

# Small-scale producers in the development of tea value-chain partnerships



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and other financial partners. IFAD contributed US\$186 million to the overall investment.

The investment ranged from providing access to appropriate equipment to providing training and capacity-building to small-scale tea producers and their organizations. Additional support was provided to improve access to rural financial services, to develop local infrastructure (including roads, water systems and small-scale irrigation), to broaden community services (including literacy programmes) and to develop marketing facilities.

With IFAD support, small-scale farmers were able to overcome challenges such as: access to inputs; difficulty in complying with the standards for organic certification; a lack of transport for their products; a lack of training to improve skills in tea husbandry and crop management; and access to new machinery.

## IFAD and the tea value chain

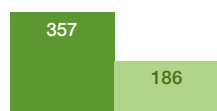
During the period 2002-2012, in an effort to increase the number of partnerships involving the private sector to benefit smallholder farmers, IFAD financed six projects with components on tea value-chain development in four countries: China,

Papua New Guinea, Rwanda and Sri Lanka. The total investment associated with these projects (which did not exclusively support tea value-chain development but included support to other value chains, as well as to infrastructure development) amounted to US\$357 million, part of which was financed by the national governments

## Building country-level partnerships

In Sri Lanka, a global player in the world tea market, IFAD is supporting the tea value chain with a loan of US\$3.5 million. The key activities funded by this investment are road rehabilitation; tea replanting over an area of 145 hectares by small-scale farmers; provision of appropriate tea planting materials, including the development of 45 tea nurseries; provision of pepper plants and areca nut trees for tea intercropping; and capacity-building for small-scale farmers.

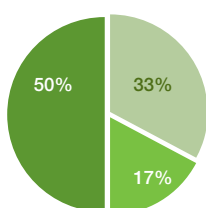
Investment in projects with components on tea value-chain development, 2002-2012 (US\$ million)



Legend: Total investment, all financiers (dark green); IFAD investment (light green)

Investment amount (total and IFAD) represents total commitment in the selected projects and is not limited to investment in the tea value chain

