Strategic Plan for the Tea Sector in Nepal (2010-2014)

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List of Abbreviations

GON	Government of Nepal
HIMCOOP	Himalayan Tea Producers' Cooperative Ltd.
HOTPA	Himalayan Organic Tea Producers' Association
HRD	Human Resource Development
IPM	Integrated Pest Management
ITC	International Tea Committee
MOV	Means of Verification
MT	Metric Ton
NTCDB	Nepal Tea and Coffee Development Board
NTPA	Nepal Tea Producers' Association
OD	Organization Development
PPP	Private Public Partnership
SME	Small and Medium Enterprises
SWOT	Strengths, Weaknesses, Opportunities, Threats
TRTI	Tea Research and Training Centre
VAT	Value Added Tax

FORWARD

Tea, one of the leading cash crops has been a good source of sustainable income to more than 8,000 smallholder's families and over 80,000 others working on a full or part time basis employment in the industry where women labor contributes to more than 60% of the total tea labor force. Being the exportable commodity, it has shown significant potential for export in Nepal. Tea has been also prioritized by Agriculture Perspective Plan (APP), the tenth five-year plan and Agriculture Policy 2061.

To us this potential for the benefit of the Nepal people and in particularly for smallholder Tea farmers requires medium to long-term planning for the development of the sub-sector. This includes input supply, production, processing, marketing and coordination of the sub-sector. At present about 8,184 small holder farmers produce about 16208 metric tons of made tea.

Within this context, the National Tea and Coffee Development Board have developed the five years strategic plan for the Tea sub-sector. The plan is expected to provide the basis for the future development of the sub-sector, support the acquisition of required funding as well as improve the effectiveness of coordination among stakeholders to develop Tea as one of the major export crops of Nepal benefiting small holder producers.

I am confident that this strategic plan will be the major guideline for all stakeholders involved in the sustainable development of the Tea sub-sector in Nepal.

With this, I would like to thank and acknowledge all the members of the Tea sub-sector for their generous input and support to develop this document.

December 2009

Binay Kumar Mishra
Executive Director

I. Context/Background

1.1 Background of the Tea Sector in Nepal

Nepal covers about 0.1 percent of total world land area, but has 136 ecosystems. It ranks 25th in the world in terms of bio-diversity and has every climatic zone in the world. It has suitable climate and geography for tea cultivation, more in the eastern and middle parts of the country. Though tea farming was initiated in Eastern Nepal, it has now expanded to other parts of the country.

Warm and humid climate with plenty of rainfall and long duration sunlight is best for the effective growth of tea bushes. The type of soil necessary for the tea plantation is characterized by a pH value ranging from 4.5 to 5.5 having good drainage facility, good water holding capacity and ample organic matter, and about 1 m. soil depth. Tea is a deep-rooted plant and its roots penetrate through all strata of soil and hold the soil strongly. Tea growing is the best option to these huge ruggedly built hills (up to1,800m from mean sea level) in order to prevent soil erosion. Nepal's middle and eastern Himalayan corridor and the Tarai are endowed with several qualities related to soil, climate, topography, temperature, and humidity for organic tea production.

Since tea industry is a labor-intensive industry, there is a great scope for employment of rural surplus labor and reducing migration from hills to the plains and towns. Tea growing also provides opportunity to make fallow lands productive which are used marginally so far. As there is good national and international market potential for Nepalese tea, the sector could emerge as an important contributor to Nepal's inclusive economic growth and rural employment generation.

In terms of the socio economic impact of tea in rural households, a report by the International Trade Centre titled "The Tea Sector in Nepal: Export Performance and Potential" in October 2007 (Section 2.11, page 41-41) states the following:

> *"… The tea farmer earns more income from their land than those involved growing other crops except for cabbage and ginger. A recent study done indicates the tea farmer earns an average income of US $ 175. The earnings are reportedly around US $ 20 per ha. per month in the Hills and US $ 32 in Jhapa …"*

The tea industry is also a firm step towards empowering women as it generates good employment opportunities for women. More than 60% of the 70,000 workers employed in the tea industry are women.

The tea industry in Nepal is growing rapidly due to the active participation of the private sector. There is high demand for organically produced tea in European markets. Unique Himalayan climate for tea production coupled with the considerable amount of fallow land available for cultivation could be used for the expansion of tea industry without disturbing the environment, but rather preserving it. These indicate good future prospects of tea industry in Nepal. Nepal's yield per hectare is still lower than the major tea producing and exporting countries in the region, for example, India and Sri Lanka. Thus, there is still a lot of room for improvement of productivity in yield as well as in quality.

