



# Malawi Tea 2020

Revitalisation programme towards living wage

## Third Progress Report 2017–2018

Prepared by: Steering Committee

Date: October 2018





Malawi Tea 2020 has been viewed as highly ambitious since its outset. As we continue to work towards our five pillar targets, it is clear that their impact is transforming tea trading and the tea industry as a whole in Malawi. The year 2018 marks the midpoint of the programme, and we have again made significant progress on many fronts.

Within the tea estate sector, the Collective Bargaining process has been successfully embedded, we are creating a safer workplace for employees, especially women, and improved HR practices are now being rolled out on each estate. In parallel, plantation companies are moving forward with their internal revitalisation projects; tea replanting, irrigation, factory refurbishment and crop diversification.

Smallholder activities are achieving positive results for farmers and their families. The scope and reach of the programmes is being extended. This year alone, Malawi Tea 2020 has supported 8,500 smallholder farmers to develop more resilient and sustainable livelihoods, impacting around 40,000 people. Furthermore, the success of individual programmes is strengthened through farmer participation in multiple elements of the training.

Farmer Field Schools remain the cornerstone of our smallholder work, leading to improved farm productivity and better quality green leaf. Incomes are further enhanced and diversified through participation in Village Savings and Loan Associations. Malawi Tea 2020 is supporting the industry on climate change adaptation, tree production, beekeeping, and increased availability of fuel efficient cookstoves. All helping tea communities towards a more sustainable use of natural resources.

The Malawi tea 2020 wages committee has worked tirelessly to define what constitutes a living wage in the Malawian tea industry. However, latest estimates indicate that it is highly unlikely that the estimated 'Living Wage' will be achieved across the entire workforce by 2020. Whilst this is disappointing, it is important to report that tea industry cash wages have once again risen above the rate of rural inflation and are now significantly higher than the Malawi Government notified minimum wage. In addition to wage increments awarded by the tea estates, it is now expected that buyers will soon contribute to our Living Wage journey through

## Executive Summary



discretionary payments, guided by the recently finalised 'Sustainable Procurement Model'.

Capacity building for the Plantation and Agricultural Workers Union (PAWU) has continued throughout the year. This has led to a more balanced and informed CBA renegotiation together with increased union membership at the grass roots level. Last year's progress would not have been possible without the total commitment and hard work of the Steering Committee, which is determined to see a revitalised tea sector paying a living wage. The Evaluation Committee has also made an invaluable contribution through the monitoring and evaluation framework, providing the tools that help us track progress and measure where we are. Special mention must be made of the Wages Committee, which continues to provide an assessment of tea industry remuneration vs the estimated living wage benchmark.

Finally, I wish to thank our funding partners for their renewed investments and all MOU signatories whose continuous interest and commitment drives the implementation of activities towards the ambitious and transformational goals we have set.



Signed by Richard Fairburn  
Chairman Steering Committee Malawi Tea 2020  
October 2018

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## Chapter 1. Introduction

**Malawi Tea 2020 aims to improve the competitiveness and profitability of the Malawian tea industry to ensure that workers earn a living wage and that smallholders thrive.**

Since its inception, the programme has focused on creating a platform to revitalise the Malawian tea industry and enable it to deliver better quality tea that can sustain living wages and living incomes, while maintaining a conducive work environment through implementation of policies that promote, equality, voice of the worker and women's empowerment. Drawing support from companies across the tea value chain, members include tea producers from the Tea Association of Malawi (TAML), the main buyers of Malawian tea, tea traders, tea packers, and tea retailers. The tea industry's main certification schemes, an NGO, and trade unions in the sector are also involved. The partnership is endorsed by the government of Malawi.

The programme roadmap, drawn up in 2015 and revised in 2016 after the first Annual Progress Meeting, established five pillars to achieve key objectives by 2020:

1. A profitable estate sector
2. A motivated workforce with better opportunities for women
3. A living wage for workers
4. A profitable smallholder sector
5. An energy-efficient and environmentally sustainable industry

The 2017 Annual Progress Meeting (APM) recognised that the roadmap target of achieving a living wage for all workers across the industry, by 2020 will be extremely challenging. The Sustainable Procurement Model, one of the main focus areas for 2018, provides a framework that can inform buyer contribution through procurement. Stakeholders have been in consultation to review strategies that will support progress towards attainment of the living wages. The 2018 APM will provide a platform for setting priorities for the next two years to the 2020 target.

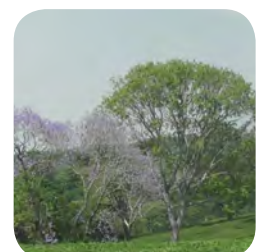
To accelerate progress, the programme draws on resources from development agencies and NGOs. IDH and GIZ (supported by the government of Germany) have been traditional donors to the initiative together with ETP and buying companies, but 2018 saw UTZ (part of the recently merged Rainforest Alliance) become an important investor in supporting project implementation.

