Country Plan Indonesia

This is a summary of the ETP plan for our work in Indonesia and it describes how we will bring to life the ETP strategy in this country. The details relate to the period 2021 – 2022 and there is some flexibility within these plans to accommodate unforeseen disruptions and urgent needs.

The COVID-19 pandemic has disrupted ETP’s plans in all countries to some extent, and we regularly review and update our priorities given the constraints of the pandemic.

1. Context

ETP supports work in seven very different tea-producing origins. It is essential that we consider the local context when we plan our work for each country. The following sections summarise the contextual priorities in Indonesia.

1.1 Tea production
Indonesia is the 7th biggest global tea producer (ITC 2021). Despite this, tea is not a priority for the government, with focus placed on crops that generate significantly more foreign exchange, such as palm oil, coffee, rubber and rice. The low profitability of Indonesian tea arising from low market prices and old, inefficient factories has led to the conversion of some tea estates to other crops. Indeed, the export market value has dropped from $178M to $93M over the last 10 years (ITC 2020). This trend is not expected to continue with options now being sought to improve profitability and secure remaining tea growing land and jobs associated with this industry.

Around 36% of Indonesia’s tea enters the export market, contributing 2.5% to global export volumes. Of this, 40% is exported to just three countries; Malaysia, Russia and Pakistan which is almost double the 22% entering the ETP member markets of Europe, North America, Australia and New Zealand (ITC 2020). Looking at member purchasing patterns, Indonesia sits at the bottom of the list compared to the other countries of ETP’s operation, with only 14 of the 49 members sourcing from Indonesia. These factors combined translate into ETP’s relatively low levels of leverage in the sector.

Indonesian tea is produced by state owned companies (36%), private companies (27%) and smallholders (37%). ETP members mainly buy tea from the big producers with a dominant focus on the state owned PTPN’s. There is no sourcing from small tea growers in part due to certification challenges in this segment of the tea value chain.
Engagement with members concluded that Indonesian tea is purchased for its character and cost effectiveness. Members cite company health and safety, food safety and compliance to ethical sourcing standards as crucial to their procurement of designated selling marks. Corporate buyers mainly purchase through international traders, which, combined with language barriers, limits packers’ direct relationships with producers. All Indonesian gardens supplying ETP are Rainforest Alliance certified. In recent years, a few tea gardens faced challenges on critical issues such as compliance on minimum wages and working hours. With the new RA standard, which came into effect in July 2021, compliance with these criteria will continue to be a challenge.

Continued engagement from ETP on the needs of western markets is crucial going forward.

1.2 Country context
Indonesia is the largest economy in Southeast Asia and the fourth most populous country in the world. Prior to the COVID-19 crisis, Indonesia maintained consistent and sustained economic growth and recently qualified for upper-middle-income status. The pandemic has hindered this effort, with development funds being redirected to the COVID-19 response.

1.2.1 UN SDG status
Looking at SDG trends, Indonesia has made considerable progress towards SDG 1 (No Poverty), SD6 (Clean Water and Sanitation), SDG 8 (Decent Work and Economic Growth) and SDG 13 (Climate Action). Yet, challenges remain, especially in rural tea growing communities.

1.3 Economics
Whilst Indonesia has more than halved the proportion of people living below the national poverty line over 10 years (BPS 2020), a sizable proportion of the population (22%) remains poor or near-poor and highly vulnerable to external shocks. In the tea sector, a significant proportion of employees consists of informal temporary workers. These workers (typically female) are paid a piece rate per kg of picked tea and are at high risk of not meeting the national minimum wage. The permanent workforce is paid at least the regionally set minimum wage with pluckers’ wages just above the minimum wage (THIRST 2020). However, with Indonesia’s rapidly developing economy, wages are low in relative terms and represent less than one quarter of the national average income.

GAIN (2013) report that major tea producing areas are among those with the highest under-nutrition rates (due to low incomes, lack of understanding of nutrition and lack of nutritional diversity), with stunting ranging from 30-42%.
1.4 Equality
Gender equality is stagnating across Indonesia, and social and cultural norms are one of the biggest challenges to overcome. The Indonesian government is addressing this with policies and legislation to facilitate Gender Mainstreaming. In tea gardens, women represent the majority workforce, especially in the lowest paid jobs (pluckers), and there is a notable lack of female representation at the managerial level (THIRST 2020). Child marriage is an ongoing issue in Indonesia, and has been identified in tea communities and exacerbated by the COVID-19 pandemic. Worker health and safety is an ongoing area for concern, particularly fire safety, with factories and worker houses constructed of flammable materials and in a poor state of repair.

