

Malawi Tea 2020

Revitalisation programme towards living wages

Second Progress Report 2016–2017

Prepared by: Steering Committee

Date: October 2017





The Malawi Tea 2020 programme continues to break new ground in the tea industry, collaborating in a multi-stakeholder partnership to achieve a competitive industry where workers earn a living wage and smallholders a living income. After our first Annual Progress Meeting last year (2016), we embarked on our second year of implementation guided by the Steering Committee. A revised Roadmap was produced and stakeholders have worked together to deliver the agreed activities against the key performance indicators.

Executive Summary

A highlight of this year's activity has been our work on sustainable procurement practices. Almost all stakeholders have been involved directly in this work, which has resulted in the development of an innovative mechanism that makes clear the contribution made by buyers as well as by producers to the additional costs of paying a living wage to tea workers.

Producers have seen challenges this year with severe drought and erratic/unreliable power supply adversely affecting their yields and cost of production. Despite these challenges, we continue to see investments in revitalisation activities by estates and a consensus that the Malawi tea industry needs to move towards a higher quality product. During 2017, we have witnessed more traction with impact investors, and the first deals are under way with certain estates.

The Collective Bargaining Agreement (CBA) continues to provide a platform where wages are discussed and negotiated between employers and employees. This year, a nominal wage increase of 5.2% was agreed in a voluntary midterm CBA review between the Plantation and Agriculture Workers Union (PAWU) and the Tea Association of Malawi (TAML). The Wages Committee concluded that the ratio of prevailing wage to living wage remained around 0.57. The significant progress made before October 2016 was maintained in the face of a difficult macro environment for tea estates, including a constant USD exchange rate. Tea wages increased in USD in the past year, and there have been significant improvements in in-kind benefits that improved the lives of tea workers.

Activities to further strengthen the Union and increase its membership have been intensified, showing promising results. In addition, the implementation of new TAML policies on human resource management, gender and housing has commenced, and gender committees have been constituted in

four estates. During the year, there has been a further rollout of fortified midday meals and the introduction of vegetables once a week across all estates.

There has also been significant progress in both the smallholder and energy & environment pillars of the Roadmap. The living income benchmark study is now under way, and climate change maps have been developed. In addition, environmental pressures are being addressed through tree seedling and cook-stove production by farmer groups. Smallholders continue to enjoy the benefits of a comprehensive support package delivered through Farmer Field Schools and Village Saving and Loan schemes. There is evidence that the green leaf quality is improving and that farmers are increasing and diversifying their incomes.

We were pleased to welcome Typhoo as a new Memorandum of Understanding (MOU) signatory this year but also recognise that there are other key players who are not yet actively engaged in the programme. The Steering Committee, in collaboration with all stakeholders, will make continuous efforts to bring important new organisations into our coalition.

The progress during 2017 would not have been possible without the commitment and hard work of the Steering Committee which continues to coordinate and facilitate the delivery of the Roadmap. I would also like to thank the Evaluation Committee and the Wages Committee who ensure the desired impact is on track, and give recognition to the management of individual TAML members who continue to dedicate so much time to the programme.

However, most important to the entire process are all the MOU signatories and funders of the Malawi Tea 2020 programme who have remained engaged and committed and have contributed to the many achievements this year.



Signed by Richard Fairburn,
Chairman Steering Committee Malawi Tea 2020,
October 2017



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Chapter 1. Introduction

The Malawi Tea 2020 programme aims to improve the competitiveness of the Malawian tea sector so that workers earn a living wage and smallholders are thriving.

The programme is supported by companies all along the tea value chain. Tea producers are represented through the Tea Association of Malawi (TAML). The main buyers of Malawian tea are involved: tea traders, packers and retailers. Also part of the coalition are the main certification schemes, civil society actors and trade unions in the sector. The partnership is endorsed by the government of Malawi.