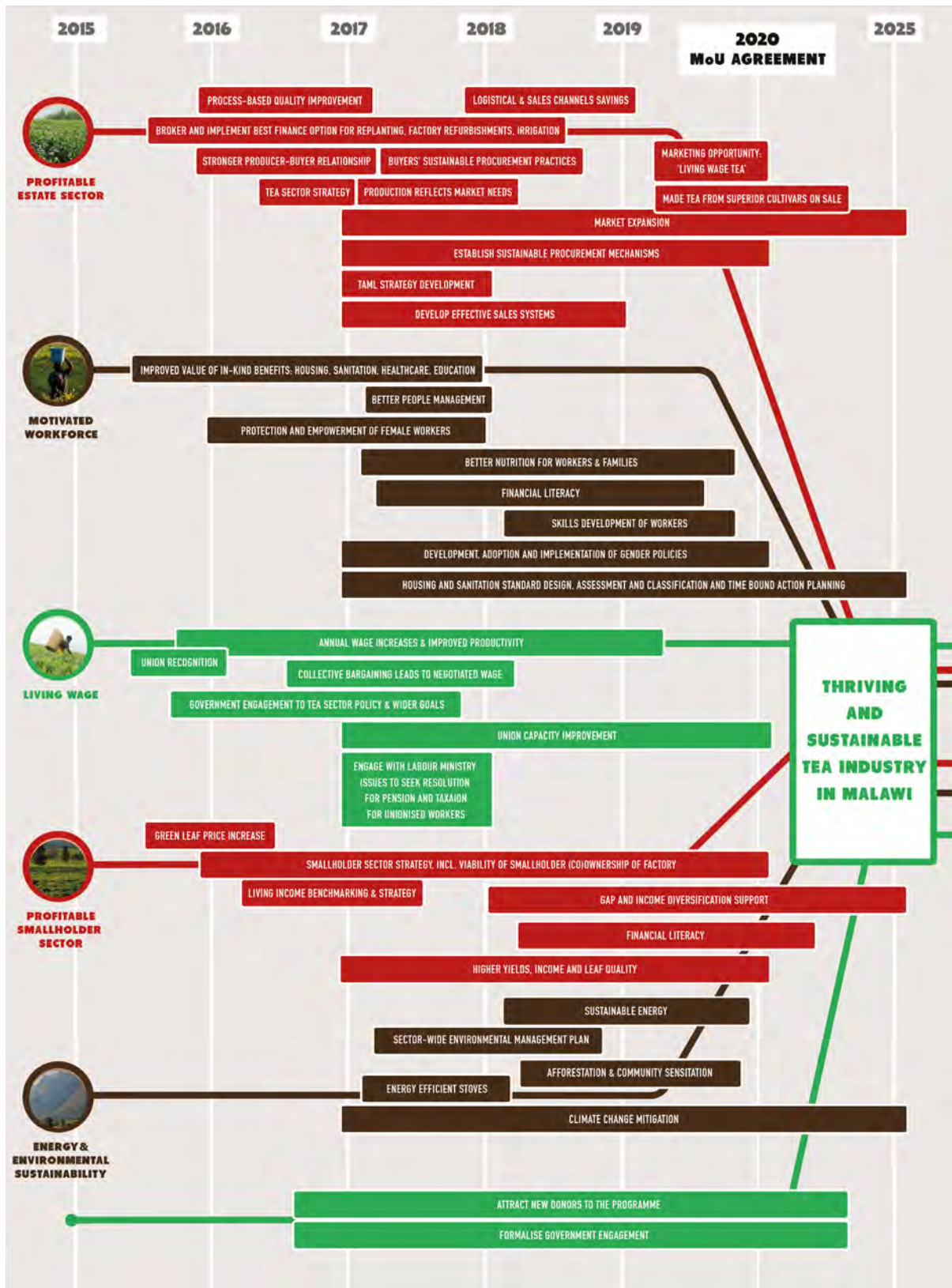
UTZ contributed approximately EUR 1 million to the programme in 2017/18 as part of their Sector Partnership Programme financed by the Dutch Ministry of Foreign Affairs. This has helped support a number of areas including, Capacity building of the PAWU, Wage Committee activities, Building of the smallholder database, Capacity building of the smallholder trusts and NSTGA, Landscapes project, which works with smallholders and communities to develop climate change adaptation plans and Environmental sustainability management plan.

IDH continues to invest in activities that will fast track the achievement of programme pillars. This year, IDH signed three-year contracts with all implementing agents under the Malawi Tea 2020 programme, and multiple estates, to further support the implementation of the Roadmap. Total investment since the beginning of the program by IDH now exceeds 2 MLN EUR.

In order to further assess and document how the Malawi Tea 2020 programme impacts the livelihood of the workers and their families, IDH engaged the Wageningen University & Research (WUR) to undertake extra research at the field level. This will inform how the progress made towards a living wage contributes in improving the living conditions of workers and their families of the programme. This involved providing insight into the overall workers' situation also compared to other sectors. The preliminary results will be presented at the APM for validation.

This 2018 progress report is the third in its series, providing an overview and assessment of activities under each pillar during the last year. The report serves to inform Malawi Tea 2020 stakeholders on the progress made since the 2017 APM, and highlight issues that emerged during this period. It will also be distributed to interested members of the Malawi government, donors, investors, and civil society actors.





**Malawi Tea 2020 Roadmap**





**Chapter 2.**  
**Key Performance Indicators**



Roadmap	Pillar Activities	KPIs
<b>Profitable estate sector</b>		# of business plans developed by estates from 2016 onwards
	Business plans developed by estates	Hectares of: tea replanted; irrigation installed; new/ alternative crop being developed.
		Increased investments in Production systems
	Financiers with patient capital identified	# of financiers (new or current) investing in tea sector
	Facilitate dialogue with Malawian (Government Tea Industry Group, contact in Ministry of Trade) and Mozambican government and the railway company around sales channels and logistics.	# of meetings conducted and progress made towards the recommendations
	Facilitating continued dialogue between buyers and producers.	Procurement model signed off # of meetings of working groups facilitating producer-buyer dialogue.
	Development of viable sustainable procurement practices options	# of shared models that have been adopted by producers and buyers
	Develop an outline on how the extra value will be distributed or shared among workers	Develop an outline on how the extra value will be distributed or shared among workers

Status September 2018	2016-2020 Results
1 in Progress, 1 completed and approved for financing through loan	Accelerated investments of estates in replanting, factory refurbishment, irrigation and diversification (medium to long)
\$5Million invested through estate own resources	
1 with agreement for financing in place	More affordable finance available to Malawian tea industry (short)
Initial consultations held 2017	Increased access and markets for Malawi Teas (long term impact)
In Progress	Improved trading relationships between buyers and producers
1 held after 2017 APM	
Sustainable Procurement Model developed	
Report produced on how value will be distributed/shared.	Under review