1.2 Introduction to NTCDB

The National Tea and Coffee Development Board was established in 1993 under the Tea and Coffee Development Board Act 1992. The broad objective of the Board is to promote and strengthen Tea and Coffee sectors through policy formulation, technical and managerial support.

The specific objectives are:

- **To formulate and implement tea and coffee development policy**
- **To identify problems and ways to solve them for the development of these sectors**
- **To manage the import of tools and equipments for tea and coffee production and processing.**
- **To establish Tea and Coffee Training and Research Center and provide technical knowledge and skills to people and organizations involved in these sectors**
- **To conduct studies for the development of tea and coffee sectors**
- **To coordinate and network with all stakeholders of the tea and coffee sector.**
- **To provide support services to Tea and coffee industries.**

Some of the areas of support activities in which the Board has been and is involved are:

- Policy formulation
- Feasibility study of tea and coffee
- Support to farmers involved in tea and coffee

- Capacity building of professionals in these sectors
- Market survey at the national and international levels
- Quality management.

Since its inception the Board has continuously and consistently promote the tea and coffee sectors. Some achievements in terms of activities implemented and results achieved are:

- Developed a national emblem for tea and coffee
- NTCDB has become a member of the International Tea Committee (ITC) in 2007
- GON has adopted the National Tea Policy 2000
- It has organized several national and regional workshops and conferences and has participated in international events for the promotion of the tea sector
- It has actively been involved in the capacity development of professionals of the tea sector through training and workshops at the national and international levels
- It has established seven demonstration plots in Eastern Nepal.
- Owned land in Okhaldhunga and Solukhumbu to establish the extension site.

II. Current Situation

2.1 Trends and Potentials of the Tea Sector

The following table shows the trend in area coverage and production in the last decade or so. It is obvious that there has been quite an impressive growth in this period, in spite of political and other problems that the nation has faced.

Financial Year		Plantation (Hectares)	Production (Kilograms)
B.S	**A.D**		
2053/54	1996/97	3,501	2,905,942
2054/55	1997/98	4,515	3,018,571
2055/56	1998/99	10,249	4,492,998
2056/57	1999/00	10,249	5,085,237
2057/58	2000/01	11,997	6,638,082
2058/59	2001/02	12,346	7,518,575
2059/60	2002/03	12,643	8,198,000
2060/61	2003/04	15,012	11,651,204
2061/62	2004/05	15,900	12,606,081
2062/63	2005/06	16,012	13,688,237
2063/64	2006/07	16,420	15,167,743
2064/65	2007/08	16,594	16,127,603

There are about 16,590 hectares area under tea, majority of the plantation is done by small holders. Present tea plantations are dominated by small holders. Currently about 7800 small holders are involved in cultivating tea 7500 hectares (refer to table below). The tea sector is also providing employment to an additional 70,000 workers – mostly women from the rural areas.

Districts	Number of Small Farmers
Jhapa	871
Ilam	4935

Panchthar	847
Dhankuta	387
Terathum	402
Others	342
Total	**7791**

Of the total production, 62% is produced by the private gardens and the remaining 38% by small holders. Of the total, 86% is CTC tea and only about 14% orthodox tea – mainly aimed at the export market.

In terms of import and export of tea, the following table shows the trend. Nepal exports orthodox tea mainly to European countries, India and Japan and imports CTC to meet domestic consumption.

Year		Export (MT)	Export (Rs. '000)	Import (Rs. '000)
2053/54	1996/97	81.40	22,617	86,971
2054/55	1997/98	35.01	11,745	60,218
2055/56	1998/99	83.80	30,081	27,831
2056/57	1999/00	81.60	25,722	73,277
2057/58	2000/01	69.50	23,084	98,000
2058/59	2001/02	79.60	27,787	8,838
2059/60	2002/03	193.00	53,908	-
2060/61	2003/04	984.22	104,822	-
2061/62	2004/05	4,316.00	438,771	-
2062/63	2005/06	4,623.00	98,644	5,005
2063/64	2006/07	7,000.00	123,642	19,000
2064/65	2007/08	8,600.00	90,468	13,123

2.2 Obstacles and Challenges for the Tea Sector and a SWOT Analysis

The ITC report (mentioned earlier) highlighted the following points as the main hindrances for the growth of the tea sector and expansion of exports:

- Inadequate processing capacity in spite of increased production of green leaf tea, leading to selling raw materials (at lower prices) to the Indian market instead of value adding within the country and selling/exporting finished products (at higher prices).

- Unavailability of certifications and test reports on products from accredited laboratories/authorities. This is also not available to test and analyze samples for exports as most importing countries require this.

- Insufficient product diversification to interest buyers of specialty range of teas into niche markets.

- No brand image built to make international buyers aware of Nepal tea and their quality.

