Introduction

The aim of this paper is to put into an action mode the research findings, the workshops deliberations, and the dreams and hopes of every participant in this project. We describe the economic activity linked to our effort for the creation of sustainable communities and present an approach with which the project may be implemented.

In order to meet the sustainability criteria set forth in the Bellagio Workshop, we emphasized reaching agreement on the particular supporting economic activity for this project. This had to be also aligned with our wider aim which is to create stronger and closer relationships between Mediterranean cultures. To create a network of people who will collaborate, exchange practices and promote cultural identities and common cultural features in the broader context of sustainable community development.

Narrowing down from a wide range of potential actions, we identified primary areas that should be investigated at this initial stage, as well as secondary areas of common development interest, which could be deployed following the implementation of the primary area activity.

**Primary Area:** The demarcation of the “Mediterranean” region has been presented as “the land where the olive grows”. Olive oil production is a major component of the Mediterranean economy representing a top priority for most countries of the region, including the ones represented by our partners.

Therefore, we selected the development of fair trade olive oil related products, targeting specialized markets in the EU and the USA. This will establish a direct support for the producing local economies and at the same time promote cross country cultural understanding.

**Secondary Area:** As pointed out by the partners, there is also a strong interest for focused sustainable tourism development since the Mediterranean is attracting almost 1/3 of the total global tourism demand. However, we intend to diversify our strategy for tourism development and link it to fair trade actions with tourism as a complementary action at a later stage. This will be investigated in a future project phase. Consequent planning for alternative forms of tourism, emphasizing agritourism, cultural tourism and Ecotourism is an

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1 Research investigation prepared by Theodore Benetatos, Resident Faculty, AWISH Hellas.

2 And its deriving byproducts
obvious next phase for this program. This should be focused on olive oil (and by-products) production based on participative tourist-host community experience. We expect that this project will have a significant contribution in strengthening the image of the Mediterranean region as a destination for healthy food production which can, at a later stage, lead to more responsible tourism. It can also provide a modern and practical planning tool for local economic development (LED) through community empowerment for entrepreneurial actions and business innovation for Small and Medium family owned enterprises.

**Sustainable Community Development and Fair Trade - A Responsive Business Model**

As clearly stated throughout this project, we aimed to create a Mediterranean-centered sustainable community development model that would address the needs and particularities of the participating communities in the region. This requires a well designed business approach that will satisfy the sustainability criteria, as described and adopted by the partners (see Benchmarking Sustainability: The Use of Indicators report). Furthermore, the main interest of the partners was identified as the olive oil production and the agricultural tourism industry, two common economic activities in the Mediterranean region. The first challenge was to find a form of economic activity that would promote the creation of a sustainable community and at the same time combine one or more preferred areas of economic development.

In this quest we discovered our solution through the emerging economic model of “fair trade”. Fair trade schemes use consumption and trade to promote the inclusion of poor farmers in global markets through long term relationships, and ongoing consultancy to build producers’ capacity.

Fair trade is a strong movement growing with rates that reach 20% per year (Fair Trade Advocacy, 2005). It has been argued that such ventures are now viable due to their small scale and ability for small farmers to building local capacity with which to implement cooperative production practices. However, this is only partially true and depends mostly on the ability of farmers to participate through collaborative schemes. For example in some cases fair trade (FT) products achieve great market shares (for example, the fair trade banana market in Switzerland has attained a 49% market share, and FT coffee has attained a 20% market share in the UK (Bechetti, 2008). Furthermore, fair-trade principles are fully compatible with our core criteria for sustainable community development.