Roadmap	Pillar Activities	KPIs
<b>A motivated workforce with better opportunities for women</b>	Awareness raising sessions conducted and reinforced on non-discrimination and harassment delivered to managers, supervisors and workers	# of supervisors, managers and workers participating in awareness raising sessions on non-discrimination and harassment
	Welfare/gender committees established.	# of estates that established welfare/gender committees
	Training sessions delivered to female employee representatives on gender committees on leadership skills	# and % of women attending leadership training sessions;
	Strengthening HR systems through the implementation of equal opportunities and non-discrimination policy, HR management training, trials aimed at improving labour productivity and absenteeism rates	# and % of supervisors, managers and workers trained on non-discrimination and harassment policies.
		# of estate managers attending training on improved HR management practices.
	Programmes aimed at improving labour, housing, sanitation and healthcare	Manual on housing, sanitation and health care developed
		# and % of estates that have developed investment plans
	Workers receive weekly vegetables from estates by 2017-2020.	# and % of estates that provides weekly vegetables
	# and % of estates that using fortified maize flour (purchases, or adding micronutrients to maize flour)	# and % of estates that using fortified maize flour (purchases, or adding micronutrients to maize flour)
	# of workers attending training sessions on nutrition and food security and % of total workforce	# of workers attending training sessions on nutrition and food security.
Village Savings & Loans / financial literacy programme for workers	# of VSL established for workers	
	# of estate workers participating in VSLs	

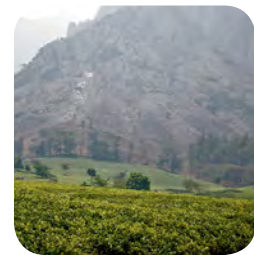
Status September 2018	2016-2020 Results
268 out of 300 managers and supervisors received training on sexual harassment and discrimination.	Improved gender awareness and management gender issues by supervisors, welfare gender committees and managers
All 9 TAML member estates have established welfare and gender committees.	
209 of 300 women received a leadership training.	Women are provided with opportunities to develop professionally in the workplace
268 out of 300 managers and supervisors received training on sexual harassment and discrimination.	Estate managers implement improved HR practices
369 males and 28 female managers trained in Workplace Discipline.	
Housing and Sanitation Policy was developed.	Improved worker housing and sanitation
All 9 TAML member estates have been sensitised on Housing and Sanitation Policy. Data collection on workers in houses of category A-B will start on 4th week of August 2018.	
100 % of workers receive vegetables once a week.	Workers and their families have a better diet
40,175 out of 53, 972 receive fortified meals of which 27,565 are males and 12,610 are females.	
40175 Workers	
64 VSLAs with total approximate savings of MK25 Million (equivalent \$35,000)	Improved access to credit and increased savings
1,140 estate workers (45% female)	





Roadmap	Pillar Activities	KPIs
<p><b>Living wage for workers</b></p>	<p>Training in negotiation skills and collective bargaining; Social dialogue meeting between PAWU and TAML to support CBA implementation; Undertake collective bargaining negotiations; Review recognition agreement and agree on changes (e.g. membership of seasonal workers)</p>	<p># and % of workers sensitised about the union</p>
		<p># of managers trained on CBA</p>
		<p># and % of workers who are unionised (target 15% threshold needs to be reached in order for unions to undertake collective bargaining processes)</p>
		<p>The gap between real wage and living wage is closing</p>

Status September 2018	2016-2020 Results
2237 workers sensitised	Increased awareness among the workforce on the CBA and the role of the union
369 males and 28 female managers trained in CBA.	Managers remove barriers for unionisation of workers
17.78% of workers are unionised according to the recent union verification exercise, of which 6003 are males and 3594 are females.	Workers interests, particularly seasonal workers, are better represented in negotiations with employers (medium to long term)
<p>Provisional results indicate that the gap to a living wage is widening. This has been challenged and is being verified by the wages Committee</p> <p>Prevailing average wage for A1 workers including in kind benefits is now \$3.10</p> <p>Actual cash wages for A1 workers now 91% above the Government notified minimum wage</p>	<p>New target to be confirmed by independent wages committee and presented at the 2018 APM</p>



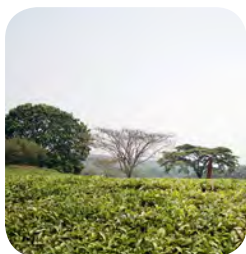


Roadmap	Pillar Activities	KPIs
<b>Profitable smallholder sector</b>	Training delivered to 50 FFS groups (approximately 1500 farmers) on GAP and other practices aimed at livelihoods improvements through FFS structures by the end of 2018	# of Farmer Field Schools (FFS) established and # of farmers graduating from FFS
	Training delivered to 3000 farmers on business skills through Farmer Business Schools (FBS) by the end of 2018	# of farmers participating in Farmer Business schools
	Supporting mini tea nurseries to become self-sustaining enterprises (pilot in 2018)	# of seedlings grown by farmers
	Scale up Village Savings and Loan programme for Farmers	# of Village Savings and Loans Associations established and # of farmers participating
	Nutrition and sanitation training to 1500 farmers in 2018	# of farmers participating in nutrition & sanitation training
	Capacity building of farmer trusts	# of farmers trained on governance, gender, lobby and advocacy
	Development of smallholder database	Data base completed
	Living income study	Updated living income benchmark (preliminary) Updated actual income (preliminary)



Status September 2018	2016-2020 Results
54 new FFS with 1,734 participating farmers (78% female). 6,189 farmers participating in FFS since the start	Improved knowledge and application of GAP and other practices
2,655 farmers participated in FBS training	Enhanced business management skills by farmers
250,000 tea seedlings growing in 18 nurseries. 730,000 seedlings in 59 nurseries since start	Increased yields by smallholder farmers
76 new VSLAs with 1,702 farmers. Total of 4,840 farmer in VSLAs (78% female) with total approximate savings of MK51 Million (equivalent \$71,390)	Improved access to credit and increased savings
2,654 farmers participated in nutrition and sanitation training. 5,902 since start	Farmers have a more diversified diet
Approx. 50 farmers	Enhanced organisational strength of the farmer trusts (governance and service delivery)
In progress	Information from the database informs the smallholder sector development strategy
MKW 3,416 (US\$ 16.65 PPP)	
MKW 1,609	





Roadmap	Pillar Activities	KPIs
<b>Energy &amp; environmental sustainability</b>	Energy efficiency programme for the estate sector	# of producers participating in energy efficiency programme
	Climate change impact mapping	# of stakeholders who use the mapping to inform their business plans
	Programme on woodlot production by farmers	# of nurseries established
	Training sessions to farmers and local village structures on tree nursery management delivered, including sensitisation.	# of people participating in forest management training
	Enabling access to fuel efficient cookstoves to tea communities in Mulanje and Thyolo.	# of stoves purchased by the tea community
	Capacity building to tea farmers on beekeeping	# of farmers supported to develop beekeeping businesses
	Facilitate the sale of carbon credits from the stoves program.	# of carbon credits sold through the stove programme
	Facilitating roll-out of solar products	# of solar products purchased by smallholders

