fair-Trade is established in different official documents that are the basis of the Ecuadorian policies:

- Ecuadorian constitution of 2008.
- The National Development Plan 2017-2021.
- The Organic Code of Production, Trade and Investment (COPCI).
- The Organic Law of Popular and Solidarity Economy (LOEPS).

However, there is no an official document or regulation in which Fair-Trade is ruled in a comprehensive manner. Next, points of each document referring to Fair-Trade are disclosed:

#### **13.2.1. Constitution of the Republic of Ecuador 2008**

Many articles of the constitution work for Fair Trade; however, the fifth section is totally related to the economic and Fair-Trade exchange.

**Art. 276, 2.-** *To build a fair, democratic, productive, mutually supportive and sustainable economic system based on the egalitarian distribution of the benefits of development and the means of production, and on the creation of decent, stable employment* (Asamblea Nacional República del Ecuador, 2008, p. 187).

**Art. 281, 11.-** *Creating fair, mutually supportive systems for the distribution and marketing of food stuffs. Preventing monopoly practices and any type of speculation with food products* (Asamblea Nacional República del Ecuador, 2008, p. 192).

**Art. 284, 8.-** *To foster the fair and complementary exchange of goods and services on transparent, efficient markets* (Asamblea Nacional República del Ecuador, 2008, p. 195).

**Art. 304, 5.-** *To foster the development of economies of scale and Fair-Trade* (Asamblea Nacional República del Ecuador, 2008, p. 205).

**Art. 306.-** *The State shall promote environmentally responsible exports, giving preference to those creating more employment and added value, and in particular the exports of small and medium-sized producers and the artisan sector* (Asamblea Nacional República del Ecuador, 2008, p. 205).

**Art. 336.-** *The State shall encourage, and safeguard Fair-Trade as a means of access to quality goods and services, minimizing the distortions of middlemen and promoting sustainability. The State shall assure transparency and efficiency in markets and shall encourage competition in equal conditions and equal opportunity, which shall be established by law* (Asamblea Nacional República del Ecuador, 2008, p. 223)

(Asamblea Nacional República del Ecuador, 2008)

These articles are related to several Fair-Trade principles about reduction of poverty, non-discrimination, non-child labor, among others.

### **13.2.2. National Development Plan 2017-2021 – a lifetime**

The 'National Development Plan 2017-2021' is divided into three axes or objectives, from which Axis No. 1 and Axis No. 2 are the most relevant to Fair Trade.

**Figure 28: Objectives of the National Development Plan**

 <p>Eje 1: Derechos para todos durante toda la vida.</p>	1	Garantizar una vida digna con iguales oportunidades para todas las personas
	2	Afirmar la interculturalidad y plurinacionalidad, revalorizando las identidades
	3	Garantizar los derechos de la naturaleza para las actuales y futuras generaciones
 <p>Eje 2: Economía al servicio de la sociedad.</p>	4	Consolidar la sostenibilidad del sistema económico, social y solidario y afianzar la dolarización
	5	Impulsar la productividad y competitividad para el crecimiento económico sostenible, de manera redistributiva y solidaria
	6	Desarrollar las capacidades productivas y del entorno, para lograr la soberanía alimentaria y el Buen Vivir Rural
 <p>Eje 3: Más sociedad, mejor Estado.</p>	7	Incentivar una sociedad participativa, con un Estado cercano al servicio de la ciudadanía
	8	Promover la transparencia y la corresponsabilidad para una nueva ética social
	9	Garantizar la soberanía y la paz, y posicionar estratégicamente al país en la región y el mundo

**Source:** (Secretaría Nacional de Planificación y Desarrollo, 2017)

The plan looks for a complete growth and sustainable development of the country in all its aspects and that the productive matrix obtains public investment, and tax incentives, allowing the development of a transparent, fair and efficient market. It is essential to encourage and strengthen small businesses or local businesses for a proper emergence in the market that benefits the country. Axis No.1 aims to guarantee a decent life with the same opportunities for the whole society, emphasizing labor inequality. It also mentions that there is a difference between the income of men and women, where women earn around \$115 less than a man's normal income, which is \$526. There are policies that also ensure other types of discrimination based on religion, ethnicity, social class, through sanctions and regulation of equal treatment.

In order to guarantee a decent life, it is necessary to promote production and commercialization projects of goods and services based on Fair-Trade principles. The plan supports the continuity of projects such as 'Ecuador works, industrial policies and public-private partnerships' (Secretaría Nacional de Planificación y Desarrollo, 2017). One of the main reasons of these gaps is poverty, the consequence of unemployment, fragility to diseases, social exclusion and others. The public policies related to Objective No. 1 in Axis No. 1 based on Fair-Trade are:

**1.1.- Foster the economic and social inclusion; combat poverty in all its dimensions, in order to guarantee economic, social, cultural and territorial equity.**



**1.2.-** *Generate capacities and promote opportunities in conditions of equity, for all people throughout the life cycle.*

**1.7.-** *Guarantee the Access to decent work and social security to everyone* (Secretaría Nacional de Planificación y Desarrollo, 2017, p. 58).

The Objective No.2 is based on social discrimination of some communities and the society. Ecuador established politics that allows the reduction or elimination of this discrimination, by recognizing the country as plurinational. Among the most relevant policies related to Fair-Trade are:

**2.1.-** *To eradicate discrimination and social exclusion in all its manifestations, especially machismo (men acting against women), homophobia, racism, xenophobia and other related forms, through affirmative actions and comprehensive reparation for the construction of an inclusive society.*

**2.3.-** *Promote the rescue, recognition and protection of tangible and intangible cultural heritage, ancestral knowledge, worldviews and cultural dynamics* (Secretaría Nacional de Planificación y Desarrollo, 2017, p. 63).

The Objective No.3 promotes a sustainable development for Fair Trade, responsible with the environment. Ecuador has been characterized for being an extractivism country; therefore, the innovation is essential for its growth, using efficiently removable and nonrenewable resources. Fair-Trade is a responsible way to exchange goods or services that respect the environment, using renewable energy technologies as mentioned in principle number ten. The following policies are related to the aforementioned:

**3.1.-** *To conserve, retrieve and regulate the use of the natural, social, rural and urban, continental, insular and marine-coastal heritage, which ensures and protects the rights of present and future generations.*

**3.2.-** *Distribute in an equity way the access to natural heritage, as well as the benefits and wealth obtained from its use, and promote the sustainable governance of renewable and non-renewable natural resources.*

**3.4.-** *Promote good practices that contribute to the reduction of pollution, conservation, mitigation and adaptation of the effects of climate change, and promote them in the global sphere.*

**3.7.-** *Encourage environmentally responsible production and consumption, based on the principles of the circular economy and bio-economy, encouraging recycling and combating programmed obsolescence (Secretaría Nacional de Planificación y Desarrollo, 2017, p. 66).*

For the excel of Fair Trade, it is ideal to implement policies based on economic development, and principles of this type of trade focus on providing spaces for growth for those who are in a state of economic vulnerability. In Objective No.1 of Axis No.2, the policies established below foresee the elimination of monopolies and oligopolies:

**4.2.-** *Channeling economic resources to the productive sector, promoting alternative sources of financing and long-term investment, with articulation between public banks, the private financial sector and the popular and solidarity financial sector.*

**4.8.-** *Increase the value added and the level of the national component in public procurement, guaranteeing greater participation of MIPYMES and for popular and solidary economy actors.*

**4.9.-** *Strengthen support for the popular and solidarity economy actors through the reduction of procedures, preferential access to financing and public procurement, for their effective inclusion in the economy.*

**4.10.-** *Promote competition in markets through efficient regulation and control of monopolistic practices, concentration of power and market failures, which generate adequate conditions for the development of economic activity, the inclusion of new productive actors and Fair Trade, which contribute to improve the quality of goods and services for the benefit of their consumers (Secretaría Nacional de Planificación y Desarrollo, 2017, p. 79).*

Ecuador needs to be inclusive with Fair-Trade and provides opportunities for a decent work, giving access for the products to be exported. Likewise, the Objective No.5 determines policies such as:

**5.1.-** *Generate worthy work and employment, encouraging the use of built infrastructures and installed capacities.*

**5.2.-** *Promote productivity, competitiveness and quality of national products, as well as the availability of related services and other inputs, to generate added value and industrialization processes in the productive sectors with a focus on satisfying national and export demand.*

**5.8.-** *Promote national production with social and environmental responsibility, promoting the efficient management of natural resources and the use of durable and environmentally clean technologies, to guarantee the supply of quality goods and services.*

**5.9.-** *Strengthen and promote associativity, alternative marketing circuits, productive chains, inclusive businesses and Fair Trade, prioritizing the Popular and Solidarity Economy, to consolidate the productive structure of the country in a redistributive and solidary manner (Secretaría Nacional de Planificación y Desarrollo, 2017, p. 83).*

It is necessary that vulnerable actors to have access to good work conditions and to take advantage to develop more capabilities, ways to commercialize and product. These are requirements that principle seven and eight of Fair-Trade establishes, which are related to the Objective No. 6:

**6.1.-** *Encourage decent work and employment with emphasis on rural areas, enhancing productive capacities, combating precarization and strengthening targeted support from the State and promoting entrepreneurship.*

**6.5.-** *Promote Fair-Trade of products, with emphasis on the peasant family economy and the popular and solidary economy, reducing intermediation at the urban and rural levels, and encouraging the care of the environment and the recovery of soils (Secretaría Nacional de Planificación y Desarrollo, 2017, p. 87).*

### 13.2.3. Organic Code of Production, Commerce and Investments (COPCI)

#### **Book I: Productive Development, Mechanisms and Competency Bodies. Title I: Productive Development and its Institutionalism. Chapter I: Role of the State in Product Development. -**

COPCI is a document totally aligned to trade, furthermore, Fair-Trade needs to have more support under this code; however, there is no a specific section about Fair Trade. The following articles present a relation with some principles of Fair Trade:

*Art. 5.-The State will promote the productive development and the transformation of the productive matrix, through the determination of policies and the definition and implementation of instruments and incentives that allows to leave the specialization pattern dependent on primary products of low added value (Asamblea Nacional República del Ecuador, 2017, p. 5).*

*Art. 19, b. - Access to administrative procedures and control actions established by the State to avoid any speculative practice or private monopoly or oligopoly, or abuse of dominant position in the market and other practices of unfair competition; (Asamblea Nacional República del Ecuador, 2017, p. 10).*

*Art. 22, c.-Promote equal opportunities through the granting of benefits, incentives and means of production; (Asamblea Nacional República del Ecuador, 2017, p. 11).*

*Art. 22, e.- To finance productive projects of indigenous, Afro-Ecuadorian communities and montubios that promotes agricultural, livestock, artisanal, fishing, mining, industrial, tourism among others (Asamblea Nacional República del Ecuador, 2017, p. 11).*

*Art. 57.- (...) The State will protect agriculture from families and communities as guarantors of food sovereignty, as well as crafts, the urban informal sector, micro, small and medium enterprises, implementing policies that regulate their exchanges with the private sector. (...) (Asamblea Nacional República del Ecuador, 2017, p. 24).*

(Asamblea Nacional República del Ecuador, 2017)

COPCI plans to avoid monopolies, unequal competition through policies that preserve trade based on transparency, innovation and sustainability, which in turn favor the progress of Fair Trade.

#### **13.2.4. Organic Law of Popular and Solidarity Economy (LOEPS)**

According to Title I regarding the scope, objective and principles, it is mentioned in article No. 4 the following:

**Art. 4, c, d, e, g, h.-** *Every entity and legal entity must be based on the principles established in this law, such as Fair Trade, gender equity, respect for cultural identity, environmental responsibility, equitable distribution, among others* (Asamblea Nacional República del Ecuador, 2011, p. 5-6).

**Art. 11.-** *Unfair competition - Members, associates and partners, under penalty of exclusion, may not compete with the organization to which they belong, performing the same economic activity as this, neither by themselves, nor through third parties* (Asamblea Nacional República del Ecuador, 2011, p. 8).

**Art. 124.-** (...) *The State will tend to promote actions that propitiate the fair and complementary commercial exchange of goods and services directly between producers and consumers* (Asamblea Nacional República del Ecuador, 2011, p. 11).

**Art. 137, d.-** *It will promote Fair-Trade and sharing and responsible consumption;* (Asamblea Nacional República del Ecuador, 2011, p. 41).

All the LOEPS document is based on Fair-Trade and respect for the popular and solidary economy. It recognizes all small producers, traders and artisan reflected in Article 77. In addition, networks and organizations formed by communities are recognized in Section No. 1 from article No. 15 to the No. 17, taking into account the information about its internal structure and funds (Ibid).

#### **13.3. Problems of Fair-Trade in Ecuador**

According to the previous analysis, there is evidence of the lack of a regulatory legal system on Fair-Trade in its entirety, that presents several gaps and drawbacks expressed below:

- There is no a unique public entity or institution that regulates Fair Trade.
- Small producers do not have enough knowledge about this type of commerce; therefore, they cannot fight for decent work through the Exchange of products and services in a fair way.
- Many of the public institutions mention Fair-Trade in a general way and each one has a different view and process, which involves more bureaucracy for who wants to work in Fair Trade.
- The traditional trade has a better position than Fair Trade, and it is complicated to fight against it, because traditional trade has more control over the world's market, its demand and supply it's irreplaceable.
- Fair-Trade products have limited supply and demand, since they do not comply with international standards or requirements.
- Multinationals have an advantage compared to Fair-Trade producers, by managing several intermediaries that streamline processes, lower costs and have trained workers for business administration.
- Fair-Trade represents a loss in relation to the investment dedicated to its growth and development, due to its lack of positioning.
- Fair-Trade is the result of the countries of the South and these are the least benefited worldwide, because they are considered developing countries.
- Fair-Trade producers are limited in export processes due to their lack of knowledge, capital and other factors.
- Although the government has knowledge about the Fair Trade, it does not establish policies necessary to support its development.
- Small producers, artisans and other Fair-Trade actors are minimized in front of the new processes of production, distribution and commercialization that are in constant evolution.
- There is a small investment and a bad productivity, which results in a deficit in the value chain (CLAC, 2014); (CEPAL, 2017).

Finally, Fair-Trade is a transcendent topic, which shows the equitable side of the trade. It is important to know their background, the perseverance of informal workers to improve the international regulations support. The development of this type of commercial exchange has been slow but representative and has taken importance around the world thanks to the work of different organizations that represent it such as the

WFTO. The WFTO has the purpose to create an equitable trade for all actors through the fully comply of the principles of the Fair Trade.

## **CHAPTER II**

### **BACKGROUND OF THE RED DE TURISMO COMUNITARIO DEL AUSTRO PAKARIÑAN AND ITS SUBSIDIARY MAKI FAIRTRADE**

This research work foresees the establishment of an action plan for obtaining the certification of the WFTO for the Red de Turismo Comunitario del Austro Pakariñan and its subsidiary Maki FairTrade. In this chapter, we will develop all the main aspects of these entities. Pakariñan is the representative of community tourism and Fair-Trade in the Ecuadorian Austro, that has been working 13 years to maintain and promote this commercial model in Ecuador working in conjunction with various artisan networks in the country. An analysis and description of Pakariñan and Maki FairTrade will be made from its history, description, objectives, mission, values, SWOT analysis and the establishment of CAME strategies. The review will allow a better understanding of the current situation of the two entities, to determine through the Chapter III, the requirements that must be requested for the certification and to propose strategies of improvement that allow an integral development, to work in its influence for the local and international markets.

#### **RED DE TURISMO COMUNITARIO DEL AUSTRO PAKARIÑAN**

##### **1. History**

Its history begins with the development of community tourism in Ecuador. For a better understanding of the term community tourism, it is defined as:

The one that is carrying out local community members organized to provide tourist services. These are usually rural or indigenous communities, although they are also developed by muleteers and other groups, who share their way of life, customs and culture with visitors (Turismo Comunitario, 2015, para. 1).

In addition, the relationship between visitors and communities in an intercultural way is guaranteeing the correct management of their resources, as well as their cultural rights (Red de Turismo Comunitario del Austro Pakariñan, 2016). Indigenous communities,



Afro-Ecuadorian farmers and montubios have represented the traditions and ecosystems of Ecuadorian rural areas, for more than 500 years. Through this representation, the sustainable management of the land has been maintained from generation to generation, thanks to the cultural heritage and ancestral traditions of the country; these denote the importance of the care and conservation of these natural resources as a cultural ethic (United Nations Development Programme, 2012).

However, today, these communities face high rates of infant mortality, illiteracy, migration, lack of basic services, employment and other socioeconomic problems. There is also a lack of care for the environment by urban areas and activities such as deforestation, mining, use of agrochemicals, pollution of water resources, among others which causes low soil productivity and pollution making traditional ancestral practices difficult to apply and maintain (Ibid).

In response to the different problems presented, the communities decided to work together rescuing their ancestral and ecotourism activities, with the aim of promoting benefits to them, through the protection of their territories, preservation of their culture and traditions and the conservation of Ecuadorian natural resources. This union resulted in the creation of a non-profit organization called 'Federación Plurinacional de Turismo Comunitario del Ecuador' (FEPTCE), at the end of the eighties, as an opportunity to create an alternative development model for Ecuadorian communities, with the aim of prioritizing cultural and natural integrity of Ecuador on the mercantilist view of power and globalization. On September 11, 2002, the federation was legalized in Agreement No. 059 issued by the Ministry of Tourism (MINTUR) (United Nations Development Programme, 2012).

The FEPTCE seeks to improve the appropriation of indigenous lands with the support of other government initiatives to defend the rights of the communities. Thanks to the cooperation and union of the Ecuadorian ancestral communities, campaigns and norms have been incorporated in favor of community tourism, giving importance to tourism, improving social conditions, in order to make tourism a means of additional income to economic activities such as: agriculture, handicrafts, livestock, among others; allowing thereof diversification (Red de Turismo Comunitario del Austro Pakariñan, 2016).

After the creation of FEPTCE, networks were created with the aim of strengthening the activities of small organizations at the national level. The networks that were created are Network of the North, Regional Network, Network of the Center and the Network of the South or Pakariñan. These networks that make up the Federation, have around ninety organizations, associations, and communities nationwide. Consequently, the 'Ley y Reglamento de Turismo Comunitario' (Law and Regulation of Community Tourism) is created to endorse community tourism activities developed by Ecuadorians. It is important to mention that Ecuador is the only country in Latin America that has this regulation in favor of ancestral communities (Red de Turismo Comunitario del Austro Pakariñan, 2016).

In effect, the Red de Turismo Comunitario del Austro Pakariñan was created on September 7, 2005, in San Joaquín, Azuay; initially, with five communities from the southern provinces: Cañar, Azuay, El Oro, Loja, and Zamora Chinchipe; however, in the year 2006 it is legally constituted. The name 'Pakariñan' is a fusion of the Kichwa and Cañarí dialects, which means "path of dawn" (Pakari = Kichwa / Ñan = Cañarí), representing a cultural agreement of the communities (Carrión, Historia de Pakariñan, 2018).

The Pakariñan Network began to make political and institutional alliances, generating cooperation with entities such as the University of Cuenca, Ministry of Tourism (MINTUR), Ministry of Economic and Social Inclusion (MIESS), and Ministry of Industries and Productivity (MIPRO). Currently, the organization is integrated by ten associations, communities and organizations, which represent smaller groups within their localities. It also established more ways to offer services and products with the creation of two small companies, which were initially projects of the network, with the purpose of being able to commercialize its packages and tourist guides with local and international programs, and the commercialization of crafts (Ibid).

## **2. Organization description**

### **2.1. Red de Turismo Comunitario del Austro Pakariñan**

Pakariñan is an association of associations focused on collective law composed of, communities, associations, and community organizations, which are called Community Tourism Centers (CTC) (Red de Turismo Comunitario del Austro Pakariñan, 2016).

Through these different realities, they contribute practical and important knowledge about the Ecuadorian culture, in order to find viable solutions to social problems facing the country's culture (Pakariñan: Turismo Comunitario, 2018). It is considered a second-grade entity, given that it is a non-profit organization (Carrión, Historia de Pakariñan, 2018).

## **2.2. The mission of the Red de Turismo Comunitario del Austro Pakariñan**

“Improve the quality of life and promote territorial development with the cultural identity of the communities, organizations and supporting organizations of the social and solidarity economy and those linked to the exercise of community tourism in Southern Ecuador”.

## **2.3. The vision of the Red de Turismo Comunitario del Austro Pakariñan**

“Become a benchmark for community tourism in Ecuador and Latin America through committed, supportive, strategic and efficient work”.

## **2.4. The overall objective of the Red de Turismo Comunitario del Austro Pakariñan**

The general objective presented below, has been taken from the descriptive file of the organization made in 2016.

“Promote and strengthen community tourism initiatives of communities, organizations, peoples, and nationalities from a sustainable global perspective”.

## **2.5. Specific objectives of the Red de Turismo Comunitario del Austro Pakariñan**

The specific objectives presented below were taken from the descriptive file of the organization made in 2016.

- Locate and channel human, technical, material and financial resources for the development of the community tourism sector and technical assistance to its partners.
- Establish institutional policies that guide the development of community tourism and solidarity economy.