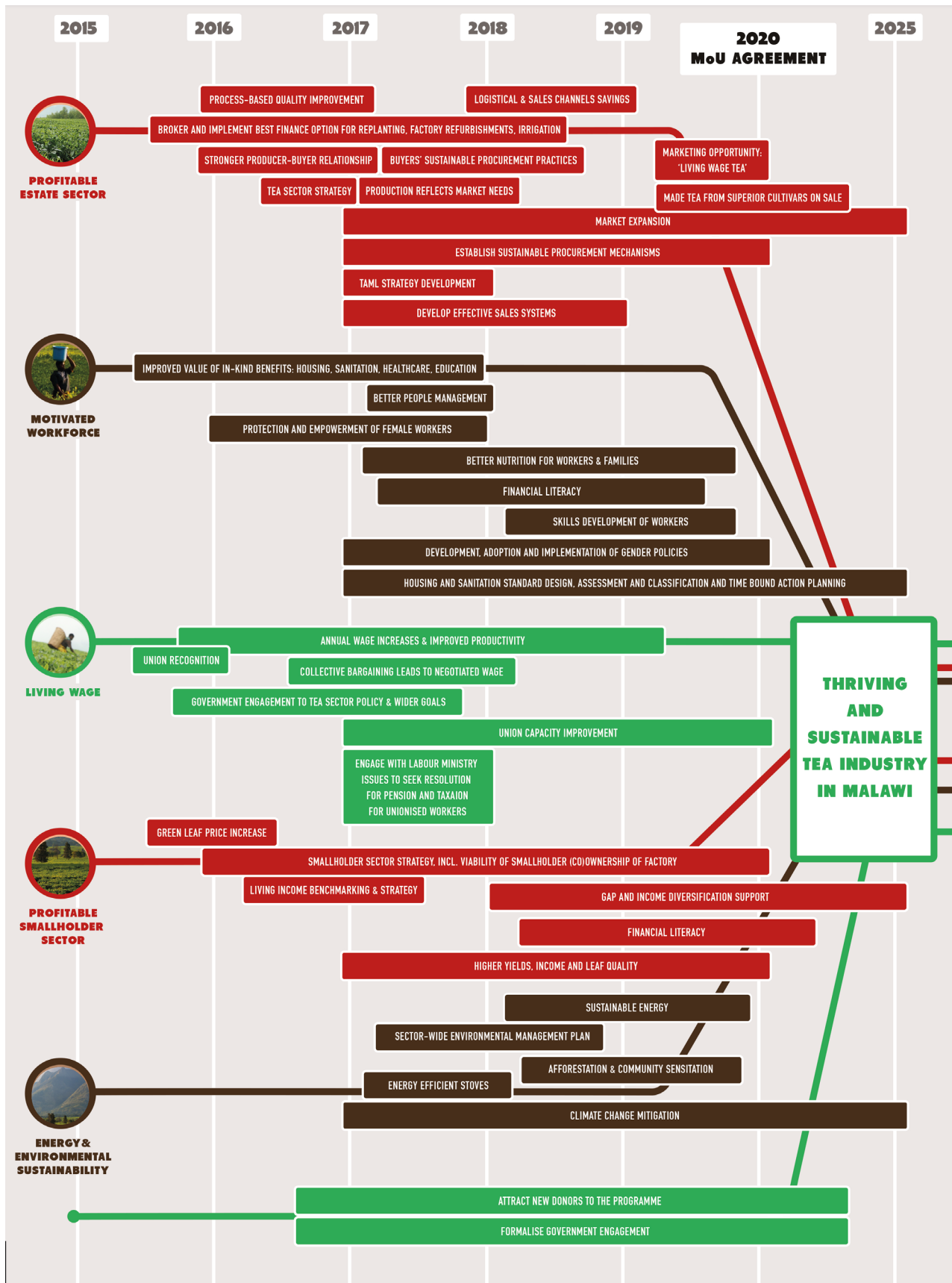
The Malawi Tea 2020 programme developed a Roadmap in 2015 which was revised in 2016 after the first Annual Progress Meeting (APM) (page 7). Key stakeholders have given their input on the Roadmap and this is seen as the collective action plan of the programme.

The expected outcomes are i) a profitable estate-sector, ii) a motivated workforce with better opportunities for women empowerment, iii) workers earning a living wage, iv) a profitable smallholder sector, and v) an energy efficient and environmentally sustainable industry.

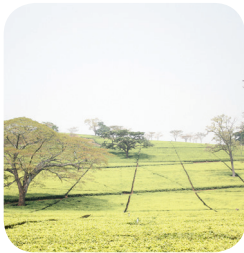
This second progress report assesses the implementation of the planned activities under each pillar of the Roadmap during the last year. The report serves to inform the Malawi Tea 2020 stakeholders on the progress made since the last Annual Progress Meeting in 2016. It will also be distributed to interested members of Malawian government, donors, investors and civil society.

At the APM in October 2017, discussions will be held between the Malawi Tea 2020 stakeholders to assess whether the programme is on course to meet its agreed objectives.





Chapter 2.
Key Performance Indicators



Roadmap pillar	Activities	KPIs
Pillar 1 Profitable tea estate sector	Continued outreach to financiers and donors to revitalise the industry through irrigation, replanting and factory refurbishments	# and size of de-plantations
	Development of viable sustainable procurement practices options	# of shared model producers and b
Pillar 2 A motivated workforce with better opportunities for women	Implementation of a nutrition programme	# of workers tha # of workers tha
	Implementation of TAML policy on sexual harassment and discrimination	# of estates that committees # of supervisors sexual harassm
Pillar 3 Living wage for tea workers	Capacity building of PAWUM and TAML to improve the wage setting process and worker representation	The gap between
		# of managers t # of workers rea
Pillar 4 Profitable smallholder sector	Capacity building of tea farmers on tea growing and business management	# of Farmer Field farmers gradua # of seedlings g # of Village Sav and # of farmer
	Living income study	Living income b Farmers' curren established
Pillar 5 Energy & environmental sustainability	Energy efficiency programme for the estate sector	# of producers p programme
	Climate change impact mapping	Key stakeholder # stakeholders business plans
	Programme on woodlot production by farmers	# of tree nurser
	Facilitating roll-out of energy efficiency stoves and solar lights	# of cook stove agents trained