- No blending or mixing facilities exist to cater to the demand of buyers who require bigger consignments. Inconsistent quality and non-uniformity of products with no supportive certificates cause difficulties in making good blend mixes.

- No central marketing facility, such as auction market to attract sellers and buyers to one location.

- Lack of human resources and professionally qualified personnel to promote tea sector. Additionally there is no institutional setup that can generate the required human resources for this sector.

- No market information system available to guide exporters on current trends, price movements, changes in consumption habits etc.

- No research facilities of tea including for promotional and marketing linked with research, which will help in developing new products suitable for changing market demand.

In addition to this, the report also highlights the following obstacles:

- High cost of inputs, e.g. electricity.
- Difficulty to obtain bank loans and high interest rates.
- Packing materials have to be imported and these are not eligible for duty rebates.
- Export is not supported by Government (e.g. 13% VAT and the problems associated with refund).
- Delays and holdups at Indian sea port in transit leading to delay in delivery.
- Tea policy and NTCDB are there but need to be strengthened.
- No sufficient support for active participation in international trade fairs to showcase Nepal tea.

A SWOT analysis carried out by stakeholders during the preparation of this strategic plan also reiterated many of the points raised in the ITC Report.

Strengths	**Weaknesses**
▪ Unique geography and climatic conditions ▪ Farmer based production ▪ Unique quality and identity of Nepali tea ▪ PPP approach initiated ▪ Well formed value chain approach ▪ Tea policy in place ▪ Code of Conduct developed and applied ▪ Driven by private sector ▪ Potentially strong Associations with good advocacy capacity	▪ Database not developed and the accuracy and reliability of existing data is questionable ▪ Under utilized capacity for lobbying and advocacy ▪ Lack of R&D ▪ Poor infrastructure ▪ Limited commitment of stakeholders ▪ Policy incomplete in some aspects (e.g. concerns of small farmers not fully addressed) ▪ Inefficient technology transfer mechanism ▪ Insufficient finance availability to small farmers and industries ▪ Limited number/lack of professional human resources ▪ Insufficient marketing and promotional efforts ▪ Very weak brand identity of Nepal tea in international markets ▪ Green leaf pricing system not developed

	▪ Limited capacity building and institutional development of all institutions (e.g. small farmers' organizations, Associations etc.) ▪ Limited knowledge and capacity to deal with non-tariff barriers
Opportunities	**Threats**
▪ Chance to promote tea as a specialty product through value addition and product diversification ▪ Growing international market for organic tea ▪ Scope to expand production in Nepal ▪ Opportunity for backward linkages; benefits for small farmers and employment opportunities ▪ Attraction of Nepali products abroad ▪ Opportunity to explore environment friendly technology for sustainability ▪ Chance to get international certifications	▪ Competition with neighboring countries. ▪ Subsidies provided by Government of never ring country ▪ Non-tariff barriers and international regulations ▪ International/regional price competition and fluctuations in price ▪ Pesticides and MRL regulations ▪ Local political and ethnic issues ▪ Labor unrest and policies

This strategic plan aims to address the main challenges/obstacles in the next five years and at the same time initiate programs and interventions to address issues that may take longer to be achieved. In terms of structure, it has a long term vision, followed by a five-year objective. Six results areas that must be achieved in this period have been formulated, and to achieve each of these, the main strategies and activity areas have been designed.

III. Vision and Objective

This five-year strategic plan prepared in consultation with stakeholders in Kathmandu and the field locations aims to address many of the points raised in the ITC report as well as the SWOT analysis.

The following vision for the tea sector and a five-year objective was formulated after consultation with the stakeholders:

Vision: ***Prosperity for all through tea***
Objective: ***To enhance the contribution of the tea sector to poverty alleviation, economic and social stability in the rural sector***

IV. Main Results & Activity Areas

In order to achieve the objective, stakeholders agreed to the following six results to be achieved in the next five years. For each of the results, strategies have also been proposed (refer to the planning matrix in the Annex).

1. *Production, productivity and quality of Nepal tea enhanced*
2. *National, regional and international markets for Nepal tea promoted, developed, expanded and diversified*
3. *Coordination and management for sustainable tea sector development strengthened*
4. *R&D Centre for research and training for tea established and operational*

> 5. *Capacity building of various stakeholders (Board, Associations, and private sector) carried out*
> 6. *Management and organizational capacity of NTCDB strengthened*

A summary of the main strategies and activity areas is give below:

1. *Production, productivity and quality*: This is a critical strategic intervention as it aims to address some of the weaknesses highlighted in the ITC Report and the SWOT analysis as well it will unleash the potential for Nepal tea – both nationally and internationally. The main interventions under this will be to review, update and facilitate implementation of the national Tea Policy (including issues related to incentives & subsidies for inputs) in an effective manner.