- Generate and disseminate information that contributes to the development and positioning of community tourism at the local, regional and national level.
- Support the development of new investments that contribute to improving community tourism offer and benefits for members of Pakariñan.
- Promote and actively participate in national and international efforts to defend environment, cultural identity, intellectual and territorial property.
- Establish strategic alliances with organizations in public, private and community sectors, nationally or internationally, to support projects and/or programs that reinforce the objectives of grassroots organizations, their partners, Pakariñan and FEPTCE.
- Contribute to strengthening initiatives of the community tourism sector.
- Rescue and strengthen the cultural identity of nationalities and peoples of Ecuador.
- Promote the good living and collective welfare of communities.

## 2.6. Values of the Red de Turismo Comunitario del Austro Pakariñan

- **Excellence:** excellence is important in terms of quality, defining it as “the set of outstanding practices in the management of an organization and the achievement of results based on fundamental concepts that include: leadership and perseverance, processes and facts, continuous improvement and innovation, mutually beneficial alliances and social responsibility” (Productividad personal, 2010).
- **Ethics:** ethics can be defined as a behavior of people with criteria of responsibility, duty, and attachment to virtue; in any activity that they perform (García, 2017). Pakariñan ensures making decisions based on responsibility, honesty, and transparency (Pakariñan: Turismo Comunitario, 2018).
- **Commitment:** it is another important value for the organization, it refers to: “the ability of human beings to become aware of the importance of fulfilling the development of their work within the time stipulated for it” (ESIC Business & Marketing School, 2017). Pakariñan has a commitment to the community, its users and its collaborators (Pakariñan: Turismo Comunitario, 2018).

- **Warmth:** refers to the ability of empathy and influence in people to feel contained and loved (De significados, 2018). For Pakariñan customers are considered friends and are treated like it.
- **Solidarity:** solidarity is a value that by excellence is characterized for the collaboration that exists between individuals (Significados, 2018), and through this value, Pakariñan seeks to overcome any difficulty for its customers, users or collaborators.
- **Continuous improvement:** this value allows improving the competitiveness of the organization, through productivity in a permanent and sustainable way over the time (Progesa Lean, 2018); guided on the principle that every day can and should be better than the previous (Red de Turismo Comunitario del Austro Pakariñan, 2016).

## 2.7. Main activities of the Red de Turismo Comunitario del Austro Pakariñan

- **Consulting:** it is carried out through technical studies of facilities and tourist facilities, as well as public policies on tourism, environment and legalization processes of the (CTC).
- **Investments:** for the improvement of tourist facilities, management of community projects, agency and intermediation of tourism and craft services under the trademark of fairtrade, support for women's empowerment in the participation of assemblies, autonomy for decision-making and promotion of CTCs.
- **Training in general subjects:** on offer and tourist marketing, the legal framework of fairtrade in Ecuador, processes of legal constitution of tourist corporations, good tourism practices, environment and cultural management of tourism.
- **Important interventions:** fulfilled in training courses, which were developed from May to July of 2009; within these the elaboration of 'Program of Standardization of Services and Letter of Quality'; and the elaboration of 'Community Tourism Professionalization Training Program' (Red de Turismo Comunitario del Austro Pakariñan, 2018).

## 2.8. Developed Projects

**Table 3: List of projects developed by the Red de Turismo Comunitario del Austro Pakariñan**

<b>DEVELOPED PROJECTS</b>				
<b>PROJECT</b>	<b>COUNTRY</b>	<b>PROVINCE</b>	<b>CONTRACTOR</b>	<b>YEAR</b>
Strengthening productive capacities and exchange of handicrafts of organizations and SMEs members of the Pakariñan Network. (Development of skills and innovation of designs in the tissues of artisan women from the communities of Azuay, Saraguro, Chimborazo.)	Ecuador	Azuay, Cañar, Loja	Interamerican Foundation, International Accreditation Forum (IAF)	2015-2018
Awareness process to members of the Community, training to service providers and training to local tourism managers.	Ecuador	Cañar	National Institute of Cultural Heritage	2014
Strengthening tourist mobility and commercialization of the Community Tourism Centers of Southern Ecuador.	Ecuador	Azuay	National Institute of Popular and Solidarity Economy	2010-2012
Attainment of diagnosis and proposal of community ecotourism of the Collay protected forest and vegetation.	Ecuador	Azuay	Future Latin American Foundation	2012
Strategic Plan for Tourism canton Nabón.	Ecuador	Azuay	GAD Municipal de Nabón	2011
Integral Agroecological Production as support for food sovereignty and reduction of the pressure of the ecosystems of canton Muisne.	Ecuador	Esmeraldas	Federation of Christian Organizations of International Service and Volunteering	2010

PROJECT	COUNTRY	PROVINCE	CONTRACTOR	YEAR
Support program for the formation of the Aboriginal Community Enterprise Network oriented towards sustainable tourism.	Argentina	Salta	Inter-American Development Bank for the Association Warmi Sayajsunqo	2008

**Author:** Ana Galarza, Sofía Zúñiga

**Source:** (Red de Turismo Comunitario del Austro Pakariñan, 2018)

## **2.9. Main projects of the Red de Turismo Comunitario del Austro Pakariñan**

Across the development of different projects, social enterprises called "Pakariñan Expeditions" and "Maki FairTrade" were created, which facilitate the exchange procedures for artisan goods and tourism services counting on skills, knowledge, and aptitudes, in order to contribute the fulfillment of their objectives (Pakariñan: Turismo Comunitario, 2018).

### **2.9.1. Pakariñan Expeditions**

It is a tourism operation created in 2002 with the purpose of making and selling tourist packages. Its creation is given by the fact that the network cannot offer this type of service to be a non-profit organization based on provisions of the Article No. 4 of 'Ley y Reglamento de Turismo Comunitario' (Community Tourism Law and Regulation). The 90% of the shares belong to Pakariñan; and 10% to associations, communities, and organizations (Ochoa, Pakariñan y sus filiales, 2018). This entity seeks to achieve the good living of the communities through the revaluation of their material and immaterial heritage, expressed in their cultural manifestations and shared through tourism (Red de Turismo Comunitario del Austro Pakariñan, 2018). The logo of the Company is the same as the organization because it is managed by the same:

**Figure 29: Official logo of Pakariñan Expeditions**



**Source:** (Red de Turismo Comunitario del Austro Pakariñan, 2018)

### **Service offering**

- Community tour packages (ecotourism, adventure tourism, experiential tourism, agrotourism).
- Conventional tour packages.
- Community housing.
- Rental of camping equipment.
- Bicycle rental.
- Tourist transport (Pakariñan: Turismo Comunitario, 2018).

### **2.9.2. Maki FairTrade**

It is a company developed as a project that seeks to rescue the artisanal knowledge of women, rural and indigenous communities of Ecuadorian Austro (Red de Turismo Comunitario del Austro Pakariñan, 2018); (Carrión, Descripción de Maki, 2018). Its conceptualization and information regarding the project will be fully developed later. Its official logo is:

**Figure 30: Official logo of Maki FairTrade**



**Source:** (Red de Turismo Comunitario del Austro Pakariñan, 2018)



## 2.10. Board of Directors:

The Network is managed by a General Assembly, appointing its representatives every two years, this takes place twice a year a meeting, and extraordinary meetings in the case of any important issue, the board of directors is formed as explained in the table below:

**Table 4: Direct Board list of the Red Turismo Comunitario del Austro Pakariñan**

<b>BOARD OF DIRECTORS</b>		
President	Sandra Elizabeth Carrión Morocho.	Jima, Sigsig, Azuay.
Vicepresident	Rosa María Sisalima Corte.	El Carmen Jadán, Gualaceo, Azuay.
Secretary	Manuel Abambari Arévalo.	Machinaza, Zamora Chinchipe.
Financial coordinator	David Pasaca.	San Joaquín, Azuay.
Vocal of identity and culture	Delia Benigna Chalán Guamán.	Ñamarin, Saraguro, Loja.

**Source:** (Red de Turismo Comunitario del Austro Pakariñan, 2016)

**Author:** Ana Galarza, Sofía Zúñiga.

## 2.11. Technical team

The technical team performs a joint work with the Board of Directors and carries out activities that are based on the principles of the Organization so that they cannot make decisions without consulting the directive, their representatives are listed in the following table:

**Table 5: List of technical teams of Red de Turismo Comunitaria del Austro Pakariñan**

<b>Technical team</b>	
Director	Eric Ochoa Tocachi.
Operations management	Verónica Alexandra Cabrera Arias.
Cañarí / Kichwa culture	Cristian Pichisaca.
Tourist Administration	Eugenio Saquicela Destruge.
Accounting	María Dolores Coyago Cabrera.
Accounting assistant	Martha Patricia Coyago Cabrera.

**Source:** (Red de Turismo Comunitario del Austro Pakariñan, 2016)

**Author:** Ana Galarza, Sofía Zúñiga.

## 2.12. Members

- Asociación de Integración de Turismo Yanuncay.
- Comuna Doce de Junio.
- Asociación Machinaza.
- Centro de Servicios Ambientales, Agroartesanales y de Turismo Comunitario Aguarongo.
- Red de Turismo Comunitario Saraguro Rikuy.
- Comuna Moya Pinzhuma.
- Comité Promejoras de Parcoloma.
- Empresa Comunal de Producción y Comercialización MADT Producciones.
- Zhipta.
- Sumak Paccha (Red de Turismo Comunitario del Austro del Ecuador, 2017).

## 2.13. Communities in the southern region

Currently, the Pakariñan network has 503 families that are directly involved in the Community tourism activity, incorporated around thirty-two CTC. These centers are located in the five provinces of southern Ecuador: Azuay, Cañar, Loja, El Oro, and Zamora Chinchipe; Detailed in the following table:

**Table 6: List of Community Tourism Centers**

<b>Province</b>	<b>City – Town</b>
AZUAY	Cuenca (Operations Center)
	Huertas
	Asotury
	Kushiwaira
	Jima- Zhipta
	Chobshi
	Principal
	San Juan
Aguarongo- El Carmen	
CAÑAR	Kuya Llacata
	Ventura
	Charón- Ventanas
	Chuchucan
EL ORO	La Carbonería
	La Puntilla
	Costa Rica

Province	City – Town
LOJA	Oñakapak
	Ñamarin
	Las Lagunas
	Gera
	Sabadel
	Chamical-La Papaya
	Ilichó
ZAMORA	Tutupali
CHINCHIPE	Shaimi

**Source:** (Red de Turismo Comunitario del Austro Pakariñan, 2016)

**Author:** Ana Galarza, Sofía Zúñiga.

### 3. SWOT analysis

SWOT is the analysis of the peculiarities of an organization or company, from the internal to the external. Internally, the strengths and weaknesses of the entity are observed and determined; and externally define the threats and opportunities of the company in the market (Significados.com, 2017). The objective of the SWOT is to draw conclusions on how the object studied will be able to cope with the changes in opportunities and threats from their internal strengths and weaknesses.

- **Strengths:** these are the company special abilities that allow it to have a privileged position in front of the competition. That is, the resources that are controlled, skills and abilities that are possessed, activities that develop positively, etc.
- **Opportunities:** are those factors that are favorable and exploitable, that allow obtaining competitive advantages.
- **Weaknesses:** are those factors that cause an unfavorable position in front of the competition. That is to say, lacking resources, skills that are not possessed, and activities incorrectly managed that influence the development of internal processes of the company.
- **Threats:** are those factors that come from the external environment and could threaten the stability of the organization (Matriz FODA, 2018).

The following SWOT analysis was carried out with the network directive and with members of the communities that make up the network. They manifest a similar perspective in certain respects as well as their differences.

### **3.1. SWOT realized by authors in collaboration with Pakariñan directive**

#### **3.1.1. Strengths**

- WFTO members.
- It stands out for its essence based on the search for a common interest in the communities.
- Teamwork. Each member of the team collaborates in all activities, contributing to ideas in order to achieve posed objectives.
- Consolidated as a network.
- The curriculum vitae of the team allows to gather knowledge and propose effective projects.
- There is confidence on the part of the members.
- The Network works directly with the communities of the Austro of Ecuador.
- Community tourism pioneer.
- There is accessibility and adaptability on the part of its members and the board of directors when making decisions.
- It is an organization of a collective right.
- Rescues the cultural richness of the communities through the sale of tourism packages.
- Use of digital advertising, social networks, and website.

#### **3.1.2. Weaknesses**

- Lack of definition of roles and organizational leadership for the execution of activities.
- Lack of capital.
- Lack of long-term planning (where and to whom it is addressed).
- Waste of resources and services to offer.
- Lack of innovation in services.
- Lack of identification of communities with the Network.
- Lack of follow-up and accompaniment to communities.

- Lack of training and updating of knowledge in community tourism.

### **3.1.3. Opportunities**

- Taking advantage of strategic allies.
- The existence of the 'Law and the Regulation of Community Tourism' for the CTC, being the only one in South America.
- Ecuador's international cooperation with other countries on issues of community tourism.
- Competition as an example of better development and growth.
- Promotion of the country by the government.
- Revaluation of the cultural heritage, cultural identity and biodiversity of the country.
- Ecuador has a projection to generate a country brand as community tourism.

### **3.1.4. Threats**

- Requirements of 'Law and the Regulation of Community Tourism' for the CTC that obstruct a correct execution of community tourism.
- Contraction of the Ecuadorian economy.
- The paternalism of the communities.
- There is no agreed definition of community tourism.
- The possibility that the provider of a determined service by any cause presented, leave the network without supply.

## **3.2. SWOT realized by authors in collaboration with the communities**

### **3.2.1. Strengths**

- Low and accessible prices.
- Communities and members who fight for community tourism.
- Infrastructure and facilities for community tourism services in the communities.
- Trained staff on community tourism.
- There is an administration by a directive.
- Packages suitable for community tourism.
- Reduces the migration of community members through community tourism.
- Preserves the cultural heritage of Ecuador.

- Unify people, communities and their families.
- Increased demand by community tourism.
- Communities carry out marketing to provide a better service.
- Community tourism covers all the public; it is not discriminatory.
- Collective ideology.

### **3.2.2. Weaknesses**

- Underutilization of cultural heritage.
- Network Disorganization.
- Some members do not provide enough dedication.
- Community tourism is not always sustainable.
- Lack of marketing.
- The change of directive every two years affects new changes that are left incomplete or unfinished, which harms the correct development and execution of long-term plans.

### **3.2.3. Opportunities**

- Lands.
- Communities.
- Ecuador is the only country with the 'Community Tourism Law and Regulation' of South America.
- There is a greater demand for services.
- UNDP foreign investment.

### **3.2.4. Threats**

- The rise of prices in supplies.
- Direct competition is business tourism.
- The government does not invest in communities or community tourism.
- As community tourism does not have a higher profitability, it causes members to migrate to the city in search of work.
- When the US dollar leaves the country, it affects the economy, with its rise or fall; being a volatile and weak element to the Ecuadorian economy.
- Economic crisis.

- Political authorities do not fulfill their work plans.
- There are no public policies that benefit the communities.

#### 4. CAME analysis

CAME analysis, comes from the initials correct, adapt, maintain and explore and is a supplementary method to the SWOT analysis, defining actions to take, based on the results obtained previously in the SWOT matrix (Bernal, 2016). This analysis has four strategies for the development of actions to be taken, these are:

- **Survival strategies to cope with threats:** it seeks to eliminate the negative aspects that can end up harming the organization or company, highlighting the actions that are focused on facing the threats, preventing the current situation could worsen turning threats into weaknesses.
- **Defensive strategies to maintain strengths:** it seeks to take measures that prevent loss of strengths, maintaining the strengths and strengthening them, so that they continue to be a competitive advantage in the future.
- **Positioning attack strategies to exploit opportunities:** it seeks to create strategies for planning actions, in order to convert opportunities into future strengths, and can improve the current situation of the organization or company.
- **Reorientation strategies to correct the weaknesses:** it seeks to eliminate weaknesses, applying measures that transform the situation from negative to positive, creating new strengths (Bernal, 2016).

##### 4.1. Survival strategies to cope with threats

###### 4.1.1. Threat: the contraction of the Ecuadorian economy

The movement of the economy can affect companies positively or negatively. The lack of productive reactivation and changes of authorities in the Ministry of Economy and Finance, considerably affect the Ecuadorian economic sector. Therefore, organizations must assimilate the political, legal and economic changes of the country in the hope of having laws/rules that help attract foreign exchange, the creation of new sources of employment, support of dollarization and increase in tax collection. Likewise, the country's economy requires a set of measures to face the slowdown given by the decrease in public investment and current expenditure, which is expected to improve through laws

that promote productivity. To minimize the consequences of economic instability it is necessary:

- To promote the internal credit of private and public banks.
- To maintain a guarantee fund.
- Authorities should opt for taking quick and decisive actions to address the vulnerabilities of the Ecuadorian economy.
- As a preventive action, organizations must maintain sales without increasing prices or direct costs since, as the economy slows down, demand may fall, and sales will be difficult (Redacción Economía, 2018).

#### **4.1.2. Threat: paternalism of the communities**

Paternalism argues that the application of any traditional activity for tourism purposes, is aimed at promoting and protecting the individual welfare of others, representing the use of power, which influences cultural practices, customs, and knowledge. This well-being can be threatened by the individuals themselves, in this case, the Ecuadorian communities, which are not constituted by individuals who are unable to know what they want or what they need. However, if the communities come into contact with the business or industrial environment, their social circumstances can be radically modified, as this means tries to render them incapable of representing their interests.

For this reason, communities try to protect themselves from globalized social influences to maintain their beliefs, However, this protection can become extreme, damaging traditional commercial practices that help maintain these communities. It is important to take into account the following points to consider these influences as positive and avoid paternalism:

- Training in the application of new methodologies, which are fruitful for the artisanal development of the communities.
- Influence of administrative practices, so that communities can use new organizational techniques in their craft practices.
- Promote ancestral practices so that they know their importance and essence, without the need of inserting industrial methods (Alemany García, 2005).



#### **4.1.3. Threat: possibility that the provider of a determined service, by any cause presented leaves the network without supply**

The presence of suppliers is important for the development of any organization since the raw materials are necessary for the production and supply of goods for the customers. Nevertheless, if one of the organization's major service providers came to a state of bankruptcy, the organization should look for another supplier to replace the required supply. It is important to take into account certain features when selecting a new provider, such as:

- **Confiability:** it is a key factor, since, if the supplier is efficient and trustworthy, the supply of raw material or service will be delivered in the established time, required quantities and good conditions.
- **Backup systems and delivery resources:** which provide even more reliability to the supplier (Entrepreneur, 2018).

#### **4.1.4. Threat: price increases in inputs**

The volatility and instability of international markets have great influences on different manufacturing organizations. From the rising costs of raw materials and unforeseen obstacles that destabilize supply chains and make it difficult for merchants to continue obtaining good positive financial results. If they have greater difficulty to ensure the supply of raw materials, it is possible that the sensitivity of the prices of these materials is a timeless aspect and it is left to the workers the decision to absorb the additional costs or apply other ways to limit spending or exceed the price increases to their customers, although these are often resistant to spending (Gorin, 2018). The following aspects are considered to overcome the increase in prices of inputs:

- Traders must move away from the current linear economy.
- The collaboration of suppliers with customers can help keep the products offered, as well as their components and materials, in circulation.
- Establish new economic models that provide greater value to the supply chain.
- Apply preventive actions to increase the price of inputs through an evaluation with a long-term temporary forecast (Gorin, 2018).

#### **4.1.5. Threat: direct competition is business tourism**

Tourism is presented as a basic and easy option for development, as it depends mostly on existing resources such as traditions, people, landscapes or history. Therefore, it does not require large capital investments for its start. As tourism becomes more generalized, travelers have diversified their interests and become more demanding regarding the quality of the experience, such as looking at preserved natural environments and experiences of contact with cultural diversity. Therefore, community tourism presents a different vision of business tourism, where it shows both tourists and nationals the importance of maintaining ancestral practices and cultural customs of Ecuadorian communities. Pakariñan offers this vision to its members and tourists, for the valuation of ancestral practices and continue maintaining them over time (Santana Talavera, Rodríguez Darias, & Díaz Rodríguez, 2012). The following strategies must be applied so that the organization can face its competition:

- Promote community tourism, as the best alternative for tourism, highlighting its importance and value. By capturing the attention of potential tourists, they will feel committed to protecting this type of artisanal tourism.
- Apply new marketing techniques, such as storytelling, where tourists can tell their experiences and encourage their application. This type of experiential marketing will allow potential tourists to feel more connected to experiences and emotions, having the need to live them for themselves.
- Applies innovative ideas, taking into account the importance of community tourism keeping its roots intact, but they can use new ideas to apply traditional activities, offering tourists novel activities; doing something different, that is useful and covers a need will maintain its positioning (Ramos, 2017).

#### **4.1.6. Threat: government does not invest in communities or community tourism**

After 25 years of joint work and effort by the Ecuadorian communities, the State gave recognition to community tourism with the creation of the Tourism Law and the rights of indigenous communities, peasants, montubios, Afro-descendants, and nationalities; as stated in Chapter II, Article 12, of tourist activities and of those who exercise them, it expresses that:

When organized and trained local communities wish to provide tourist services, All the necessary facilities for the development of these activities will be received from the Ministry of Tourism or its delegates, in equal conditions, those that will not have exclusivity of operation in the place where they render their services and will be subject to the provisions of this Law and the respective regulations (Villamil Gualinga, 2013, p. 94).

