



## **Terms of Reference Sustainable Procurement Practices– MALAWI 2020 TEA REVITALIZATION PROGRAMME**

### **The Challenge**

Achieve a world first in the black tea value chain, by designing a mechanism(s) that enables the additional cost of a living wage in the Malawi tea industry to be shared fairly and sustainably across retailers, packers, buyers, traders and producers, and potentially consumers, and which can win the support of all stakeholders.

### **The Reward**

A blue-print mechanism(s) / formula(e) that will be a world-first to tackle value issues along tea supply chain in a country engaging key stakeholders; If successful the model has the potential to be adopted and scaled up in other countries / tea supply chains and, for that matter, other agricultural commodities This would alleviate poverty in one of the poorest countries in the world, help ensure a motivated productive workforce for the tea industry, and enable tea brands, packers and retailers to achieve positive social impact vis a vis the UN Guiding Principles on Business and Human Rights and the Sustainable Development Goals.

### **Background**

Oxfam began work in the tea sector in collaboration with the Sustainable Trade Initiative- IDH/ Netherlands and Ethical Tea Partnership (ETP) in 2010 to undertake research on the situation of low wages in the Tea Industry. In 2013, Oxfam co-published the report 'Understanding Wage Issues in the Tea Industry'<sup>1</sup> which highlighted the extent and severity of low wages in the tea sector, including in Malawi, where wages were found to be below the extreme poverty line at household level, taking into account the additional value of in-kind benefits. Since the publication of the report, Oxfam has worked with ETP, Tea Association of Malawi and IDH to develop a new programme to tackle the issues identified in the research, the MALAWI 2020 TEA REVITALISATION PROGRAMME.

The aim of this multi-stakeholder partnership is to achieve a competitive and profitable Malawian tea industry where workers earn a living wage and smallholders earn a living income. It also aims for significant improvements in general working and living conditions of tea estate workers, especially women. The programme is supported by a critical mass of companies all along the tea value chain: producers, brokers and traders, tea buyers (packers) and retailers, as well as unions, NGOs, international donors, and government agencies. Activities are coordinated by a Steering Committee comprising the Ethical Tea Partnership (ETP), which brings together the buying companies, the Tea Association of Malawi (TAML), which represents producers, the Sustainable Trade Initiative (IDH) and Oxfam In total, 20 different organisations signed a Memorandum of Understanding (MoU) in the Summer of 2015 committing them to the programme and its success.



The signatories explored key strategies and formulated key components for an action plan which culminated in the development of the Roadmap (Annex 1) that sets out how the stated aims would be achieved

The expected outcomes are

- a profitable estate sector,
- a motivated workforce with better opportunities for women's empowerment,
- workers earning a living wage,
- a profitable smallholder sector, and
- an energy-efficient and environmentally sustainable industry.

In order to support the goal of achieving a Living Wage in the Tea Sector by 2020, Oxfam has identified key areas that we would contribute to the programme, including sharing best practice examples with buyers and retailers on how more value can be created in the chain for workers' wages through sustainable procurement practices, improved supply chain relationships and a shared vision of an industry investing in its future.

The multi-stakeholder nature of the programme demonstrates the commitment of all supply chain actors (producers, tea buying and packing companies, traders and retailers), civil society, government and unions to work together to ensure a profitable future for Malawian tea growers and improved livelihoods for workers and their families.

### **Sustainable Procurement Practices**

During 2016 Oxfam carried out a lengthy process to identify current procurement practices along the Malawi tea supply chain, share best examples of more sustainable practices, not only in tea but across other commodities, and propose to buyers and producers a proposal for the most appropriate way forward.

Given the variety of stakeholders along the value chain, from retailers, packers, traders and brands, and the fact that there are two distinct purchasing channels: direct procurement and purchases via the Limbe tea auction, it was concluded that of the five solutions originally proposed, two had the greatest potential to achieve sustained impact across the whole industry and hence support achieving the overall goal of Malawi Tea 2020.

The first procurement solution is to design a mechanism or mechanisms that recognise the fact that Malawian tea producers face a higher cost of production due to the increase in their payroll with the introduction of a living wage for their workers. The mechanisms are a means of sharing responsibility across the value chain for the additional costs of a living wage, rather than this resting solely with tea producers. The solution is designed to fulfil the MOU commitment made by all buyers to 'implement business practices which support the economic ability of the producers to pay a living wage'.

The second procurement solution is closely related to this and focuses on the extension of buyers volume (off take) forecasting from currently just 12 months to a more extended period to provide producers with the security to plan production appropriately.