	Status September 2017
of deals made between banks and	2 deals in the pipeline at an estimated 3 million USD Estates own investments in revitalisation 6.3 million USD
models that have been adopted by and buyers	Models developed Under discussion with producers and buyers
s that receive fortified meals	30,000 (out of 50,000)
s that receive weekly vegetables	All
that established welfare/gender	4 estates have gender committees
sors, managers and workers trained on assessment and equal opportunities	Training under way, commenced September 2017
etween real wage and living wage is closing	Current cash wage: MWK 1240 Prevailing wage including value of in kind benefits: MK1753 Living wage target including value of in-kind benefits: MWK 3051 Ratio prevailing/living wage: 0.57
ers trained on CBA	337 Managers
s reached with sensitization sessions	5,500
Field Schools (FFS) established and # of graduating from FFS	50 FFS, with 1,548 farmers participating
gs grown by farmers	540,000 plants at 45 mini tea nurseries
Savings and Loans groups established farmers participating	173, with 3,138 farmers participating
he benchmark established	Preliminary result for living income benchmark: 2,889 MWK (USD PPP 15.04)
urrent and living incomes have been	Preliminary result for current incomes: 1,574 MWK (USD PPP 8.16)
ers participating in energy efficiency	7 factories engaged in primary data collection. The rest of the programme has not yet started
olders informed of mapping results	Workshop held in June 17
ers use the mapping to inform their plans	Too early
rseries established	10 sites set up
ove production groups set up and sales led	6 groups, with 125 members 140 sales agents trained



Chapter 3.

Pillar 1: A Profitable Estate Sector



The estate sector at large has accelerated investments to move towards higher quality tea and more diversified activities from its own income. The first external finance deals are under way, co-facilitated by the Malawi Tea 2020 programme.

Innovative finance

The objective of Pillar 1 is to unlock investment by producers through more affordable external finance. The progress to date has been slow, mainly because of delays in the development of concrete business plans by producers and a mismatch with certain investors. Challenges resulting from power shortages and drought have further increased the risk of investment and redirected capital resources to alternative sources of power supply.

Notwithstanding, two estates have gone ahead to undertake irrigation feasibility studies with grant support from the Sustainable Trade Initiative (IDH). More irrigation will boost their production in both volume and quality, and will mitigate the impacts of climate change. Both estates have engaged a financing institution to support their investment plan. Discussions are currently at an advanced stage and board approval has already been sought at one estate. Further grant funds from IDH are reserved for an Environmental and Social Impact Assessment and technical support in finalising the projects.

Main interested parties for investing in the Malawian tea sector under the Malawi Tea 2020 programme appear to be AgDevco and The Impact Investment Fund for Land Degradation Neutrality (LDN Fund). Further discussions are ongoing with DFID (UK Department for International Development), which is developing a new access to finance programme for Malawi and the Malawi Innovation Challenge Fund.

An investor forum ahead of the APM 2017 is being organised to further explore possibilities for the tea sector to access financing.

Process-based quality improvement

In pursuit of higher quality Malawian teas, the estate sector has also invested considerable resources from their own income. To date, a total of 6.3 million USD by the estates has been invested over the last year to support:

- Replanting of aging tea bushes
- Irrigation
- Factory improvements
- Electricity generation
- Product diversification, green tea and other specialty teas
- Marketing – tea tasting rooms
- Additional recruitment to support planned investments

Further data needs to be collected to measure the improvement in tea quality and the realisation of higher prices in the market.

The estate sector has interacted continually with ESCOM (Electricity Supply Corporation of Malawi) to find solutions for erratic power supply. This issue has not been resolved and further support from the government is welcomed as power interruptions are negatively impacting the tea industry and jeopardise the goals of the Malawi Tea 2020 programme.

Continued facilitation of work between buyers, brokers and producers

A buyer/producer scorecard was developed by Oxfam to support improvements in trading relationships; this has yet to be tested. A supply chain survey was also commissioned by Oxfam from the University of East Anglia, to bring insights into the perceived relationships between parties along the supply chain, from workers and smallholders through to retailers. Both activities were financially supported by the programme. Outputs have been shared with signatories for their input and reports finalised.

TAML strategy development

Around the world, changing trends in customer preference, tea trading and demand for impact reporting have necessitated a review of TAML operations and strategy. There is a growing realisation that TAML and the Malawian tea industry will need to review their role, vision and mission in order to ensure that Malawian tea producers maintain competitiveness. To this end, TAML has embarked on a self-assessment and review process that is currently under way and which will deliver a new TAML strategy.