With the creation of MINTUR and FEPTCE, tourism began to gain strength and importance, becoming today a niche market and generator of employment sources and economic income for the country (Villamar Peñaherrera, 2016). However, despite the evolution and the passage of time, an update of the law has not been developed, which supports the present needs of the communities (Villamil Gualinga, 2013). Therefore, it is important to apply the points below:

- The teamwork of the communities, through the formation of networks or guilds of the same sector or activity.
- Creation of community tourism projects, through the community associations.
- Promote communities not as a vulnerable entity, but as an opportunity to promote Ecuadorian tourism through community tourism activities.
- With the promotion, the history should be made known, how the communities began to work in favor of community tourism, which makes them different, samples of their work so that the government analyzes the factors and the viability to invest in the proposed projects.

**4.1.7. Threat: the US dollar leaves the country, affecting the Ecuadorian economy, with its rise or fall; being a volatile and weak element**

Financial inconsistency in reference to dollarization is aimed at debtors, who depend on different activities to obtain their income. An economy that does not have credit alternatives, exposes these actors to insolvency in the event of a considerable devaluation of the dollar. Consequently, recommendations to avoid or mitigate risk behaviors are:

- **Establish partial insurance:** in which medium or maximum amounts of the organization are fixed and secured, in order that if a devaluation scenario occurs; it will be protected by insurance.
- **Create a bank fund:** savings through a banking entity will allow the organization to have funds to support itself if it is affected by a monetary devaluation; in addition, this savings can be paid for a premium, providing another benefit (LICANDRO & LICANDRO, 2003).

#### **4.1.8. Threat: there are no benefit policies for communities**

Ecuadorian policies in support of community tourism and its sustainable development are described in the Tourism Law. However due to the deficit of a constitutional basis that promotes community tourism, MINTUR decided to propose the Strategic Plan for the development of sustainable tourism for Ecuador 2020 (PLANDETUR), as a plan that complements institutions, civil society, politics, among others, to boost tourism in the next thirteen years (Mendoza Ramos, 2016). (Mendoza Ramos, 2016).

Based on Article 4 in Chapter IV of the Tourism Law, despite recognizing community tourism's objectives, its definition does not support its operations. There is no incentive for community tourism as a new form of tourism for nationals; considering it important to promote the identity and appreciation of Ecuador's cultural wealth (Mendoza Ramos, 2016). It is expected that MINTUR, through its objectives developed in its PLANDETUR project, will continue to promote international and national demand for the creation of new policies that support community tourism activities, promoting their correct use and protection (Mendoza Ramos, 2016). For this, the communities must:

- Teamwork of the communities so that their work is not dispersed, uniting a single force.
- Develop projects starting from city to city where the communities live, so that the support of municipal GADs can be achieved to meet the needs of the communities, in terms of creating new policies that support their productive activities.
- Present new innovative plans to entities that have created projects in favor of the communities for their support in the execution of these.

## 4.2. Defensive strategies to maintain strengths

### 4.2.1. Strength: member of WFTO

The benefits of belonging to the WFTO have been mentioned previously (See page 38)

### 4.2.2. Strength: teamwork

It is a way of working where all the employees or members of the organization are responsible for the fulfillment of their objectives both in the short and long term; resulting in the most assertive way to achieve it. The objectives are developed efficiently, talent is retained, and a comfortable work environment is fostered. In order to maintain teamwork, it is important to apply the following strategies:

- **Build a trustworthy environment:** trust is an essential element in teamwork, as it fosters an environment where all participants know the skills of their peers, understand their roles and know how to help.
- **Establish common objectives:** allows employees of an organization to pursue the same goals; It is important that everyone has knowledge of the mission of the organization, defining a function to each member in order to fulfill it.
- **Create a sense of belonging:** by nature, humans need to feel part of something. The creation of work teams is a more effective factor in the development of common identity; values are set, and members are aware that their work is important within the team.
- **Involve members in decision making:** it is recommended to promote the generation of ideas so that members or employees can share their opinion on one or more topics. This is a form of feedback, which allows you to apply or implement a change or a strategy.
- **There must be an understanding between the parties:** it is very easy to criticize or underestimate the work of others when one does not know or has not executed it. To create empathy among workers, rotational exercises must be carried out between areas. So, each member will know what the other's work is and how he can contribute to doing it better, working with synergy.
- **Motivate responsibility and mutual commitment:** members must take into account that achievements and failures are everyone's responsibility.

- **Encourage communication:** there must be adequate communication channels for members to work in coordination. The real work teams are fed back, listening to each other, as well as being willing to change their minds accepting others and creating strategies together.
- **Take advantage of diversity:** when you work with a uniform team, you work efficiently but there is no innovation. The conformation of a diverse team with different personalities is appropriate, as long as they respect the values of the organization.
- **Celebrate group successes:** it is important to thank and congratulate the members of the organization for fulfilling a group achievement, without disfavoring the contribution of each one.
- **Being a leader:** all work teams need to have a leader to guide and join personal efforts. It is important that you get involved in decisions, ideas, and opinions; coordinating and controlling the functions that each member must perform (Gómez Pereira, 2018).

#### **4.2.3. Strength: the network works directly with the communities of the Ecuadorian Austro**

Latin America considers that Ecuador is a pioneer country in offering community tourism, through the quantitative and qualitative influence that the activity offers. This allows foreign and national tourists to have unique experiences. Community tourism will continue to be strengthened and materialized in several strategies focused on:

- Carry out socio-economic, cultural promotions, self-management of communities with an environmental focus.
- Encourage communities to venture into tourist activities.
- Develop new proposals for the community tourism to evolve and its practices will be maintained.
- Focus on working with the communities of the Ecuadorian Austro in order that the community tourism continues to take relevance nationally and internationally (Villamar Peñaherrera, 2016).

#### 4.2.4. Strength: an organization of collective law and ideology

Small producers who work independently do not have the opportunity to bargain collectively since they are self-employed or have poorly defined employment relationships. Through the work of the organizations, these workers have the possibility of joining and expanding into new market niches, improving their economic and social situation (Bonner, 2017). To achieve successful collective work, it is important to take into account the following points:

- **Identify potential partners for negotiation:** an essential component in any successful negotiation is the identification of alliances to make decisions regarding their target market; facing the daily challenges of work together.
- **Negotiations are adaptable:** collective work means that all members should collaborate and propose solutions when the negotiation does not meet expectations, whether due to an internal or external situation. Members or workers can count on training to manage the situation, guaranteeing trading platforms and commercial agreements.
- **Be responsible:** the principles of responsibility and representation are essential when carrying out collective work. The group must be made up of leaders (Bonner, 2017).

#### 4.2.5. Strength: use of digital advertising, social networking, and website

The difference between the use of traditional advertising and Internet advertising is that the latter is increasingly accessible to all businesses; allowing companies to reach their target audience directly in a fast, simple and efficient way. In order to apply effective digital advertising, it is necessary to take into consideration the following:

- **Search engine advertising:** it is one of the most common methods of making digital advertising, through Search Engine Marketing (SEM), like Google. This one has a sponsored advertising method called Google AdWords. The main advantage of this service is that it allows improving the positioning of a page or website, announcing the products, services or contents; which will be shown in a relevant way and internet users will be able to find them more easily.
- **Advertising in social networks:** these are used more frequently by users and is an important way to reach the target audience directly, allowing the advertisement

to reach the desired user directly. Can be promoted on platforms such as Facebook, Twitter, Instagram, LinkedIn or YouTube; among others (Parera, 2017).

#### **4.2.6. Strength: prices are accessible and low**

Accessible and low prices are given when the sales are distributed evenly over time. This allows better planning of manufacturing and logistics, resulting in lower costs for the organization, providing savings to the distributor and maintaining savings margins for its customers. The advantages of this price strategy are:

- Reduce operating costs: reduced service and lower warehouse costs.
- Achieve customer loyalty, avoiding the war of promotions.
- Improve the management of inventories, avoiding excess stocks.
- Improve the perception of quality and value over prices with heavy discounts (Orozco, 2003).

#### **4.2.7. Strength: decreases the migration abroad of community members through community tourism**

Migration is a phenomenon that has affected the Ecuadorian rural sector with the loss of labor necessary for traditional practices and affecting their economy. However, new doors have been opened, such as the support of community tourism organizations whose purpose is to prevent migration to urban areas outside or inside the country; these allow to promote and maintain those practices (Andrade Palacios, 2007). This incentive must be continued through:

- Promotion and valorization, through public policies for community tourism.
- Support for community tourism, considering that respect for community tourism is important for the maintenance of this strength.

#### **4.2.8. Strength: preserves Ecuador's cultural heritage and unify communities and their families**

Today the tourism sector faces a challenge, contributing to the identification and protection of cultural heritage. The promotion of responsible use of this heritage for tourism purposes will generate jobs, help reduce poverty, cultivate a feeling of belonging



and pride with the cultural traditions of the communities. This incentive to the conservation and potentializing of cultural heritage must be managed as follows:

- It must be focused in the long term, staying in a globalized environment.
- Make alliances between the communities with tourism agents, who contribute their skills and allow their union.
- Promote a joint work to build a future based on their shared interests of cultural and natural principles.
- Promote Ecuadorian heritage values and their importance (Organización Mundial de Turismo (OMT), 2012).

#### **4.2.9. Strength: increases demand by community tourism**

Traditions and cultural practices have become an attraction for tourists in their travels, this is because they seek the encounter with new cultures and the opportunity to live new experiences enjoying the cultural diversity of performing arts, crafts, the rituals, the gastronomy and the interpretations of nature and the universe. So, the growth of the organization will allow more tourists to connect with the Ecuadorian communities and their ancestral traditions (Organización Mundial de Turismo (OMT), 2012). Community tourism organizations must be supplied and prepared to meet the demand, with the following strategies:

- Establish communication channels, which will be used to manage and direct communication with the consumer; showing potential tourists the experiences contained in the packages, prices, general indications, capacity, time, among others.
- Carry out a study of consumer behavior, it can be the person who buys or uses a service, so that they know what they are going to do, what they want, what they need, what they would buy, what wish they are not satisfied with.
- Carry out an annual, semi-annual or quarterly planning so that the organizations cover all the necessary aspects to meet their demand.

#### **4.2.10. Strength: community tourism embraces all public; it is not discriminatory**

The implementation of a non-discriminatory policy by the organization must begin with the establishment of an organizational philosophy, which contains values, mission, vision, and its objectives, determining not accepted behavior (discriminatory or racist). Within the organization, there will be a better work environment, emotional and physical health on the part of its members; demonstrating that the organization is not only focused on economic development but on its members and communities (Del Real, 2018). For a work environment free of discrimination, in community tourism organizations, the following strategies must be applied:

- Avoid the use of discriminatory language, both to the members of the communities and to the collaborators of the organization.
- Establish an equal salary, so that there is no preference for the social, economic situation, etc.
- Policies within the organization in which any type of discrimination is totally rejected.
- Training on discrimination for members and workers (InfoJobs, 2018).

#### **4.3. Positioning attack strategies to exploit opportunities**

##### **4.3.1. Opportunity: enjoy strategic allies**

Establishing a strategic alliance is an effective way to increase visibility and reach a greater number of potential customers. Through it, trust and credibility can be developed quickly, with the support of a third party. These are the steps for the implementation of the process of creating strategic alliances:

- **Define the strategic needs:** it can be the strengthening of the brand image, with the cooperation of the alliance that wishes to establish.
- **Identify potential allies:** those that do not represent direct competition for the organization but are directed to the same target market and have the same needs.
- **Approach to potential allies:** focus on strengthening the aspects and needs that are in common.

- **Define common needs and expectations:** it is important that there is the same interest, to invest money and time with people trained in a project.
- **Maintain the established relationship:** periodic reviews of the processes with the partner are necessary to evaluate the expected results of each plan that has been executed and checking that the responsibilities are being met (Gómez, 2013).

#### 4.3.2. Opportunity: reopening of international cooperation with Ecuador

It is considered that in the present decade there is greater recognition of community tourism, and that it can contribute to sustainable development and benefit the indigenous population that is living in poverty. The International Tourism Organization (ILO) says that: "The new global tourism flows developed in the last two decades have resulted in an increasing number of tourism projects in indigenous or rural communities, through the promotion of external agents such as NGOs, private companies, public institutions, and international cooperation " (Medina Herrera , 2011, p. 26). Different types of international cooperation are considered that can help with project development:

- **Technical cooperation:** refers to the transmission of knowledge, skills, and experiences in order to contribute to the strengthening of the capabilities, technological advancement, and training of the beneficiary's human resources, among others.
- **Non-reimbursable financial cooperation:** this cooperation determines financial resources without requesting reimbursement of these.
- **Reimbursable financial cooperation:** also called soft loans is one that provides support to developing countries through the facilitation of low-interest loans, grace periods and long payment terms.
- **Cultural cooperation:** it is the aid destined to the activities in some cultural areas, by means of delivery of equipment, donations of material, training or exchanges.
- **Cooperation in food assistance:** its purpose is "to promote self-sufficiency and guarantee the food security of the target community" (Osorio Cifuentes, 2017).

#### **4.3.3. Opportunity: promotion of the country by the government and revaluation of the country's cultural heritage, such as its cultural identity and biodiversity**

The development of programs by the government for the protection of cultural identity is essential for the support of community tourism activities. The following points apply:

- Creation of projects such as: 'The Development and Cultural Diversity Program for the reduction of poverty and social inclusion' (PDC), which aims to promote the valorization of culture, inclusion, intercultural dialogue; as well as eliminate the discrimination gaps in the practice of rights that affect the population for cultural or ethnic reasons aspects that affect the situation of poverty.
- Seek support from National Government funds, such as the collaboration of the Spanish Government with its non-reimbursable funds for the implementation of the 'Achievement of the Millennium Development Goals'.
- Provide support to productive cultural enterprises in sectors that highlight their cultural diversity with the aim of revitalizing their culture, recovering practices, and ancestral products. This will generate sustainable livelihoods for the peoples and nationalities involved as long as they are friendly to the environment.
- Establish relations with institutions such as the Ministry of Agriculture, INIAP, provincial governments, and others; allowing to improve the viability of the ventures (Ministerio de Cultura y Patrimonio, 2018).

#### **4.3.4. Opportunity: foreign investment as UNDP**

Regarding foreign investment, the Ecuadorian Government approved a law that, for a period of twenty years, exempts the payment of income tax and allows for the reimbursement of other taxes; as a guarantee to foreign investors and tourists that promote sustainable tourism (HGV, 2018).

The presence of the United Nations Development Program (UNDP) for foreign direct investment (FDI) is taken into account since this program works in conjunction with the SDGs, providing assistance to projects that need financing in order to reduce the poverty. This ensures that funding is essential for the plans to continue to develop, taking into account that internal resources must be complemented with external assistance and debt relief. UNDP supports donors to increase aid and technical cooperation in developing countries, in order to accelerate progress towards the SDGs; it also helps recipient

governments to improve their management of national aid, ensuring good coordination and monitoring support mechanisms, by this way they seek to make aid more effective, which is a responsibility shared by donor and receivers countries (PNUD, 2018).

#### **4.4. Reorientation strategies to correct weaknesses**

##### **4.4.1. Weakness: lack of definition of roles and leadership for the execution of activities**

When assuming a role, an individual has the responsibility of achieving objectives according to certain functions and capabilities. Establishing roles and assigning a responsible person to each action defined for security planning is a key aspect for the correct functioning of the information within an organization. In this way, it is sought to ensure that there is a clear picture regarding the execution of these activities. The responsibilities determined for each role will depend on the goals established for the different activities of the organization. To choose a responsible person appropriately, the following points are considered:

- Determine the necessary roles for each area of the organization.
- Establish the functions that must be fulfilled by the person who will be in charge of a role.
- Establishment of profiles and responsibilities necessary for the fulfillment of the functions.
- Assign the person that meets the necessary profile of the role.
- Establish necessary measures to implement and control all the activities carried out by the person in charge of a role, verifying that it fulfills its functions and there will be a more organized control (Ministerio de Tecnologías de la Información y Comunicaciones (MINTIC), 2016).

##### **4.4.2. Weakness: lack of capital**

The importance of capital can be seen in the following aspects: it helps avoid liquidity problems that result in the suspension of payments or the suspension of commercial activities of the organization; and in the business growth phase, the entities increase their sales, so they cannot sustain their development without financing the current assets

(López Salazar, Contreras Soto, & Martínez Rojas, 2008). It is essential to maintain working capital and avoid its deficit with the following procedures:

- **Against Bartering:** without the need to disburse cash, an exchange of services or products is offered with other companies or organizations, in order to generate collaboration, such as the promotion of products or services and also of the exchange entity.
- **Credit Union:** the objective is to serve members of the Credit Union without the need for profit. Because of this, their interest rates are more attractive than those of commercial banking.
- **Partial purchase:** an external company buys part of the shares of the business.
- **Ownership share plans for employees:** it is possible to sell shares directly to your employees; thus, it enters capital into the business in exchange by converting them into partners (Entrepreneur, 2007).
- **Banking Credit:** for other small and medium-sized companies or organizations, other types of terms, payment periods and interest rates are offered. Therefore, the National Financial Corporation (CFN) can be considered as a bank credit option. It offers to finance from \$ 50,000 to \$ 25 million. The requirements to apply for a loan in it are similar to private financial entities (Zapata Mora, 2018).

#### **4.4.3. Weakness: lack of long-term planning**

In long-term planning, an analysis of future scenarios is carried out to improve the situation of the company or the organization in the market. The steps for long-term planning are:

- Determine the objectives of the company for long term performance. This must be realistic based on your current situation and what is expected from the future, taking into account the emotional, cultural aspects of the organization.
- Carry out an internal analysis of the strengths of the organization and those that suppose a limitation for it.
- Carry out an external analysis of the reality of the market, consumption habits and their evolution, and the situation of the competition.

- Design a strategic management process with which it is possible to achieve the projected goals. In addition, it clearly determines what needs to be done and how to do it.
- Establish the estimated period of time for the organization to achieve the expected evolution.
- Set the necessary budget for the fulfillment of the objectives determined by the organization (Redacció M4F, 2017).

#### **4.4.4. Weakness: waste of resources (products) and services to offer**

The products or services of an organization are important for the development of this; It is necessary to apply strategies for the use of resources, referring to products, such as:

- Add new attributes to the product, without affecting its traditional characteristics; for example, new packaging or presentation of it.
- Launch a new brand aimed at another type of market, for example, one of greater or lesser purchasing power.
- Add new services to the client, they can be those that provide greater comfort or satisfaction, for example, include home delivery, new guarantees, new payment facilities, advice on purchase, among others.
- Have well-defined policies on customer service.
- Create good customer management.
- Train staff on customer service constantly.
- Perform regular and fixed surveys to measure the level of customer satisfaction.
- Promote products and emphasize their ancestral characteristics (Smart Up: PYME, Marketing, and Social Media., 2016).

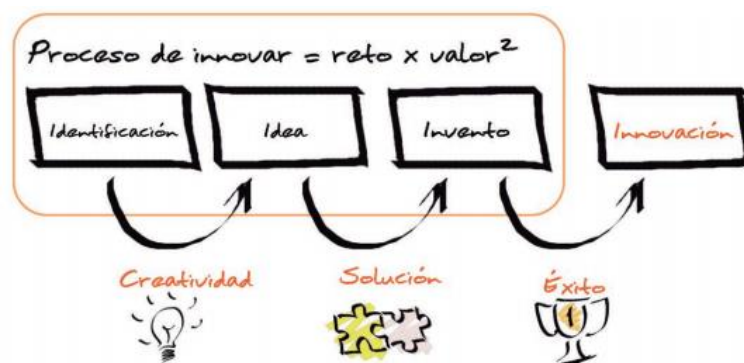
#### **4.4.5. Weakness: lack of innovation in services**

Companies and organizations are immersed in periods of profound changes, due to globalization, technological advances, social changes, among others. The ability to evolve and adapt to these changes are key to the existence of organizations. Innovation within an organization is considered important for the following reasons:

- The competitive environment of a company must be flexible, innovative, fast and efficient.
- The future of a company or organization depends on its sustained and systematic ability to innovate.
- Basing innovation on the needs of the client, in order to have a systematic innovation.
- Innovation brings benefits such as profitability, capabilities and is attractive, making the organization more competitive ( Bayó & Camps, 2015).

The innovation process is given by identified challenges, generating ideas and applying creative techniques to select the best ones. Then, the most appropriate concepts are validated, materializing them in new solutions applied to a product, service or a process. This process can be observed in the best way in the following illustration:

**Figure 31: Innovation process**



**Source:** ( Bayó & Camps, 2015)

**Innovation process = challenge x value<sup>2</sup>**  
**Identification → Idea → Invent = INNOVATION**  
**Creativity → Solution → Success**

#### **4.4.6. Weakness: lack of identification of communities with the Network**

The support of the communities is fundamental for the community tourism projects to be successful and it is necessary to involve them in the planning phases. Since, when a community feels committed and possesses knowledge of the procedures, they originate responsible management of the functions. There is a high probability that they will use resources more carefully and that they will support responsible community tourism practices. Ideally, the technical team should get involved with the communities to create a working group that helps develop a tourism plan where they can benefit and meet their



objectives; by giving a function to the communities and taking into account their opinions and contributions, you will feel more representative within the organization (Administración Nacional Oceánica y Atmosférica (NOAA), 2006). By this way, you can see in the following table the working group in conjunction with the communities:

**Figure 32: Teamwork**



**Source:** (Administración Nacional Oceánica y Atmosférica (NOAA), 2006)

#### **4.4.7. Weakness: lack of training and updating of knowledge in community tourism**

It is necessary to apply projects where training is provided to the members and collaborators of the organization, most of them are proposed by MINTUR as the K002 MINTUR-National Program for tourism excellence; which formulated training and tourism training through the participation and involvement of the public, private and academic sectors. Within these projects, assistance is provided to CTC working jointly with FEPTCE to define activities and components that should be part of the technical assistance to community tourism ventures nationwide (MINTUR - Ministerio de Turismo, 2017).