Status September 2018	2016-2020 Results
All producers engaged in the development of the energy efficiency report. The recommendations were discussed, and it is now down to each individual producer to implement them	Tea producers have implemented measures as suggested in the efficiency report
Not yet finalised.	
12 new nurseries. Total of 22 nurseries will grow approx. 110,000 tree seedlings in 2018-2019. 30,675 trees have been planted so far from the 47,000 seedlings raised in the 10 2017 nurseries.	Increased tree planting in smallholder communities by 2018
549 farmers and community members trained in forest management	
1,704 stoves in 2018. 3,618 since start of programme.	Increased number of tea smallholders who use fuel efficient cook stoves
100 farmers in 10 groups are being supported on beekeeping.	Beekeeping groups are producing and selling bee products
20,000 tonnes of CO2 purchased from the cookstove project and commitment to purchase 100,000 tonnes of CO2 over the next 5 years.	Income earned for social fund through the sales of carbon credits
1,170 solar products.	Increased number of smallholders using solar products







**Chapter 3.**  
**Pillar 1:**  
**A Profitable**  
**Estate Sector**



**The estate sector at large has continuously invested in production systems to move towards higher quality tea and to diversify activities from its own income. The first external financing deals co-facilitated by the programme are under way. The programme also recognises that sustainable procurement systems will enable buyers to make buying decisions that effectively support attainment of a living wage and income.**

### **Sustainable procurement practices**

Activities since the APM of October 2017 have focused upon continued refinement of the Sustainable Procurement Model and its implementation. The aim is to achieve an outcome rooted in the commercial realities of the tea industry, while delivering a clear and measurable impact to tea workers and being acceptable to both buyers and producers.

The Sustainable Procurement Model as it existed in October 2017 contained guided minimum pricing that could facilitate payment of a living wage over a period of three years. This version of the model proved unacceptable to producers due to concerns over high costs of production and a loss of competitiveness for the Malawian tea industry. Equally, buyers voiced concerns that, although affordable in year 1, the compound impact of above-inflationary price rises would serve to set future pricing far too high to remain sustainable for buyers to purchase Malawi teas in commercial quantities.

TAML subsequently tabled a counter proposal in June. Namely, to set up an industry-wide fund through which discretionary 'Living Wage allowances' paid by tea buyers would flow through producers to the entire workforce covered by the industry Collective Bargaining Agreement. Initial estimates indicate that, with modest levels of 'Living Wage' allowance per kg of tea, such a fund could finance an additional month's wages per annum for the entire workforce. Certainly a worthwhile contribution by tea buyers on our journey towards living wages.

As we go to press, the Steering Committee awaits a formal response from individual buyer signatories to the TAML counter proposal of an industry wide fund and the IDH recommended Living Wage allowance per kg of tea for the upcoming season. Whatever the outcome of the ongoing discussions, we need to ensure transparency and auditability of contributions, a means of accommodating existing customer / supplier relationships and securing the agreement of the Malawian Government and

the workers Union. As we approach the start of the 2018/19 production season, reaching agreement is crucial, ensuring that buyer contributions start to make a telling contribution to the livelihoods of those who produce their teas.

### **Innovative finance**

Securing external credit financing has continued to be a challenge for the Malawi Tea 2020 programme, despite the availability of de-risking funds that could reduce risk to lenders. This has decelerated external investments, putting pressure on producers to use their own resources to continuously upgrade their production systems. However, not all efforts have been futile. In 2017, two estates won grants from IDH to undertake irrigation feasibility studies with the aim of boosting production to mitigate climate change impact. A financing deal with a development financing institution, is in the pipeline for construction of a dam and factory refurbishment.

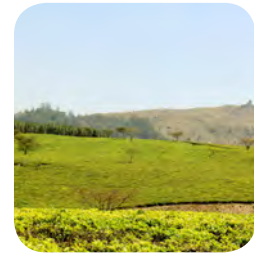
The dam project, which has the potential to provide irrigation for 85ha of smallholder land, is supported by an IDH grant for Environmental and Social Impact Assessment. Next to this, IDH has committed resources to support smallholders that will benefit from the dam in developing an investment plan for their fields, as currently not all the land is used for tea production.

### **Process-based quality improvement: investments by estates**

Capital investments by the tea industry in 2018, have emulated the trend established since the inception of the programme. The estate sector has continuously invested considerable resources into improving the quality of tea produced in Malawi.

Reports from producers indicate that estates invested a total of 5 million USD this year in projects such as ensuring energy supply during shortages from ESCOM, replanting programmes that replaced old teas with new cultivars, training programmes, and more. Estates have also used their own financing to invest in:

- Replanting
- Purchasing generators
- Establishing factories for specialty teas
- Thermal and electrical energy





- Factory machinery
- Quality and productivity
- Irrigation
- Housing
- Gender policy and empowerment training
- Factory improvements

### Facilitating relationships among buyers, brokers and producers

Sustainable procurement practices include the continuous improvement of buyer-supplier relationships. Following consultations with coalition members in 2016/17, Oxfam found widespread agreement that a Buyer-Supplier Scorecard would be a useful tool in addition to a Sustainable Procurement Model. The ability to provide and receive feedback anonymously was found to help enhance communications and foster good relationships between actors in the supply chain.

With time and resources focused on the Sustainable Procurement Model in 2017, rolling out the Buyer-Supplier Scorecard for the 2017/18 tea growing season in Malawi was not possible. Instead, it was rolled out by Oxfam in July 2018 following Steering Committee Agreement. All buyers and producers were invited to fill in the assessment tool relating to each of their trading partners. However, TAML did not believe that the timing was right, preferring to focus on Sustainable Procurement Practices at this time. The assessments will be aggregated and anonymised by Oxfam before being presented as a confidential individual scorecard to each of the producers. As this is the first year that these assessments are being undertaken, the results will serve as a baseline. In the next two years, Oxfam will compare results to this baseline and track where progress is being made against the intended outcome.