Complementary to this process will be the positioning of the smallholder sector, which is vital to future growth and survival of the industry in Malawi. With support from programme funds, TAML facilitated a learning visit to Rwanda. The delegation, which included representatives from the Malawian government, National Small Holder Tea Growers Association (NASTAG), TAML and IDH, had an opportunity to meet with stakeholders involved at different stages within the value chain. The team interacted with the National Agricultural Export Development Board (NAEB), the Federation of Tea Growers Cooperatives (FERWACOTHE), and ASSOPTHTE Farmers' Cooperative, and visited the SORWATHE Tea Factory.

The trip provided insights into policy, practice and institutional arrangement that will enrich the smallholder component in the Malawi Tea 2020 programme. Most important will be the strategy of key stakeholders on the involvement of smallholders in value addition such as processing. This was viewed to be one of the most striking attributes of the policies that govern any investments in Rwanda. In the exchanges, the Rwanda counterparts were keen to learn from Malawi on the establishment and functioning of a successful association of processors such as TAML. Lessons from the visit are expected to inform the Malawi tea strategy development process, which is planned for 2018.



The Malawi Tea 2020 programme has seen progress on gender work and nutrition by the estates. Gender committees, fortified midday meals and meals with vegetables are now becoming the norm in the sector. Promising work has started on improved housing but challenges remain with regard to the new SAN standard.

Protection and empowerment of female workers / Development of gender policies

During 2017, the World University Services of Canada (WUSC) supported the development of an overarching gender policy framework for both TAML as the apex body and member estates. Some TAML member estates have established gender committees as a first step.

The core functions of the gender committees are to:

- Create platforms for women working within estates to unpack issues that affect them.
- Create a support structure that can present to management issues that affect women’s working environment.
- Promote a supportive environment that ensures policies are adhered to and any reports are effectively dealt with.

A gender advisor has now been recruited whose main role is to facilitate the adoption and implementation of the gender policy. Through a change management process, TAML leadership aims at ensuring all estate managers and supervisors are well versed in the policy provisions to create a safe operating environment for women.

A roadmap for implementation of the gender policy was developed by the Industrial Relations Committee of TAML to guide policy implementation and adoption. The roadmap is yet to be approved by the TAML board.

The APM 2017 will provide further opportunities for TAML to tap into other experiences through a gender forum planned alongside the APM.

Better nutrition for workers and families

The fortification programme is aiming to fortify the maize flour

Chapter 4.

Pillar 2: A Motivated Workforce with with Greater Opportunities for Women





that is the key ingredient in the midday meal on tea estates in Malawi. This programme has now reached 70% of the workers, with the outstanding 30% due to delay in delivery of the correct equipment (dossifiers). However, all outstanding equipment is earmarked for delivery in September 2017 as per confirmed contracts and delivery schedules agreed by TAML and its members.

The provision of vegetable portions once a week has also triggered awareness for the improvement of health through better nutrition. TAML with support from IDH is supporting the initiation of kitchen gardens within estates to encourage vegetable intake at household level as well. Other estates have established women's clubs to grow vegetables for supply to the estate or the open market at Bvumbwe. To date, a total of 30 women has benefited from training conducted to establish the groups.

Improved people management

Systematic and structured HR systems are key to improving worker morale and performance. Employees who understand workplace policies and have well-defined job descriptions are better placed to deliver constructive input into company operations.

In 2017, as part of improving HR systems, an extensive exercise on standardisation was undertaken to deliver the following:

- Job descriptions and grading
- Employment contracts
- Workplace discipline training

All positions within the bargaining unit for each estate now have a corresponding job description which allows for clarity of expectations from both parties. By further defining the grades for each position, principles of fairness can be applied as all employees are issued with a contract that corresponds to their job description.

During the exercise, it became evident that producers in the Malawian tea industry need to recognise the principle of seasonality by ensuring that even those employed for shorter periods have a corresponding contract for such. The contracts

were designed and developed taking into consideration the following:

- Compliance with Malawian employment-related laws
- All positions within TAML operations
- Principles of seasonality

To date, 578 job descriptions covering all positions for all estates have been completed, with corresponding contracts drafted for each position.

Workplace discipline

The workplace discipline training that has been conducted is aimed at building capacity of managers to apply the principles of procedural fairness and consistency in all disciplinary actions as contained in the Collective Bargaining Agreement.

Recommendations for final policy guidelines and implementation procedure were provided for each estate. A total of 337 managerial staff went through the training on workplace discipline from the following TAML members: Eastern Produce, Kawalazi Estate, Makandi Estate, Lujeri Thyolo, Lujeri Mulanje, Satemwa, Conforzi, and Naming’omba.