1.5 Environment
The shocks of climate change are already being felt in Indonesia, with more frequent droughts, hurricanes and floods, and will pose an increasing threat to the country’s development. A World Bank analysis ranked Indonesia 12th among 35 countries that face high mortality risks due to multiple environmental hazards, with East and West Java (key tea growing regions) noted as particularly vulnerable locations. Droughts and extended dry seasons are already affecting tea harvests, and this will have a knock-on effect on temporary workers’ incomes, as they are paid per kg of green leaf plucked. MRL’s such as anthraquinone, and newly Rainforest Alliance regulated pesticides (e.g. glyphosate) are an ongoing challenge for tea producers and buyers alike, and solutions need to be found for export purposes.
2. Priorities and Activities

In response to the key issues in the Indonesian tea sector, ETP proposes to focus on a range of activities across the three pillars of environment, equality and economics, as shown in the figure below. The key to delivery will be strengthening our voice and credibility in Indonesia, with in-country communications playing a fundamental role.

The priorities for the period up to 2022 are as follows:

- Exploring the potential for implementing UNICEF’s Family Friendly Policy (FFP) in the tea sector and using this as a springboard to address social challenges, including building awareness on the benefits of ETP’s gender training.
- Building on the work of ETP’s energy efficiency programme and in particular seeking opportunities to leverage international funding to upscale programmes in the government owned sector and linking to donor funded programmes in other commodities.
- Creating partnerships and using participatory approaches to address the deep-rooted social and economic issues prevalent in the temporary workforce.
- Understanding the implications for worker wages of new legislation under the ‘Job Creation Law.’
- Continuing support on improving Health and Safety and monitoring progress towards meeting the new RA standard, especially on challenging areas (e.g. worker housing and pesticide use).

Figure 1. ETP’s Indonesian Country Plan Summary.
Economic priorities
The cornerstone of ETP’s economic strategy will be to explore partnerships to empower the mostly female temporary workforce both economically and socially and through participatory means. This work will thus straddle the economic and equality pillars. Women in agriculture are marginalised and often have little access to financial resources, knowledge and technology (FAO 2019). Analysis of the temporary workforce shows that incomes are insufficient to provide a decent standard of living, with families unable to afford schooling (THIRST 2020). The communities are known for high incidents of stunting and child marriage. ETP will seek to build on the work delivered by CARE International under the HOPE programme (economic empowerment for women).

The goals of the programme will be to:
• Improve economic opportunities for temporary workers (e.g. through income diversification) to ensure a living wage is achieved and improve financial literacy.
• Improve family nutrition through promoting nutritional diversity.
• Engage communities on deep rooted issues and cultural norms that act as barriers to female advancement such as gender equality and child marriage.

Next steps:
• Progressing this work will be dependent on fundraising within the ETP membership and external donors.
• Reaching 1,500 direct beneficiaries (6,000 indirect) will have an estimated cost of £250,000.

Indonesia has recently (November 2020) passed new legislation under the Job Creation Law, which sets out new employment and wage setting rules to simulate investment for economic development. This loosening of labour protection may well impact tea sector employees. Historically, there was a process for setting sectoral regional minimum wages. This has been removed from the new Law and the application of minimum wage does not need to apply to employees who have provided less than one year of service. Regulations are still being passed under this law, so the full consequences are yet to be seen.

The goal of this activity will be to:
• Understand the implications of the Job Creation Law (SWOT) for permanent and temporary tea workers
• Advocacy (or project/pilot activities) based on findings.

Next steps:
• Engage with RA to understand the impacts for certification.
• Assess the impact of regulations under Job Creation Law once published.
Equality priorities
ETP has recently developed a global approach for gender transformative practices, which is being rolled out in all our activities.

ETP will focus our equality work through exploring the potential of UNICEF’s Family Friendly Policies (FFP) for use by the tea industry. These policies are based on the UN convention for child’s rights and relevant principles from the UN Global Compact (UNGC). This work will be delivered in partnership with UNICEF Indonesia and the results will feed into the UNGC working group for shared learning.

The goal of this activity will be to:
• Assess the relevance of FFP for the tea industry and provide recommendations for inclusion.
• Identify equality issues and recommendations for next steps.
• Build relationships, awareness on gender and equality issues and ETP’s credibility in this field.

Next steps:
• Undertake survey with 10 producers (across 20 sites).

Given the systemic gender equality issues prevalent in Indonesia alongside government commitment to address these challenges, there is an opportunity to conduct gender training in Indonesia. This will be explored after the FFP scoping work and implementation will depend on producers’ willingness. Demonstrating the business case for this work will be required to secure engagement, and having a coherent in-country communications strategy on this aspect will be paramount.

The goal of this activity will be to:
• Review internal systems and deliver appropriate gender training with key producers.
• Producers develop and implement gender policies, committees and improvement plans.