**TAML continued nutrition and gender equality activities in 2018. As a follow up to the contract between IDH and TAML in 2017, both parties recently signed a three-year agreement focusing on further development of gender policy implementation plan, improvement of HR systems, nutrition, and worker housing.**

The Gender Equality, Harassment and Discrimination Policy implementation process was designed to operationalize and communicate the policy to all employees at member estates. TAML championed this process and focused on ensuring that all workers understood the provisions in the policy. Gender committees were not only empowered to understand the provisions of the policy, but also to serve as catalysts for reporting.

Meanwhile, estates are providing mid-day meals from fortified maize flour with micro-nutrients for better nutrition of workers. However, unavailability of fortification machines, dossifiers, is hampering supply to two estates but all estates now provide an extra portion of vegetables for their workers.

### **Gender policy in action**

The TAML gender policy was launched on the 16th of December 2017. An extensive outreach programme followed the launch in order to ensure that all workers were aware of the policy. With support from the World University of Canada (WUSC), TAML spearheads the implementation of the gender policy and training and has achieved the following key results:

### **Formation of Gender and Women’s Welfare Committees**

Central to the implementation of the policy is the establishment of Gender and Women’s Welfare Committees by each estate, to be used for promoting the policy and informing workers on reporting guidelines. They are also mandated to identify employment policy matters that unions can present to TAML management for redress.

TAML conducted sensitization and awareness sessions, facilitated the formulation of Gender and Women’s Welfare Committees in all estates and identified Human Resources personnel responsible for gender policy matters. The Gender committees focus on gender related issues that affect both men and women on the estate whereas the women’s welfare committee address concerns faced by women in the workplace. In total, 147 Gender Committees and 144 Women’s Welfare committees were established across all estates.

**Chapter 4.  
Pillar 2:  
A motivated  
workforce with  
better opportunities  
for women**





### **Sexual harassment and leadership training for women leaders**

Since January 2018, TAML has been working to implement key gender policy elements, including the creation of a system to resolve sexual harassment issues on tea estates. Committees were formed and commissioned at tea estates across the industry. From May 2018, sexual harassment and women's leadership training sessions were delivered to 300 women managers, supervisors and members of the future Women's Welfare Committees and Gender, Harassment, and Discrimination Committees. The training aimed specifically to equip women with the skills to identify and report various forms of sexual harassment and to support other women. Previous awareness trainings had targeted both male and female managers, but follow-up trainings targeted women to give them a greater understanding of their rights. The general observation was that the trainings were a success and below are three key notable areas.

#### **Key successes**

The successes during the trainings which are worth highlighting are:

1. The high attendance rate of 89.3%. A total of 268 women participants out of the targeted 300 attendees participated. Participants were active and eager, demonstrating their understanding and mastery of the content through role play scenarios.
2. The positive attitude. Participants expressed interest in and appreciation for certain topics covered in both trainings, which they felt would be beneficial to them as they undertake duties in their designated committees. These topics include public speaking, conflict management, and differentiating between sexual harassment and flirting.
3. Frequency. The trainings were held only a week apart from each other, the timing of which enabled participants to build upon the previous content while their interest and motivation were high.

## Challenges

Despite being an overall success, the allocated time was not enough. The complexity and volume of content in the sexual harassment training proved to be impossible to fit into a single day, particularly due to the need for translation to deliver the training. Facilitators were forced to cover only the basics, without going into much detail. The positive development however is that TAML is in the process of engaging a permanent local Malawian trainer to deliver the training in detail and at the same level of professionalism, with support from WUSC and IDH.

## Better nutrition for workers & families

The fortification program faced challenges due to delays in delivery of fortification dossifiers, as the main supplier did not deliver as expected. Efforts are currently underway to identify alternative suppliers so that all workers have access to fortified meals.

Estates will continue to provide one vegetable portion a week, while some estates that grow their own vegetables are able to increase the frequency to three times a week.

The awareness campaign at the onset of this programme has triggered interest in the improvement of health through better nutrition, and most workers now have their own kitchen gardens.

## Workplace discipline

A needs assessment for 2018 activities found inconsistencies in the application of workplace discipline measures. TAML initiated a refresher course to revisit how workplace discipline policy is applied, to identify loopholes that hinder implementation, and to ensure that all managers take personal responsibility in understanding the policy. The course dovetailed with CBA application training and attracted 397 estate managers, of which 369 were male and 28 were female. The training focused mainly on the workplace discipline policy that was introduced on each estate in 2017, covering the following themes:

- Fairness: procedural fairness, substantive fairness, and consistency
- Role playing on the principle of corrective discipline



- How to deal with disciplinary hearings
- Admissible and inadmissible evidence
- The role of the Chairperson or Disciplinary Tribunal during disciplinary hearings
- The role of managers in workplace discipline
- Workplace discipline policy and the legislation of Malawi

### Better housing, sanitation, healthcare and education benefits

Housing was categorised in 2016 according to the table below. Based on this classification, TAML members developed a roadmap to replace category D houses, and upgrade Category B and C houses to meet the required standard. This exercise requires considerable capital investment. Since the start of the process, TAML members have demolished most Category D houses, constructed 51 houses, and renovated 16 houses.

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

**Payment of living wage to workers is one of the key targets for the Malawi Tea 2020 programme. The wage set through a bargaining process is agreed between TAML, the Employer, and PAWU the union. Progress towards the living wage goal is assessed by an independent wages committee.**

### **Union capacity building in preparation for collective bargaining**

The collective bargaining agreement is negotiated between the Plantation and Agriculture Workers Union (PAWU) and the Tea Association of Malawi (TAML) every two years. In 2018 the parties entered into a negotiation that resulted in the signing of the second CBA. An intense capacity building programme for both PAWU and TAML leadership preceded this process, which aimed at ensuring the development of mature systems for industrial relations that help improve wage setting and worker representation. A well-seasoned unionist was engaged to facilitate the preparation for the second CBA negotiation. He delivered a series of five trainings for PAWU's negotiation team to come up with strategic approaches for the negotiations. Coming into the discussion, PAWU were well prepared and articulated their proposals effectively to TAML. The CBA discussion were concluded over 2 days and they constituted intense discussion from both parties.

