

**REPORT ON**  
**FOURTEENTH SOCIALLY RESPONSIBLE**  
**BUSINESS DEVELOPMENT NETWORK**

**THEME: “CORPORATE SOCIAL RESPONSIBILITY IN**  
**TEA SECTOR”**

**July 13, 2007**

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## ACKNOWLEDGEMENT

On behalf of Socially Responsible Business Development Network (SRBDN) we would like to thank the presenter Mr. Chandra Bhusan Subba, Team Leader, TCGDA-SMIG, WINROCK International for taking his time to present **Code of Conduct in Tea Sector in Nepal**. Also we would like to thank the second presenter of the forum, Ms. Samikchya Baskota, Chairman, 4E's Group Nepal for sharing her thoughts on CSR in Tea Sector and experience in Kanchanjunga Tea Estate.

Our thanks go to all the participants who attended the fourteenth forum on Socially Responsible Business Development Network, who took time to participate, discuss and share their views and ideas.

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## ACRONYMS

4E's	4 Es (Education, Empowerment, Employment and Economic)
AEC	Agro Enterprise Centre
CoC	Code Of Conduct
CSR	Corporate Social Responsibility
FLO	Fair Labeling Organization
HIMCOOP	Himalayan Tea Producers Cooperative
HOTPA	Himalayan Orthodox Tea Producers Association
ILO	International Labour Organization
KTE	Kanchanjunga Tea Estate
NTA	Nepal Tea Association
NTPA	Nepal Tea Planters Association
SLC	School Leaving Certificate
SRBDN	Socially Responsible Business Development Network
TCGDA-SMIG	Tea and Coffee Global Development Alliance – Smallholder Mobilization through Improved Governance

## **1. RATIONALE BEHIND THE MEETING**

Corporate Social Responsibility (CSR) is part of an international drive towards transparency and accountability of business activities and a way of monitoring how business perform against environment, ethics and society. SRBDN is a platform to share information, knowledge and experience on CSR. The rationale behind the meeting was to have a well functioning knowledge and information-sharing network on CSR.

### **Objective of SRBDN**

- Facilitate sharing information, experiences and ideas on Corporate Social Responsibility in Nepal.
- Facilitate identification of common interests and development of joint efforts and create synergy among facilitators, providers and donors.
- Awareness raising
- Cooperation between large organization and SME.
- Integrating CSR in education

## **2. OBJECTIVE OF THE FOURTEENTH FORUM**

The objective of the fourteenth forum on SRBDN was as follows:

- To know the responsible business practice in Tea Sector
- To know about the Code of Conduct in Tea Sector

### **3. PROCEEDINGS OF THE PROGRAM**

#### **3.1 Programme Overview**

The Fourteenth Socially Responsible Business Development Network took place at Yala Maya Kendra, Patan Dhoka on July 13, 2007. The theme for the forum was **“Corporate Social Responsibility in Tea Sector”**.

Ms Reema Shrestha, Coordinator of SRBDN commenced the forum welcoming all the participants. She gave a brief introduction on the subject matter i.e Corporate Social Responsibility in Tea Sector.

#### **3.2. Presentation on Code of Conduct in Tea Sector**

**By Mr Chandra Bhusan Subba-Team Leader, TCGDA-SMIG, WINROCK International**

Mr. Chandra Bhusan Subba started his presentation with background about the tea cultivation in Nepal. Tea was first cultivated in Nepal as a commercial product in 1862 but only in early 80's, 5 eastern zones on Nepal were chosen as Tea zones. After 1990, Government started showing interest in the production of tea and also in its sales. After that, even the private sectors started showing more prominent role in tea sector, after which the national tea policy was introduced. Looking at the present status, the expansion in the growth rate of tea is 12% more in 2006.

Unlike the other organizations, stakeholders of the tea sector are the tea growers themselves. Other than that, the tea factories and other associations like HOTPA, NTPA, NTA, HIMCOOP etc are involved in the cultivation, promotion and sales of it. Mr. Subba further said that there is a growing demand of tea varieties all over the world. The potential for production is good and there is improvement in quality. At the same time, tea cultivation is environment friendly and provides high income for the tea growers, as it is a small farmer based farming. Still, there are enough challenges in the tea sector. Being a small farmer based farming, they don't have proper sense of quality, have internal labor problems, high cost of production, importing countries demand is high such as fair trade, certifications, high cost of production and lack of market identity (Brand Image).