Status of sustainable certification schemes in the tea value chain



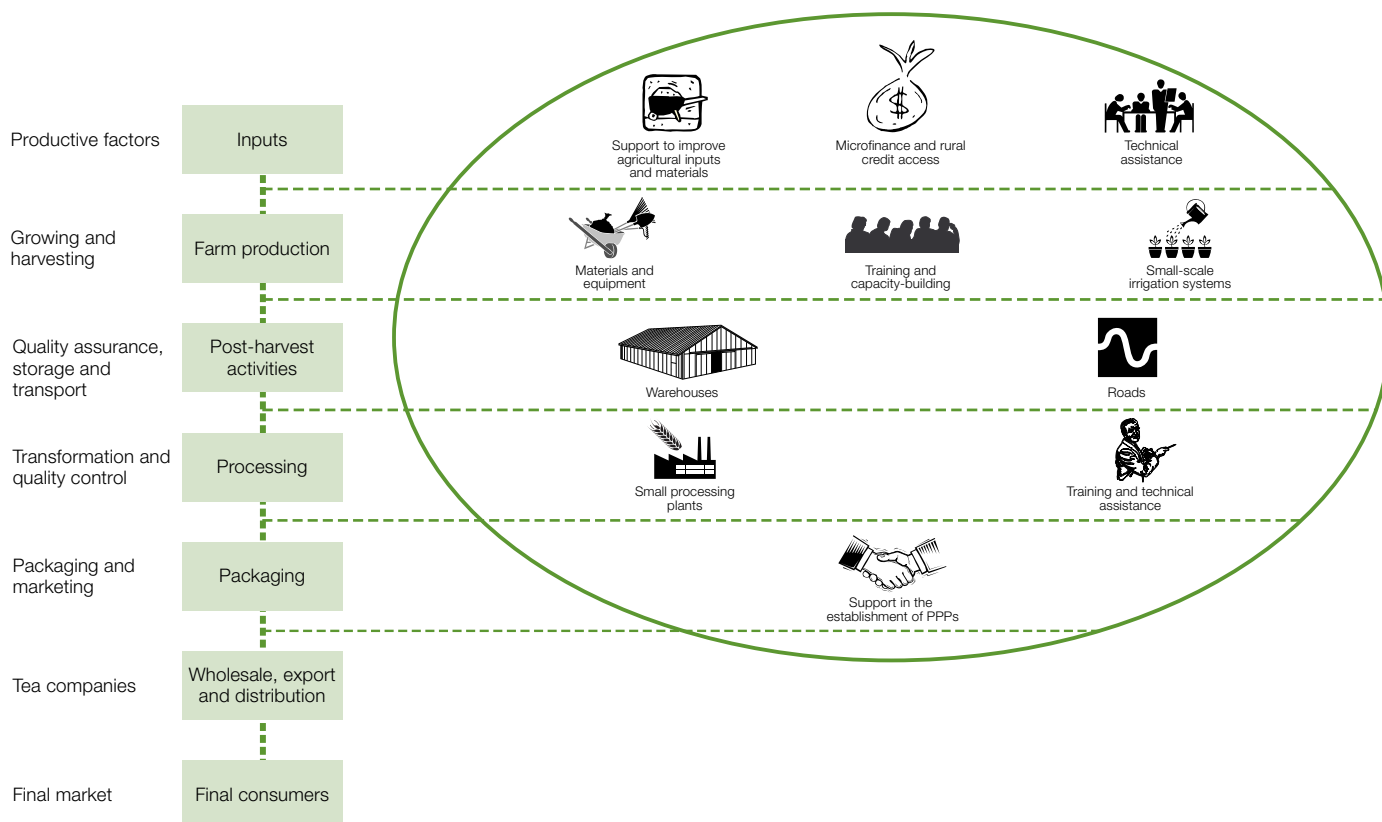
Legend: Certified (light green), In progress (medium green), Eligible for certification (dark green)

2002-2012; six projects in the tea value chain



Enabling poor rural people to overcome poverty

## IFAD's support to tea value-chain development



### What are the roles of the various players in a public-private partnership (PPP)?

IFAD is dedicated to helping create the conditions for smallholder farms to thrive as small enterprises and for rural people to improve their livelihoods. By providing funds to local governments, it supports activities aimed at reducing barriers (such as lack of infrastructure, equipment, community services and marketing facilities) and building trust. In addition, it acts as a broker between local government, the private sector and smallholders to build long-term profitable partnerships for the development of the tea value chain. The role of the private sector is fundamental and involves ensuring technical assistance and support during tea production; helping to conduct research; increasing access to inputs and materials and to ensure quality control; and providing market access and funds. Thus, private-sector investment can contribute to pro-poor development by reducing poverty and strengthening food and nutrition security.

### What is IFAD looking for in a partner?

IFAD is looking for partners in the tea sector that have demonstrated adherence to IFAD's principles and that preferably operate under sustainable certification programmes such as Fairtrade, Organic, UTZ Certified and Rainforest Alliance. Companies certified under these programmes are in compliance with IFAD's core value and principles, and thus justify IFAD's willingness to partner with private actors. Partnerships with such companies are advantageous to smallholder farmers because these companies satisfy the increasing global demand for sustainable agricultural products. This demand provides new opportunities for smallholders, who by positioning themselves in the 'specialty products' segment of the market, can capture higher prices for their products. Private-sector activities directly involve IFAD's target group, smallholder farmers, in order to provide them with strong business opportunities. Partner companies commit themselves to ethical principles:

- At the economic level, by ensuring farmers fair prices for their products
- At the social level, by guaranteeing rights and social justice to farmers
- At the environmental level, by promoting biodiversity, protection of ecosystems and sustainable use of natural resources.