### **Union membership and recognition**

PAWU, with support from Oxfam, embarked on a recruitment drive to maintain the 15% membership threshold required for the two parties to bargain. This exercise paid off with union membership currently at 17.7%. Though re-engaging members after they are recruited back from off season period continues to be a challenge, and will remain a priority for PAWU and TAML to identify long term strategies to address this.

Union membership of 17.7% (37% female and 63% male) signals the importance that workers place on union membership and their need to have a voice in setting their own conditions for employment. However, the membership spread also reveals that 21% of the female members of the workforce are union members, as compared to only 16% of their male counterparts.

## **Chapter 5. Pillar 3: A Living Wage for Workers**



### Collective bargaining

The first-ever CBA was signed in 2016 and was valid until July 2018. A joint TAML and PAWU bi-partite workplace relations vision building exercise was also conducted prior to the collective bargaining process. Hosted by TAML, the exercise aimed to create a positive environment for the CBA discussions, but also provide a platform for future negotiations. The meeting proved valuable for both sides, who proposed that similar processes be rolled out at estates to improve the working relations of union representatives and employers at estate level.

### The Agreement

The CBA led to an across-the-board wage increase of 11.29% for all members of the bargaining unit for 2018/19, plus a further 5% increase for 2019/20 with the inflation rate estimated at 8.7%, and the rural inflation rate at 7% whereas the food inflation is slightly higher at 9.5%. This percentage increase translates to \$1.90 (MK 1,380) from \$1.71 (MK 1,240). After signing the agreement, PAWU and TAML received support to conduct CBA sensitization sessions to the estates and workers simultaneously. Harmonisation of the communication was aimed at ensuring the CBA was effectively communicated. To date all the estates together with 2,237 (1,018 female and 1,219 male) workers have been sensitised. Efforts are still under way to spread the communication to all workers.

### Strengthening technical and institutional capacity

PAWU also received support in developing a plan that will guide the union's strategic direction until 2022. PAWU shop stewards and study circle leaders in the union rank and file continue to receive technical training and education in gender discrimination and sexual harassment in the workplace, local and international labour laws, and social issues in the workplace.

### Wages Committee review

The Wages Committee is reviewing the new CBA provision together with estate data for average cash wages of A1 workers and the impact of both on the movement towards a living wage. The full Wages Committee review will be presented at and published after the Annual Progress Meeting.

**In order 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.**

### **Farmer Field Schools**

Farmer Field Schools (FFS) build farmers' knowledge of good agricultural practices (GAP), production of alternative cash crops, business management, nutrition and sanitation, natural resource management, and other topics pertinent to their livelihoods. FFS aim to reach 55% of all tea farmers by the end of 2020. In the 2018 growing season, a total of 1,734 farmers (78% female) participated in 54 FFS, bringing the total number of farmers who have benefited from FFS so far to 6,189, or 34% of all tea farmers.

The programme continues to have positive outcomes. The green leaf quality produced by FFS students is consistently higher than that of non-FFS farmers, and 99% of last season's FFS graduates claimed an increase in their yields compared to the previous season. Positive behaviours learned from GAP training including plucking frequency, record-keeping, and composting and mulching. Following participation in FFS, a good proportion of farmers also began growing other food crops for household consumption and for sale.

To address ongoing demand for affordable and accessible tea seedlings, 18 FFS groups, with around 400 participating farmers, are managing their own tea seedling nurseries this year, growing a total of 250,000 drought-resistant seedlings sourced from the TRF. Over the past few years, ETP has set up a total of 59 tea seedling nurseries in smallholder communities, which have produced a total of 730,000 seedlings.

Moving forward, ETP will channel its energy into supporting existing nurseries to become self-sustaining businesses after out planting. Three pilot sites have been identified, to which tailor-made business training will be provided in the next year. They are also being organised as VSLAs so that they can mobilize their own resources. If the pilot is successful, the training will be deployed in other nurseries, so that they too can become commercially viable. Demand for seedlings from farmers continues to be high.

## **Chapter 6.**

### **Pillar 4: A Profitable Smallholder Sector**

FFS farmers are offered access to a three-day Farmer Business School course developed by GIZ, which takes farmers through all business aspects of farm management. A total of 921 FFS graduates (778 female and 143 male) took the course in December 2017, while all current 1,734 FFS participants did the same in September 2018. The FBS trainers have been enlisted to help roll out nutrition and sanitation training so that more farmers beyond the FFS programme can benefit, bringing the total to 2,654 in 2018. Farmers learn about the different food groups and the benefits of a balanced diet, how to plant a kitchen garden, cooking demonstrations, and basic hygiene. In July 2018, ETP surveyed the impact of this training delivered to FFS farmers one year ago and found that:

- 61% of the 204 interviewed farmers say that they now eat a more varied diet
- 43% of respondents say that the amount of food they and their household eat has increased, particularly of vegetables and fruits, a change that has mainly benefited their children. Unfortunately, more than half of farmers have been unable to increase their intake of animal-based products, citing low income as the main reason
- 84% of farmers wash their hands more often, with 92% of them using soap. Before the training, 44% of respondents did not wash their hands with soap

### **The Village Savings and Loan Associations (VSLA) programme**

The VSLA programme remains hugely popular with farmers. It gives them access to small loans, creates entrepreneurship opportunities and helps them save and pay for basic household needs, such as food, healthcare, education, and house improvements. A total of 4,840 farmers from all four farmer trusts are currently actively involved, with more VSLAs to be set up in the months and years ahead. The target is to reach at least 40% of farmers before the end of 2020. Also 1,140 estate workers have so far been grouped into VSLAs and this will also be rolled out further.

Looking at the savings of the 2,509 farmers who joined VSLAs in 2017, we found that by July 2018, each farmer had put an average of MK 1,604 (EUR 1.9) into the common savings pot and had saved an average of MK 17,517 (EUR 21.2). The



savings of the worker VSLAs established between Sept-Dec 2017 averaged MK 36,502 (EUR 43) per person by July 2018, having started at MKW 1,735 (EUR 2) per person.