As the Malawi Tea 2020 collaboration is a first of its kind for the tea industry anywhere in the world, so is this task to identify a voluntary way to introduce more sustainable procurement practices. The challenge is daunting but the reward very high to prove that it is doable with potential to become a best practice model for the tea industry worldwide.



## Living Wage benchmark

The benchmark of a Living Wage to be used is that developed by Richard and Martha Anker in their report, Living Wage for rural Malawi with Focus on Tea Growing area of Southern Malawii published in 2014, with an update in October 2016.

## Expected Outputs

1. Design a mechanism(s) that is firmly grounded in the commercial reality of tea trading/ purchasing and that provides a template to share the responsibility of paying a living wage across stakeholders of Malawi tea value chain and delivers actual impact on workers' wages. Key factors to consider are:
  - Considers and mitigates potential negative side effects and keeps the Malawi tea industry competitive, ie does not subsidise inefficiency or speed up mechanisation; there is no one single cost-of-production but variable cost structures across producers- how should this be considered?
  - Looks into existing mechanisms that bring additional value into the value chain, such as the Fairtrade minimum price and Fairtrade premium, the UTZ negotiated premium, and other examples of best practice or relevant commercial practices either in tea or other commodities...
  - Stock take of existing commercial practices of all signatories that are relevant and could provide guidance / template for this new mechanism and how these contribute to overall Programme goals...capture and document these practices and their direct/ indirect impact on living wage
  - Can be applied across different sales channels: direct purchase and auction; special attention needs to be paid to Limbe auction dynamics and how they enable/ disable any proposed mechanism(s); any possibility to benchmark prices against Mombasa auction not just Limbe;
  - can be applied to different types of supply relationship; would work both for the 'premium' and 'volume' sections of the market, ie cover the whole industry, not just selected stakeholders
  - The price trajectory needed for wages to progress towards the agreed Living Wage benchmark by 2020 with minimal price shocks along the way
  - Consider and weigh up implications if a voluntary mechanism just reaches some producers not the whole industry: TAML negotiates a Collective Bargaining Agreement with trade union for all producer members across the industry
  - Gets buy-in from buyers, packers, traders, retailers and producers, ensuring feasibility of the mechanism for all stakeholders
  - Helps companies communicate their social responsibility to stakeholders – such as investors, civil society and consumers, by making visible the 'flow-through' of additional value through the chain to workers
  - Safeguards against anti-trust and anti-competition laws in the EU and US. A balance needs to be achieved between requirement for transparency and protecting information of company strategies as per antitrust requirements. The transparency must provide evidence as to how the mechanisms trickle value down to workers.
  - Delivers and ensures actual impact: living wage for workers; higher prices must be translated into higher wages and not dissipated elsewhere within a plantation



business model; hence monitoring mechanism need to be very strong and transparent in order to ensure accountability; could the certification schemes (Fairtrade, Utz and Rainforest Alliance) be of relevance here? Explore also new technologies available for ensuring transparency and accountability in international supply chains.

- Takes into account changes in the cost of living for workers in real terms, in the context of high inflation.

## 2. Design volume forecasting/ buyer off take model & mechanism that extends beyond usual 12 month period

- Looks into existing mechanisms that bring additional value into the value chain,
- Can be applied across different sales channels: direct purchase and auction; can be applied to different types of supply relationship; would work both for the 'premium' and 'volume' sections of the market, ie cover the whole industry, not just selected stakeholders
- Gets buy-in from buyers, traders, retailers and producers
- Considers and mitigates potential negative side effects and keeps the Malawi tea industry competitive,
- Safeguards against anti-trust and anti-competition laws in the EU and US.
- Links up with aforementioned mechanism on shared responsibility and not seen in isolation; hence, also important to judge if and how it can make a difference to achieve shared responsibility on living wage

### **Process/ methodological approach**

This assignment is conceived as a participatory process, involving the key stakeholders, namely all signatory buyers (ETP and individual companies) and producers (TAML and individual tea estates)<sup>1</sup>, continuously over the whole period. This should happen either via face-to-face meetings if feasible or other electronic and telecommunication means. This will allow for constant feedback from buyers and producers regarding feasibility of any proposed mechanism(s) and/or the incorporation of already existing practices that deliver the expected outcome. Other important signatories to involve are IDH, as Programme Convener and the three certification schemes Rainforest Alliance, Utz Cert and Fairtrade International.

MalawiTea2020 will set up a Technical Advisory Group comprised from different signatories and the consultant is expected to have regular check-ins (via online communication /meeting platforms) with this group in order to discuss progress and guide the overall assignment.

