Country Plan Sri Lanka

This is a summary of the ETP plan for our work in Sri Lanka 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 Sri Lanka.

ETP’s role in Sri Lanka is to catalyse the tea industry to realise the vision it has set out for itself: “to be the world’s foremost producer of high quality, sustainable tea”. By undertaking a convening role in different forums, ETP has an opportunity to institutionalise successful pilot approaches and support the industry to drive the implementation of roadmaps on priority issues like climate change, youth, gender, financial inclusion, and nutrition.

Tea production
The tea industry plays a vital role in the Sri Lankan economy. Globally, Sri Lanka ranks as the fourth largest tea producer and the third largest tea exporter, although exports have gradually declined over the past seven years. The largest export markets for Sri Lankan tea is the Middle East and Gulf region.

Sri Lanka is second only to India in terms of the number of ETP members buying from it (41 out of 50 members, rather than 44 for India) and the total number of selling marks purchased (176 from 141 sites and 24 companies). Although Sri Lanka is an important region for ETP members, they do not buy large volumes of tea. Only about five per cent of Sri Lankan tea goes into the ETP member markets of Europe, North America, Australia, and New Zealand.

Sri Lanka is known for its high quality, relatively expensive teas, which fall into three categories: high-grown, mid-grown, and low-grown, which are based on elevation and geography. While small farmers, predominantly located in the low-grown regions, produce three-quarters of the tea, the majority of tea purchased by ETP members is from the high-grown plantation sector.
Like many tea markets, Sri Lanka is susceptible to market volatility. This volatility affects the tea industry and the whole economy, as tea is a significant foreign exchange source and comprises two per cent of the nation’s GDP. Dependence on the tea sector has become even more critical during the COVID-19 pandemic when revenue from sectors like tourism is severely affected.

Encouragingly, because this is a mature sector and an essential one, the industry is acutely aware of its situation, both in terms of economic viability and vulnerability to reputational risks stemming from the economic, social, and environmental risks inherent in the current plantation model.

Country context
Sri Lanka is a lower middle-income country and has made considerable progress towards several sustainable development goals (SDGs), such as No Poverty (Goal 1), Quality Education (Goal 4), and Climate Action (Goal 13). However, there remain significant regional disparities, and tea communities are generally among those with poor indicators.

Economic issues

<table>
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<tr>
<th>SDG</th>
<th>No Poverty</th>
<th>Challenges Remain</th>
<th>On track</th>
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<tr>
<td>SDG 2 Zero Hunger</td>
<td>Major Challenges Remain</td>
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<td>SDG 8 Decent Work &amp; Economic Growth</td>
<td>Challenges Remain</td>
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Nationally, less than eight per cent of the population live in poverty, and less than one per cent lives in extreme poverty. However, regional disparities in poverty and access to basic services prevail. Wages in the tea sector range from 85% of a living wage to above a living wage, depending on the number of kilograms of tea plucked above daily targets. Despite this, the tea industry suffers from labour shortages linked to the undesirability of living and working on tea plantations.

Tea wages are paid in cash, making savings, financial management, and access to financial services, like credit difficult. In Sri Lanka, the lack of extreme poverty has not mitigated the major challenges in combating hunger, with 17% of children under five nationally suffering from stunting. The tea region of Nuwara Eliya has the highest prevalence of stunted (32.4%) and underweight (29.6%) children. Coverage and quality of maternal and child health programmes, including nutrition, need improvement.

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1. https://dashboards.sdgindex.org/profiles
3. https://dashboards.sdgindex.org/profiles
Social/Equality issues

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<th>SDG 4 Quality Education</th>
<th>SDG Achieved</th>
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<td>SDG 5 Gender Equality</td>
<td>Major Challenges Remain</td>
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<td>SDG 6 Clean Water &amp; Sanitation</td>
<td>Major Challenges Remain</td>
<td>Moderately Improving</td>
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High grown tea estate communities are comprised of Tamil ethnic minorities. The poor quality of housing and quality of life on tea estates, including poor access to safe drinking water, contributes to the marginalisation and stigmatisation of tea plantation communities. With a national literacy rate of 98%, educated rural youth seek better opportunities in cities. However, there are few opportunities for decent work for plantation community members, particularly for women, young adults, and other vulnerable groups. The Ministry of Plantations has set out “uplifting the living standard of the Plantation Community” as a strategic objective.

Environmental issues

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<th>SDG 7 Affordable &amp; Clean Energy</th>
<th>Major Challenges Remain</th>
<th>Stagnating</th>
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<td>SDG 13 Climate Action</td>
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<tr>
<td>SDG 15 Life on Land</td>
<td>Significant Challenges Remain</td>
<td>Decreasing</td>
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While per capita CO2 emissions are low, access to clean fuel and deforestation remain a challenge. Export plantation crops, including tea, have contributed to deforestation in Sri Lanka. Work undertaken by ETP revealed serious concerns around fuelwood for the industry, with less than 10% sustainably sourced.