### Capacity building for smallholder trusts

UTZ leads the work on capacity building for the four smallholder trusts and the National Smallholder Tea Growers Association (NSTGA) through a consortium of local partners. Key achievements to date include the establishment of the NSTGA Secretariat and the reworking of its constitution, which is now with the Ministry of Agriculture for final review. The trusts were also engaged to review and improve their constitutions. Trainings on gender, leadership, management, lobby and advocacy, and financial accounting were conducted with all four trusts and the NSTGA. Some trusts appointed more women to block leadership positions as a result of gender awareness initiatives. A mentoring and coaching plan is being developed with partners to further support these institutions.

Finally, the Malawi Smallholder Tea Farmers information system pilot was completed at Chizunga Smallholders Trust, where 614 farmers have been registered, and 123 hectares of tea in 712 plots have been mapped. The ongoing project will provide valuable data to help identify shortcomings in tea management and socio-economic standards at a local level. It will be rolled out across the three remaining smallholder trusts, totalling more than 10,000 farmers, starting in September 2018. Once complete, the data from each trust will be merged into a national system, which can then be used by the industry to lobby for improved services for smallholder tea farmers.

### Green leaf price and living income updates

TAML has steadily been raising the price of green leaf paid to farmers. The price increased from MK 52.30 in June 2015, to MK 97.30 in June 2016, MK 107 in June 2017, and MK 121.30 in June 2018.

The University of Malawi has updated its living income and actual income calculations. Preliminary results suggest that these now stand at MKW 3,416 and MKW 1,609, respectively. This means that actual incomes are 47% of the living income benchmark and that this gap has remained constant in the last 2 years.



## Chapter 7.

### Pillar 5: Energy & Environmental Sustainability

**The programme has made significant progress towards more sustainable energy use and improved environment management in tea growing areas.**

Environmental degradation and climate change pose major challenges to the tea industry. Malawi Tea 2020 encourages tea farming communities to use natural resources more sustainably and also to generate additional income from it. ETP provides training on forestry management, beekeeping, tree growing, and fuel-efficient cookstove production. Climate change data has been provided to estates, while farmer-friendly training materials on adaptation to climate change are being developed.

#### **Adapting to climate change**

Malawi Tea 2020 enables access to data and educational tools on climate change adaptation. These include the International Centre for Tropical Agriculture's climate change impact maps of tea growing regions, which identify future risks of increased drought, heavy rain and floods, and high temperatures and heat waves. The University of Leeds in collaboration with the UK MET Office also provides estate-specific future climate data combining global climate models with data from meteorological stations located on the estates. This climate information tailored to each estate can be used to identify and prioritize climate change adaptation options for both large estates and surrounding smallholders.

UTZ also funds the pilot of a climate change adaptation project at landscape level in two smallholder communities. Natural, social and institutional assets were mapped in these communities in order for stakeholders to understand their existing resources and help them create gender-sensitive adaptation plans with sustainable natural resource management, good agricultural practices, and alternative livelihoods. The plans will be used to develop training materials on climate change adaptation strategies.

#### **Forest management, tree nurseries and beekeeping programme**

To address deforestation and soil erosion, the tree nursery programme added 10 new tree nurseries in 2018, bringing the total to 22. The 12 nurseries set up last year supported 329 smallholders with the production of over 45,000 seedlings, of which 75% have now been planted out. All 22 nurseries

are expected to produce a total of 110,000 tree seedlings in the coming months. This will be a mixture of indigenous and non-indigenous seedlings, including fruit trees and nitrogen fixing 'fertiliser' trees. In collaboration with the local Forestry Department, the Wildlife and Environmental Society of Malawi (WESM), Mulanje Mountain Conservation Trust (MMCT) and the Tea Research Foundation (TRF), nurseries were established in areas that are vulnerable to erosion, severely deforested, have acute firewood challenges, or where hydroelectricity infrastructure needs protection from siltation and landslides. The programme puts a strong emphasis on building dialogue with the tea communities around the importance of forest conservation. This is delivered through community awareness campaigns, engagement with local village leaders, community planting ceremonies and training of the village natural resource management committees. So far, 550 farmers and other community members have received 3-day forest management training. This includes 100 tea farmers who are also being supported to set up beekeeping businesses.

Beekeeping gives farmers a keener interest in forest conservation and regeneration and also creates an income generating opportunity. 100 farmers (51% female) have been set up in 10 groups with support from local conservation organisations and the TRF. 7 of these are located on the boundary of TRF's 80 ha virgin forest in Mulanje. The selected farmers had some existing beekeeping and forest management experience but there was a need to further build their capacity. The training course delivered to them covered the technical skills involved in beekeeping, forestry management, and marketing. Bees have started to colonise the hives and the first production of honey is expected in November. The groups will receive ongoing support.

### **Fuel-efficient cookstoves**

Malawi Tea 2020 also addresses environmental challenges by encouraging the use of fuel-efficient cookstoves in tea communities. Such stoves are estimated to save between 20-50% on firewood compared to the traditional three-stone fire. They help people save money and reduce pressure on the forests. Clean cooking also has health benefits as it reduces smoke inhalation. Ten groups of 166 farmers (92% female) trained in cookstove production have sold over 3,600 stoves, with demand steadily increasing as word of mouth spreads. With each stove estimated to save 3 tonnes of CO<sub>2</sub>e per year,





the project is already making annual savings of over 10,000 tonnes of CO<sub>2</sub>e, equivalent to the annual emissions produced by around 1,250 Europeans. To capitalise on these savings, a partnership with 'CarbonUP' and Natural Capital Partners has been secured to sell carbon credits worth 100,000 tonnes. This will generate money for a community development fund. With the additional income generated from the stove sales farmers undertake home improvements, such as replacing grass roofs with tin, part pay for mobile phones and pay school fees for their children. Also the 95 'cookstove passionates', who sell and distribute the cookstoves across the tea community, make a small additional income. The estates are in the process of piloting a fixed stove option which may be rolled out in parallel to the portable stoves produced by the farmer groups.