The assignment has to be carried out during time period of mid-February to mid-May 2017, with delivery of all outputs by May 19 latest. The overall estimate of consultancy days is 80.

Oxfam will take overall responsibility and management of assignment and will call on SC members and stakeholders for support or as a sounding board for input into the process.

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<sup>1</sup> See full list of all buyer and producer signatories on <http://malawitea2020.com/> The Coalition



## Eligibility Criteria

The organisation must have:

- 1) extensive expertise in the areas (essential) of agricultural supply chains in developing countries, procurement, value chain analysis, cost of production calculations and pricing mechanisms, (desirable) tea industry and auction systems/ tea consumer market (and/or other similar commodities);
- 2) a global reach and expertise, from tea consumer to producer countries and specifically engagement/work with the private sector;
- 3) track record of identifying innovative solutions to system-wide problems
- 4) a history of delivering high quality, practical and applicable proposals in aforementioned areas;
- 5) demonstrated experience in both analytical research methods but participatory approaches as well to deliver outputs on time, agreed quality and buy-in from stakeholders;
- 6) knowledge of relevant information technology developments.
- 7) provide written references for comparable pieces of consultancy.
- 8) Competent and qualified staff and/or consultants with right mix of expertise for assignment

## Application procedure

- 1: Understand the MalawiTea2020 Programme and progress so far by visiting <http://malawitea2020.com/>
- 2: Complete the 'Expression of Interest Form' indicating clearly the capacity and capability for this assignment addressing each one of the eligibility criteria
- 3: Detailed Proposal, including a full project timetable within your proposal from commission to debrief and a full cost breakdown
- 4: Attach a Covering Letter and annexes from your organisation indicating:
  - 1) Brief presentation of organisation
  - 2) Statement on commitment and Agreement with Oxfam's EEP
  - 3) Signed by the responsible lead
- 5: Send electronic copy of all documents **by 20 January 2017** latest to:  
  
Wolfgang Weinmann/ Ethical Trade Adviser/ Oxfam GB: [wweinmann1@oxfam.org.uk](mailto:wweinmann1@oxfam.org.uk)  
Judith Fraats/ Programme Manager Tea/ IDH: [Fraats@idhsustainabletrade.com](mailto:Fraats@idhsustainabletrade.com)

Any clarification questions should also be addressed to above contacts.

## Selection process



Interest received by organisations that have submitted all required documentation will be reviewed by a panel of MalawiTea2020. Applicants will be notified by January 30 2017 latest about outcome of decision. All shortlisted organisations will then be asked to present their respective service proposal in person, either Oxford or Utrecht, to the selection panel of MalawiTea2020 in early February for a final decision. Assignment should be started once contract has been signed by mid-February.

## Expression of Interest Form Consultancy Service: Sustainable Procurement Practices MalawiTea2020

Your contact details	
Name of organisation	
Address	
Contact person	
Telephone number	
Email address	
Name of partner organisation/s (if any)	
Address	

### Pre-Qualification questions

1. What is your organisation's mission, capacity and experience in the area of agricultural value chain analysis/ procurement consultancies? How many years has your organisation been involved in this area?

2. What is your current staff expertise in value chain analysis, procurement, agricultural commodities sourced from developing countries, tea producer and consumer markets?

3. What is the size of the organisation and number of professional staff specifically in area of supply chains/ procurement/ value chain analysis?

5. With which category of organisations do you usually engage with on assignments? Please check one or more boxes.

- a. Research institutes/ academia
- b. Community based organisations
- c. Government at all levels
- d. Non-governmental organisations
- e. Unions
- f. Associations
- g. Private sector



6. What is the organisation's capability and experience in this kind of consultancy assignments in international supply chains/ procurement/ value chain analysis? Give previous examples.

7. What examples of participatory research approaches does your organisation currently use/ apply?

9. How can your organisation leverage expertise and knowledge and insights from other internal units relevant to this assignment but also external partners and networks? Especially around issue of anti-trust/ anti-competition regulation and topic of auction sale dynamics.

10. What do you think could be overall impact to the tea industry if this assignment gets delivered, signed off and adopted by stakeholders?

**Any further comments why you are interested in this work**

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<sup>i</sup> <http://policy-practice.oxfam.org.uk/publications/understanding-wage-issues-in-the-tea-industry-287930>

<sup>ii</sup> [http://www.isealalliance.org/sites/default/files/LivingWageReport\\_ExecutiveSummary\\_Malawi.pdf](http://www.isealalliance.org/sites/default/files/LivingWageReport_ExecutiveSummary_Malawi.pdf)