#### **4.4.8. Weakness: some members do not contribute all their dedication in their functions**

If an organization needs to develop representativeness within society, it requires time, dedication and perseverance on the part of its members and representatives. The work of these is an important contribution to the advancement of the organization and its value (Pirraglia, 2018). As stated by the academic director of the Business Training Unit of

Ases: "The commitment carries an added value that the simple responsibility of fulfilling implies carrying out successfully what is entrusted and exceeding the expectations of a job or task assigned" (Guevara, 2015, para. 9). Through the commitment to the designated activities, both the board of directors and the members of the organization will be able to fully meet their objectives. Quality time must be dedicated, forming a structure and planning to the Network. Every hour dedicated to it must have a purpose, such as the application of growth strategies focused on customers, products, finances, personnel, among others (AsoPymes, 2011). Then all the dedication to the Network is destined, taking into account two important rules:

- **Useful activities for the organization:** they are focused on achieving an objective, moving towards a goal, strategies and resource planning.
- **Value-added activities:** activities that have to take place in the organization and that can only be developed by its directors, so it is necessary to concentrate on the development of these (AsoPymes, 2011).

#### **4.4.9. Weakness: community tourism is not always sustainable**

Bringing sustainable community tourism from theory to practice requires the assistance and consolidation of networks, such as the Pakariñan Network; in addition, you must apply the strategies below:

- The participation and collaboration of public and private actors, who are involved in Ecuadorian tourism activities, are necessary for the active contribution of community tourism to sustainable development.
- Be based on efficient cooperation and association techniques, both locally and internationally, with the aim that tourism can be a sustainable activity.
- It is necessary to adapt and practice ethical codes and sustainability guidelines for industry, tourists, governments and local authorities, aimed at reinforcing the commitment to sustainability. These codes are the expression of the commitment between the different actors that intervene in the tourist activity with the communities.
- Advances in the sustainability of tourism and the generation of responsible tourism products will depend on the transfer of innovation and the exchange of

experiences and knowledge, enriching the local vision with the perspectives of other solutions in the world, adapting their traditional practices to a new system (Global Sustainable Tourism Council, 2015).

#### **4.4.10. Weakness: lack of marketing**

The ideal for any organization or company is to create a marketing plan with a term of one year to be able to update it each subsequent year. The absence of one can bring problems in the development and fulfillment of the functions of the organization. This plan is designed to identify new opportunities for the Network, which will allow it to grow and expand. The organization will be more reactive than proactive and will miss the largest revenue opportunities. A marketing plan describes the responsibilities of management, executives and employees. The plan creates the focus, structure, and cohesion between the different roles (Root III, 2018). It is necessary to apply the following steps to establish an effective marketing plan:

- Define why a customer should use the services and products of the organization.
- Identify target audience
- Identify competitors
- Define marketing objectives
- Development of strategies
- Control (Cámara de Comercio de Medellín para Antioquía., 2018).

## **MAKI FAIRTRADE**

### **1. History and creation**

The history of Maki FairTrade has developed thanks to the support of the technical team director Eric Ochoa. Maki FairTrade is an initiative of the Red de Turismo Comunitario del Austro Pakariñan, created at the end of 2014 with the purpose of rescuing ancestral knowledge through a wide range of handicraft products that are produced, exhibited and sold at a fair price. The word Maki means 'hand' in Kichwa, an ancestral language of the Andean people. The crafts were initially offered in the communities when there were tourists for the use of community tourism packages offered by the network; however, the sale of these was not totally representative. The Network takes the decision to promote the direct sale of these handicrafts, through a company dedicated 100% to the sale of

handicrafts considered as cultural heritage, under the principles of Fair Trade. The company would be dedicated to helping artisans obtain a second income, as well as access to training in order to improve the quality of production, personal development, and other issues (Ochoa, Historia de Maki, 2018).

The director of Maki mentions that these events happened while he was studying in Argentina and his father Dr. William Ochoa, who at that time was the director of Pakariñan, wrote him the following: "we want to do a project and we want to work with the craftswomen because we have crafts, but they are not selling at all, only when tourists arrive, but there are no tourists every day". Eric decided to carry out an analysis in order to investigate why the crafts were not being sold in large quantities and how they could help the community to change the results, so, with the whole team, they conclude that the crafts were being sold at relatively low prices; for example in the case of straw hats, artisans received up to \$ 10 for one and if the same hat was offered by another person in the city, it was sold up to \$ 100, meaning a disadvantage for the artisan who gains a low profit. This disadvantage is given by the chain of intermediation that exists between the artisan and the final seller of that craft, and Maki FairTrade decides to adapt the chain to a Fair-Trade system that does not disadvantage the producer (Ibid).

In 2014, the project was presented to the Inter-American Foundation (IAF), which allocates donations of financial resources for the generation and financing of projects of companies or non-governmental organizations in Latin America and the Caribbean (Fundación Interamericana, 2018); however, in August of the same year, Dr. William Ochoa died and there was still no affirmative response from the foundation. Four months later Eric returns to Ecuador assessing the customs of his country, traditions and the potential that can be obtained from the communities with which the network worked. After his return and without news of the IAF, it was decided to invest \$400 of Pakariñan so that Maki FairTrade established itself as an autonomous company with its own craft shop; the team visited six communities that made handicrafts, of which three became part of this dream, promising to offer their crafts in the store (Ibid).

This initial investment was used to buy the necessary materials such as paintings and wood that would be the first bases for what is now the Maki FairTrade craft store. On December 8, 2014, the store opened after three weeks of work. Two days before its opening, the representative of the IAF arrived in Ecuador, who made the corresponding

protocol of recognition of the network, to analyze if it was feasible or not to finance this idea, which had been already materialized. By December 2015, Pakariñan signed an agreement with the IAF, receiving a first funding contribution of \$ 2,000 for Maki FairTrade, which should be invested over three years for the realization of training workshops for artisans and the work team, which has allowed the growth and development of the brand and the company (Ochoa, Historia de Maki, 2018).

## **2. Description**

It is a limited company that seeks to rescue ancestral knowledge through the elaboration and commercialization of handicrafts of women, rural and indigenous communities of the South of Ecuador. Maki forms a team of about 136 artisans, but only 107 are active members.

The mission, vision, and objectives of Maki presented below, were made by the company with the collaboration of the authors (Annex 6).

### **2.1. Mission made by the authors in collaboration with Maki FairTrade**

We are a community company that produces and markets representative crafts from the Ecuadorian Austro, which seeks economic, cultural and social development of the communities through the revaluation and rescue of ancestral knowledge under the principles of Fair Trade.

### **2.2. Vision made by the authors in collaboration with Maki FairTrade**

Be a consolidated Fair-Trade brand in Latin America, merging identity with market trends in five years.

### **2.3. General objective**

Strengthen the integral development of the organizations and communities of Austro of Ecuador through the sale and commercialization of quality and competitive handicrafts.

### **2.4. Specific objectives**

- Generate and execute a plan of training and continuous learning that allows an integral development to the organizations and communities through the empowerment of artisans.

- Promote international cooperation that allows the link with new markets and at the same time a disruptive growth
- Rescue the heritage of ancestral knowledge.
- Improve and innovate the techniques of dying, designs, and production of crafts aligned with market trends.

## 2.5. Values

Maki FairTrade is part of Pakariñan, so being its mother organization, Maki is based on the same values of the network.

## 2.6. Products offered

- Coats, ponchos, scarves, macanas, handbags, and others, in sheep's wool, cotton, silk, and alpaca.
- Leather accessories and handmade jewelry; that is, necklaces, bracelets, handles, key rings, etc.
- Wooden ornaments and souvenirs, such as tables, collection pieces, and key rings.
- Straw hats, handbags, and purses in a straw shawl, wheat stem, and barley (Pakariñan: Turismo Comunitario, 2018).

## 2.7. The technical team of Maki FairTrade

**Table 7: List of technical equipment Maki FairTrade**

<b>Technical team</b>	
Technical director	Eric Ochoa Tocachi
Operations management	Lupe Coyago
Network management	Omar Hidalgo
Network management assistant	Rafael Barrios
Accounting management	María Dolores Coyago Cabrera
Accounting assistant	Martha Patricia Coyago Cabrera

**Source:** (Ochoa, Historia de Maki, 2018)

**Authors:** Ana Galarza, Sofía Zúñiga.

### **3. SWOT of Maki FairTrade**

The SWOT analysis below was conducted with the Maki FairTrade technical team and some artisans. Each one shows an equal perspective in certain cases, as well as their differences.

#### **3.1. SWOT carried out by the authors in collaboration with the technical team of Maki FairTrade**

##### **3.1.1. Strengths**

- Benefits of Pakariñan to be part of the WFTO.
- Artisans as members of Maki and Pakariñan.
- Work based on Fair Trade.
- Infrastructure.
- Possession of the Maki FairTrade brand.
- It is located in the center of the city of Cuenca.
- Flexible and adaptable staff to work in any situation, oriented to solutions.
- Quality Products.
- Prices accessible to the client.
- Fair payment to artisans.
- Use of digital advertising, social networks, and web page.
- Staff trained through training received on issues of Fair Trade, empowerment and more.

##### **3.1.2. Weaknesses**

- Lack of economic resources.
- Lack of strategic planning for orders and product distribution.
- Lack of national and international market segmentation.
- Lack of advertising and marketing.
- Lack of interior design of the store.
- Lack of visibility of the products by the facade of the store.
- Lack of follow-up to opportunities offered for the sale of products.
- Lack of definition and execution of roles.
- Lack of innovation in product design.
- Lack of administration and updating of a web page.

### **3.1.3. Opportunities**

- The cultural heritage of Ecuador.
- The existence of artisans who can be possible members of the organization.
- Innovation capacity
- New channels or market segments to take advantage of.
- The emergence of new technologies (ICT) and social networks, which make it easier for potential customers to shop online.

### **3.1.4. Threats**

- Competition: other brands with low prices.
- There is no Fair-Trade regulation in Ecuador (Annex 4).

## **3.2. SWOT of Maki FairTrade with the collaboration of artisans**

### **3.2.1. Strengths**

- The artisans have a free space to sell their products.
- The artisans get training on the innovation of techniques in a combination of colors, design, as well as in empowerment and leadership for their personal development, with trained personnel.
- The artisans get a fair payment and according to what they trade.
- Maki reflects an excellent organization that provides security to the artisans.
- The producer members feel comfort and well-being in Maki for the good service and quality of attention to them.
- Their products are quality since the right amount of material is used to make it a unique product.
- There is continuous teamwork.

### **3.2.2. Weaknesses**

- There are little contact and communication with the director of the company.
- Lack of capital.
- There are times when the artisans do not have enough material to make the products, and in this case, Maki does not provide the material for the realization.
- Lack of transmission of practices for the development of handicrafts, through the generations.



### **3.2.3. Opportunities**

- The price of material does not vary.

### **3.2.4. Threats**

- There is no support from the municipality or the government. There is no concern or initiative to rescue ancestral knowledge.
- There is strong competition in terms of quality and price. Competition sells at a lower price and with little capital (Annex 7).

## **4. CAME analysis**

The CAME strategies for the Maki FairTrade company are established according to the SWOT previously analyzed.

### **4.1. Survival strategies to cope with threats**

#### **4.1.1. Threat: competition from other brands with low prices**

Competition is an indispensable part when a business is established and in constant development. Managers or business owners are the ones who must make the right decisions and actions to stand out in the market and stand out alongside their competitors. It is not about competing, or about doing less to the competition, it is about the companies offering the best with an effective service that captivates its customers to build loyalty.

Maki is recommended to take the following actions in order to prevent competition from being an obstacle to its growth and evolution in the market, either locally or internationally:

- Generate benchmarking to competing companies to the proposal that Maki has; this will allow recognizing competitors and the background of their businesses; investigating what they do, how they do it and what characterizes them to stay firm in the market. In this way, Maki could implement improvements by observing innovative techniques or tips that other companies make and has allowed them to grow.
- Customer service is the key for a company to attract customers and retain them. Therefore, if Maki implements promotions to its loyal and new customers, offering added value at the moment of providing the service either in pre-sale or post-sale, the sales of its products will increase since people reflect their consumption by the

treatment received, are the special guests. Nelson Boswell established a simple rule for customer service: "Always give the customer more than they expect to receive" (Hospitium Consulting, 2016).

- Do not make a price reduction in the products, because they are Fair-Trade products and the prices have been established in order to provide a fair payment and decent life to the producers, so, if a reduction occurs, the producers will see affected; "Bad customers get lost because of the price; and the good ones for bad service " (Gomez, 2012).
- Identify and recognize the kind of ideal clients that Maki needs and wants, in order to generate a special approach to offer better service, taking care of loyal customers, who will give greater benefits through the recommendation and appreciation of the service (Gomez, 2012).
- Identify the unique competitive advantage, establishing the specific qualities offered by Maki products that will determine their relevance over the competition. Once identified, know how to communicate to the client since many times, the same clients do not understand or do not recognize the benefits of the product and therefore prefer another (Acosta, 2018).
- Maki is able to expand with new places or sales channels, which will allow new customers to be obtained in new places (Acosta, 2018).

In summary, if Maki has an adequate promotion strategy, an excellent customer service, spreading the information about its added value in a creative way, it will allow its sales to increase and the customers to trust.

#### **4.1.2. Threat: there is no Fair-Trade regulation in Ecuador**

The creation of FEPTCE is an example of stimulus for Maki and other Fair-Trade stores to generate a network where the basic guidelines for this type of trade are established, working together with international Fair-Trade organizations that allow them to establish data and information accurate, with an excellent value proposition that can be presented to the government, fighting for the integration of a Fair-Trade law. As discussed in Chapter I, there is a lack of support from government regulations regarding Fair Trade, so that producers who work based on this type of trade are not being benefited or taken into account, which harms its production and its efforts to enter the international market by not having the support of the government.

### **4.1.3. Threat: there is no support from the municipality or the government; no concern or initiative to rescue ancestral knowledge**

It is recommended to establish a strategy aligned with the creation of action plans based on transmitting ancestral knowledge through events. According to the interview with Erick Ochoa and the analysis of Chapter I on Fair-Trade in Ecuador, the government does not provide strategic support with clear or specific policies. Likewise, it does not have a broad knowledge of Fair Trade, which does not allow for adequate planning around this (Ochoa, Apoyo del Gobierno en comercio justo, 2018).

One way to deal with this threat is to fight for the establishment of a Fair Trade-based regulation and use the country brand that Ecuador established in 2010 with the slogan 'Ecuador loves life', which is determined to be : "A commitment to express the identity and diversity of a territory and translate it graphically so that this country together with its value system, its culture, its biodiversity, its production, and its people are perceived in the world under the same umbrella, unique and complete" (Meléndez, 2016, p. 20). The main objective is to increase the number of export companies for Ecuadorian products. The country brand grew by 22% according to the brand country study conducted by Brand Finance, going from position sixty-nine in 2013 to position sixty-six in 2014 (Meléndez, 2016). Maki can use this type of incentives that allow identifying the products of the store worldwide, taking advantage of policies, relevance, and impact to generate a report of how it can be potentiated based on Fair Trade.

On the other hand, from the experience of the artisans who seek support from the government, Julio Guamán, a weaver in wool from Saraguro, mentions in an interview the following: "I presented a project to the Ministry of Education, in order to impart weaving classes, as well as the Kichwa, which today is part of the curriculum, avoiding the loss of these traditions; however, they are deaf ears " (Guamán, 2018).

It is essential to work together with the collection of ideas and projects that are presented to the dignities of the government and encourage the support of these activities.

## **4.2. Defensive strategies to maintain Strengths**

### **4.2.1. Strength: work based on Fair Trade**

Apply the Deming cycle to plan activities to be carried out based on the requirements of the WFTO; put into action and verify its operation in relation to audits, and to control or

supervise exhaustively every six months so that the company continues to apply the processes of Fair-Trade and its improvement is maintained.

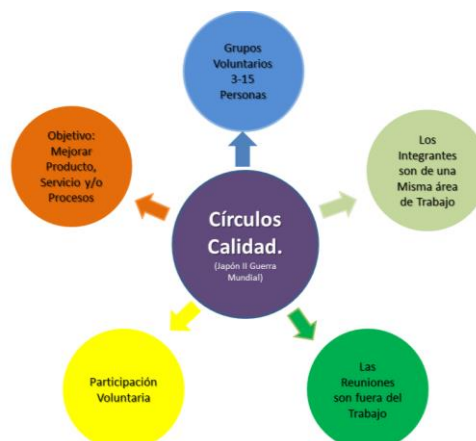
#### **4.2.2. Strength: flexible and adaptable personnel to work in any situation, oriented to solutions; trained staff through the learning received on issues of Fair-Trade and empowerment**

Establish an annual training plan to provide workshops, boot camps, and spaces with didactic activities that generate an integral development of leadership and empowerment to each member of the company. As long as it includes the whole team, analyzing the weaknesses that are necessary to strengthen in this type of spaces. Maki will get success results, as long as its staff is well at work, personally and emotionally. It is recommended, follow the advice of great leaders like Jim Ronh, Tonny Robbins, Jack Ma, among others.

#### **4.2.3. Strength: quality Products**

Quality is a broad concept depending on customer perception, defined as "that quality of things that are excellent creation, manufacture or origin" (Concepto definicion.de, 2018, para. 1). Maki must maintain the production and supply of high-quality crafts that preserve the ancestral knowledge that goes hand in hand with innovation; according to the artisan Gladys Rodas, she mentions that "a macana must contain seven skeins of thread and weigh fifty grams" (Rodas, 2018). The application of a quality circle allows a certain group of people to analyze shortcomings and look for processes to improve, so that they are effective in the production process on a monthly basis, with the application of audits and continuous improvement.

**Figure 33: Quality circles**



**Voluntaries groups (conformed by 3-15 people) → Members belong to the same work area → Meetings are developed out of work time → Voluntary participation → Objective: Improve product, service or processes.**

**Source:** (Dossier-Petrolero, 2017)

For an adequate application of the quality circle, it must consist of:

- The existence of the quality policy.
- Designation of roles in a team with the respective coordinator.
- Promotion of good communication channels.
- Analysis of the operation processes.
- Fault identification.
- Registration and documentation.
- Establishment of brainstorming and solutions.
- Establishment of standards and control methods.
- Feedback (Abril, Ciclo Deming, 2017).

#### **4.3. Positioning attack strategies to exploit opportunities**

##### **4.3.1. Opportunity: the existence of artisans who can be possible members of the organization**

Maki must have an action plan that allows a constant integration of new members to the Network, through the creation and use of database obtained through the artisans of the organization, who recommend acquaintances, friends, etc., that are optimal for integration. In addition, it is possible to visit the different communities in order to offer a proposal of integration to the organization, making known the benefits that future members will obtain. The dissemination of the proposal can be directed by a current member who, having the same reality as the prospects, will know how to express himself in a correct way and according to reality from his personal experience.

##### **4.3.2. Opportunity: the emergence of new technologies (ICT), which allows potential customers to buy more and more over the Internet**

The world is globalized, and new technologies are more integrated into the life of the human being. The purchase and sale of online products is a personalized, computerized and optimal experience that allows the consumer to have convenience when making their

purchases and this has been related to the use of the internet either from a smartphone or a computer. The number of online purchases has increased. In 2017, clothing purchases accounted for 40% online and 51% in physical stores; on the other hand, accessories with 32% online and 49% in physical stores. In the same year, around 1.6 billion people from around the world made online purchases with an expenditure of two billion dollars, where China, South Korea, the United Kingdom, and the United States are the most representative countries. Likewise, online purchases are becoming more demanding and brands offer a more interactive, personalized service and a simple way of use for the user to make purchases without problems, including after-sales service (Paredes, 2018).

Around two million people in the world population use smartphones (Statista, 2016) for various daily activities, work, etc., so it is time to adapt to the world of digital business and take advantage of the opportunity for Maki to innovate its service through its website with sales online, which also allows it to sell products through the Amazon platform, with the use of social networks and other digital tools. Statistics are the key to knowing that the opportunities of the digital world are present and open doors for shop products extend to various parts of the world.

A clear example of a company that works with certain principles of Fair-Trade is D'Cuero, a shoe sales business made by artisans from the parish of Baños, Cuenca, led by its manager and business owner, María Elisa Muñoz. She has allowed these products to cross borders with total ease through a small number of clicks on her website, allowing the customer to purchase easily, with payment optimization, and a visible and varied catalog for the target market segment. María Elisa says that in order to develop this endeavor, she has focused a lot of investment in social networks, especially a constant management of the website that provides updated information. In addition, for the products to arrive where the client requests, an agreement was created with the company DHL, in order to obtain benefits and the use of sending services so that the user has a personalized service (Muñoz, 2018).

The e-commerce or sale, purchase, and distribution of goods or services through the Internet is the new business methodology that has allowed large brands to increase their market segment. Maki must generate benchmarking with this type of companies and continue with similar processes. A craft store that would be an example to follow is The

Artisan Project, the same one that offers products in Australia through internet management (Maldonado, 2018).

In relation to new technologies, there are also social networks that are popular today, used for all types of activity. In January 2018, the world had a population of 7,593 billion people, of which 74.7% are users who access social networks from a cell phone, and it is estimated that six hours of connection are spent on these daily (González, 2018). These statistics allow making firm and intelligent decisions to obtain considerable results for Maki, so that it invests and encourages the marketing team to take better advantage of these tools, establishing a chronogram of thematic publications and the sale of their products online.