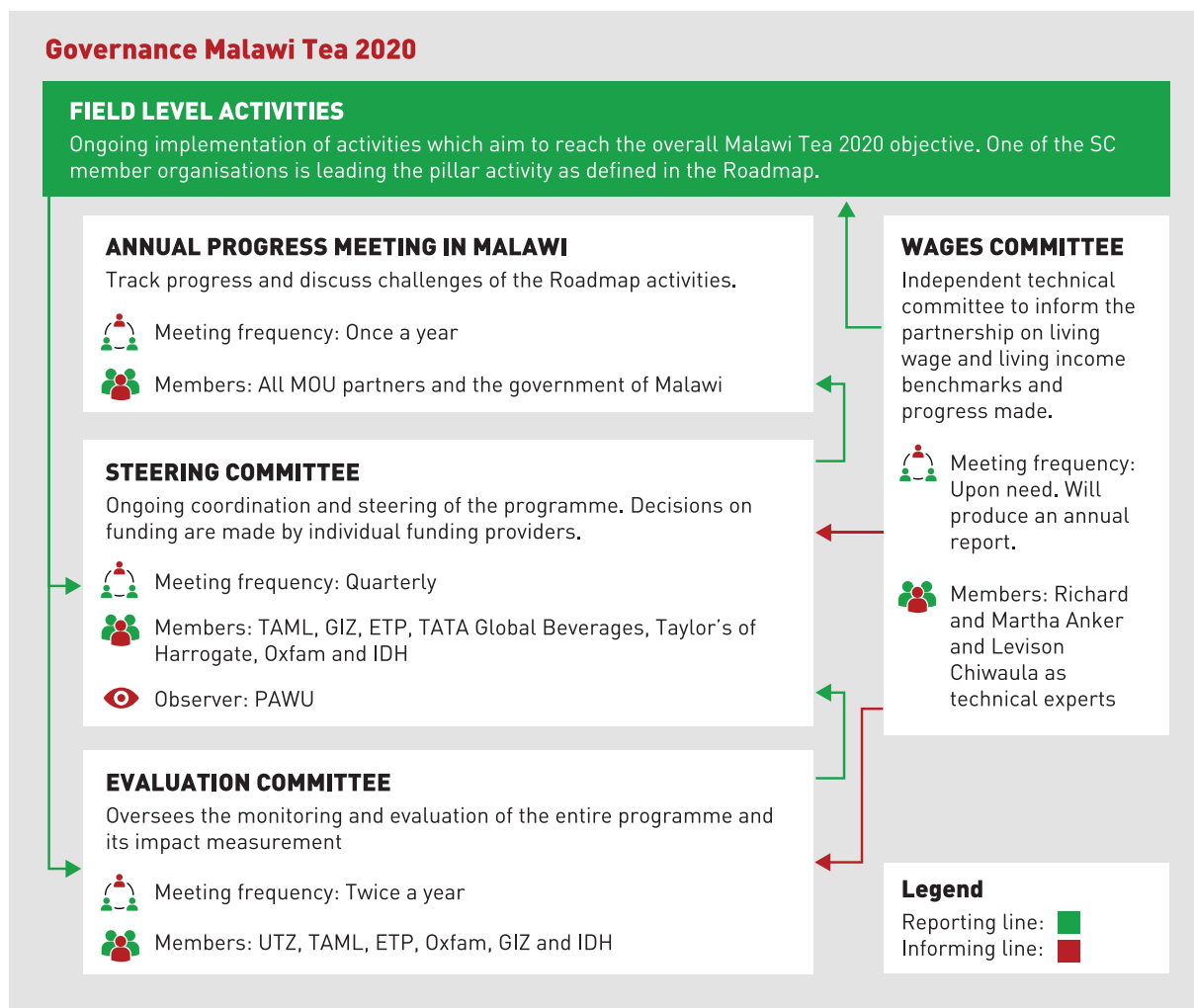
### **Access to solar power for communities**

At present, 90% of Malawians are not connected to grid electricity. ETP works with the farmer trusts to create access to solar products, which include single lights, home lighting systems and lights with integrated mobile phone charging capabilities, radios and mp3 players. The products are approved by the World Bank and meet Global Quality Standards. A revolving fund makes zero-interest loans available to tea trusts to pre-purchase solar products for their farmers. Since its inception, 1,776 solar products have been purchased by farmers.

## Chapter 8 Governance

Malawi Tea 2020 is coordinated by a Steering Committee that provides oversight on the implementation of all roadmap pillar activities and ensures that targets are pursued. IDH acts as an independent convener, coordinating input from various stakeholders, and chairs the Steering Committee.

In an effort to accommodate more divergent views, membership of the Steering Committee was expanded to include two buyer representatives and the president of The Plantation and Allied Workers Union (PAWU) as an observer. This expansion is expected to facilitate inclusive debates on programme implementation challenges.





The work of the Steering Committee is informed by the Evaluation Committee which this year underwent intensive capacity building to ensure that the monitoring and evaluation framework of the roadmap is well articulated and progress towards attainment of results is recorded to inform all key stakeholders.

The Wages Committee is responsible for independently assessing the living wage benchmark and progress made towards the benchmark.

The Annual Progress Meeting (APM) provides a platform for holistic review of progress made and an opportunity to review the targets. In 2017, the APM also introduced a buyer-seller meeting that analysed the procurement model aimed at reviewing how buyers and producers cooperate. This platform is expected to continue providing a perspective on how buyers and producers can continuously collaborate.

Malawi Tea 2020 set out with ambitious goals and continuing commitment from all stakeholders has made it possible to maintain momentum. As we reach the mid point of the programme in 2018, it is important to capitalise on the good progress to date whilst, at the same time, ensuring that Malawi Tea 2020 remains rooted in the commercial realities of the Malawian tea industry.

The activities outlined in this report provide an overview of progress made and highlight areas that need our concerted effort to ensure that we do not lose sight of the goal to deliver 'a revitalised and competitive tea Industry paying a living wage and income to its workers and smallholder farmers'. We look forward to sharing our next report following the 2018 APM, as well as the full Wages Committee and Evaluation Committee report and the results of the Wageningen mid-term impact review.

## Chapter 9 Conclusion



## Malawi Tea 2020 Revitalisation programme towards living wage

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### Project Partners