Improved value of in-kind benefits: housing, sanitation, healthcare and education

Living conditions enhance better health and good productivity of employees and their families. In 2016, an analysis of all housing was undertaken and classification was completed. Minimum requirements were defined for all TAML members as guidance for acceptable standards of housing.

Following the classification, the following characterisation was provided as a guiding policy for all TAML members:

House category	Description
Category A Ideal condition & design	Condition = Good, recently renovated or newly built, all conditions as described in the “new housing” paragraph are met
	Design = Ideal, all conditions as described in the “new housing” paragraph are met
Category B Minor renovations	Condition = Acceptable, minor maintenance to reach Category A standard
	Design = Good, minor modification & renovation to reach Category A standard
Category C Major renovations	Condition = Poor, major maintenance to reach Category A standard
	Design = Poor, major modification & renovation to reach Category A standard
Category D Complete rebuild or demolish	Condition = Very poor, too far gone, i.e. foundation sinking, walls cracking, etc.
	Design = Very poor, requires rebuild from foundation level to be able to meet Category A standard



Following the categorisation, each estate undertook a survey of the housing they provided and developed a plan for transitioning all housing to category A. This requires considerable investment, and as such progress towards this goal has varied depending on each estate's ability to finance renovation and construction. Construction has also been affected by the need to invest capital in power generation due to unreliable power supply from ESCOM.

Most estates have already demolished all category D housing without displacing any worker who was housed on the estate. Efforts are made to ensure that the demolition is aligned with allocation of suitable alternative housing for those employees whose house is demolished. The majority are renovating or constructing new housing.

Progress towards the desired goals under this pillar was also affected by the introduction of a new Sustainable Agriculture Network Standard, SAN (the standard-setting organisation behind Rainforest Alliance Certification), which came into force in July 2017. This has defined a new set of critical criteria for housing and sanitation that needs to be met for all audits taking place since 7 July 2017.

An awareness-building workshop was undertaken with TAML members to understand the provisions in the revised SAN standard and the implications. Considering the cost and practicality of implementation, several challenges in meeting these requirements were identified by TAML. These issues will be taken up with Rainforest Alliance to ensure that adherence to the standard doesn't affect viability of estate operations since housing is not a mandatory requirement in Malawi.

A highlight of the last year has been the work on sustainable procurement practices. With involvement from almost all stakeholders directly in this work, development of an innovative mechanism that makes clear the contribution of buyers as well as producers to the additional costs of paying a living wage to workers is well under way.

Buyers sustainable procurement practices

By joining the Malawi Tea 2020 programme, buyers are committed to generating extra value for producers through their sustainable procurement practices, and to increasing the economic ability of producers to afford payment of living wages. Following the first APM, a process was initiated by Oxfam and IDH to calculate the additional cost of paying workers a living wage and for this cost to be fairly shared across the tea value chain. A key principle was that the value should be shown to flow through to workers' wages.

Following a competitive process, Accenture Development Partnerships was appointed in April 2017 and intensive work has continued since. Three meetings of a Technical Advisory Group were held to bring in perspectives from buyers, producers and experts. Four 'levers' or mechanisms have been developed and tested.

Throughout these phases, extensive consultation with key stakeholders within the tea value chain and MOU signatories has taken place and provided the input for a blueprint that is now being used to achieve binding agreements.

There is currently a general agreement on several principles to guide this process.

Key drivers emerging include:

- Levers that define how value is created towards living wages
- Guidance on contracting that ensures contribution from buyers is well defined
- Systems that would encourage long-term engagement
- Approaches for supporting a strong competitive auction system

Chapter 5.

Pillar 3: A Living Wage for Workers



Several risks have been identified in relation to implementation of the models, more particularly:

- Mechanism of delivery of wage increase (workforce-wide fund vs CBA vs plantation fund)
- Impact on plantations that do not supply to coalition members
- Ensuring that buyers do not change sourcing to alternative tea-growing origins
- How the model applies to the auction
- Verification of the increased value reaching workers in the form of higher wages

Union capacity building

Good results have been achieved on further capacity building for the workers' union PAWU to improve the wage setting process and worker representation.

The collective bargaining agreement that was signed by PAWU and TAML in 2016 stipulated that the parties would meet in July 2017 to discuss whether the country's economic conditions would warrant an interim wage adjustment. In preparation for the mid-CBA meeting, Oxfam supported PAWU's negotiation team with a well-informed paper analysing the economic situation. The paper was presented to TAML together with PAWU's ask on wage adjustment.

The outcome of the mid-CBA discussions was a 5.2% adjustment of nominal wages for all tea workers and a commitment for the parties to meet again in December 2017 for further discussions.

Another significant focus this year has been on increasing union membership and increasing the numbers of union representatives in more estates. PAWU has held membership recruitment campaigns to increase its membership and the union held awareness-raising sessions on the content of the CBA with 5,500 workers. Social dialogue meetings with TAML have also been held to discuss some of the challenges that the union faced with its operations in the tea estates.