#### **4.4. Reorientation strategies to correct weaknesses**

##### **4.4.1. Weaknesses: lack of transmission of the practices for the elaboration of crafts, through the generations**

Generate, promote and disseminate programs, festivals or workshops based on ancestral knowledge that allow the community to know about them; preventing knowledge from being lost over time. Pakariñan and Maki made the first 'Festival Pakariñan Saberes del Austro', throughout the month of September which had the objective of "generating meeting spaces to make visible, strengthen and promote the ancestral knowledge of the peoples of the South of Ecuador, through workshops, talks, film forums, agroecological fair, community tourism and a cultural festival " (Pakariñan, 2018, p.1).

Another strategy would be to generate an education plan on specific topics of ancestral knowledge that serves as a proposal for the Ministry of Public Education, being taught in classes under the direction of the network and the producers.

##### **4.4.2. Weaknesses: lack of strategic planning for orders and distribution of products**

Maki handles a type of indirect exclusive distribution, that is, it handles a single point of sale and is an intermediary of the artisans. If the objective is to generate a greater distribution, select a selective distribution, allowing the products to be found in several points of sale (Servis, 2016).

As for orders, it is recommended to perform a sales analysis to determine the months of highest and lowest sales, to have adequate planning of orders taking into account the

different seasonal peaks. The canvas model can help to understand the needs and characteristics of customers, improving the way of distribution.

In addition, the flow of the value chain must be established in order to identify and analyze the strategic activities of the company to obtain a competitive advantage (Abril, 2017). Maki has a value chain based on primary activities directly related to the production and commercialization of handicrafts, which will serve as support to reanalyze and complement with the processes of a value chain of primary activities, explained in the following table:

**Table 8: Table of primary activities**

Actividades Primarias				
Logística Interna	Operaciones	Logística Externa	Marketing y Ventas	Servicio Posventa
Gestiona, recibe y almacena materia prima.	Transformación de materia prima a producto final.	El producto es almacenado para distribución o venta directa.	Actividades que dan a conocer el producto para su venta. Tienda en línea, redes sociales.	Actividades relacionadas con garantía.

**Internal Logistic → Manages, Receives and Stores raw material.**

**Operations → Transformation of raw material into the final product.**

**External Logistic → The final product is stored for its distribution or direct sale.**

**Sales and Marketing → Activities that make the product known for sale. Online store and social networks**

**Post-sale service → Activities related to guarantees.**

**Source:** (Abril, 2017)

#### **4.4.3. Weaknesses: lack of follow-up to opportunities offered for the sale of products**

The establishment of personnel that represents the organization in front of potential clients and international cooperation, allows expanding the market through the monitoring of new market opportunities. Several clients that have requested alliances from European countries have not followed up due to the lack of commitment and determination of the staff. These designated representatives should be clear about the operations and functions manual of the company.



#### **4.4.4. Weaknesses: lack of definition and execution of roles**

The personnel must be clear about the description, vision, mission, values, and objectives of the company, to keep in mind their reason to work every day for Maki. The team must always have its corresponding motivation, which allows keeping them united, energetic and with high expectations of personal and work goals that they wish to fulfill. You can use various motivation techniques such as money; remuneration based on bonuses or rewards, continuous participation, quality of working life and, finally, an enrichment of the job. (Edén, 2014); (Arturo, 2015); (Abril, Fundamentos de Administración, 2017).

To achieve that people have an adequate fulfillment of their tasks, the company needs to establish a manual of functions that: "is an instrument of personnel management, which reflects the functions, competencies and profiles established for the positions of the institution, being the basis that underpins training and performance evaluation" (Universidad del Pacífico, 2017, p. 3); and a manual of procedures that "are operational guides for the process that is assigned to a person or activity within an organization" (Vivanco, 2017, para.1). These two manuals must be accompanied by a process flow, which will allow a quick, didactic and simple understanding of the staff on their role and activities to be carried out, an activity that must be disseminated by each leader and management.

It is important to have a constant internal control that is developed periodically to verify the fulfillment of activities and objectives arranged in the company, related to the manuals (Vivanco, 2017).

#### **4.4.5. Weaknesses: lack of advertising and marketing**

The marketing team must have established a schedule with the programming of publications, taking into account promotions of the store, holidays, and use the benchmarking technique; that is, establish as a reference leading companies that handle the same type of business as Maki (Espinosa, 2017).

At the end of this chapter, the Red de Turismo Comunitario del Austro Pakariñan works on behalf of the communities, so that their labor and cultural rights are valued, nationally and internationally. Through projects and initiatives that support traditional activities and practices; with Maki and Pakariñan Expedition, it has been possible to integrate several communities and allow an integral development offering indigenous services

and products from Ecuador. The SWOT analysis and CAME, allow observing the great strengths that the Network possesses and has built since its constitution and the weaknesses that little by little with the application of the adequate strategies will allow to reinforce the organization.

## **CHAPTER III**

### **PROPOSAL TO OBTAIN THE FAIR-TRADE CERTIFICATION OF THE WFTO**

Pakariñan is working to be a guaranteed member of the WFTO, which will let them obtain the variety of benefits that Fair-Trade's label offers to its products and services. The label will allow Maki FairTrade to commercialize its products with an added value. Throughout this chapter, there will be all the requirements that the WFTO requests for an organization to obtain Fair-Trade certification, which could serve as support for future applicants. The process that Pakariñan did to begin as a member in the WFTO is described and at the end, there will be the strategies and the action plan for the organization to fulfill its objectives.

#### **1. Analysis of Maki Fair Trade, subsidiary of Red de Turismo Comunitario del Austro Pakariñan**

Maki was legalized in 2015, the year in which it started to present itself as a Fair-Trade organization, because when it started it was just an artisan store. During 2016, Maki observed that other organizations around the country were applying Fair-Trade practices and strategies with international support from Fair-Trade organizations. Pakariñan and Maki wanted to be certified and have endorsement of their products and services. While investigating which organization can be the adequate to align to Maki's work, they found the WFTO, because others only certify agricultural products. Among the WFTO requirements, the entities that want to become a member need to have a minimum of two years of legal constitution; Maki had only few months, so it decided to apply to the membership WFTO as Pakariñan, and finally in 2017 it becomes part of the organization as a provisional member.

Actually, Pakariñan and Maki aspire to become guaranteed members to obtain the labelling for their products and services, and at the same time, they will have the business model of Fair Trade. Next, an explanation of the process that the organization had to follow to become a provisional member.

All who wish to apply for membership must comply with the requirements set out in Chapter I (See page 37) then fill out the profile form, which is updated every two years and the 'Code of Practice' is signed. To become a provisional member, the organization must have a recommendation from a current member of the WFTO. Once the WFTO

accepts the request, the entity must enter into a self-assessment (SAR) and audit process to be approved as a regional and global member.

In addition, the entity needs the recommendation of three organizations, and at least one needs to be part of the WFTO, so the company can be recognized as eligible to obtain membership. Pakariñan presented a recommendation letter from Grupo Salinas as a WFTO member, from the Consejo Nacional del Movimiento de Economía Social y Solidaria del Ecuador (MESSE), and from the Inter-American Foundation. In the manual of guarantee systems, the entity can observe the requirements and processes to obtain a membership. When the WFTO approves the membership, an annual fee is established, and it will be explained later.

## **2. Requirements to obtain the certification from the WFTO**

Pakariñan is applying to become a guaranteed member of the WFTO, so the requirements that the organization requests to obtain the certification and labeling granted as part of the full benefits of this type of membership are set forth below.

From the beginning, every organization must submit to the Guarantee System and the audit, being the main tool for an organization to apply to obtain the certification of the WFTO. Every step and process to be a beneficiary of compliance with the 'Code of Conduct' according to the category of the organization that applies is explained within the 'Guarantee System User Manual'. According to the WFTO:

Only WFTO business members (ATO) who submitted to the Guarantee System monitoring schedule, to have been approved in accordance with the WFTO Standard and who have signed a labeling agreement may use the WFTO Product Label (World Fair-Trade Organization WFTO, 2013, párr. 3)

Provisional members must complete the SAR based on their first audit that will be conducted within the first twelve months, once the SAR has been accepted. This time is the maximum that an entity has to be evaluated and follow the procedure, if it does not comply, the membership will be injured (World FairTrade Organization-WFTO, 2018). When all the documents and the 'Guarantee System' are approved, the applicant organization obtains the full membership, it is notified in its monitoring calendar for the

inspections and risk assessments of the next years. These procedures will determine how often the entity will be monitored or audited by the WFTO; as well as the visit of peers that are carried out by collaborators suggested by the audited organization, which are previously approved by the WFTO in order to save logistics costs. In the case of Pakariñan, these peer visits could be carried out by Gruppo Salinas, a member of the WFTO and a reference of the Network (World Fair Trade Organization (WFTO), 2013).

The SAR is an essential document to achieve approval and it is divided into four sections:

- **Section 1:** referring to the information of the suppliers or producers and the last self-evaluation of the Internal Monitoring System.
- **Section 2:** it is based on the compliance evaluation form; that is, a report that establishes what was fulfilled or not according to the criteria established for each category of organization.
- **Section 3:** the improvement plan is established based on the questions answered in section one and two, defining strategies and goals, allowing a viability and sustainability to the entity.
- **Section 4:** regarding the visit of peers. The applicant designates two to four people who will be responsible for future audits and these must be aligned to Fair-Trade (World Fair Trade Organization WFTO, Membership Application, 2018);(WFTO-ASIA, 2018).

### **3. WFTO Annual Fee to obtain the certification of Fair-Trade**

#### **3.1. Membership fee**

The WFTO's membership fee is calculated based on the annual sales volume expressed in euros and the membership category applied in the following formulas:

**Table 9: Membership Fee according to the category**

<b>Type of member</b>	<b>(Global) Membership fee for 2018</b>
Fair-Trade Organization (FTO)	<p>&lt;135.000: €400</p> <p>135.000 - 1million: 0,003 x turnover</p> <p>&gt;1million: €3.000 + €350 back up</p> <ul style="list-style-type: none"> <li>- max Africa, Asia, LA: €2.600</li> <li>- max Europe, Pacific: €10.400</li> </ul>
Fair-Trade Support Organization (FTSO) & Associate Organization (AO)	<p>&lt;135.000: €500</p> <p>135.000 – 1 million: €1250</p> <p>1-5 million: €2000</p> <p>&gt; 5 million: €3000</p>
Fair-Trade Network (FTN)	€ 400
Associated Organization (AO)	Same as FTSO
Individual Associates (IA)	<p>€100 (normal)</p> <p>€35 (Students and the unwaged)</p>

**Source:** (World Fair Trade Organization-WFTO, 2017)

It is important to mention that members of Fair-Trade Support Organizations (FTSO), can claim a 50% discount on their FTSO quota, if they can demonstrate a direct link with a Fair-Trade Organization (FTO).

### **3.2. Regional fee**

The WFTO regional fee is to support each regional WFTO branch (World Fair Trade Organization-WFTO, 2017).

### **3.3. WFTO Africa**

All member organizations: €100 (World Fair Trade Organization-WFTO, 2017)

### **3.4. WFTO Asia**

All member organizations:

**Table 10: Fee per annual volume of sales Asia**

Gross sales/gross revenues in €	Regional fee in €
< 135.000	100
From € 135.000 to 400.000	175
> 400.000	250

**Source:** (World Fair Trade Organization-WFTO, 2017)

### **3.5. WFTO Europa**

All member organizations:

**Table 11: Fee per annual volume of sales Europe**

Gross sales/gross revenues in €	Regional fee in €
< 150.000	350
From € 150.000 to 1.000.000	550
> 1.000.000	850

**Source:** (World Fair Trade Organization-WFTO, 2017)

### **3.6. WFTO Latin America**

All member organizations: €50 (World Fair Trade Organization-WFTO, 2017).

### **3.7. Pacific Region**

No regional fee applies to WFTO members in North America and the Pacific Rim (World Fair Trade Organization-WFTO, 2017).

#### 4. Possible benefits of Fair-Trade certification

**Table 12: Benefits for associates and members from the WFTO**

<b>Benefits for Associates and Members</b>	<b>Individual Associates</b>	<b>Associate Organizations</b>	<b>Provisional Members</b>	<b>Support Organizations and Networks</b>	<b>Guaranteed Members</b>
Receive all mailings from the Global Office	✓	✓	✓	✓	✓
Serve on sub-committees	✓	✓	✓	✓	✓
Attend regional meetings and scheduled international conferences	✓	✓	✓	✓	✓
Attend Annual General Meetings	✓	✓	✓	✓	✓
Actively participate in WFTO activities	✓	✓	✓	✓	✓
Access the members-only website (including access to member information for networking purposes)	✓	✓	✓	✓	✓
Be listed on the WFTO Website Members' List	-	✓	✓	✓	✓
Vote in person or by proxy at the Annual General Meeting	-	-	-	✓	✓
Publicize membership of WFTO	-	-	-	✓	✓



<b>Benefits for Associates and Members</b>	<b>Individual Associates</b>	<b>Associates Organizations</b>	<b>Provisional Members</b>	<b>Support Organizations and Networks</b>	<b>Guaranteed Members</b>
Publicize association with WFTO	-	✓	-	-	-
Stand for nomination for and serve on the Board of Directors.	-	-	-	✓	✓
Actively participate in all activities of WFTO	✓	✓	✓	✓	✓
Use of the WFTO Logo (on -digital-stationery, marketing material etc.)	-	-	-	✓	✓
Use of the WFTO Associate Logo (on -digital-stationery, marketing material etc.)	-	✓	-	-	-
Use of the WFTO Product Label	-	-	-	-	✓
Extend the use of the First Buyer Label to buyers	-	-	-	-	✓

**Source:** (World Fair Trade Organization-WFTO, 2017)

**Authors:** (Galarza, Zúñiga)

## 5. Gap to obtain Fair-Trade certification and evaluation of collected data

Next, there will be an analysis of the compliance criteria of the WFTO based on the principles of Fair-Trade established by the same organization; as well as the data obtained through the SWOT and CAME analysis detailed in Chapter II. It will be possible to determine which aspects Pakariñan has and which are lacking, once it is analyzed, a proposal of an action plan will be developed later. The WFTO has many standards established for all types of organizations who want to be a guaranteed member; in the case of Pakariñan, it is considered as an FTO (Fair-Trade Organization); therefore, the applicable compliance for this organizational model will be analyzed and chosen. Some compliance criteria are 'mandatory', 'mandatory for the second year', 'mandatory for the fourth year' and 'continuous improvement'.

During the analysis, there will be a qualification method from the WFTO: 'complies', 'partially complies' and 'does not comply' according to the criteria; characterizing each one based on the presented evidence. The criteria are divided by mandatory and continuous improvement.

### 5.1. Compulsory compliance criteria

**Table 13: Evaluation of compliance criteria based on principle 1 and data collected**

<b>Principle 1: Creating Opportunities for Economically Disadvantaged Producers</b>			
<b>No.</b>	<b>Compliance criteria</b>	<b>Evidence</b>	<b>Fulfillment</b>
<b>1.1</b>	The organization has a mission and/or policy document expressing its organizational commitment to improve social and economic conditions of marginalized producers and suppliers. Such documents are made publicly available to interested parties.	The commitment of the organization to the "good living and collective well-being of the communities" is expressed in the statute, kept physically in the office and available to the members of the network. The mission of the Network published on the website (hp: //pakarinan.com/proyectos/), is "Promote the integral development of the territories, communities and organizations linked to community tourism and fair trade in Ecuador".	<b>COMPLY</b>

No.	Compliance Criteria	Evidence	Fulfillment
1.2	The management body and the key staff of the organization understand the WFTO Fair Trade Principles.	The FTO staff understands the principles of FT, as evidenced during interviews and joint work.	COMPLY
1.3	The member primarily works and trades with producer groups, producers and suppliers from socially and/or economically disadvantaged groups, or otherwise demonstrates positive impact on marginalized groups as a central part of its business.	The producers, with whom the organization works and commercialize, belong to disadvantaged groups, constituted by indigenous communities of the Kichwa people and artisans of rural communities, which has a lack of opportunities of access to the market. It has been possible to verify through visits and analysis of the socioeconomic context of the areas in which the organization operates.	COMPLY

**Source:** (World Fair Trade Organization (WFTO), 2014)

**Authors:** Galarza, Zúñiga.

**Table 14: Percentage of the type of compliance with the criteria of the principle 1**

Criteria's situation	% Percentage	No. Of Criteria
Comply	100%	1.1, 1.2, 1.3
Partially comply	0%	
Does not comply	0%	
Does not apply	0%	
<b>Total</b>	100%	

**Source:** (World Fair Trade Organization (WFTO), 2014)

**Authors:** Galarza, Zúñiga.

**Table 15: Evaluation of compliance criteria based on principle 2 and data collected**

<b>Principle 2: Transparency and Accountability</b>			
<b>No.</b>	<b>Compliance Criteria</b>	<b>Evidence</b>	<b>Fulfillment</b>
<b>2.1</b>	The member has a description of its organizational structure and governance, and a working financial administration system.	<p>The organizational structure of the organization is described in the document "estructura de la Red Pakariñan". The Pakariñan Statute (chapter three) describes the governance system.</p> <p>The certificate of incorporation of the company Maki Fairtrade s.a. describes the system of government and administration (Article 11).</p> <p>The organization has an accounting program (Mónica System) for its administrative and accounting management.</p>	<b>COMPLY</b>
<b>2.2</b>	The organization has annual accounts <sup>5</sup> , audited externally. Exceptions may be considered case by case if it is not practicable to audit accounts and it is not a legal requirement. It has reports of its Fair-Trade activities, making them available to its FT partners as well as to its producer members and employees.	<p>Pakariñan has annual accounts, not audited externally; however, the financer verifies the management of funds from projects. Maki Fairtrade has audited annual accounts by an external commissioner (Accounting Audit Report 2017). The reports of FT activities (projects and training) are stored in the office, available to producers, partners and workers.</p>	<b>COMPLY</b>

No.	Compliance Criteria	Evidence	Fulfillment
2.3	<p>The FTO commits to transparent communication with its FT producers and suppliers as well as FT partners. This includes communication on the structure of Fair-Trade pricing, taking into account the sensitivity and confidentiality of commercial information supplied. The FTO provides detailed information about FT producer groups and basic information about the FT producers and FT suppliers they purchase from/work with.</p>	<p>Maki maintains transparent communication and shares information on the price structure with its producers, verified in the purchase documents and in the interviews with the producers themselves. Both the purchase price to the producer and the final sale price are agreed with the producers; in the sheet "merchandise receipt sheet". Both in physical and in its accounting system, the organization keeps a historical record of payments to producers. The organization provides information about its suppliers and FT producers on its website (www.fairtrade.ec) and in different documents (Pakariñan project reports). However, this information is not systematized in an updated record and does not include the organization to which the craftsman belongs, its location, its background and socioeconomic conditions.</p>	<p><b>PARTIALLY COMPLIES</b></p>
2.6	<p>The organization collects feedback, at least once every 2 years, from all significant stakeholders, workers and producers, and considers this when making its plans for improvement.</p>	<p>The organization receives opinions from its members through semiannual assemblies and periodic meetings; however, it does not have structured forms of communication to collect the comments of producer groups that are not members of the network. Representatives of producer groups that are not network partners indicated that implementing regular meetings with them would help strengthen the relationship.</p>	<p><b>PARTIALLY COMPLIES</b></p>

**Source:** (World Fair Trade Organization (WFTO), 2014)

**Authors:** Galarza, Zúñiga.

**Table 16: Percentage of the type of compliance with the criteria of the principle 2**

Criteria's situation	% Percentage	No. Of criteria
Comply	50%	2.1, 2.2
Partially comply	50%	2.3, 2.6
Does not comply	0%	
Does not apply	0%	
<b>Total</b>	100%	

**Source:** (World Fair Trade Organization (WFTO), 2014)

**Authors:** Galarza, Zúñiga.

**Table 17: Evaluation of compliance criteria based on principle 3 and data collected**

<b>Principle 3: Fair Trading Practices</b>			
No.	Compliance Criteria	Evidence	Fulfillment
3.1	When buying FT products, the FTO has written agreements (e.g. contracts or purchase orders) with its FT partners, producer members and suppliers, with relevant and appropriate details e.g. product specification, delivery and lead times, pre-finance, price and payment terms, cancellation and dealing with problems.	The organization does not have written agreements such as contracts, orders or purchase orders with its producers. Most of sales by producers is on consignment. Does not work based on orders or planning of purchases. A document is signed with each craftsman at the time of delivery of the product ("Merchandise receipt sheet"), however, this document does not include relevant details such as specifications of product quality, payment terms, cancellation or resolution of problems. Based on the project reports and according to interviews with the artisans of Bullcay, there were few cases in which they received an order (example: for an export to France in 2016), the order was made in an informal way to the producers (by phone) and the payment was made after the sale.	<b>DOES NOT COMPLY</b>