   As small farmers are responsible for 38% of the tea production, it will be important to promote producers' cooperatives, farmers' groups and Associations and strengthen them organizationally. If Nepal is to meet the potential global demand for tea, it will be critical to support expansion of tea plantations and manufacturing capacity of industries. This will also require that Government creates an enabling environment and provides incentives/subsidies to the private sector for expansion and productivity improvement.

   With the global need for going organic, the sector must also promote and implement organic system production. Given the limited capacities in the sector, there should also be emphasis on enhancing skills and expertise for quality practices for tea at all levels and also developing quality certification mechanism in the private and public sector.

2. *Marketing and promotion*: If the Nepal tea sector has to become sustainable and contribute towards the five-year objective, the focus will have to be on strategic marketing and promotion in the coming period. Some of the activity areas under this are:
   - Develop a comprehensive strategy for marketing and promotion of Nepal Tea
   - Establish an international standard tea cleaning and blending facility (with support from the private sector and GON)
   - Provide support for product diversification, creative packaging and value addition to the private sector stakeholders
   - Support visits of Nepal Tea delegation and participation in trade fairs, seminars/workshops to selected countries. (such as UK, Germany, Japan, Australia, and Middle-East etc.)
   - Organize campaigns for promotion of Nepal Tea through NRNs, Nepalese embassies and other diplomatic channels and continue interactions with Tea Associations and similar bodies in importing countries
   - Establish a Tea Auction Centre after a study of regional and international best practices in similar efforts
   - Mobilize and advocate for government support for transportation subsidies (air and land transport)
   - Support establishment of collection centers from small holders/farmers
   - Support for organic certification.

3. *Coordination and management for sustainable tea sector development*: As there are many actors along the value chain, the emphasis in the next five year will have to strengthen coordination and management mechanisms. Some important activity areas will be to establish a database for tea sector and update this regularly; establish and maintain linkages with national and international agencies; facilitate establishing linkage between financial institutions and tea stakeholders to address issues related to limited access to finance for the stakeholders; formation of Tea Coordination Committee with active participation of all stakeholders for the implementation of this strategic plan.

   This result area will also include development and implementation of a mechanism in which the private sector is actively engaged in formulation and review of policies, and a PPP approach is adopted for field level activities. At the same time, NTCDB has to play a pro active role for the development of the sector.

4. *Research and Training Center*: All stakeholders feel that for Nepal tea to remain competitive globally, especially in light of the competition from SARC country, it is imperative to establish and operationalize a world-class Research and Training Center. In order to make this an effective body, some activity areas will be to establish a Tea Research & Training Institute (TRTI) and strengthen its capacity for effective management and operation.

   The Institute will conduct study/research on soil profile, climatic situation and carry out GIS mapping of tea growing areas; establish internationally recognized made-tea analysis lab; and develop sustainable tea technology (including organic farming practices) and extension management to benefit the thousands of small farmers and scores of existing and new tea industries. Another focal activity will be establishment of nurseries and quality clone development that will result in better quality tea production for both national consumption and exports. In addition it will also be important to promote and facilitate adoption of improved technologies and monitor this.

   This Centre must also play a leading role in promoting small and medium enterprises (SMEs) for production of organic pesticides, and also support the sector in analysis of inputs (e.g. quality of fertilizers) as well as push for the Government to coordinate the regular supply of quality inputs.

5. *Capacity building*: Limited capacity in this sector is an issue that has been raised several times in various documents and consultations with stakeholders. It is also a very important point for global competitiveness. Though this point has been implicitly mentioned in other strategic areas also, stakeholders felt that this warrants special attention and importance and therefore needs to be highlighted as a separate strategic intervention in the next five years. Important activity areas proposed are capacity building needs assessment of various stakeholders; design of appropriate curricula and training programs; implementation of training and other interventions; and regular review and updating of courses and curricula to meet emerging and new needs.

   As mentioned by stakeholders from the districts, it is important that capacity building activities are tailor-made to the requirements of each audience (e.g. the needs of small farmer groups are different from that of larger farmer cooperatives, and this has to be considered in the design and implementation of training and other capacity building programs). This result area will also actively promote formation and strengthening of cooperatives in different tea growing areas of Nepal.