Mr. Subba said that to address these kinds of challenges, code of conduct was first initiated in 2003 as a self-polishing volunteer bottom up approach. During the second international tea event in 2004, Kathmandu, the stakeholders finalized that tea sector should have main commitment towards nature, people, production system and quality (Code of Conduct). Each cultivation is done in respect to the nature. It preserves biodiversity, conserving soil fertility. Environmental friendly agriculture practice is followed in tea gardens and it follows the national /international norms. Respect for people means that there is no child labor, no social, gender, or ethnic discrimination and the working standards are based on ILO guidelines. Respect for production system means it is practicable of inputs through monitoring and record keeping and also, they have standard operating process. And to maintain the quality of their production, they should have consistency and good business practices. These are the factors that are mainly focused in the tea code of conduct. But before the implementation of CoC, a pre inspection is done to prepare the guidelines for the implementation. CoC is not developed to reinvent the system, but for the improvement in the system. Every CoC groups has a group leader and a local inspector to monitor individual group member. Also, within the groups, one group inspects the other. Similarly, number of groups forms a community. And within the different communities also, one inspects the other. Every leader takes the record, manages staff, send the product for the lab tests etc. Likewise, the final record is then presented to the compliance committees, which consist of Tea Board, Association, AEC and Tea Alliance representative. All these information will then be uploaded in the web for everyone to see.

People might think that if Code of Conduct is not bringing any change in the system then why is it necessary. The answer is, Code of Conduct will benefit the tea growers, preserve biodiversity, sustain higher income, and sustain the system of production. If the production quality is maintained with the follow of CoC, then the tea growers will be able to reach market easily and possible receive higher income. Finally, he said that the wider perspective of global CoC is the market access and development of common minimum standard in coordination with market.

**Discussion:**

One of the participants wanted to know if he had any data of export of tea.

On this he said that out of 1.5 Million kg production of tea, most of it, i.e. 70% goes to India and via India, it goes to others countries like Germany, Japan, USA etc. The customers are always looking for the product, which is ethical.

Another participant asked Mr. Subba why was the level of CoC practice different among the farmers.

He agreed that the teaching methods of CoC vary among the farmers. It is based on the factory rules and from the business point of view, they have to teach CoC through different medium. As many farmers are illiterate, they are still working on it.

One of the participants wanted to know if the use of pesticides is still continued after CoC.

He said that initially it was us that have recommend farmers to use pesticides but now through CoC we are creating awareness among farmers to use organic fertilizers. Tea producers who are following CoC are using organic fertilizers. s

### **3.3. Presentation on Corporate Social Responsibility in Tea Sector**

**By Ms Samikchya Baskota Chairperson of 4E's Group**

Ms. Samikchya Baskota, Chairperson of 4E's group started her presentation, which is focused on the 4 questions based on corporate social responsibility. As an introduction, CSR is management's obligation to make choices and take actions that will contribute to the welfare and interests of society as well as the organizations. According to her, CSR was developed during the stock market scandals and the corruption between business and government in 19<sup>th</sup> century after the Second World War. By mid 20<sup>th</sup> century, the theories of CSR was in its development phase describing criteria like maximizing profit and correcting the social injury in interest of the stakeholders. CSR is implemented for consumer protection, environment protection, ethical boundaries and socially responsible organizations.

Ms. Baskota then informed the participants about the tea industries of Nepal. Kanchanjunga Tea Estate is the first organization certified for organic tea in Nepal. It was established in 2040 and is following the compliance with rules and regulations. The estate has 200 workers involved in the garden and 30 in the factory. KTE mainly focuses in CSR for the high income of local communities, to increase their literacy rate, and to promote cooperative model of farming. They have been providing scholarship program to the children of small farmers since 2002. Currently, 176 children are enrolled for the program. Also, they have introduced a new concept as a Cow Bank Project. In 2005, they distributed 36 cows and bulls to the farmers and in 2006, 70 more. The concept was, the farmers had to return back the calf to KTE which they would again distribute to other farmers. Through this project the farmers were able to sell the milk and keep the profit from milk selling to themselves. KTE also purchased cow dung from the farmers.