To obtain a fair trade label, according to FLO (Fairtrade Labeling Organization) organizations must:

- To pay fare price in the local context.
- Stabilize price fluctuations
- Offer employees opportunity for advancement
- Provide equal employment opportunities
- Engage in environmentally sustainable practices
- Be open to public accountability
- Build long term trade relationships
- Provide healthy and safe working environment within the local context
- Provide technical and financial assistance to producers

Relevant studies on fair-trade (Castro, 2001a, 2001b, Hopkings 2000; Nelson & Galvez, 2000; Oxford Policy Management, 2000; Ronchi, 2002, in Beccetti & Constantino 2008) show that FTs predominantly deal with first level producer organizations rather than the individual producer. The fair trade premium is managed by the organization to satisfy the Individual's well fare needs. The main role of fair trade is capacity building which is deemed crucial to support inclusion of local producers in international trade.

As quoted at the beginning of this paper, FT is a fairly new business concept and therefore the available information reflecting the FT community's overall social, economic and environmental impact is still very limited. However, in anticipation of basic outcomes in an indicative manner, we can draw upon a large scale research on fair trade impacts on producing communities, conducted in Kenya. The results showed the following:

- FT Producers are significantly younger than Bio-production producers by almost 10 years
- FT is not an exclusive channel for affiliated farmers. In fact, they sell nearly 28% of their products directly to local customers and another 12% to other distributors and intermediaries that do not meet the profile of FT.
- Premium pricing is generally achieved but the main effect would be product diversification rather than price premium.
- Affiliation with FT does not obtain bargaining power when selling to local markets.

**Fair Trade Limitations**

No development tool is ideal. There are always drawbacks to consider and in our case we identified the following:

- FT provides superior economic and social capabilities that however may not be directly traced back to the FT as such. This means that it may well be a vehicle for sustainable community development but this will not be accomplished just by entering such a market or scheme.
- FT related commerce produces high price satisfaction compared to domestic pricing. This however means that in our case FT would be more effective if targeted to international market. Nevertheless, this does not mean that we should exclude local markets since this would have an adverse social impact on the participating community and this has been accounted for in our sustainability criteria.
• There is also enough evidence to support that FT still has not solved the issue of protecting the human capital thus reinforcing the argument that participation in such a market is not a panacea to a community's problems and requires 'state of the art' organization and competitive business strategies.

• It also seems that FT benefits are tightly linked to the premium pricing and in-kind community benefits that derive from FT policies. This implies that there is a supporting organizational structure to promote the broader goals initially sought when entering to FT collaborations.

Our approach on Fair Trade
The principles of Fair Trade are very close to our adopted project's sustainability criteria however some further modifications are needed to our business model. In FT organizations, most of the funds deriving from the prevailing premium prices are returned to the producers. We have found that this may not be sufficient to create a long term sustainable community and therefore have proposed to distribute earnings in such a manner that we can assure adequate financial return for community reinvestment and long term support of the cooperative infrastructure.

It is evident that one critical component of success is the management component. Our project involves several different participating communities, countries, and numerous stakeholders. Our main concern is not only the promotion of olive oil production and export for the attainment of premium pricing that would benefit only the producers. Based on our sustainability criteria, we also need to aim for a broader system that will enable the creation of sustainable communities by emphasizing intercultural connections. This requires monitoring by the coordinating organization that will provide continuous support to participating communities and would ensure the continuity and longevity of the project. Therefore, our project has recommended the creation of “modified” Fair Trade Community Based Organization.

Generally speaking Community-based organizations (CBOs) play a crucial and relevant role in providing services at the local level. Normally, they work in a variety of different fields, such as education, health, the rights of the disabled, gender issues, etc. If we were to describe the main attributes of such an organization we would say that usually they are non profit entities that act at a local level providing supporting services to communities and relay to a certain extend to voluntary work.

Our situation, however, requires certain modifications due to the fact that we endeavor to operate under a network of communities located in different countries rather than in a fixed location. Thus we propose the creation of a “NCBO” (Network Community Based Organization) that will act as CBO and also as a producer-based cooperative. This
could be considered as an expansion of the CBO idea where the benefits are distributed locally but the strength is identified in international business operations. The structure of such an organization can be described as following:

Figure 1: (Fair trade NCBO)

The NCBO is responsible to act as a mediator between the markets and the participating communities and is led by AWISH Hellas, the Project Leader. Under the NCBO model, we would identify local CBOs in each country which are represented by the network partners in the project, who would act as a link with each local participating producing community. The partners have already tentatively committed to supporting this project through the memorandum attached in Appendix 1. The NCBO would have a board of directors comprised of a representative from each CBO and each participating producing community, responsible for:

- Supporting the communities through education, business consultancy etc
- Supporting cross cultural and regional communication.
- Mediating in international markets.
- Monitoring and forecasting through the board the use of returns in the each community
- Monitoring production capacity
- Implementing Strategic and Tactical NCBO development plans.
- Serving as liaison to the local authorities.