6. *NTCDB Strengthening*: Another strategic intervention proposed in this plan is to enhance the organizational and management capacity of the Board as it is one of the lead players in the tea sector. GON has designated the Board to be the main interface between the private producers and farmers and the government. In order for it to be effectively performing its role, several activity areas are proposed:

    - Conduct an externally facilitated in-depth self assessment and organizational needs assessment of NTCDB
    - Formulate an OD (organization development) and HRD (human resource development) strategy for NTCDB
    - Re-design the organizational structure of NTCDB based on this strategic plan (including establishing departments such as Promotion, Research, Licensing etc.)
    - Recruit and train additional competent human resources (e.g. Program Manager, Tea Marketing Officer etc.)
    - Mobilize and acquire resources for implementation of this plan (from GON, international agencies etc.) in collaboration with Associations
    - Construct appropriate infrastructure for Tea Board (center, regional and extension points)
    - Establish and operationalize an effective monitoring system
    - Strengthen networking (nationally and internationally), lobbying and advocacy functions of NTCDB.

V. Roles and Responsibilities

Discussions were held with stakeholders to identify the roles and responsibilities of various institutions for implementation of the plan. Based on the broad strategies and activity areas, it was agreed that for each, the following institutions would take the lead role and would be supported by others.

Refer below for a summary:

Strategy/Activity Area	Lead Role	Supportive Role
1. Production, productivity and quality		
1.1 Review, update, endorse and implement National Tea Policy (including issues related to incentives & subsidies for inputs)	NTCDB	Private Sector, Associations (in the review and update process)
1.2 Review current status of existing cooperatives and strengthen those with potential for growth and expansion	PPP (with NTCDB supporting with subsidies/ incentives as necessary)	
1.3 Support expansion of tea plantations and manufacturing capacity of industries	Private Sector and Associations	NTCDB and Financial Institutions
1.4 Promote and implement organic system of production	Farmers' Groups and Cooperatives	NTCDB
1.5 Develop quality certification mechanism in the private and public sector	HOTPA for orthodox tea and related Associations & NTCDB for others	
1.6 Strengthen monitoring system for quality production	Role of NTCDB and individual entrepreneurs to be decided after consultations	
2. Marketing and Promotion		
2.1 Develop a comprehensive strategy for marketing and promotion of Nepal Tea	HIMCOOP, NTPA and other institution.	Associations, NTCDB, AEC, International agencies
2.2 Establish an international standard tea cleaning and blending facility (with support from the private sector and GON)	HIMCOOP, Private sector	NTCDB, GON, Financial Institutions
2.3 Provide support for product diversification, creative packaging and value addition to the private sector stakeholders (including an attractive website)	Private sector	NTCDB, Financial Institutions
2.4 Support visits of Nepal Tea delegation and participation in trade fairs, seminars/workshops to selected countries	NTCDB, TPC, Donor agencies	HIMCOOP, Private sector
2.5 Organize campaigns for promotion of Nepal Tea through NRNs, Nepalese embassies, other diplomatic channels and continue interactions with Tea Associations and similar bodies in importing countries	NTCDB	Private sector, Associations
2.6 Establish a Tea Auction Centre after a study of regional and international best practices in similar efforts	NTCDB	Private sector
2.7 Mobilize and advocate for government support for		

various subsidies (transport, imported packaging materials etc.) 2.8 Support establishment of collection centers from small holders/farmers	NTCDB NTCDB	
3. Tea Sector Development 3.1 Strengthen producers' associations and cooperatives 3.2 Establish database for tea sector and update regularly 3.3 Establish and maintain linkages with national and international agencies 3.4 Facilitate establishing linkage between financial institutions and tea stakeholders and advocate for easier access to finance for farmers and private sector 3.5 Support formation of Tea Coordination Committee with active participation of all stakeholders for the implementation of this strategic plan	 NTCDB NTCDB NTCDB, HOTPA NTCDB, HOTPA NTCDB	 HOTPA, HIMCOOP HOTPA, NTPA & other Associations NTPA NTPA Other stakeholders (HOTPA, NTPA and Associations)
4. Research and Training Centre 4.1 Establish Tea Research & Training Institute (TRTI) 4.2 Strengthen capacity of TRTI for effective management and operation 4.3 Conduct study/research on soil profile, climatic situation and carry out GIS mapping of tea growing areas 4.4 Establish internationally recognized made-tea analysis lab 4.5 Support TRTI to develop sustainable tea technology (including organic farming practices) and extension management 4.6 Facilitate establishment of nurseries and quality clone development 4.7 Facilitate adoption of improved technologies and monitor this	 For all – NTCDB will take the lead, with a PPP approach and in collaboration with other agencies (national and international)	 Private sector
5. Capacity building 5.1 Conduct needs assessment of various stakeholders 5.2 Develop appropriate curricula and training programs 5.3 Conduct training programs and other capacity building measures 5.4 Regularly review and update training programs based on emerging needs and requirements of the stakeholders 5.5 Enhance skills and expertise for quality practices for tea at all levels	 For all - NTCDB	 Private sector, Associations, international agencies, CTEVT