The Union — with support from Oxfam (reinforced by UTZ and IDH), Fairtrade and the International Union of Food workers

(IUF) — also carried out training on leadership skills, gender and social issues and occupational health and safety to ensure that its membership is informed and empowered. PAWU is also working on the development of a five-year strategic plan and gender strategy.

Wages Committee

The Wages Committee is currently finalising its report; as a preview to the full report the following abstract has been sent by Richard and Martha Anker.

The 2016 Wages Committee Progress Report concluded that: (i) considerable progress had been made with the Malawi Tea 2020 programme in closing the gap to a living wage in the Malawian tea industry; (ii) despite this progress, there remained a long way to go to achieving a living wage for tea workers in Malawi; (iii) very high inflation in rural Malawi posed a major problem hindering progress toward payment of a living wage since inflation continuously reduces the purchasing power of wages; and (iv) income tax was becoming increasingly important for tea workers and as such was becoming an increasingly important impediment to achieving payment of a living wage in the Malawian tea industry.

With regard to progress towards payment of a living wage in the past year, the Wages Committee estimated that there was almost no change in tea wages relative to the living wage. The net living wage per workday has increased to K3,051 and the best estimate of the prevailing wage for a typical tea plucker is approximately K1753 (base wage plus value of common in-kind benefits plus 'over-kilo payments' for an average of 60 kilos plucked per day). This results in an estimated ratio of prevailing wage to living wage (awaiting detailed wages data from TAML) of 0.57, which is similar to last year. , Ahead of the APM 2017, the Wages Committee therefore concluded that the gap has not continued to close over the past 12 months.

However, this apparent lack of progress towards payment of a living wage can be viewed in a positive way (the proverbial glass half full) for several reasons. Firstly, it means that the significant progress before October 2016 has been maintained despite a difficult macro environment for tea estates, such as the constant USD exchange rates. In fact, tea wages actually increased in USD (metric for tea estate revenues) in the past year.



Secondly, there were significant improvements in in-kind benefits which, although not increasing the value of the total wage package by much, did significantly improve the lives of workers. These improvements are attributable to the Malawi Tea 2020 programme and the efforts of the TAML membership, and include improving the free lunches every workday with: (i) nutrition supplements added to the maize meal, and (ii) vegetables provided at least once per week. TAML also adopted a new housing policy and made a commitment to improving estate housing for tea workers and their families. While this new housing policy and commitment might have had only a marginal impact in the last year, it is likely to have an important positive affect in future.

Thirdly, the TAML base cash wage continues to remain considerably (29%) higher than the rural minimum wage, even though the rural minimum wage significantly increased in the past year.

In the past year, TAML has achieved a significant breakthrough with the government of Malawi to reduce the burden of income tax on tea workers. This is positively affecting workers lives as well as the ability of the work we are all doing on wages to be much more useful and impactful.

To improve smallholder livelihoods, the Malawi Tea 2020 programme works with all farmer trusts to deliver a comprehensive set of capacity building activities focused on improved tea farming practices, income diversification, business management, and food security.

Improved tea production techniques, environmental management and seedling production are core to the curriculum of the Farmer Field Schools (FFS). This year, 50 FFS were established across all farmer trusts, with 1,548 farmers participating (female: 1,283 and male: 265). The programme is achieving good results against its core objectives of increased yields and green leaf quality. For the 2015–2016 season, it was found that FFS farmers had increased their tea yields by an average of 18.5%, compared with a 12% increase for the smallholder sector. In addition, data from the past two years consistently shows us that FFS farmers’ green leaf quality is rated 15–20% higher than that of non-FFS farmers. Higher quality leaf is rewarded with higher prices by the estates.

To boost incomes further and to increase resilience to market and climate shocks, it is paramount that farmers diversify their incomes. GIZ and ETP looked at the most promising opportunities for diversification and are feeding this into the FFS programme. Extra training is provided on the production of maize, pigeon peas, cow peas and Irish potatoes, and more topics are under development. In the FFS, in-depth training is also provided on nutrition and sanitation, as well as business management skills.

In order to address the continued demand for infilling, an additional 18 nurseries, with 216,000 plants, are being established this year. This adds to the 27 farmer-managed nurseries set up in 2016 that are nurturing 324,000 plants which will be ready for out-planting in the next rainy season. An evaluation is currently under way to compare the costs/benefits and long-term sustainability of the different nursery models that exist in the Malawian tea industry.

The Village Savings and Loan groups (VSL) started last year now engage more than 3,100 farmers. This programme encourages saving and entrepreneurship among farmers and provides them with access to credit. In a survey conducted by GIZ in December 2016, lack of start-up capital was cited by 64% of interviewed farmers as a barrier to starting new business activities. The VSL programme has been very successful in

Chapter 6.
Pillar 4:
A Profitable
Smallholder
Sector



addressing this barrier. The first 69 groups to share out their dividends had accumulated savings of an average of EUR 58.5 per person. This compares with an average initial capital input of EUR 1.6 per person.