Marketing Plan Considerations

As suggested by our market research analysis, we have elected to focus the NCBO activities on mature olive oil consumer markets. This will enable premium pricing strategies thus maximizing the effect of returns especially for the communities that are located outside the European Union.

Based on our trend analysis and favorable elements (direct market contacts by partners) we determined that the best market, considering the significance of market base volume, accessibility, lower barriers of market entry and projected switching costs, would be the US Market, followed by the UK and France. Our main targets are the retail industry addressed to a range of branded products in order to maximize the branding effect on the origin destination.
**Positioning**
Understanding the consumers in the retail food industry is a rather complicated issue. Research has shown for example that French consumers are willing to use Fair Trade products because: (Ferran and Grunert 2007)

- Of the desire for equality between humans and through the participation in alternative economy
- Of a wish to protect oneself and the environment...or just because
- Of the desire of hedonism by the consumption of “good” products

In any case we suggest that the products are positioned in the market as “high quality, socially sensitive products” with premium pricing.

**Marketing Approach**
Based on the size of the network as well as the current capacity, we propose that we focus initially on extra virgin olive oil. Even though the product is unique, we propose the creation of a range of extra virgin olive oil emphasizing “country of origin”. The product line will be handled by the NCBO. The main component of the product is the “image” depicting the origin of product and the accompanying local community history in producing the product.

Marketing approaches should showcase the ‘face’ of the producing community along a descriptive account of community objectives for sustainability. A story of peace, a story of life that promotes understanding between cultures, religions and humans, can play an important role in the marketing approach.

The pricing policy is an important component to the marketing strategy, as is subject to production capacity as well as market conditions and price elasticity. However, through fair trade and high quality positioning we believe that a high pricing approach is feasible and an illustrative cost structure is summarized below.

<table>
<thead>
<tr>
<th>Cooperative Initial Proforma</th>
<th>In Euro</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wholesale sales per liter</td>
<td>15.00</td>
</tr>
<tr>
<td>Bulk product Cost:</td>
<td>4.00</td>
</tr>
<tr>
<td>Net revenue</td>
<td>11.00</td>
</tr>
<tr>
<td>Bottling &amp; shipping</td>
<td>3.00</td>
</tr>
<tr>
<td>Distribution and marketing</td>
<td>2.00</td>
</tr>
<tr>
<td>Administration</td>
<td>2.00</td>
</tr>
<tr>
<td>Net Profit</td>
<td>4.00</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Fair Trade Profit Distribution Scenario</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wholesale revenue (10,000 liters)</td>
</tr>
<tr>
<td>Net Profit</td>
</tr>
<tr>
<td>Farmer bonus incentive 25%</td>
</tr>
<tr>
<td>community reinvestment 25%</td>
</tr>
<tr>
<td>coop reinvestment 50%</td>
</tr>
</tbody>
</table>

The above estimates assume the initial participation of two communities with a limited production of 5,000 liters each. This would take the initial cost of investment up to 40,000 Euros. Based on this model, other communities would be offered to option to join the cooperative as market demand expands for the unique product line.

**Project Financing:** At this point all our partners are investigating financing through programs of the European Union (7th FP), national programs, and private investors. Regardless of these financing
sources, we have agreed to proceed with a pilot project comprised initially of two partner communities, Kefalonia, Greece (represented by AWISH Hellas), and Azloun, Jordan (represented by LHAP) with small sampling quantities in order to test the market. This venture would be managed by the NCBO and other partners would be encouraged to join as funding becomes available and demonstrated market demand is proven.