6. NTCDB Strengthening		
6.1 Conduct an externally facilitated in-depth self assessment and organizational needs assessment of NTCDB 6.2 Formulate an OD (organization development) and HRD (human resource development) strategy for NTCDB 6.3 Re-design the organizational structure of NTCDB based on this strategic plan (including establishing departments such as Promotion, Research, and Licensing etc.) 6.4 Recruit and train additional competent human resources (e.g. Program Manager, Tea Marketing Officer etc.) 6.5 Mobilize and acquire resources for implementation of this plan (from GON, international agencies etc.) in collaboration with Associations 6.6 Construct appropriate infrastructure for Tea Board (center, regional and extension points) 6.7 Establish and operationalize an effective monitoring system 6.8 Strengthen networking (nationally and internationally), lobbying and advocacy functions of NTCDB	For all - NTCDB	Support from GON and international agencies

VI. Monitoring and Evaluation

6.1 Indicators and MOVs

The indicators for implementation of this strategic plan and the means of verification are summarized in the table below:

Objectives Chain	Indicators	MOV
Objective:		
To enhance the contribution of the tea sector to poverty alleviation, economic and social stability in the rural sector	▪ Income of small holders/producers' cooperatives increased by at least 10% p.a. ▪ Additional direct employment generation 15,000; indirect employment 8,000 of which 60% are women by 2014 ▪ Export price increase as follows: o To India: Orthodox – Rs. 100; CTC – Rs. 50 o International – Rs. 100 ▪ Additional income generation for all stakeholders is Rs. 2900 million (of which Rs. 25 m. is to GON) by 2014	Tea sector studies, national statistics, NTCDB reports
Result Areas:		
1. Production, productivity and quality of Nepal tea enhanced	1.1 Productivity increased in orthodox tea from current 315 KMTH to 700 KMTH; and in CTC from 1560 KMTH to 1800 KMTH 1.2 Production increased in orthodox tea annually at 10%; and CTC from about 14 m kg to 18 m kg 1.3 Organically certified area increased from current 487 ha to 2,000 ha 1.4 All processing units are organically certified	1.1-1.3 National statistics, NTCDB database
2. National, regional and international markets for Nepal tea promoted, developed, expanded and diversified	2.1 Export of orthodox tea increased from current 1.6 m kg to 3.6 m kg. (out of which 50% is to India and the remaining to third countries) 2.2 Export to third countries increased from current 323,000 kg to 1.8 m kg 2.3 Per capita consumption of tea in Nepal increased from current 350 gm to 600 gm	2.1-2.2 NTCDB database and national statistics
3. Coordination and management for sustainable tea sector development strengthened	3.1 Number of active producers' cooperatives and farmers' groups increased from 31 to 80 3.2 At least 50% producers' cooperatives and industries supported by financial institutions	3.1-3.2 NTCDB reports, database
4. Centre for research and training for tea established and operational	4.1 R&D Centre established and fully functional by end of 2013 4.2 Effective extension services provided to all producers' cooperatives and small holders 4.3 SMEs established and operational for production of quality organic inputs 4.4 Linkages established with national	4.1-4.2 Progress reports of the R&D Centre and NTCDB

	agencies for special courses/training on tea	
5. Capacity building of various stakeholders (Board, Associations and private sector) carried out	5000 stakeholders trained At least 50% those trained are able to carry out their businesses sustainably	5.1-5.2 Training reports and progress reports of TRTI and NTCDB
6. Management and organizational capacity of NTCDB strengthened	6.1 New organization structure operational by December 2013 6.2 All outputs and targets of this strategic plan achieved on time and in a cost effective manner 6.3 NTCDB recognized by GON and international agencies as a "Centre of Excellence" for promotion of the Tea Sector in Nepal	6.1-6.3 NTCDB Progress Reports and citations/publications from GON and international agencies

6.2 How will it be done?

Monitoring will be a regular feature at NTCDB, in collaboration with the Associations. It will design a simple M&E system in which senior level staff will be given responsibility to monitor areas of work for which they take lead responsibility. The M&E system will focus on the following:

- inputs, activities and target monitoring (internally by an M&E Committee and respective program staff)
- activity to output monitoring (internally by the M&E Committee)
- output to purpose review (by an external mid-term review)
- overall effectiveness and efficiency of the program (though an external final evaluation)

NTCDB in collaboration with the Associations will form an M&E Committee comprising HQ and field staff. Its main role will be to monitor the inputs, activities and programs being implemented internally or in collaboration with partners. This will be on-going. Monitoring will be done using information from the various stakeholders (small holders, producers' associations and cooperatives, industries etc.), and also through "on-site" visits by members of the M&E Committee. It will conduct **annual internal reviews** to measure success, identify issues and challenges and highlight lessons learnt. These will form the basis to review the existing logframe and prepare annual work plans.