Finally, ETP will continue to monitor progress of our factory health and safety work and seek opportunities to incorporate fire safety training (a recently identified risk).

The goal of this activity will be to:
• Ensure improved health and safety practices across ETP members’ supplier sites.
Environmental priorities
ETP’s environmental workstream will begin by promoting the resources and results generated under our energy efficiency programme, positioning our knowledge and skills in this area via in-country communications. We will seek opportunities to scale up this work into a carbon neutral tea programme to address both factory energy use and in-field inputs via precision agriculture. This will require a multi-partner programme with government backing given the predominance of government owned tea plantations in members supply. Initial discussions with UNIDO suggest opportunities are available to access the Green Climate Fund or Readiness funds. However, this will need to be driven by the government, and gaining their support will therefore be vital. Given the economic challenges faced by the sector, interventions that address climate change whilst also saving costs will be a strong selling point. ETP’s role here is to convene the partnership and help scope programme activities.

The goal of this activity will be to:
- Build a partnership that reduces supply chain GHG emissions and operational costs whilst increasing the resilience of the sector.

Next steps:
- Exploratory discussions with funders.
- ETP to convene and help build a partnership led by government and/or UN agency.

MRLs, and in particular anthraquinone, are an issue for most of our members sourcing from Indonesia. ETP has been exploring the role we should play on this topic for several years. Discissions in Indonesia with Rainforest Alliance have led to the suggestion of a platform between ETP, RA, tea buyers, tea producers and government to create a shared understanding of the barriers to export and an action plan to address. This should build on the work completed by members independently on this issue and link into the FAO’s IGG WG on agrochemicals.

The goal of this activity will be to:
- Enable producers to meet EU MRL standards.
3. Supporting activities

The proposed new programmes will be underpinned by strategic partnerships and a more strategic communications approach, in which raising our profile amongst key funders and potential partners – especially in Indonesia – will be key. The proposed work is expected to provide us with plenty of scope for knowledge creation and sharing.

3.1 Communications

In Indonesia, ETP is less well known than in other origins, especially in terms of the work we deliver beyond assurance, certification, and monitoring. We will use in-country communications to both raise awareness of ETP and help build our voice. This is particularly important in relation to government-run tea estates, which are the dominant player in member supply chains. Whilst we have started to engage successfully with a few government ministries through our energy efficiency programme, more work is needed to raise our profile.

Over the next 18 months, we will identify the most impactful channels to build awareness of ETP, develop a credible voice, and raise the profile of issues prioritised in our strategy, such as gender equality, carbon neutrality and addressing the challenges faced by the temporary workforce. This will sit within an influencing and engagement plan. Specific objectives we expect to include are as follows:

- Share learning and best practice guidance developed in the energy efficiency programme to key stakeholders to generate interest in the upscaling programme.
- Promote ETP’s work on carbon neutral tea programmes in Kenya and Sri Lanka to drive interest/credibility of voice.
- Share findings of the Family Friendly Policy review with Indonesian tea sector stakeholders to move forward projects to address findings (in particular gender equality).
- Develop channels to communicate the benefits of ETP’s gender work delivered in Africa with the goal of delivering similar work in Indonesia.
- Position ETP as the expert organisation for gender equality in tea to Indonesian stakeholders.
- Develop a position paper based on the SWOT analysis of the Job Creation Law to use for influencing and advocacy purposes.

3.2 Diverse partnerships

To implement our Indonesia country plan, there is a need to forge new and diverse partnerships. These will include a range of stakeholders including government-run and private tea plantations, TRI and tea board, existing and new donors, intergovernmental agencies such as UNICEF and UNIDO, along with NGOs such as CARE International. We will build our partnership development approach alongside our in-country communications strategy, building our credibility of voice and in doing so, convening partners around our key priority areas. As part of the ETP global strategy, locally registered partners to support ETP project work are being explored. Further research and analysis is needed, but options include IDH, GIZ, Rainforest Alliance and UN Global Compact.
3.3 Shared learning
Our strategy for Indonesia is ambitious in scope and there are a number of areas that will generate shared learning. The piloting of UNICEF’s Family Friendly Policies in the tea sector is one notable area where learning will be shared amongst tea stakeholders and to other commodities via the UN Global Compact working group. Lessons will also be shared with other tea growing regions through our internal networks. As outlined in our communications strategy, we will share learnings from our energy efficiency programme with key stakeholders to upscale activities into a carbon neutral tea programme. We are working towards identifying the best channels in Indonesia to share knowledge and build our presence more broadly.

4. Background materials
A budget, workplan and monitoring and evaluation plan have been developed to support the implementation of the priorities outlined above.