**Distribution and Promotion:** Based on market investigations by AWISH Hellas and its ability to reach out to the US retail Market through well established distributors in fair trade products, we propose to initially introduce the FT products within US Metropolitan market areas. The target markets focus on “consumer responsible” markets, represented by Food Cooperatives of America – consumer owned and managed food stores that emphasize fair trade and organically grown products. The product would be branded in a manner that emphasized its fair trade attributes.

We have a twofold task in terms of promotion. On the one hand we have the consumers markets that will be reached through in-house marketing and educational-promotional materials as well electronic advertising. On the other had we have the participating communities that concurrently require education and close support as we engage the initiation of the cooperative business venture. A key aspect in the promotional effort is to the empowerment of the youth and women that we expect to be the backbone of the local economies. We aim to promote education and skills that will enhance entrepreneurship and innovation in production and management of local production activities.

**Strategic Recommendations**

Summing up the details of our implementation plan are the following major strategic business objectives:

- All development activities should comply with the sustainability criteria.
- The central role of the NCBO is to ensure the functionality of the partnership network and to ensure that the sustainability criteria are met. This central organization assumes responsibility for the implementation of the project.
- Initial project implementation would commence with a testing of the market and the participation of two communities, retaining however the networks' broader regional integrity. This will allow a testing period and enough time for other Mediterranean partners to identify future participating local community members.
- The tourism component should be incorporated at a later stage of development, as a complementary adjunct activity to sustainable community development.
References

Accord (2002) “Capacity Building for Community Based Organizations”.
Cleaner Production, Vol 15, pp 294-302
Food Quality and Preference, Vol 18, pp 218-229
Hilson, G (2008) “Fair Trade Gold” Geoforum, pp386-400
WWF (2001) “Guidelines for Community Based Ecotourism”

APPENDIX I

MEMORANDUM OF UNDERSTANDING FOR ESTABLISHING THE EUROMED SUSTAINABLE COMMUNITY CONNECTIONS FAIR TRADE OLIVE OIL COOPERATIVE

Between

- Land and Human to Advocate Progress (LHAP), Jordan
- Association for the Protection of Nature and Environment, (APNEK), Tunisia
- Association for Cooperation on Sustainable Development and Construction in the Mediterranean (SD-MED), Greece
- Palestine Hydrology Group (PHG), Palestine
- Me.Dia.T.E., Italy
- A World Institute for a Sustainable Humanity – Hellas- Mesogeiou (AWISHellhas), Greece

Purpose

The purpose of this Memorandum of Understanding (MOU) is to advance the mutually beneficial and cooperative working relationship recently established between the parties above under the ALF Sustainable Community Connections Project, herein jointly “Parties”.

Background

The Sustainable Community Connections Project was undertaken with funding through the Anna Lindh Foundation in order to bring together NGOs from participating Mediterranean communities in order to explore and establish new pathways for rural sustainable development throughout the Mediterranean region. The important outcomes from our series of workshops, which occurred between December 2007 and May 2008, was to identify the rural production of olive oil and an indicator product from our collective regional communities for development and export throughout the global marketplace. In order for such continued rural economic activities to ensure the attainment of the sustainability indicators and objectives, as formulated in the project workshops, the enterprise approach
based on the ‘fair trade’ cooperative model was selected by the partners as the preferred model for enterprise development.

The partnering organizations have agreed to collaborate in order to enhance their ability to fulfill their missions outlined in the ALF Sustainable Community Connections Project in order to promote the sustainable development in rural participating agricultural communities. The ultimate aim of the collaboration is to assist local communities in realizing sustainable development through the practice of fair trade olive oil, with the ultimate objective to reverse the chronic phenomenon of rural abandonment in rural communities.

The parties will build on their knowledge and expertise and identify new opportunities to collaborate with one another in developing and implementing sustainable fair trade olive oil production and distribution in their own geographical areas with primary distribution to the USA market place as a first phase of implementation, following the completion of the ALF project.