NTCDB and the Associations will involve grassroots level stakeholders at the program levels to assess progress through **social/public audits** to maintain transparency in its local level activities and programs.

At the end of about two-and-half years, **an external mid-term review (MTR)** will be undertaken) to assess achievement of outputs towards the objective. It will also identify issues and concerns and assess the overall context (political, social and economic), i.e. monitoring of assumptions and risks, and identification of new assumptions and risks and their respective mitigation measures. The MTR will give guidance on how to proceed in the future to meet the objectives of the logframe.

Towards the end of this five-year cycle, **an independent evaluation** will be commissioned to assess effectiveness and efficiency and also to assess the difference the interventions have made in the lives of its beneficiaries/clients.

VII. Risks/Assumptions and Mitigation Measures

This section summarizes the risks and assumptions made in the strategic planning process and some of the mitigation measures that can be undertaken by the stakeholders (NTCDB and Associations) to ensure that the plan implementation is successful:

Risks/ Assumptions	Possible Mitigation Measures
➢ NTCDB and the Associations receive adequate financial and technical support from GON and international agencies	Both these important stakeholders will have to actively lobby and advocate for support from GON and also other national and international partners. It is proposed that NTCDB take lead on lobbying with the concerned Ministries and Departments while the Associations focus on national and international partners.
➢ GON policy environment for promotion of Nepal Tea remains conducive	Given the potential for tea sector and fact that the current Government has identified tea as a priority commodity, it is unlikely that GON will formulate policies that are not favorable for the growth of the tea sector. However, all stakeholders must continue to advocate and lobby. It is also important that effective implementation of the National Tea Policy should be carried out. For this too, continuous lobbying will be needed.
➢ The economic and political environment remains favorable for the growth of the tea sector	It is unlikely that the situation is going to improve in the short run. However, things are likely to improve once the new constitution has been drafted and new elections are announced and held. Till then, NTCDB and the Associations will need to monitor closely.

In spite of the above, it is imperative that the implementers of this plan should regularly monitor risks and assumptions. With the fluid situation in Nepal, things are constantly changing. Those risks that have been formulated here may not remain valid in six months to a year, but new ones may emerge. Thus it is critical to keep a lookout on these and identify mitigation measures. The successful implementation of this plan will largely depend on regular monitoring of risks and assumptions.

VIII. Indicative Budget

Though detailed budgeting of the strategic plan is yet to be done, a preliminary cost estimate was carried out for each of the strategic interventions and their respective activity areas to be implemented in the next five years.

The table below summarizes this:

Result Areas	Cost (in million Rs.)
1. Production, productivity and quality	156.50
2. Marketing and promotion	268.50
3. Coordination for tea sector development	20.50
4. R&D Center and Training Institute	220.00
5. Capacity building of stakeholders	25.00
6. NTCDB strengthening	515.00
Total	**1,183.00**

Annex 1: Planning Matrix – Tea Sector Strategic Plan (2010-2014)

Objectives	Indicators	Means of Verification (MOV)	Risks/Assumptions
Vision: Prosperity for all through tea			
Five-year Objective: To enhance the contribution of the tea sector to poverty alleviation, economic and social stability in the rural sector	▪ Income of small holders/producers' cooperatives increased by at least 10% p.a. ▪ Additional direct employment generation 15,000; indirect employment 8,000 of which 60% are women by 2014 ▪ Export price increase as follows: o To India: Orthodox – Rs. 100; CTC – Rs. 50 o International – Rs. 100 ▪ Additional income generation for all stakeholders is Rs. 2900 million (of which Rs. 25 m. is to GON) by 2014	Tea sector studies, national statistics, NTCDB reports	
Result Areas: 1. Production, productivity and quality of Nepal tea enhanced 2. National, regional and international markets for Nepal tea promoted, developed, expanded and diversified 3. Coordination and management for sustainable tea sector development	***By 2014:*** 1.1 Productivity increased in orthodox tea from current 315 KMTH to 700 KMTH; and in CTC from 1560 KMTH to 1800 KMTH 1.2 Production increased in orthodox tea annually at 10%; and CTC from about 14 m kg to 18 m kg 1.3 Organically certified area increased from current 487 ha to 2,000 ha 1.4 All processing units are COC/organically certified 2.1 Export of orthodox tea increased from current 1.6 m kg to 3.6 m kg. (out of which 50% is to India and the remaining to third countries) 2.2 Export to third countries increased from current 323,000 kg to 1.8 m kg	1.1-1.3 National statistics, NTCDB database 2.1-2.2 NTCDB database and national statistics 3.1-3.2 NTCDB reports, database 4.1-4.2 Progress reports of the R&D Centre and NTCDB	➢ NTCDB and the Associations receive adequate financial and technical support from GON and international agencies ➢ GON policy environment for promotion of Nepal Tea remains conducive ➢ The economic and political environment remains favorable for the growth of the tea sector