## The experience of IFAD in the Rwandan tea sector

Tea has always been an important commodity for the Rwandan economy but after the genocide in 1994, smallholder tea producers were seriously affected by low prices and a lack of incentives and resources to rehabilitate their export crops. Since then, IFAD's country strategy has focused on small-scale farmers involved in the development of export crops, including tea, paying particular attention to the strengthening of long-term stable partnerships between the tea cooperatives on greenfield sites and the private partners in charge of the processing plants. A new project called PRICE (Project for Rural Income through Exports) was started in 2012 and is promoting investment in the rehabilitation of tea plantations, improving production practices and strengthening farmers' organizations in the tea sector, as well as investing in tea processing plants through the participation of cooperatives as equity shareholders.

Even though PRICE is still in its early stages of implementation, activities to support the establishment of 2,645 hectares of new tea plantations on existing and new greenfield sites have already started.

### Private-sector activities

- Investing in tea processing plants on greenfield sites.
- Developing equitable relationships with cooperatives for the purpose of targeting the most remunerative markets.
- Sharing factory ownership with farmers' cooperatives.

### Farmers' organizations – an overview

- The structure of farmers' organizations and associations is supported from the greenfield to the national level. The Fédération Rwandaise des Coopératives de Théiculteurs (FERWACOTHE) is composed of 18 cooperatives with 35,000 members and is divided into five unions.
- Specific financial and technical support will be provided to two cooperatives on existing greenfield sites and four cooperatives on new greenfield sites to improve their professional management skills, and with a view towards their future participation as shareholders in the ownership of the processing plants.

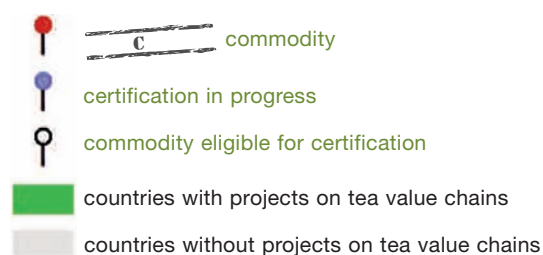
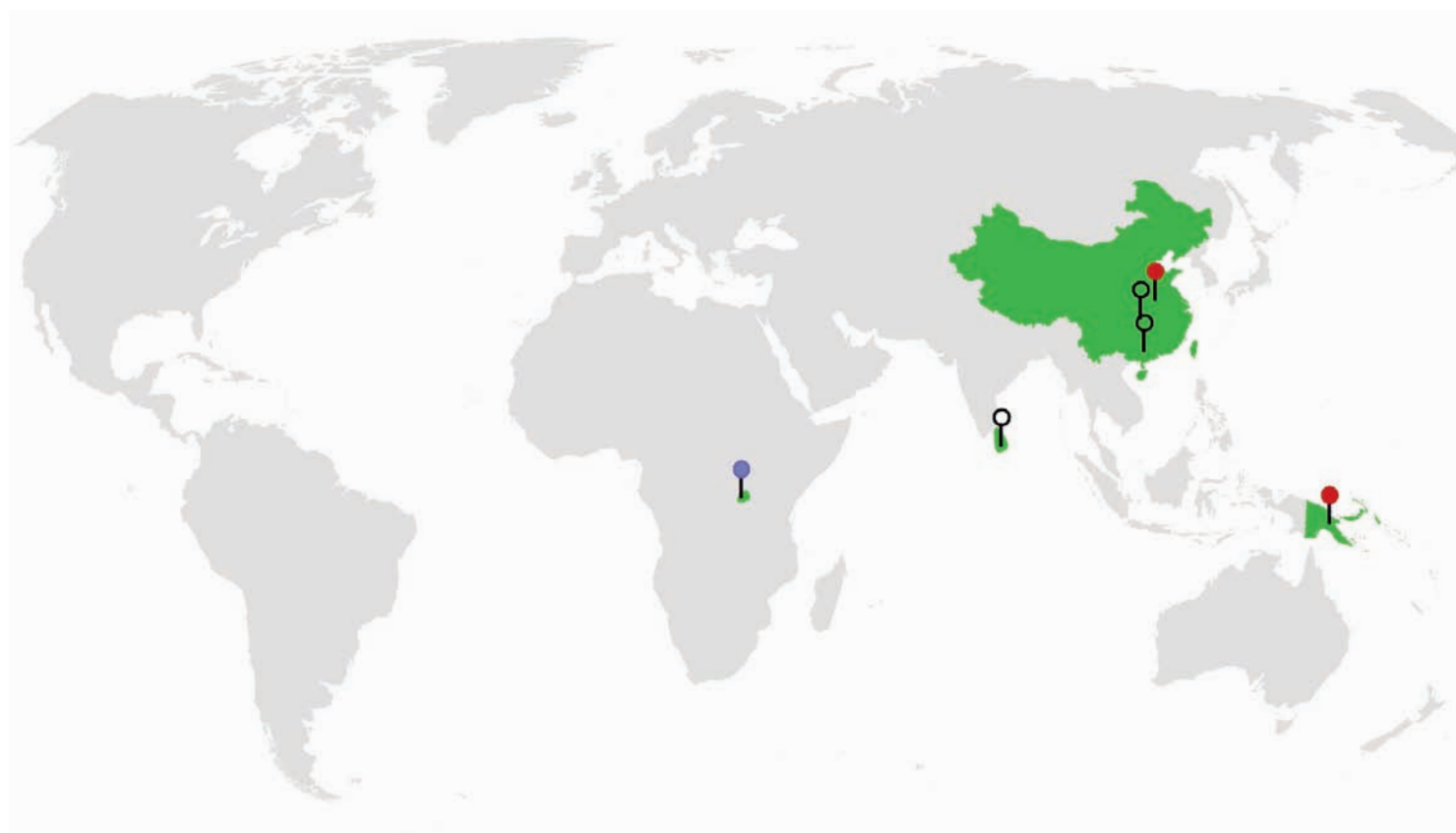
### Government's activities (with IFAD financing)