Understandings
The parties pledge to work together to advance triple bottom line practices in their working relationships in fair trade enterprise development through the application of, but not necessarily limited to, the following:

- Development of specific sustainable enterprise projects based on fair trade olive oil production and distribution.
- Development and incorporation of sustainability objectives that address affordability and social equity in sustainable enterprise activities in each local participating community.
- Establishment of appropriate financial support systems to meet the goals for an initial phase of oil production and distribution.
- Promotion of collaboration between the partners in the fair trade cooperative with socially responsible consumer markets in the USA and globally and with independent certification organizations for fair trade product certification.
- Provision of relevant information to Mediterranean local farming communities about global expertise in the area covered above and active contribution to comparative studies in this area.
- Development and implementation of partnering organization and community stakeholder engagement strategies.
- Exchange of appropriate budgeting and program planning information.

These efforts will be jointly chaired and administered by the Presidents of each of the Parties to this Memorandum of Understanding, should they wish to participate in the implementation of the Sustainable Community Connections project. There will be equal membership from the parties and members will have the authority to establish and direct subcommittees and working groups to consider specific proposals or problem areas as required.

Conditions
This MOU is not a contractual or financial obligation instrument and nothing in it obligates either of the parties to enter into any contracts or other financial obligations or to be cited as the basis for the promise of any transference of funds. Any reimbursements or contribution of funds between the parties to this MOU will be made in accordance with applicable laws and regulations.

To facilitate the implementation of this MOU, the parties to this agreement shall communicate directly with each other pursuant to agreed-upon cooperative understandings.

In no way does this MOU restrict the parties from participating in similar activities or arrangements with other entities.

This MOU does not create any right or benefit, substantive or procedural, enforceable by law or equity against the parties, their officers or employees or any other person.

Nothing in this MOU shall be construed to authorize or permit any violation of any laws.
**Intellectual Property Rights**
Each partner shall respect the intellectual property rights of any work and contributions put at its disposal by the other. This being so, each of them shall be obliged to cite the source of any information received from the other which it may use in its own work and publications. The intellectual property rights of work done specifically in the context of this partnership shall accrue jointly to the partners.

**Agreements**
In order to foster the successful completion of this MOU, the Parties agree to the following terms and conditions:

- Each Party pledges in good faith to go forward with this MOU and to further its purpose subject to the terms and conditions of this MOU;

- Either party may at any time, unilaterally withdraw from this MOU by transmitting a signed writing to that effect to the other Party and shall be considered terminated sixty (60) days from the date the non-withdrawing Party receives the notice of withdrawal from the withdrawing Party;

- By mutual agreement, which may be either informal or formal, the Parties may modify the list of intended activities and/or determine the manner in which they will be accomplished. However, any substantive modification to this MOU will be made in writing and signed by the Parties for the purpose of clarity and to support the ongoing evolution of the relationship;

- As long as this MOU is valid, and without the need of further transactions, the Parties shall recognize each other as a ‘partner’ or ‘member’, according to their own internal bylaws;

- This agreement is subject to annual review and recertification by both parties.

**Effective Date and Administration**
This MOU shall become effective upon signature by the President of each Party. The Presidents may appoint representatives to coordinate the relationships and communications between the two organizations.

**Signed by:**

Dr Stella KYVELOU, President  
SD-MED International Association, Greece  
Date: ___________

Ziyad Alawneh, President  
Land and Human to Advocate Progress (LHAP), Jordan  
Date: ___________

Nicholas Zaferatos, Ph.D., AICP  
President and CEO  
AWISHHellas  
Date: ___________

Ameur Jeridi, Board of Directors  
Association for the Protection of Nature and Environment (APNEK)  
Date: ___________

Ayman Rabi, Director  
Palestine Hydrology Group (PHG)  
Palestine  
Date: ___________

Cristina Sonzogni  
Me.Dia.T.E.  
Italy  
Date: ___________