<b>No.</b>	<b>Compliance Criteria</b>	<b>Evidence</b>	<b>Fulfillment</b>
<b>3.2</b>	<b>DOES NOT APPLY</b>		
<b>3.3</b>	When buying FT products, the FTO respects the agreed terms of payment, and ensures timely payment on receipt of completed documents.	When buying FT products, the organization respects the payment terms agreed with the producers, (although such conditions do not meet criteria 3.1 and 3.4). The first week of each month, the organization pays each artisan the amount corresponding to the products left on consignment and that were sold at Maki's store during the previous month for proof of payment.	<b>COMPLY</b>
<b>3.4</b>	When buying FT craft products, the FTO provides interest free pre-finance (at least 50%) for purchases from producer FTOs and FT suppliers, if requested. When buying FT food products, the FTO provides a pre-payment of at least 50% at a reasonable interest, if requested. Interest rates that the suppliers pay must not be higher than the buyer's cost of borrowing from third parties.	Only in exceptional cases, the organization has paid advances, but generally, when buying FT crafts, the organization does not provide a prepayment of at least 50% to the producers. The producers leave their products at Maki's store on consignment, according to the indications of the producers interviewed and by the same organization, the modalities of purchase of FT crafts do not foresee the pre-payment to the producers.	<b>DOES NOT COMPLY</b>
<b>3.5</b>	<b>DOES NOT APPLY</b>		

No.	Compliance Criteria	Evidence	Fulfillment
3.6	The producer FTO or marketing FTO ensures that producers and/or its suppliers are paid immediately upon delivery of the product and provides pre-finance for inputs and raw materials bought by them, where applicable.	The organization does not ensure that suppliers are paid immediately after the delivery of the product. Pakariñan works with the consignment method: 80% of products purchased in 2017, producers have received their payments between one and three months after having delivered the product to the store. Only 20% has been paid at the time of delivery of the product. In the "procedure for receiving merchandise", the modalities of the purchasing process are detailed: the first week of each month, Maki receives the merchandise delivered directly by the artisans. For the products received, a "Merchandise receipt sheet" indicates the products and its prices, prepared by each producer. Some of the artisan interviewed said that, when requesting the possibility of receiving an advance payment, but the organization said that they are not in a position to deliver advances. Producers personally assume the cost of production inputs and those who buy individually assume high costs: the purchase price of skeins per unit is 50% more expensive than buying per kilo. Some of the craftswomen interviewed also indicated that, to finance production, they sometimes appeal to family loans.	<b>DOES NOT COMPLY</b>
3.7	The FTO has a fair and transparent system, including a communication mechanism and a system of compensation, to deal with quality problems and product cancellation in line with Fair Trade objectives.	The organization lacks a transparent system and an effective communication mechanism to deal with problems of quality and cancellation of products, since it does not work with orders or purchase orders in which quality specifications are detailed. Based on the regulation of receipt of merchandise, sometimes the products are not accepted at the time of delivery by the producer or are returned within three months of delivery in case the organization fails to sell them. Some of the craftswomen interviewed indicated that modalities of acceptance and return of the products are not clear.	<b>PARTIALLY COMPLIES</b>



No.	Compliance Criteria	Evidence	Fulfillment
3.8	The FTO maintains long-term relationships with its Fair-Trade partners, producers and suppliers. Do not terminate business relationships or stop buying from them without prior notice and an appropriate reason.	The organization maintains stable and long-term business relationships with its FT partners and suppliers. Since its establishment in 2015, it has maintained commercial relations with its FT producers, as confirmed by the producers and the purchase invoices.	COMPLY
3.10	The FTO does not engage in unfair competition <sup>7</sup> towards other FTOs.	According to the technical team, there have been no cases of unfair competition.	COMPLY
3.11	The FTO is respectful of intellectual property and associated rights regarding protected names/brands, organizational designs, including logos, labels, and culturally based designs or names.	The organization respects the cultural and intellectual property of each craftsman; the products that it commercializes are fruits of the free creativity of the craftsmen. Regarding the use of rights associated with trademarks and name, in the year 2017 the Maquita Cushunchic Foundation was discussed with a member of the WFTO regarding the use of the term Maki: the foundation argued that the use of the Maki FairTrade brand could confuse the consumers regarding the brand "Maquita Comercio Justo". The debate has been resolved among the members through dialogue.	COMPLY

**Source:** (World Fair Trade Organization (WFTO), 2014)

**Authors:** Galarza, Zúñiga.

**Table 18: Percentage of the type of compliance with the criteria of the principle 3**

Criteria's situation	% Percentage	No. Of criteria
Comply	40%	3.3, 3.8, 3.10, 3.11
Partially comply	10%	3.7
Does not comply	30%	3.1, 3.4, 3.6
Does not apply	20%	3.2, 3.5
<b>Total</b>	100%	

**Source:** (World Fair Trade Organization (WFTO), 2014)

**Authors:** Galarza, Zúñiga.

**Table 19: Evaluation of compliance criteria based on principle 4 and data collected**

<b>Principle 4: Payment of a fair price</b>			
<b>No.</b>	<b>Compliance Criteria</b>	<b>Evidence</b>	<b>Fulfillment</b>
<b>4.1</b>	The FTO has a mechanism to set the FT product price, based on transparent and verifiable costs and profit margins, taking into consideration the prevailing market prices and other Fair Trade minimum prices, if they exist.	The organization has a transparent mechanism to set purchase prices for producers and final sale prices of products. The purchase price is established by common agreement with the producers and based on the analysis of the prices prevailing in the market. For some product categories, the organization has a detailed analysis of production costs (example: necklaces, in Excel "Saraguro production"). At the time of delivery of the product to Maki, the purchase price is written to the producer and final sale, which includes the operational margin of the store (50% on average), which is verifiable by the producers in the same store. The prices paid to producers by Maki are higher than 10% with respect to the prices paid by other stores for the same products, based on what was calculated by the organization and confirmed by all the producers interviewed.	<b>COMPLY</b>
<b>4.2</b>	The FTO ensures that FT partners and/or FT producers mutually agree the process in which prices are set, through dialogue and participation.	The organization defines FT prices with producers, based on dialogue and participation, according to producers. The price paid to the producer consists of the cost of the raw material and the time of work of the artisan, in addition to the market price, established in the cost analysis of some products. There is an improvement to strengthen these practices by conducting a study to relate their cost calculations to the supply chain and the cost of living in the country.	<b>COMPLY</b>

No.	Compliance Criteria	Evidence	Fulfillment
4.3	The FTO provides to its FT partners and/or FT producers transparent information on costs along the value chain on request.	The organization transparently shares the margins it applies to FT products for the final sale. The producers know the operational margins of Maki and they can see in the store the final price at which their products are sold, indicated by producers. In their improvement plan, they plan to develop a production cost sheet for all products, from all producers, that include the calculation of labor and raw materials.	<b>COMPLY</b>
4.7	The member ensures that the wage paid to its employees and any directly employed producers equals or exceeds national/local minimum wages, or market rates if these are higher.	The salaries paid to the employees are higher than the national minimum wages (at least 29%), evidenced in the contracts and payrolls.	<b>COMPLY</b>
4.9	The FTO strives to understand the production costs and cost of living within the local context of its production, and progresses toward a sustainable livelihood for producers.	The organization strives to understand the production costs and the living costs of its producers and is committed to their progress towards sustainable living conditions, demonstrated in the workshops and projects carried out in the communities. Cost analysis was carried out for some product categories (example: necklaces with Saraguro producers). However, the organization has not made this effort for all its products and producers and has not analyzed the issue of the cost of raw materials assumed by producers.	<b>PARTIALLY COMPLIES</b>

**Source:** (World Fair Trade Organization (WFTO), 2014)

**Authors:** Galarza, Zúñiga.

**Table 20: Percentage of the type of compliance with the criteria of the principle 4**

Criteria's situation	% Percentage	No. Of criteria
Comply	90%	4.1, 4.2, 4.3, 4,7
Partially comply	10%	4,9
Does not comply	0%	
Does not apply	0%	
<b>Total</b>	100%	

**Source:** (World Fair Trade Organization (WFTO), 2014)

**Authors:** Galarza, Zúñiga.

**Table 21: Evaluation of compliance criteria based on principle 5 and data collected**

<b>Principle 5: Ensuring no Child Labor and Forced Labor</b>			
No.	Compliance Criteria	Evidence	Fulfillment
5.1	The member does not employ children and complies with relevant national law with regard to child labor and young workers. The organization has a system to verify the age of them employees and directly employed producers.	The Network does not employ children in compliance with national legislation, as it has been possible to observe directly. The organization verifies the age of its employees through the identity documents, of which it keeps a copy.	<b>COMPLY</b>
5.2	For specified cases where child work is allowed by national law (e.g. children working with their parents to learn skills or students working in school holidays) and the organization does employ them, the member must demonstrate that it has mechanisms, appropriate to its resources, to monitor the health, safety, welfare, education and right to play of working children according to the relevant UN Convention on the Rights of the Child.	The Network does not employ children in compliance with national legislation, verified through the identity documents of employees.	<b>COMPLY</b>
5.3	The member has a policy (or policy statement included in other documents) with regard to child labor and the involvement of children in the production process.	The Network does not have a policy regarding child labor and the participation of children in the production process. The FTO included this point in its improvement plan.	<b>PARTIALLY COMPLIES</b>

No.	Compliance Criteria	Evidence	Fulfillment
5.4	If young workers (minimum working age of 17 years) are employed, the organization shall ensure that their working conditions conform to applicable national regulations, in particular that they do not work more than 8 hours per day, do not work at night, are not involved in heavy labor or working with chemicals and that their work does not prohibit schooling of relevant.	The Network does not employ young workers, based on their registration.	<b>COMPLY</b>
5.5	The organization does not employ forced labor and complies with relevant national law with regard to forced labor.	The Network does not employ forced labor, in compliance with the relevant national legislation. The work climate in the office and in the store is positive and the office staff organizes their work schedule with a certain autonomy. There are no risks of forced labor in the groups of producers, since each artisan is free to produce based.	<b>COMPLY</b>
5.6	The organization shall not withhold payments or any legal documents from its employees and directly employed producers.	The Network does not withhold payments or legal documents from its employees, in accordance with the payment of payrolls and interviews with workers.	<b>COMPLY</b>
5.7	The organization shall ensure that it does not restrict employees and directly employed producers' freedom of movement or employment.	The Network does not restrict the freedom of movement and employment to its employees, since there is a high turnover of personnel in recent years (Report IAF project).	<b>COMPLY</b>
5.8	<b>DOES NOT APPLY</b>		

**Source:** (World Fair Trade Organization (WFTO), 2014)

**Authors:** Galarza, Zúñiga.

**Table 22: Percentage of the type of compliance with the criteria of the principle 5**

Criteria's situation	% Percentage	No. Of criteria
Comply	80%	5.1, 5.2, 5.4, 5.5, 5.6, 5.7
Partially comply	10%	5.3
Does not comply	0%	
Does not apply	10%	5.8
<b>Total</b>	100%	

**Source:** (World Fair Trade Organization (WFTO), 2014)

**Authors:** Galarza, Zúñiga.

**Table 23: Evaluation of compliance criteria based on principle 6 and data collected**

<b>Principle 6: Commitment to Non-Discrimination, Gender Equity and Freedom of Association</b>			
No.	Compliance Criteria	Evidence	Fulfillment
6.1	In its employment practices the organization does not practice any discrimination in hiring, access to training, promotion, termination or retirement based on race, caste, national origin, religion, disability, gender, sexual orientation, union membership, political affiliation, HIV/Aids status or age, unless it is part of its mission to favor particular disadvantaged groups.	Despite not having policies regarding non-discrimination or other procedures regarding the hiring of personnel, the organization does not practice forms of discrimination, rather it favors the employment of women and the participation of women and indigenous communities in the decision-making processes (Pakariñan and de Maki partners are mostly women's organizations and indigenous communities).	<b>COMPLY</b>

No.	Compliance Criteria	Evidence	Fulfillment
6.2	<p>The organization respects the right of all employees to form and join workers' organizations of their choice and to bargain collectively. Where the right to join trade unions and bargain collectively is restricted by law and/or political environment, the FTO will enable means of independent and free association and bargaining for employees. The FTO ensures that representatives of employees are not subject to discrimination in the workplace.</p>	<p>The organization does not restrict the right of employees to associate and bargain collectively, declared by the representatives of the organization. This need has not been met since the team is very small. In addition, the work between associations is of greater benefit.</p>	<p><b>COMPLY</b></p>
6.6	<p>Where women are employed within the organization, even in an informal employment situation, they receive equal pay for equal work. The organization recognizes women's full employment rights and is committed to ensuring that women receive their full statutory employment benefits.</p>	<p>The organization is committed to recognizing employment rights for women, as shown by the percentage of women employed (two thirds).</p>	<p><b>COMPLY</b></p>

No.	Compliance Criteria	Evidence	Fulfillment
6.7	In selection of FT producers and suppliers, the FTO does not practice any discrimination based on gender, race, caste, national origin, religion, disability, sexual orientation, marital status, union or legal group membership, political affiliation, HIV/Aids status or age, unless it is part of its mission to favor particular disadvantaged groups.	In the selection of FT producers, the organization does not practice any type of discrimination. The producers are artisans and artisans of rural and indigenous communities, evident in the analysis of the profile of the producers.	<b>COMPLY</b>
6.9	The member does not practice any discrimination with regard to wages (equal pay for equal work) for its employees and directly employed producers.	The organization does not practice forms of discrimination with respect to salaries for its employees.	<b>COMPLY</b>

**Source:** (World Fair Trade Organization (WFTO), 2014)

**Authors:** Galarza, Zúñiga.

**Table 24: Percentage of the type of compliance with the criteria of the principle 6**

Criteria's situation	% Percentage	No. Of criteria
Comply	100%	6.1, 6.2, 6.6, 6.7, 6.9
Partially comply	0%	
Does not comply	0%	
Does not apply	0%	
<b>Total</b>	100%	

**Source:** (World Fair Trade Organization (WFTO), 2014)

**Authors:** Galarza, Zúñiga.



**Table 25: Evaluation of compliance criteria based on principle 7 and data collected**

<b>Principle 7: Ensuring Good Working Conditions</b>			
<b>No.</b>	<b>Compliance Criteria</b>	<b>Evidence</b>	<b>Fulfillment</b>
<b>7.1</b>	The member conducts a basic assessment of health and safety conditions <sup>11</sup> and demonstrates awareness of the main risk areas.	The organization has not carried out an analysis of health and safety risks related to its work activities and workplace.	<b>DOES NOT COMPLY</b>
<b>7.2</b>	Accidents or work-related health problems of employees and directly employed producers (working at the premises organized by the member) are recorded and analyzed with appropriate corrective action to prevent similar cases in the future.	The organization does not have a record of accidents, incidents or health problems related to the work of its employees.	<b>DOES NOT COMPLY</b>
<b>7.3</b>	The member respects all legal requirements regarding pregnant and breast-feeding women and takes into account their special health and safety needs.	The member respects all the legal requirements regarding pregnancy, verified in the payment of the forms and the benefits to a maternity worker during the audit. It declares that it will respect the requirements established by law and will take into account their health and safety needs when they return to work, once their maternity period has ended.	<b>COMPLY</b>

No.	Compliance Criteria	Evidence	Fulfillment
7.4	<p>The organization provides safe working conditions and addresses conditions to prevent risks of serious accidents or health problems for all employees and directly employed producers, including:</p> <ul style="list-style-type: none"> <li>• fire hazards</li> <li>• responsible handling of any chemicals (adequate personal protection, training in their use, locking chemicals away when not in use, providing product safety information)</li> <li>• safety of machinery to prevent accidents</li> <li>• safe drinking water</li> <li>• adequate toilet facilities</li> <li>• protective clothing provided</li> <li>• first aid provision (first aid kits, trained first aider)</li> </ul>	<p>The FTO provides safe working conditions for its office and store workers: it has an adequate bathroom, potable water, fire extinguisher, first aid kit. However, it has not carried out an analysis of health and safety risks in relation to its work activity.</p>	<p><b>PARTIALLY COMPLIES</b></p>
7.6	<p>The organization has a system of recording and managing working hours of its employees and directly employed producers, especially overtime. It meets national legislation with regard to working hours, overtime remuneration, statutory holidays and annual leave.</p>	<p>The employees' contracts from the organization comply with the national legislation regarding hours of work; however, the organization does not have a system of recording the working hours of its employees.</p>	<p><b>PARTIALLY COMPLIES</b></p>
7.7	<p>The member provides its employees and directly employed producers with all legally required social benefits (e.g. retirement funds, sickness leave, basic social security).</p>	<p>The Network guarantees its employees all the social benefits legally required. Affiliation to the social security, payment of the thirteenth and fourteenth salary, payment of the reserve fund from the second year of work, annual holidays, maternity leave, payment of maternity allowance.</p>	<p><b>COMPLY</b></p>

**Source:** (World Fair Trade Organization (WFTO), 2014)

**Authors:** Galarza, Zúñiga.

**Table 26: Percentage of the type of compliance with the criteria of the principle 7**

<b>Criteria's situation</b>	<b>% Percentage</b>	<b>No. Of criteria</b>
Comply	60%	7.3, 7.7
Partially comply	20%	7.4, 7.6
Does not comply	20%	7.1, 7.2
Does not apply	0%	
<b>Total</b>	100%	

**Source:** (World Fair Trade Organization (WFTO), 2014)

**Authors:** Galarza, Zúñiga.

**Table 27: Evaluation of compliance criteria based on principle 8 and data collected**

<b>Principle &amp; Providing Capacity Building</b>			
<b>No.</b>	<b>Compliance Criteria</b>	<b>Evidence</b>	<b>Fulfillment</b>
<b>8.1</b>	The member develops a plan and budget for capacity building of producers and employees according to their needs and the needs of the organization. (Mandatory by Year 2)	The organization develops plans and previous budgets for the development of capacities of its producers and employees. Plans and budgets are included in projects financed by international or state organizations. In particular, for the period 2016-2017 the organization has planned its training activities within the framework of the project "Strengthening the productive capacities and exchange of handicrafts of the organizations and SMEs members of the Pakariñan Network". However, for this year there is no planning or prior compliance with it.	<b>PARTIALLY COMPLIES</b>

No.	Compliance Criteria	Evidence	Fulfillment
8.2	The organization provides regular capacity building for its employees and producers according to their capacity building plan. Training may be provided internally or externally. (Mandatory by Year 4)	The organization provides regular skills development for its employees and producers in accordance with the training plans foreseen in the projects financed by international or state organizations. In particular, in the period 2016-2017 the organization has implemented training activities within the framework of the project "Strengthening productive capacities and exchange of craft products of organizations and SMEs members of the Pakariñan Network", evidenced in the reports of projects and training.	<b>COMPLY</b>

**Source:** (World Fair Trade Organization (WFTO), 2014)

**Authors:** Galarza, Zúñiga.

**Table 28: Percentage of the type of compliance with the criteria of the principle 8**

Criteria's situation	% Percentage	No. Of criteria
Comply	50%	8.2
Partially comply	50%	8.1
Does not comply	0%	
Does not apply	0%	
<b>Total</b>	100%	

**Source:** (World Fair Trade Organization (WFTO), 2014)

**Authors:** Galarza, Zúñiga.

**Table 29: Evaluation of compliance criteria based on principle 9 and data collected**

<b>Principle 9: Promotion of fair trade</b>			
<b>No.</b>	<b>Compliance Criteria</b>	<b>Evidence</b>	<b>Fulfillment</b>
<b>9.1</b>	The member promotes and/or raises awareness of Fair Trade and Fair-Trade principles internally with its employees and directly employed producers.	The Network provides through its employees, in particular through the Maki FairTrade website (www.fairtrade.ec). However, there is still a lack of knowledge on the subject of fair trade.	<b>PARTIALLY COMPLIES</b>
<b>9.2</b>	The Producer FTO or Marketing FTO buying locally from producers or producer groups, promotes Fair Trade and its principles to its FT producers, as appropriate to its size and scope of operation. (Mandatory by Year 2)	The organization demonstrates its commitment to the spread of fair trade among its partners and local producer groups (training on fair trade with 'Teje mujeres' in 2017).	<b>COMPLY</b>
<b>9.3</b>	The Marketing FTO engages in the promotion of Fair Trade and its principles to the general public and consumers, as appropriate to its size and scope of operation. (Mandatory by Year 2)	The organization is strongly committed to the dissemination of fair trade and its principles towards consumers and the general public, as shown on its website (www.fairtrade.ec).	<b>COMPLY</b>
<b>9.6</b>	The member provides its customers with truthful information about itself, the products it markets and the suppliers and producers of the FT products.	The member promotes to its clients truthful and detailed information about itself, the products it sells and the artisan producers, both through its website (www.fairtrade.ec), and in its labeling that assesses the origin of the product, including the name and a statement of each craftsman.	<b>COMPLY</b>

No.	Compliance Criteria	Evidence	Fulfillment
9.7	The organization employs honest and ethical advertising and marketing techniques.	The organization uses honest and ethical advertising and marketing techniques that value the personality, sensitivity and creativity of each craftsman. In the Maki store, the products marketed carry a label with the photo of the craftsman and a statement of this about his work.	<b>COMPLY</b>

**Source:** (World Fair Trade Organization (WFTO), 2014)

**Authors:** Galarza, Zúñiga.

**Table 30: Percentage of the type of compliance with the criteria of the principle 9**

Criteria's situation	% Percentage	No. Of criteria
Comply	90%	9.2, 9.3, 9.6, 9.7
Partially comply	10%	9.1
Does not comply	0%	
Does not apply	0%	
<b>Total</b>	100%	