Extreme climate conditions threaten agricultural production, increase the vulnerability of those dependent on agriculture, and exacerbate food and nutrition security risks. The impact of climate change has affected productivity and Ceylon tea’s unique characteristics, which have long been their USP. Tea estate environments are also affected by poor handling of waste and biodiversity, with some high-profile cases of endangered species killed on tea estates in the media this past year.

Addressing the impacts of climate change through adaptation and mitigation measures is a relatively new area of intervention in public policy, with policy frameworks and institutional arrangements to address the threat of climate change slowly evolving. The Ministry of Plantations has also identified “sustainable development through environment conservation” as a key objective.

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6 https://dashboards.sdgindex.org/profiles
8 https://dashboards.sdgindex.org/profiles
2. Priorities and Activities

The diagram below illustrates the total potential activities inclusive of existing projects, pipeline projects, and work that requires further scoping and resourcing. Following is a summary of five priority proposals.

Figure 1. Diagram summary of all project proposals for Sri Lanka country plan.
ETP’s work in Sri Lanka will focus on the following SDGs: No Poverty (1), Zero Hunger (2), Gender Equality (5), Decent Work & Economic Growth (8), and Climate Action (13). The plan for 2021 to end 2022 comprises activities that build on existing ETP programmes and pilot new work in the areas of nutrition, women and youth, and climate change.

The total potential reach of the full complement of activities, including active work, is 100,000 estate community members and 200,000 farmers.

1. Convening the Industry: POLICY
Sri Lanka is the only tea origin where the industry has developed two home-grown roadmaps that aim to holistically transform the sector’s profitability and social and environmental sustainability; the Colombo Tea Traders Association (CTTA) Roadmap 2030 and the Ministry of Plantation 2025 Strategic Plan.

Both the Ministry of Plantation (MOP) and CTTA are keen to collaborate. ETP sits on the general and three subcommittees of the CTTA Roadmap and has an invitation from the MOP to sign a three-year MOU for cooperation on social and environmental issues. This provides unique opportunities to support sustainable, sector-wide transformation. Using our relationships with these and other key industry stakeholders, ETP can initiate innovative pilots and support the development of action plans and thematic roadmaps that can be handed to the industry and government to drive, scale and institutionalise. This is the key strategy underpinning the proposed activities.

As of August 2021, these partnerships had been delayed somewhat by COVID-19, although discussions continue.

2. Study on CDF Sustainability: PILOT
The Plantation Community Empowerment Programme (PCEP), one of ETP’s key activities in India, started about a decade ago in Sri Lanka. It uses Community Development Fora (CDFs), which are committees comprised of estate management and representatives from across the community, as a decision-making platform on tea estates. CDFs have been hugely impactful at empowering tea communities and supporting them to become agents of change.

The longevity of the CDF is highly dependent on endorsement and participation from the estate manager. Often when the manager moves to a different plantation, the CDF falls into dormancy. CDFs need to be institutionalised as part of the business operating model and the corporate development strategy to be truly sustainable. Therefore, ETP proposes an in-depth study of the model in Sri Lanka to understand how CDF-led estate development plans and corporate development plans can align and support each other and demonstrate how this impacts the ROI of a CDF. The resulting business case would then be used to develop a pilot whereby CDFs are not funded as a CSR initiative but a part of the company’s business model.
Because CDFs empower women and young people and can facilitate income generating activities for these groups, scaling CDFs across the industry would have a significant impact on improving gender equality. CDFs can also become the platform for scaling other community-based proposals referenced in the appendix, such as the Naturalist Trainee and Waste to Incomes pilots.

3. Carbon Neutral Tea Roadmap: POLICY

Studies on energy efficiency and carbon neutrality were completed under a GIZ funded programme in early 2020, resulting in a Carbon Neutral Roadmap for the industry. The CTTA and MOP are keen to follow up on this work. A “Precision Agriculture Cell” has been established in the Tea Research Institute of Sri Lanka as a direct result of the programme, and there is interest in collaborating on a sustainable fuelwood programme. The next steps are:

a. CTTA and MOP sign-off the Carbon Neutral Roadmap with an agreement to facilitate funding and drive programs. This will be a proposed element of the MOU with MOP.

b. Coordinate a large, donor funded programme to implement the roadmap workstreams.

There are also opportunities to implement the roadmap under other funded initiatives. For example, UNDP is interested in supporting elements that fit under their large landscapes programme. ETP is actively discussing industry carbon benchmarking and monitoring and is linking this with carbon credit schemes that can also be driven through the CTTA and MOP sector roadmaps.

4. Roadmaps and Steering Committees on Gender, Nutrition and Youth: POLICY

Thematic steering committees are proposed to drive sector-wide changes in gender, nutrition, and youth. The committees would consist of representatives from government, industry, academia, NGOs, and civil society, including trade unions. ETP is already engaged with these groups and has convened multi-stakeholder meetings to facilitate existing projects and scope pilot work. The next step is to formalise these into Steering Groups with partnership agreements.