KTE also introduced the concept of Eco-House; houses which are built with all local materials with small kitchen, garden for spices and high value vegetables, a smokeless oven or biogas. They even constructed road to factory, held awareness programs relating health and sanitation, build separate toilets for girls in different schools, rice subsidy, and 466 small farmers are Organic Certified and working jointly with KTE. So, we can say that KTE is socially responsible as it is the first certified organic tea estate in Nepal and the only tea estate, which is FLO certified.

### **Discussion:**

One of the participant wanted to know how many children have been benefited from KTE. On this Ms. Baskota answered that 176 children of small farmers have been benefited from the scholarship program of KTE.

Another participants asked why KTE is working as a cooperative model even if it is registered as a company. She said that at the time KTE was registered it did not had a cooperative model therefore it was registered as company but through cooperative model farmers are able to work closely.

Another participant wanted to know that KTE is in loss still how can it support so many children. She answered that, KTE is working on these program through support from funds from buyers. 50% of the scholarship is from KTE and the other 50% is from the buyers.

Another participant asked since its establishment in 2002 what are the changes until now. Ms. Baskota said that, they are able to support in the education of local children. 5 children completed their SLC in 1<sup>st</sup> division. They are also providing technical education scholarship to 4 children. Farmer are much more aware about the importance of education, health and sanitation and quality products. KTE is coordinating the funds (links) to the education of children and enhance the economic status of local farmers.

One of the participants wanted to know if the buyers are aware about the orthodox and organic tea. She answered that since last two years, the buyers are more aware about it. And the number is still increasing.

#### **4. WRAP UP**

Towards the end, Ms. Reema Shrestha, coordinator of the forum wrapped up the forum. She praised both the presenters for their knowledge and sharing it with all the participants. The tea sector and the code of conduct has been an interesting topic these days. The presentation helped the participants understand how and why the Code of Conduct in tea sector was introduced. She said that it is difficult to convince the producers about CoC, but it is much more difficult to at farmers level. So, the implementation of Code of Conduct is difficult and the related committees are working in their own way for the benefit of both the farmers and the producers.

## 5. ANNEXURE

### 5.1 Program Schedule

#### **Fourteenth SRBDN Forum Tentative Program Schedule**

**Date:** 13<sup>th</sup> July 2007

**Venue:** Baggikhana, Yala Maya Kendra, Patan Dhoka (Near Post Office)

**Theme:** CSR in the Tea Sector

2:15 - 2:30	Registration
2:30 - 2:40	Welcome Address
2:40 – 3:10	Code of conduct in Tea sector Mr. Chandra Bhusan Subba, Team Leader, TCGDA-SMIG, WINROCK International 30 minutes
3:10 – 3:30	Discussion Round 20minutes
3:30 – 4:00	CSR in Tea Sector Ms. Samikchya Baskota, Chairman, 4E's Group Nepal 30 minutes
4:00 – 4:20	Discussion Round 20minutes
4:20 - 4:30	Moderators wrap up 10 minutes

## 5.2 List of Participants

S.N.	I.	F. Name	L. Name	Organization
1	Ms.	Samikchya	Baskota	4 E's Group Nepal
2	Mr.	Bhusan	Shrestha	API-NET
3	Mr.	Rajendra	Basnet	BDS MaPS
4	Mr.	Subash Kunwar	Asst. Manager	BDS MaPS
5	Ms.	Mahalaxmi	Shrestha	Beekeeping and Research Centre
6	Mr.	Satendra	Khadgu	Kumbeshwor Technical School
7	Mr.	Rajendra	Poudel	Planet Finance Nepal
8	Mr.	Pramod	Khakurel	Planet Finance Nepal
9	Mr.	Chandra Bhusan	Subba	TCGDA-SMIG/WI
10	Ms.	Tara	Baskota	Kanchanjunga Tea
11	Ms.	Pranay	Sharma	COPP/Helvetas
12	Mr.	Prasanana	Bajracharya	TCGDA/WI
13	Mr.	Pravesh	Aryal	ICRI-Nepal
14	Mr.	Era	Shrestha	The Boss
15	M.	Neeraj	Nepali	Lotus Opportunities