strengthened 4. Centre for research and training for tea established and operational 5. Capacity building of various stakeholders (Board, Associations and private sector) carried out 6. Management and organizational capacity of NTCDB strengthened	2.3 Per capita consumption of tea in Nepal increased from current 350 gm to 600 gm 3.1 Number of active producers' cooperatives and farmers' groups increased from 31 to 80 3.2 At least 50% producers' cooperatives and industries supported by financial institutions 4.1 Centre established and fully functional by end of 2013 4.2 Effective extension services provided to all producers' cooperatives and small holders 4.3 SMEs established and operational for production of quality organic inputs 4.4 Linkages established with CTEVT for special courses/training on tea 5.1 5000 stakeholders trained 5.2 At least 50% those trained are able to carry out their businesses sustainably New organization structure operational by December 2013 All outputs and targets of this strategic plan achieved on time and in a cost effective manner NTCDB recognized by GON and international agencies as a "Centre of Excellence" for promotion of the Tea Sector in Nepal	5.1-5.2 Training reports and progress reports of TRTI and NTCDB 6.1-6.3 NTCDB Progress Reports and citations/publications from GON and international agencies	

Strategies and Intervention Areas:

1. Production, productivity and quality
1.1 Review, update, endorse and implement National Tea Policy (including issues related to incentives & subsidies for inputs)
1.2 Review current status of existing cooperatives and strengthen those with potential for growth and expansion
1.3 Support expansion of tea plantations and manufacturing capacity of industries
1.4 Promote and implement organic system production
1.5 Develop quality certification mechanism in the private and public sector
1.6 Strengthen monitoring system for quality production

2. Marketing and Promotion
2.1 Develop a comprehensive strategy for marketing and promotion of Nepal Tea
2.2 Establish an international standard tea cleaning and blending facility (with support from the private sector and GON)
2.3 Provide support for product diversification, creative packaging and value addition to the private sector stakeholders (including an attractive website)
2.4 Support visits of Nepal Tea delegation and participation in trade fairs, seminars/workshops to selected countries
2.5 Organize campaigns for promotion of Nepal Tea through NRNs, Nepalese embassies, other diplomatic channels and continue interactions with Tea Associations and similar bodies in importing countries
2.6 Establish a Tea Auction Centre after a study of regional and international best practices in similar efforts
2.7 Mobilize and advocate for government support for various subsidies (transport, imported packaging materials etc.)
2.8 Support establishment of collection centers from small holders/farmers

3. Tea Sector Development
3.1 Strengthen producers' associations and cooperatives
3.2 Establish database for tea sector and update regularly
3.3 Establish and maintain linkages with national and international agencies
3.4 Facilitate establishing linkage between financial institutions and tea stakeholders and advocate for easier access to finance for farmers and private sector
3.5 Support formation of Tea Coordination Committee with active participation of all stakeholders for the implementation of this strategic plan

4. Research and Training Centre
4.1 Establish Tea Research & Training Institute (TRTI)
4.2 Strengthen capacity of TRTI for effective management and operation
4.3 Conduct study/research on soil profile, climatic situation and carry out GIS mapping of tea growing areas
4.4 Establish internationally recognized made-tea analysis lab
4.5 Support TRTI to develop sustainable tea technology (including organic farming practices) and extension management
4.6 Facilitate establishment of nurseries and quality clone development
4.7 Facilitate adoption of improved technologies and monitor this

5. Capacity building
5.1 Conduct needs assessment of various stakeholders
5.2 Develop appropriate curricula and training programs
5.3 Conduct training programs and other capacity building measures
5.4 Regularly review and update training programs based on emerging needs and requirements of the stakeholders
5.5 Enhance skills and expertise for quality practices for tea at all levels

6. NTCDB Strengthening
6.1 Conduct an externally facilitated in-depth self assessment and organizational needs assessment of NTCDB
6.2 Formulate an OD (organization development) and HRD (human resource development) strategy for NTCDB

6.3 Re-design the organizational structure of NTCDB based on this strategic plan (including establishing departments such as Promotion, Research, Licensing etc.)
6.4 Recruit and train additional competent human resources (e.g. Program Manager, Tea Marketing Officer etc.)
6.5 Mobilize and acquire resources for implementation of this plan (from GON, international agencies etc.) in collaboration with Associations
6.6 Construct appropriate infrastructure for Tea Board (center, regional and extension points)
6.7 Establish and operational an effective monitoring system
6.8 Strengthen networking (nationally and internationally), lobbying and advocacy functions of NTCDB