Women

The country plan includes a number of pilot projects that will improve the status of women in tea communities, particularly with respect to nutrition (Women of Tea), employment opportunities (Youth Empowerment, Naturalist Trainee, and Waste to Incomes), and financial management (Electronic Wage Payments). The sector requires a dedicated gender strategy based on analysis of the issues impacting women. ETP proposes a Gender Steering Committee to develop and drive this strategy.
**Nutrition**

The Women of Tea programme, funded by The Republic of Tea, focused on improving nutrition at six tea estates. The programme is now transitioning from estate-level impact to systemic change. For the final phase, ETP is collaborating with the Plantation Human Development Trust, the body responsible for tea community welfare programmes, to develop region specific nutrition action plans and a three-year nutrition roadmap for the industry. The roadmap will include a strong focus on women who are disproportionately affected by poor nutrition in tea communities. A Nutrition Steering Committee, housed within the University of Peradeniya, is proposed to drive the implementation of the roadmap.

**Youth**

Youth can be powerful agents to change the socio-economic dynamics of their community. The Youth Empowerment Project is another example of a ground level pilot with a longer-term system change objective. This is an existing six-month project to improve the employability of young people using a social media platform to disseminate resources and training tools. The platform is being developed using participatory rural appraisal methods and a gender lens to ensure the needs of young women are met.

Alongside this, ETP is convening the project partners with trade unions, NGOs, and government agencies to develop a “Youth Empowerment Strategy” that can be integrated into the CTTA Roadmap. ETP proposes forming a Youth Steering Committee to drive its implementation.

**5. Informal Sector Digital Cash Management: PILOT**

ETP has an MOU with the International Finance Corporation (IFC) developing a business case for digitising wages and farmer payments, with a focus on demonstrating benefits for women. The study results will be available in mid-2021, after which a second phase will be developed. This will work with financial institutions to develop services for tea communities and with the tea industry and communities to adopt the system.

Since most tea estate residents do not work on the estate, improving financial management and service access for tea communities must also consider informal wages earned outside the estate. ETP has proposed a project with Dialog Axiata to pilot a digital wallet for informal income management. If successful, it could be rolled out to both plantation and small farmer communities. A producer group is willing to participate in the trial, and funding is not required at this stage.
3. Supporting activities

Partnerships
ETP is supporting several projects sponsored with funds available within Sri Lanka, e.g. IFC, Dialog Axiata, and Kirin Beverages. Direct access to local funding opportunities requires ETP to set up local registration or a long-term partnership with an organisation that can provide in-country support with contracting, fundraising, and potentially administrative and management services. ETP aims to identify and contract a partner within the first six months of this plan.

ETP has strong relationships with key industry and government stakeholders in Sri Lanka. During the next 18 months, ETP will seek to build stronger relationships with trade unions, seek new implementing partners to support our activities, and formalise existing relationships with MOUs.

Shared learning
The key focus for shared learning in Sri Lanka is capacity building for industry stakeholders. In 2020, ETP initiated the “Knowledge Hub” under the GIZ funded Carbon Neutral Tea project. This online platform, which is supported by GIZ until September 2021, will be extended by the CTTA to provide access to learning for tea value chain actors. This will also allow tea buyers to directly share helpful insights with producers on supply chain commitments, expectations, and technical knowledge. The Knowledge Hub will require some additional investment to sustain its future development.

Over the past year, ETP convened several workshops bringing together industry stakeholders with NGOs and academics to share lessons and information about their activities in tea and understand more about the issues affecting tea communities. These activities will continue through the Youth Empowerment Project and the proposed thematic steering committees.

Communications
ETP is in an advantageous position in Sri Lanka and is considered to have a “seat at the table” with leading stakeholders. These include the Colombo Tea Traders Association Industry Roadmap committees and the Ministry of Plantation (MoP). ETP is well known for its recent work on climate change and nutrition within these organisations and others, including the Tea Research Institute of Sri Lanka, several Regional Plantation Companies (RPCs), and the Plantation Human Development Trust (PHDT). These relationships have been successfully leveraged to take ownership of work piloted by ETP, such as the Precision Agriculture Cell in the Tea Research Institute and the Knowledge Hub by CTTA. The aim is to continue influencing industry bodies to take on the governance and scaling of ETPs projects and pilots.
The focus of communications work over the next 18 months is raising awareness of ETP amongst a wider range of RPCs, civil society, trade unions, and other government departments, which either still view ETP as an auditing body or are unsure of ETPs role and activities. These communications will focus on the impact of our work on climate change, nutrition, and opportunities for women and youth. Raising our profile will also support in-country fundraising.

Once collaborative work is implemented under the MOU with the Ministry of Plantation, ETP can be positioned as a trusted national-level advisor and resource on tea sector sustainability.
4. Background materials

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

Last updated: March 2022.