**Source:** (World Fair Trade Organization (WFTO), 2014)

**Authors:** Galarza, Zúñiga.

**Table 31: Evaluation of compliance criteria based on principle 10 and data collected**

<b>Principle 10: Environment</b>			
<b>No.</b>	<b>Compliance Criteria</b>	<b>Evidence</b>	<b>Fulfillment</b>
<b>10.1</b>	The organization complies with relevant key local and national rules and regulations on environmental aspects that concern their activities.	The Network complies with the relevant local and national regulations and regulations on the environmental aspects that affect its activities. The activities of responsible tourism (promoted by Pakariñan expedition) are carried out in coherence with the plans of management and environmental conservation of the communities where the tourist activities are carried out.	<b>COMPLY</b>

**Source:** (World Fair Trade Organization (WFTO), 2014)

**Authors:** Galarza, Zúñiga.

**Table 32: Percentage of the type of compliance with the criteria of the principle 10**

<b>Criteria's situation</b>	<b>% Percentage</b>	<b>No. Of criteria</b>
Comply	100%	10.1
Partially comply	0%	
Does not comply	0%	
Does not apply	0%	
<b>Total</b>	100%	

**Source:** (World Fair Trade Organization (WFTO), 2014)

**Authors:** Galarza, Zúñiga.

## 5.2. Compliance criteria for continuous improvement

**Table 33: Evaluation of compliance criteria based on principle 1 and data collected**

<b>Principle 1: Creating opportunities for economically disadvantaged producers</b>			
<b>No.</b>	<b>Compliance Criteria</b>	<b>Evidence</b>	<b>Fulfillment</b>
<b>1.4</b>	The organization demonstrates commitment through its actions and trading activities to improve the economic and social conditions of disadvantaged producer groups, producers and FT suppliers.	Pakariñan demonstrates its commitment to the improvement of the social and economic conditions of groups of disadvantaged providers, through: the promotion of community tourism; the development of personal, organizational and commercial skills of small artisans, particularly women, and indigenous communities; the implementation of projects for the improvement of the living conditions of its members; the commercialization of artisanal products of its members; the valorization and the rescue of the traditional crafts of the South of Ecuador. The organization keeps a digital record with the details of the actions implemented in the framework of projects and workshops. The FTO plans to implement surveys to strengthen the impact analysis according to its improvement plan.	<b>COMPLY</b>



No.	Compliance Criteria	Evidence	Fulfillment
1.5	<p>The FTO maintains an up-to-date register with basic information about its FT suppliers and producers. The information shall include type of organization, location, contact person, and their socio-economic conditions.</p>	<p>The organization has basic information about its suppliers and producers of fair trade on those documents produced by the projects, however, this information is not systematized in an updated record and does not include detailed information. The information of the suppliers is included in the project reports (IAF project report 2017), where the groups of producers are mentioned (number of partners and their location). In the "Annex Maki handicraft", the following information is described by each producer: personal data, craft activity, products made and main problems in the activity. The file does not include: the organization to which the artisan belongs, its location, and its socioeconomic conditions.</p>	<p><b>PARTIALLY COMPLIES</b></p>

**Source:** (World Fair Trade Organization (WFTO), 2014)

**Authors:** Galarza, Zúñiga.

**Table 34: Evaluation of compliance criteria based on principle 2 and data collected**

<b>Principle 2: Transparency and accountability</b>			
<b>No.</b>	<b>Compliance Criteria</b>	<b>Evidence</b>	<b>Fulfillment</b>
<b>2.4</b>	The organization implements appropriate and participatory ways to involve constituent members and employees in its decision- making, such as annual general meetings or regular producer/employee meetings with management.	The Network involves the partner groups in decision-making, through regular meetings and semiannual assemblies, documented in minutes. As for the employees: the team is very small, formal annual meetings are not held and participation in decision-making occurs on a daily basis, based on the work environment.	<b>COMPLY</b>
<b>2.5</b>	The organization has a good process for internal communication with its constituent members and employees, such as regular meetings or internal newsletters.	The organization (Pakariñan and Maki) has a good communication process with the partner groups of the Network, based on semi-annual assemblies and regular meetings, documented in minutes.	<b>COMPLY</b>

**Source:** (World Fair Trade Organization (WFTO), 2014)

**Authors:** Galarza, Zúñiga.

**Table 35: Evaluation of compliance criteria based on principle 3 and data collected**

<b>Principle 3: Fair commercial practices</b>			
<b>No.</b>	<b>Compliance Criteria</b>	<b>Evidence</b>	<b>Fulfillment</b>
<b>3.9</b>	Where possible efforts are made to increase the value or diversity of products to benefit producers and suppliers.	The organization is committed to increasing the value and diversity of craftsmen's products. It has promoted and implemented training workshops (IAF project reports) for the development of new products, recognizing producers the possibility of using the new designs also for other clients.	<b>COMPLY</b>
<b>3.12</b>	Where possible, efforts are made to use traditional local skills, materials and products. Respect for the value of cultural identity, local materials and skills is encouraged.	The organization is committed to the promotion and appreciation of the artisan traditions of Ecuador and especially of the artisanal culture of the South of the country. The organization promotes among its producers the use of ancestral techniques of fabrics (such as the weaving of toquilla straw hats and the ikat technique). However, with respect to raw materials, and in particular to fabric dyes, no efforts are being made to promote the use of local materials (ex; wool) and traditional natural dyes, according to visits and interviews with the craftswomen.	<b>PARTIALLY COMPLIES</b>
<b>3.13</b>	The member demonstrates that it applies ethical sourcing principles for the raw materials, products and services it buys in.	The Network demonstrates that it applies ethical principles in its supply chain, since almost all of the purchases it makes are related to fair trade products to disadvantaged artisans. This was analyzed in the purchases of the organization.	<b>COMPLY</b>

**Source:** (World Fair Trade Organization (WFTO), 2014)

**Authors:** Galarza, Zúñiga.

**Table 36: Evaluation of compliance criteria based on principle 4 and data collected**

<b>Principle 4: Payment of a fair price</b>			
<b>No.</b>	<b>Compliance Criteria</b>	<b>Evidence</b>	<b>Fulfillment</b>
<b>4.4</b>	<b>DOES NOT APPLY</b>		
<b>4.5</b>	The FTO reviews its cost structures and strives to improve production management in order to maximize benefits for FT producers.	<p>Although the Network aims to maximize the benefits of its own producer partners, it has not taken all the necessary measures to improve its management, reduce its costs and prioritize the economic benefit of producers in its current model of administrative and financial management.</p> <p>Although Maki FairTrade was subsidized by a cooperation project and this covers a large part of the administrative expenses, the payment of working capital to the producers has not been prioritized, as evidenced in the project reports and as the fact demonstrates. to market mainly on the basis of consignment sales.</p> <p>The organization plans to plan and execute more training workshops to reduce production costs in partner organizations.</p>	<b>PARTIALLY COMPLIES</b>
<b>4.6</b>	The FTO supports producer organizations to enable them to participate in setting prices. Similarly, the producer FTO does the same with its producers.	The organization through the training promotes the development of capacities of the groups of producers in relation to the calculation of production costs, indicated by the producers who participated in workshops on production costs.	<b>COMPLY</b>

<b>No.</b>	<b>Compliance Criteria</b>	<b>Evidence</b>	<b>Fulfillment</b>
<b>4.8</b>	The organization is committed to provide living wages for its employees and directly employed producers by adjusting wages according to changes in the cost of living (e.g. inflation) and providing training to optimize productivity.	The organization is committed to ensure decent wages to its employees (at least 29% higher than the national minimum wage). Salaries have not been adjusted for changes in the cost of living, since they are recent contracts.	<b>COMPLY</b>

**Source:** (World Fair Trade Organization (WFTO), 2014)

**Authors:** Galarza, Zúñiga.

**Table 37: Evaluation of compliance criteria based on principle 6 and data collected**

<b>Principle 6: Commitment to non-discrimination, gender equality, freedom of association</b>			
<b>No.</b>	<b>Compliance Criteria</b>	<b>Evidence</b>	<b>Fulfillment</b>
<b>6.3</b>	The member actively supports and encourages its employees and directly employed producers to organize, meet and discuss problems both with each other and with management.	The organization currently employs only three people (2 in Pakariñan and 1 in Maki). The communication between the team is horizontal and based on trust. Eventual problems are discussed in daily meetings, observed in the work environment.	<b>COMPLY</b>
<b>6.4</b>	The organization has a clear policy and plan to promote gender equality that ensures that women as well as men have the ability to gain access to the resources, they need to be productive and also the ability to influence the wider policy, regulatory and institutional environment that shapes their livelihoods and lives. Organizational constitutions and by-laws allow for and enable women to become active members of the organization in their own right (where it is a membership-based organization), and to take up leadership positions in the governance structure.	The organization promotes gender equality and the participation of women. Her work strengthens the identity and self-esteem of artisans from rural and indigenous communities. The institutional documents (Pakariñan Network Statute and Maki FairTrade Incorporation Act) allow women to become full members of the organization. Currently the positions of leadership (president) is assumed by a woman. In addition, the projects implemented by Pakariñan foresee plans to strengthen the personal and productive capacities of women. However, the organization does not have a clear policy on gender equality.	<b>PARTIALLY COMPLIES</b>
<b>6.5</b>	The member supports women employees and directly employed women producers in combining family and work duties, e.g. by flexible working hours, childcare support, leave if family members are ill.	The Network supports its artisans in the combination of family duties and work tasks, leaving ample flexibility in the management of work schedules observed during interviews and visits to the organization.	<b>COMPLY</b>

No.	Compliance Criteria	Evidence	Fulfillment
6.8	The FTO shall identify particularly disadvantaged and vulnerable groups among its FT producers and/or suppliers and give priority and/or special preferential conditions when working with them.	The organization is made up of groups of disadvantaged or vulnerable producers: indigenous communities of the Kichwa people; artisans and artisans of rural communities (mostly women), who lack opportunities to access the market, as it has been possible to verify through visits and the analysis of the socioeconomic context of the areas in which the organization operates. In both its commercial and support activities, the organization gives priority to its own members and to similar grassroots organizations, as evidenced by project reports and purchase invoices.	<b>COMPLY</b>

**Source:** (World Fair Trade Organization (WFTO), 2014)

**Authors:** Galarza, Zúñiga.

**Table 38: Evaluation of compliance criteria based on principle 7 and data collected**

<b>Principle 7: Guarantee good working conditions</b>			
<b>No.</b>	<b>Compliance Criteria</b>	<b>Evidence</b>	<b>Fulfillment</b>
<b>7.5</b>	<b>DOES NOT APPLY</b>		
<b>7.8</b>	<p>Within its possibilities, the organization strives to provide additional social security and benefits to its employees and directly employed producers, above what is required by national regulations, in particular:</p> <ul style="list-style-type: none"> <li>• health insurance/medical support</li> <li>• retirement schemes</li> <li>• social security in case of disability or death of the income earner</li> <li>• sick leave</li> </ul>	<p>The Network provides additional benefits to its employees, particularly in relation to permits for personal reasons and the possibility of working in teleworking.</p>	<b>COMPLY</b>
<b>7.9</b>	<p>The organization does not use limited term contracts, or apprenticeship as a means to avoid social security for employees and directly employed producers. The organization regularly reviews its employment practices and long term “casual” workforce and strives to provide as many employees and directly employed producers as possible with regular employment.</p>	<p>The organization strives to offer regular employment to its employees, within the framework of its financial possibilities. However, in their current financial and commercial management salaries are covered by financing of a three-year cooperation project, and this does not guarantee the sustainability of the jobs. The FTO uses contracts of limited duration in the case of consultancies, the framework of projects financed by external entities.</p>	<b>PARTIALLY COMPLIES</b>
<b>7.10</b>	<p>The FTO discusses working hours with its employees and directly employed producers and optimizes processes and lead times to avoid excessive workload during peak times of production, in collaboration with FT partners.</p>	<p>The organization discusses work hours with its employees; allows flexibility in the management of work schedules and implements, allows women to combine work and family duties, according to what was observed during visits and interviews with workers.</p>	<b>COMPLY</b>

**Source:** (World Fair Trade Organization (WFTO), 2014)

**Authors:** Galarza, Zúñiga.



**Table 39: Evaluation of compliance criteria based on principle 8 and data collected**

<b>Principle 8: Provide capacity development</b>			
<b>No.</b>	<b>Compliance Criteria</b>	<b>Evidence</b>	<b>Fulfillment</b>
<b>8.3</b>	<b>DOES NOT APPLY</b>		
<b>8.4</b>	The Marketing FTO assists the producer organizations it works with to improve their management skills, production capabilities and access to markets. If buying through an intermediary, the FTO must support capacity building assistance to the FT producers through the intermediary or other local/national Fair-Trade support organizations.	The FTO is committed to the development of the producer groups with which it works and assists them to improve its management and market access opportunities. In the course of 2017, it has given 13 workshops focused on the strengthening of administrative and financial capacities and the development of new designs. However, the producers interviewed mentioned the need to receive more feedback from the organization regarding the level of acceptance of their products in the market.	<b>PARTIALLY COMPLIES</b>

**Source:** (World Fair Trade Organization (WFTO), 2014)

**Authors:** Ana Galarza, Sofía Zúñiga.

**Table 40: Evaluation of compliance criteria based on principle 9 and data collected**

<b>Principle 9: Promotion of fair trade</b>			
<b>No.</b>	<b>Compliance Criteria</b>	<b>Evidence</b>	<b>Fulfillment</b>
<b>9.4</b>	The member demonstrates his commitment in the continuous and planned promotion of fair trade (internal and external), awareness, education, campaign and advocacy.	The organization is strongly committed to the promotion of fair trade (internal and external), education and awareness of consumers, tourists and the public in general regarding forms of trade that value small craftsmen and generate greater benefits for them, as their website shows, the promotional material in their store and the interviews with the representatives of the organization.	<b>COMPLY</b>

No.	Compliance Criteria	Evidence	Fulfillment
9.5	The member collaborates with local/national Fair-Trade Organizations and/or its FT partners in Fair Trade campaigning and networking.	The member collaborates with fair trade organizations at a national level in the creation of networks. For example: it has facilitated contact between one of its producer groups (Coop Teje mujeres) and a member of WFTO (Gruppo Salinas) for the purchase of raw materials (wool). He has collaborated with the Gruppo Salinas in relation to the TC, as indicated by the representatives of the organization.	<b>COMPLY</b>

**Source:** (World Fair Trade Organization (WFTO), 2014)

**Authors:** Ana Galarza, Sofía Zúñiga.

**Table 41: Evaluation of compliance criteria based on principle 10 and data collected**

<b>Principle 10: Environment</b>			
No.	Compliance Criteria	Evidence	Fulfillment
10.2	The FTO understands and strives to minimize negative environmental impacts of production of FT products with regard to water conservation, protection of water bodies and natural ecosystems, bio-diversity, energy usage and waste.	The FTO is committed to environmental conservation, however it does not have evidence on efforts to minimize the negative environmental impacts of the production of FT products (ex. With respect to the environmental impact of the use of synthetic dyes in fabrics, origin of wool, areas and methods of straw cultivation, etc.) In any case, the production processes of the products marketed by the organization have reduced environmental impacts. The FTO has planned to draft a policy to minimize the environmental impacts of the production or provision of services.	<b>PARTIALLY COMPLIES</b>
10.3	The FTO strives to understand key environmental challenges in its supply chains, and prioritizes products from sustainable sources, use of local materials where appropriate and those produced with least overall impact on the environment.	FTO is committed to environmental conservation; however, it has not carried out an environmental risk assessment of its supply chains.	<b>PARTIALLY COMPLIES</b>

No.	Compliance Criteria	Evidence	Fulfillment
10.4	FTOs educate consumers, suppliers and producers about meaningful steps they can take to lessen their environmental footprint, especially in the responsible production, use and disposal of their products.	The FTO does not have evidence of its efforts to educate suppliers and producers about the significant steps they can take to reduce their environmental footprint. In any case, there is a high level of awareness about environmental respect in the South of the country, as could be observed in the visits and interviews with producers.	<b>PARTIALLY COMPLIES</b>
10.5	<b>DOES NOT APPLY</b>		
10.6	FTOs use recycled or easily biodegradable materials for packaging as far as possible, and ship goods by sea whenever possible.	The FTO uses recycled paper shopping bags in its store, marketing its products nationwide.	<b>COMPLY</b>

**Source:** (World Fair Trade Organization (WFTO), 2014)

**Authors:** Ana Galarza, Sofía Zúñiga.

## 6. Proposal to obtain the Fair-Trade certification

Through the analyzed data in the previous section, which include the compliance criteria for Fair-Trade Organizations (FTO) and the internal analysis of Pakariñan and its subsidiary Maki, an action plan is proposed, with activities that are developed to correct the WFTO criteria, which are not met or partially met. To apply, the following guidelines are necessary that the organization will fully comply with the certification criteria based on the principles of Fair-Trade and obtain a satisfactory audit that favors its application and obtaining certification.

**Table 42: Action plan for compliance criteria, principle 2**

Principle 2: Transparency and accountability								
No.	Status	Activity	Human Resources	Economic Resources	Technical Resources	In charge	Duration	Observations
2,3	Partially complies	Establish a system for registering artisans, which contains: organization to which it belongs, location, background and socio-economic conditions.	Director and operations management	Noone	Podium system	Technical Director, Chairman of the Board of Directors	Annually	Implement a virtual system that allows to keep the information in the cloud, easily accessible and at any time with unlimited space.
		Generate an education cycle for the technical team of the Network, Maki and its craftsmen on the use and implementation of the new virtual registration system. Its operation and benefits that it will bring to the organization	Operation management	\$ 100 + VAT This value is determined for a group of at least 10 people and a maximum of 20, who attend the training.	Space for training, Projector, Personal trainer, Folders, Sheets, Pens, Tables, Chairs, Coffee Break station	Technical Director, Chairman of the Board of Directors	Three weeks. Distributed as follows: the first week to teach the use of the internet, the second week for the use and characteristics of the system, and the third week execution and practice of the use by the participants. Participants of adult age, are characterized by a slow learning with new technologies and it will be necessary to do the training at least three times in the years for their understanding.	The SERCOP (National Public Communication Service) offers self-training on the use of ICTs, which are free of charge, they can be guided with the help of the operations staff of the organization.
2,6	Partially complies	Planning and execution of meetings with suppliers, not members of the network that allow to establish feedback and suggestions for the continuous improvement of the Network	Director and operations management	\$ 20.00 for Coffee Break for 15 people	Space for training, Projector, Personal trainer, Folders, Sheets, Pens, Tables, Chairs, Coffee Break station	Technical Director, Chairman of the Board of Directors	Biannual	It will allow the network to obtain suggestions and new ideas from external suppliers of merchandise. Determining new needs of the market, as of the producers.

**Source:** (World Fair Trade Organization (WFTO), 2014)

**Authors:** Ana Galarza, Sofía Zúñiga.

**Table 43: Action plan for compliance criteria, principle 3**

Principle 3: Fair commercial practices								
No.	Status	Activity	Human Resources	Economic Resources	Technical Resources	In charge	Duration	Observations
3,1	No comply	Perform a rotation of each product sold in the store	Accounting and Accounting Assistant	Noone	Computer, Excel Program, Invoices	Accounting Director, Technical Director, Chairman of the Board of Directors	30 days	To perform the rotation, information must be used from January to December of 2018 based on the sales invoicing documents. This will allow to establish an approximate amount of sale of each product per month, to determine a fixed monthly merchandise order.
		Establish a purchase order model	Accounting and Accounting Assistant	Noone	Computer, Microsoft Word program, Product list	Accounting Director, Technical Director, Chairman of the Board of Directors	15 days	The purchase order must specify the characteristics of each product (quality, color, size, order date, delivery date).
		Execution and sending of purchase orders to suppliers	Accounting and Accounting Assistant	Noone	Notice office, purchase order	Accounting Director, Technical Director, Chairman of the Board of Directors	Monthly	Noone
		Modify the merchandise receipt form	Accounting and Accounting Assistant	Noone	Computer, Microsoft Word program, Product list	Accounting Director, Technical Director, Chairman of the Board of Directors	1 day	The following specifications must be added: pre-financing, price and payment terms, cancellation and problem resolution terms.
		Use of the new merchandise receipt document	Accounting and Accounting Assistant	Noone	Reception sheets	Accounting Director, Technical Director, Chairman of the Board of Directors	Monthly	Noone
3,4	No comply	Provide an advance payment equivalent to 50% of the total purchase order	Accounting and Accounting Assistant	Savings	Petty cash, provider's bank account number	Accounting Director, Technical Director, Chairman of the Board of Directors	Monthly	Once the written confirmation of the producer has been received, the 50% payment will be made.
3,6	No comply	Maintain a record of all advance payments and total payments of purchases made	Accounting and Accounting Assistant	Noone	Physical receipts and digital payments	Accounting Director, Technical Director, Chairman of the Board of Directors	Monthly	These documents will support the organization and the providers of the sent payments.

No.	Status	Activity	Human Resources	Economic Resources	Technical Resources	In charge	Duration	Observations
3,7	Partially complies	Create a policy manual that includes the issues of quality problem solving and product cancellation.	Director and Accounting	Noone	Model of manual, List of products and features	Accounting Director, Technical Director, Chairman of the Board of Directors	30 days	This will allow having guidelines for orders and troubleshooting.
		Dissemination of the manual	Director and operations management	\$ 40 Transportation, \$ 20 Coffee Break	Space for training, Projector, Trainer, Sheets, Pens, Tables, Chairs, Coffee break station	Technical Director, Chairman of the Board of Directors	30 days	The dissemination will allow all suppliers to have knowledge of quality policies and problem solving, facilitating the transparency of information and avoiding future inconveniences.