An independent evaluation carried out by Imani Development in July 2017 found that:

“Almost all of the VSL members were able to improve their levels of financial security. Through the program, almost all members took out loans from the VSLs, with a 99% repayment rate. Much of this money was used for activities which may not generate short term profits, but can help save money in the long term. The ability to access finance through a safe mechanism such as the VSL meant that members were able to spend more on things such as purchasing farm inputs. VSL member households have shown improvement in different facets of quality of life. Participants have expressed that they now have the ability to give their children better clothing, medicine, and food. In addition, they are able to afford school fees. Over half of VSL members claim that the amount of food their family has to eat has increased since the VSL program began. Moreover, over two-thirds of VSL members have more money to spend on healthcare – the ability to access capital has made participants more likely to seek treatment if they need it.”

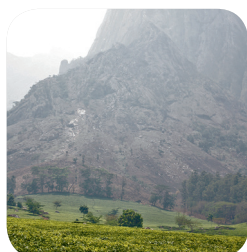
In order to build the capacity of the farmer trusts, UTZ has been working on an activity plan with the trusts and the National Smallholder Tea Grower Association (NSTGA). Training will start in October and focus on building the capacity of the four trusts and the NSTGA in areas of governance, use of information systems, gender and lobbying and advocacy skills.

The process of mapping all tea smallholders and related farm data started in June 2017. The statistics on the smallholder farms will help inform the development of the smallholder strategy.

Living income benchmark

In partnership with the University of Malawi, GIZ is working on a living income benchmark. The results are expected to be ready soon. GIZ also developed a ‘fast-track’ study method that relies on less primary data collection. This study revealed that (in July 2016 price terms) an income of 2,889 MKW (USD

PPP 15.04) per farmer per work day is needed to provide a household of five with a decent standard of living. Current farmer incomes are estimated to be at an average of 1,574 MKW (USD PPP 8.16). Increased productivity and green leaf prices, in addition to income diversification (due to small plot sizes), are seen to be important levers for change.



Chapter 7.

Pillar 5: Energy & Environmental Sustainability

The Malawi Tea 2020 programme has made significant progress towards its objectives of more sustainable energy use and improved environment management in tea-growing areas.

Environment sustainability in relation to smallholders and workers

To ease the pressure on local forests and to promote efficient use of firewood, ETP is supporting farmers and community groups with the establishment of tree nurseries as well as cook stove production groups. A total of 12 tree nursery sites, which will be growing at least 25,000 plants, are being set up; four at local schools, five at FFS tea nursery sites, and three with smallholder groups who have expressed interest via their trusts. The trees that are being raised will be used by farmers for firewood, but also for fruit production and reforestation (indigenous trees).

Over 2,000 fuel efficient cook stoves have been produced by the six cook stove production groups that have been set up so far. Four further groups will be set up in the coming weeks. A network of stove 'passionates' (or sales agents) is being developed, with 140 people trained to date. These 'passionates' will help bring the stoves to market. The primary market for the stoves is the tea communities, however United Purpose has agreed to purchase any extra stoves and distribute them to wider beneficiaries. This will increase the income-making potential for the stove production groups. ETP is currently in talks with the estates to establish access to the stoves for workers.

Most farmers do not have access to electricity which is why solar-powered products are so popular. Sukambizi Association Trust provides loans to farmers for the purchase of solar lighting and solar mobile phone charging devices. ETP has helped scale up this programme through providing a no-interest loan.

Environmental management by the estates

An energy efficiency analysis was carried out at factory level in May 2017. All factories opened their doors to the consultants and facilitated onsite data collection. Seven factories (out of 17) across the six different producers provided secondary data detailing historic energy consumption for 2015 and 2016. The findings showed significant potential for efficiency

gains across the sector with some factories consuming a possible 3.5 times more energy than others. The producers are discussing next steps.