- Developing a new business model to facilitate agreement between cooperatives and tea companies, with clear definition of roles and responsibilities of each partner.
- Lending technical support to tea cooperatives to improve their operational and financial management.
- Supporting greenfield site development.
- Purchasing equity participation in tea companies, providing seedlings, initial fertilizers and planting equipment.
- Developing infrastructure and providing marketing support.
- Ensuring that the private investor offering the best terms and conditions to the farmers wins the largest greenfield site package.
- Providing tea support services and conducting research on new production techniques.

### IFAD's activities

- Investing around US\$17 million in the tea value chain in the country.
- Providing supervision and implementation support for increased project performance.
- Supporting the establishment of four PPPs on each greenfield site involving the government, private investors and tea cooperatives.
- Verifying that treatment of farmers' organizations by investors meets PPP principles.
- Supporting the tea certification process; certification support will also be provided to investors in the greenfield sites.

## Mapping of IFAD's projects supporting tea value-chain development (2002-2012)



**About IFAD.** The International Fund for Agricultural Development (IFAD) is an international financial institution and specialized United Nations agency dedicated to eradicating rural poverty. Based in Rome, with offices in developing countries around the world, IFAD focuses on country-specific solutions, which often involve increasing poor rural peoples' access to financial services, markets, technology, land and other natural resources. IFAD works with governments to develop and finance programmes and projects that enable poor rural people to overcome poverty themselves.

**How IFAD works.** IFAD's main funding instrument is the provision of loans and grants to governments, which finance agricultural and rural development projects designed to reduce poverty. Most of these initiatives are managed by semi-autonomous Project Coordination Units established by governments. IFAD also provides smaller grants directly to NGOs, research institutions and some private partners, to increase knowledge-sharing and technical support for smallholder farmers and rural poor people.

### Supporting small-scale producers of certified sustainable products.

The rapid growth in consumer demand for sustainable agricultural products represents an enormous opportunity for small-scale farmers and producers in developing countries. To help them seize this and other opportunities, IFAD funds a range of projects in rural areas. A growing number of projects support smallholder production of commodities that are certified under programmes such as Fairtrade, Organic, UTZ Certified and Rainforest Alliance.

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