**Source:** (World Fair Trade Organization (WFTO), 2014)

**Authors:** Ana Galarza, Sofía Zúñiga.

**Table 44: Action plan for compliance criteria, principle 4**

Principle 4: Payment of a fair price								
No.	Status	Activity	Human Resources	Economic Resources	Technical Resources	In charge	Duration	Observations
4,9	Partially complies	An audit of production costs for all products with which the organization works.	Director and Accounting	\$1,000 (Approx)	Podium System	Technical Director, Chairman of the Board of Directors	Beginning March 4, 2019, End April 4, 2019.	If it is not possible to hire an external auditor, an internal audit is recommended with the collaboration of a person who does not work within the organization, but who has basic knowledge of it.

**Source:** (World Fair Trade Organization (WFTO), 2014)

**Authors:** Ana Galarza, Sofía Zúñiga.

**Table 45: Action plan for compliance criteria, principle 5**

Principle 5: Ensure that there is no child labor and forced labor								
No.	Status	Activity	Human Resources	Economic Resources	Technical Resources	In charge	Duration	Observations
5,3	Partially complies	Develop policies that prevent the presence of children at any stage of production.	Director, Operations Management and Network Management.	Noone	Convention on the rights of the child, Microsoft Word.	Technical Director, Chairman of the Board of Directors	15 days	Based on the principle of fair trade, and the universal rights of children, the intentions of the organization should be respected in principle and committed to children are not involved in productive practices, unless they are for learning purposes (parents to children).
		Disseminate policies to all members and workers of the organization.	Operation management	\$ 40 Transportation, \$ 40 Lodging, \$ 20 Coffee Break	Space for training, Projector, Trainer, Sheets, Pens, Tables, Chairs, Coffee Break Station	Technical Director, Chairman of the Board of Directors	30 days	The entire Network will have knowledge of children's rights. Also, they will know the importance of putting them into practice, if they are for production purposes or for educational purposes, taking into account limitations and precautions.

**Source:** (World Fair Trade Organization (WFTO), 2014)

**Authors:** Ana Galarza, Sofía Zúñiga.

**Table 46: Action plan for compliance criteria, principle 7**

Principle 7: Guarantee good working conditions								
No.	Status	Activity	Human Resources	Economic Resources	Technical Resources	In charge	Duration	Observations
7,1	No comply	Hire a specialist in analysis of health risks, work activities and the workplace.	Director, Operations Management and Network Management	\$300	Risk management technician	Technical Director, Chairman of the Board of Directors	5 days	A risk analysis must be carried out for the productive activities that entail the elaboration of each of the products with which the organization works. As in turn, risks that may occur in the workspace.
		Create a manual for the prevention of health risks, work activities and the workplace.	Director, Operations Management and Network Management	Noone	Risk analysis obtained by the risk management technician.	Technical Director, Chairman of the Board of Directors	30 days	Noone
		Disseminate the manual to all those involved.	Operation management	\$ 40 Transportation, \$ 40 Lodging, \$ 20 Coffee Break	Space for training, Projector, Trainer, Sheets, Pens, Tables, Chairs, Coffee break station	Technical Director, Chairman of the Board of Directors	30 days	The Network must ensure compliance and above all that the team understands and knows the precautionary measures. It is recommended that this manual is remembered semiannually.
7,2	No comply	Create a record of the organization's clinical history.	Operation management	Noone	Podium System	Technical Director, Chairman of the Board of Directors	You will have to register daily, monthly or annually as required.	You will have to keep a record specifying the illness or accident that occurred within your work hours and your work environment.
7,4	Partially complies	Analysis of health and safety risks in relation to their work activity.	Operation management	Noone	Risk analysis obtained by the risk management technician.	Technical Director, Chairman of the Board of Directors	30 days	Through the analysis by the risk management technician and the dissemination of these with the workers of the organization, any type of accident can be prevented, fully complying with the criteria.
7,6	Partially complies	Create a system to record the hours of work of your employees.	Operation management	Noone	Podium System	Technical Director, Chairman of the Board of Directors	Daily	It will be possible to maintain a control of working hours, in conjunction with national legislation.

**Source:** (World Fair Trade Organization (WFTO), 2014)

**Authors:** Ana Galarza, Sofía Zúñiga.



**Table 47: Action plan for compliance criteria, principle 8**

Principle 8: Provide capacity development								
No.	Status	Activity	Human Resources	Economic Resources	Technical Resources	In charge	Duration	Observations
8,1	Partially complies	Create a strategic plan to develop the capacities of its producers and employees, with a budget for the year 2019.	Director, Operation management, Accounting Director	Noone	List of objectives to be carried out in 2019. List of employees and producers.	Technical Director, Chairman of the Board of Directors	5 days	The planning will provide the organization with guidelines with time, economic or technical resources necessary for the execution of the trainings and also anticipate any problem that may arise.

**Source:** (World Fair Trade Organization (WFTO), 2014)

**Authors:** Ana Galarza, Sofía Zúñiga.

**Table 48: Action plan for compliance criteria, principle 9**

Principle 9: Promotion of fair trade								
No.	Status	Activity	Human Resources	Economic Resources	Technical Resources	In charge	Duration	Observations
9,1	Partially complies	Create awareness activities on Fair Trade and Fair Trade principles internally with its employees and directly employed producers.	Director and operations management	\$ 40 Transportation, \$ 40 Lodging, \$ 20 Coffee Break	Charter of the principles of Fair Trade, Benefits of Fair Trade, Space for training, Projector, Trainer, Sheets, Pens, Tables, Chairs, Coffee Break Station	Technical Director, Chairman of the Board of Directors	Biannual	Through the dissemination of Fair Trade, both artisans and workers will have knowledge of this trading system that favors marginalized producers.

**Source:** (World Fair Trade Organization (WFTO), 2014)

**Authors:** Ana Galarza, Sofía Zúñiga.

## CONCLUSION

To conclude this work, it is said that Fair-Trade seeks to benefit small producers engaged in artisanal, agricultural, textile and other activities that preserve the traditions and customs of indigenous peoples of the world. In Ecuador, Fair-Trade has a long history thanks to workers who work to preserve the Ecuadorian culture; however, as discussed in Chapter I, government institutions do not offer broad support to these actors due to the absence of a law that fully supports Fair Trade.

There are policies in several regulations that mention Fair Trade, however, the appropriate guidelines for its application, development and support are not established; based on this foundation, government support is considered essential within Fair-Trade transactions, facilitating or encouraging their commercialization in large industries, in order to avoid any fluctuations in the market due to supply and demand. A clear example is the support to MSMEs.

Within what Fair-Trade entails, it follows that small producers around the world, who are at a disadvantage compared to large producers, seek support from the government or through union integration where they work with a common objective to its development and economic sustainability. Support from governments is recommended through laws, policies and regulations based on the ten principles of Fair Trade, ensuring the rights of small producers to allow equitable development compared to industries established in the international market, with support from Fair-Trade advocacy organizations, such as WFTO or FLO.

Regarding the analysis made of the Red de Turismo Comunitario del Austro Pakariñan and its subsidiary Maki FairTrade, it is concluded that these are suitable for application for certification with the WFTO's Labeling system given that they have strengths such as: infrastructure, trained personnel, membership in the WFTO, experience and work based on Fair-Trade and community tourism, the preservation of cultural heritage and the environment, and Maki is the first Fair-Trade organization, among others . Its strengths and continuous work based on the principles of Fair-Trade have allowed the Network to have the ability to meet several mandatory criteria of the guarantee system of the WFTO, a procedure that every organization must follow to obtain certification. It

is true that the WFTO has a guarantee system with criteria of mandatory compliance and continuous improvement, based on the ten principles of Fair Trade, and it is taken as a priority that eventual compliance with the criteria considered mandatory will take place when the network has sufficient funds for an action plan that covers all the criteria.

Through the internal analysis of the Pakariñan, an action plan was established in order to determine the activities that it must carry out in order to obtain the certification of the WFTO, based on the criteria that it does not fulfill or partially complies with. In this way, the aim is to correct the shortcomings that Pakariñan presents. The establishment of manuals with cancellation policies, order of merchandise, child labor, risk analysis, information transparency, environmental protection, among the most representative are recommended. The execution of these guidelines will allow the Network to be prepared for the application and obtaining of the Labeling system, becoming a guaranteed member of the WFTO.

The Labeling system will allow the Network to present its products and services with an added value, reflecting with alignment Fair-Trade standards, environmentally friendly practices and guaranteeing high quality products, in order to create an awareness of purchase in the conscious consumers purchase, informing them of the origin and development process of products; this will respect and ensure the rights of small producers. The Labeling will enable Maki's products to excel in the international and local markets, which in turn will make it the first certified Fair-Trade artisan store in Ecuador.

The certification will make it easier for Maki to compare itself with European Fair-Trade stores. The European Union has established political frameworks to support these stores, and this is how this type of trade has increased and developed progressively in Spain where the consumption of Fair-Trade products increased by 15% and Germany with 26%, in the year 2016, compared with the previous year (Secretaria del Estado de Comercio, 2017).

The procedures requested by the WFTO for its memberships consider the eradication of child labor and discrimination of great importance. Regarding child labor, it is taken into account that the majority of small producers are people who live in indigenous communities of less developed countries, and that their productive practices are inherited from parents to children, considered as traditional; that is why it is

emphasized that Fair-Trade organizations must consider the presence of children or adolescents in an educational way only so that knowledge is transmitted and traditions are not lost over time. This factor is mentioned since the WFTO is very strict regarding the presence of children in any production process of its members or applicants.

Nowadays, Fair-Trade is considered a type of developing trade, so it is necessary to disseminate its criteria and objectives so that society understands the importance of using and promoting it. Within its promotion, it should be emphasized that Fair-Trade does not try to be a charity for small producers, on the contrary, it tries to value its work and not devalue it through intermediaries. On the other hand, artisans or farmers who are considered less favored producers must know their rights through this new commercial form; so, they can make use of these.

Finally, Pakariñan with its subsidiary Maki will serve as an example for several organizations representing small artisan producers to obtain their certification, demonstrating that joint work and perseverance help to promote new commercial methodologies where there is no discrimination. The Network is recommended to apply the action plan outlined in this work, so that they can meet the criteria and at the same time update their work system, allowing them to meet the needs of their consumers with quality products and services.

## ANNEX

### Annex 1:

Interview with the Budcay macaneras of Maki FairTrade:



### Annex 2:

Interview with the Budcay macaneras of Maki FairTrade:



### Annex 3:



## ACTA DE ASAMBLEA EXTRAORDINARIA

En Cuenca, a los 4 días del mes de Marzo de 2017, siendo las diez horas, en la sede social de la Red de Turismo Comunitario del Austro Pakariñan, representantes de las comunidades y organizaciones comunitarias que a continuación se detallan, nos instalamos en ASAMBLEA EXTRAORDINARIA para tratar el siguiente orden del día:

- 1) Constatación del Quorum.
- 2) Apertura por parte de la Vicepresidenta de la "Red de Turismo Comunitario Pakariñan".
- 3) Creación de una caja de ahorro y crédito de la Red.
- 4) Elección del nuevo Consejo Directivo.
- 5) Clausura de la Asamblea.

**Primero.-** El Econ. Eric Ochoa les brinda la bienvenida a todos los presentes y a continuación, secretaria realiza la constatación de la asistencia de los representantes de las siguientes comunidades y organizaciones comunitarias socias:

1. David Pasaca representante de la Asociación de Integración de Turismo Yanuncay.
2. Manuel Abambari representante de Asociación Machinaza.
3. Maria Julia León representante de la Comuna Doce de Junio.
4. Rosa Sisalima representante del Centro de Servicios Ambientales, Agroartesanales y de Turismo Comunitario Aguarongo.
5. Delia Chalán representante de Red de Turismo Comunitario "Saraguro Rikuy"
6. Elizabeth Carrión representante de la Comuna Moya Pinzhuma
7. Alfonso Saquipay representante del Comité Promejoras de Parcoloma
8. Saul Aucay representante de la Empresa Comunal de Producción y Comercialización MADT Producciones.

Además, se constata la valiosa asistencia de Miguel Ángel Morocho representante de Zhipta y de Esther Muñoz representante de Sumak Paccha.

**Dirección:** Sucre 14-96 y Coronel Tálbot - Cuenca, Ecuador - Tel.: +593 7 2820529  
**E-mail:** redpakarinan@turismocomunitario.ec - www.pakarinan.com

Confirmada la existencia del quorum prescrito por el estatuto, se declara válida la presente Asamblea.

**Segundo.-** La Presidenta del Consejo Directivo les brinda una cálida bienvenida a los asistentes y establece la apertura de la presente Asamblea Extraordinaria, invitándolos a participar de manera activa y solidaria.

**Tercero.-** Se le otorga la palabra a Manuel Abambari, quien manifiesta que se debería tomar medidas concretas relativas a temas de Turismo Comunitario y Artesanal para optimizar el desenvolvimiento de las organizaciones que forman parte de la Red. Es por tanto que propone la creación de una caja de Ahorro y Crédito para servicio de las organizaciones, moción que fue aceptada por unanimidad.

La compañera Rosa Sisalima señala que apoya la creación de la caja de ahorro y crédito mientras exista transparencia y claridad en el manejo contable, además comenta que en su comunidad ya implementaron una Caja de Ahorro y Crédito la cual les ha brindado una experiencia satisfactoria. Por otra parte, Miguel Ángel Morocho consulta los lineamientos y requisitos con los cuales se administrará a la Caja y a sus miembros.

El Econ. Eric Ochoa responde la inquietud mencionando que para su creación se buscará asesoría al FEPP (Fondo Ecuatoriano Popular Progresum) y de FEDEXPORT para la asesoría técnica en el tema del turismo comunitario.

Se acuerda realizar una nueva Asamblea General el día sábado 29 de abril del 2017 a partir de las 09h00, en la cual se profundizará el proyecto de creación de la Caja de Ahorro y Crédito.

**Cuarto.-** Se procede a la elección del Tribunal Electoral constituido por tres delegados de las instituciones asistentes, el cual queda conformado por: Eric Francisco Ochoa Tocachi quien la presidirá; Verónica Alexandra Cabrera Arias en calidad de Secretaria y Jenniffer Andrea Pacheco Fares en calidad de escrutadora. Constituido este Tribunal, se procede a la deliberación de la forma a llevar a cabo esta elección aprobándose las siguientes reglas:

- a. Los candidatos solo pueden provenir de las organizaciones debidamente registradas.
- b. Los votos solo pueden provenir de las organizaciones debidamente registradas.
- c. Los votos solo podrán dar los Delegados de las comunidades registradas y de las que están en proceso de afiliación con el fin de hacer efectivos los distintos procesos democráticos.

Se mociona en el proceso que el Consejo Directivo quede conformado de la siguiente manera:

- a. Como Presidente a Sandra Elizabeth Carrión Morocho.
- b. Como Vicepresidente a Rosa María Sisalima Corte.
- c. Como Secretario a Manuel Jesús Abambari Arévalo.
- d. Como Coordinador Financiero a David Arturo Pasaca Pillco.
- e. Como Vocal de Identidad y Cultura a Delia Benigna Chalán Guamán.

Aceptadas las candidaturas, se acepta por unanimidad la conformación de la nueva directiva establecida en la moción para el periodo 2017-2019.

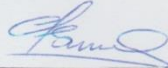
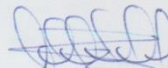
El Tribunal Electoral toma el juramento de rigor de los electos quienes juran desempeñar los cargos encomendados de acuerdo a la Constitución, la ley y a las disposiciones estatutarias y reglamentarias de la Asamblea General.

Toma la palabra Sandra Carrión, como Presidente electo, quien agradece la confianza que se le ha brindado, esperando contar con el apoyo y la activa participación de todos los miembros de la Red. Además se acuerda buscar asesoría legal para la nueva actualización de socios de la Red Pakariñan


**Quinto.-** Finalmente, siendo las catorce horas, la Presidenta declara clausurada la presente Asamblea, ordenándose a secretaria que proceda a la redacción de la presente sesión, para aprobarla y suscribirla. Leída y aprobada la presente acta, por la Asamblea, se da paso a su suscripción por los asistentes:

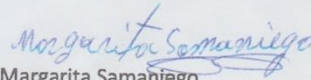


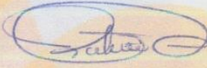
Miembros del Tribunal Electoral


Nombre: Miguel Angel Morocho	Cédula: 170972714-1	Firma: 
Nombre: Verónica Alexandra Cabrera Arias	Cédula: 190160156-6	Firma: 
Nombre: Esther Muñoz Chimborazo	Cédula: 0301764643	Firma: 

Testigos de Honor Asistentes

  
María Dolores Coyago  
Contadora de Maki FairTrade S.A.

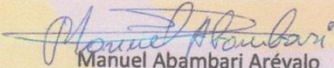
  
Margarita Samañiego  
Socia de Asociación de Toquilleras  
Don Bosco

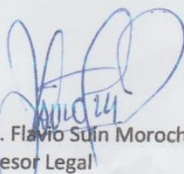
  
Patricia Coyago Cabrera  
Contadora de Red Pakariñan

  
Eric Ochoa Tocachi  
Técnico de Red Pakariñan

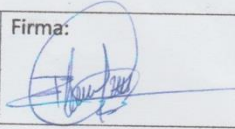
Certifico:


Que las firmas constantes en la presente acta corresponden a sus titulares, quienes formaron unidad de acto.

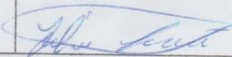
  
Manuel Abambari Arévalo  
Secretario Titular

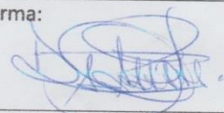
  
Dr. Flavio Sula Morocho  
Asesor Legal

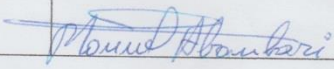
Listado de Organizaciones Presentes


Nombres y Apellidos: Elizabeth Carrión Morocho	Cédula: 010471574-3	Firma: 
Organización: Comuna Moya Pinzhuma		

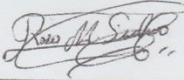
Nombres y Apellidos: Alfonso Saquipay Tepán	Cédula: 010105542-4	Firma: 
Organización: Comité Promejoras de Parcoloma		

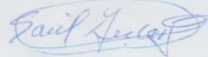
Nombres y Apellidos: Julia Alegría León Sarmiento	Cédula: 171274409-1	Firma: 
Organización: Comuna Doce de Junio		

Nombres y Apellidos: David Arturo Pasaca Pillco	Cédula: 010171495-4	Firma: 
Organización: Asociación de Integración de Turismo Yanuncay		

Nombres y Apellidos: Manuel Jesús Abambari Arévalo	Cédula: 030057507-3	Firma: 
Organización: Asociación Machinaza		

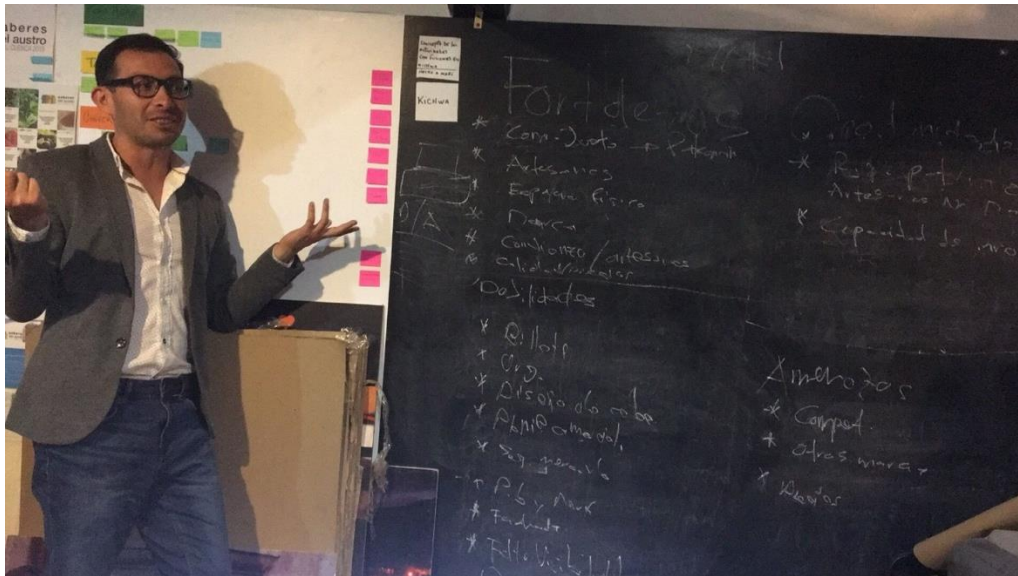
Nombres y Apellidos: Delia Benigna Chalán Guaman	Cédula: 110337392-2	Firma: 
Organización: Red de Turismo Comunitario "Saraguro Rikuy"		

Nombres y Apellidos: Rosa María Sisalima Corte	Cédula: 010138897-3	Firma: 
Organización: Centro de Servicios Ambientales, Agroartesanales y de Turismo Comunitario Aguarongo		

Nombres y Apellidos: Enrique Saul Aucay Maldonado	Cédula: 010144495-8	Firma: 
Organización: Empresa Comunal de Producción y Comercialización MADT Producciones		

**Annex 4:**

SWOT made with the team of the Network.



**Annex 5:**

SWOT made with some fellow members of the Network.



**Annex 6:**

Mission, Vision and description of Maki FairTrade



**Annex 7:**

SWOT with the artisans and artisans of Maki FairTrade



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