Climate change mitigation

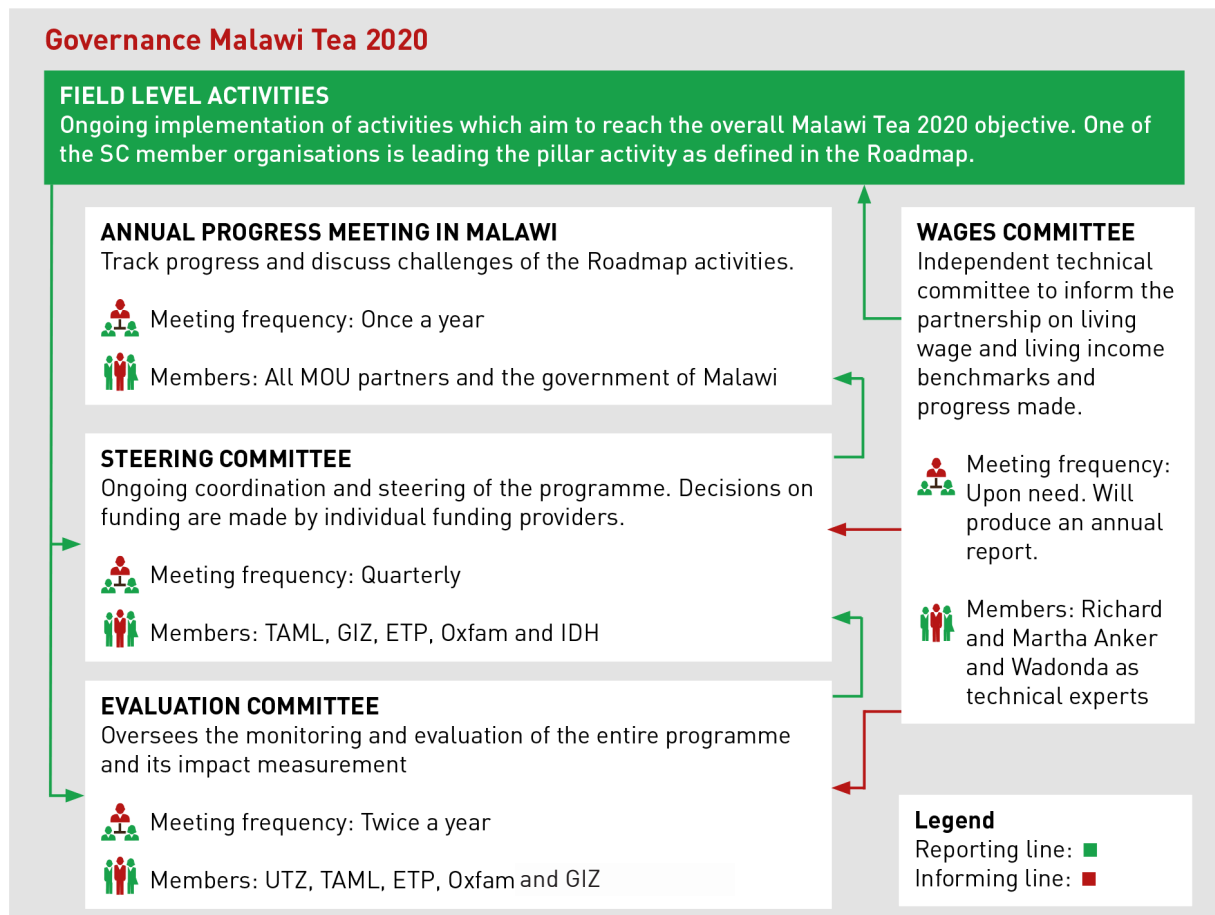
UTZ commissioned The International Center for Tropical Agriculture (CIAT) to develop climate impact maps for tea in Malawi. These maps aim to help producers make decisions with regards to improved climate change adaptation practices. CIAT looked at the three key tea-growing regions in Malawi (Thyolo, Mulanje and Nkhata Bay) and forecast the impact of climate change up to 2050. Initial findings show all areas will be impacted through a combination of more frequent, erratic rainfall patterns and dramatic increases in temperatures. The results were presented to the tea producers in June 2017 and will be further discussed at the APM.



Chapter 8 Governance

The Malawi Tea 2020 programme is coordinated by a **Steering Committee** that provides oversight on implementation of all Roadmap pillar activities and ensures that programme targets are pursued. IDH acts as an independent convener coordinating inputs from the various stakeholders and currently acts as Chair to the Steering Committee.

The work of the Steering Committee is informed by the Evaluation Committee which provides the monitoring and evaluation of projects and the Wages Committee which is responsible for independently assessing the living wage benchmark. Once a year the Annual Progress Meeting (APM) is held, to track progress, discuss challenges, review strategy of the programme and adjust where necessary. The APM draws participants from all MOU signatories.



The Malawi Tea 2020 programme began in June 2015 as an ambitious, action-oriented coalition; a global first in the tea industry. What has remained unchanged is the commitment of our multiple stakeholders — from supply chain actors and unions to civil society and government —to ensuring a profitable future for Malawian tea growers and improved livelihoods for workers and their families.

With our Roadmap setting out clear priorities, we are able to accurately chart our progress year on year. The results of 2016–2017 are ones we can look back on as positive achievements clearly outlined in this report.

Moving toward 2020, we are empowered and inspired to act on our interim learnings — taking even bolder steps to help the Malawi tea industry regain its competitive position as a profitable tea growing country, with a higher quality of tea, sold at higher prices, to achieve a living wage for workers and a living income for smallholder farmers.

Chapter 9 Concluding Remarks





Malawi Tea 2020 Revitalisation programme towards living wages

For more information
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Project Partners

