

W The Wood Foundation



2014 Chairman's Review

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This Annual review reflects the Chairman's Report as detailed in The Wood Foundation's audited accounts for the financial period 31st March 2013 to the 1st April 2014, with an update on key activities undertaken during the 2014 calendar year.

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About us

The Wood Foundation was established in March 2007 by Sir Ian Wood and his immediate family. Now, in its seventh year, The Wood Foundation is continuing to invest in the two original areas of activity: Making Markets Work for the Poor in Sub Saharan Africa (75% of annual investment) and Developing Young People in Scotland (25% of annual investment).

The Foundation applies the principles of Venture Philanthropy, investing both money and expertise to achieve systemic change within its chosen areas. Whether it's leading projects or taking an active supporting role with strategic partners, The Wood Foundation aims to be involved in development, implementation, training, guidance, and evaluation to enable sustainable and successful programmes.

Originally named the Wood Family Trust, on 1st September 2014, the name was changed to The Wood Foundation. This reflects more accurately the way in which we operate, with the term Foundation highlighting the philanthropic objective while retaining an ability to engage and support a wide diversity of partners in a flexible manner. Likewise, Wood Family Trust Africa also changed to The Wood Foundation Africa.

Scotland

Rwanda

Tanzania

Established
**March
2007**

Sub Saharan
**Africa
75%**

Young People
**Scotland
25%**

Executive summary



The Wood Foundation is now in its seventh year of operation and I am pleased to report continuing strong progress. 75% of our funds are focused on Making Markets Work for the Poor in Sub Saharan Africa and 25% on Developing Young People in Scotland. We are a proactive venture philanthropy funder with a strong management team both in East Africa and in Scotland.

In East Africa, we are pursuing the venture philanthropy model, applying sound business principles and practice in our charitable investments and partnerships. We are the recognised philanthropist in smallholder tea farming, working to enhance the yields and quality of the product, and know-how and capability of the farmers, to create systemic change by encouraging and supporting small farmers to become small businesses and help themselves.

Working with Lord David Sainsbury's Gatsby Charitable Foundation (Gatsby), we've continued to successfully develop a range of partnership projects in the Tanzanian and Rwandan tea sectors. Our Chai project (Chai means tea in Kiswahili) in Tanzania is producing tangible benefits to the smallholder tea farmers and we're also now breaking new ground, working alongside a major tea producer in the Southern Highlands to support the start-up of 3,000 new smallholder tea farmers and enhancing the overall prosperity of the region.

In Rwanda, our Imbarutso project (Imbarutso means to catalyse) is working closely with 12,000 smallholder farmers and their communities in developing the two tea factories we acquired in late 2012 and significantly enhancing the yields, quality and capability of the smallholder farmers with the intention that they will eventually own the tea factories.

Overall, between Tanzania and Rwanda, we are working with and supporting over 45,000 smallholder tea farmers and are now able to demonstrate some very clear improvements in tea yields and quality and significantly increased incomes.

In our Developing Young People in Scotland portfolio, our Youth & Philanthropy Initiative is now active in 143 Scottish Secondary Schools with the objective of covering 300 schools across Scotland over the next six years. By any measure, it is a great success, clearly impacting young people's approach to philanthropy in a project they and their teachers really enjoy.

We are also developing a Global Learning Partnership programme for schools, the basic principle of which is that Scottish educationalists and teachers have a four week overseas placement, living and working within their host communities overseas. On their return, they share their knowledge and experience with their home school and in particular help young people understand the challenges of living and working in some of the poorer countries of the world.

We are also continuing our work with the Prince's Trust and are involved in the STV Appeal for Childhood Poverty in Scotland.

In line with the growth of our activities and increased funds into the Foundation, plus increasingly international recognition, we have changed our name to The Wood Foundation. We are constantly vigilant to ensure the success is sustained, and will remain innovative in our application of management and finance, as well as working with other private, public and charitable partners. After a spend to date of £16m, our current funds in the Foundation are £120m and we are not resource constrained in developing our programmes.



December 2014

Making Markets Work for the Poor in Sub Saharan Africa

The Wood Foundation Africa (TWFA) continues to work in partnership with The Gatsby Charitable Foundation (Lord David Sainsbury's philanthropic vehicle) on our expanding tea portfolio. This includes the Chai Project in Tanzania and the Imbarutso Project in Rwanda, in addition to the privatised factories acquired from the Rwandan government and greenfield developments. TWFA maintains operational lead in the partnership but works in full consultation with Gatsby.

Over the past year, we have seen continuing focus on growing our activities in the tea sector and estimate we are now working with and providing support to more than 45,000 smallholder tea farmers in Tanzania and Rwanda. Our activities include debt and equity positions in smallholder-supplied factories, match-funding partnerships with private tea processors, a range of technical assistance at the industry level, and a range of support to smallholder tea farmers for their existing farms and new greenfield developments. In each of these, we have maintained an explicit focus on the smallholder farmer and in facilitating partnerships based on balanced relationships and sustainable economic change.

Tea is a long term crop requiring long term solutions. Patient capital is critical to meet the upfront financing needs until the smallholder farmers are able to repay the capital. Flexibility is essential in testing innovative service delivery models to plant out tea professionally and to scale. Human resources are required to build local capacity and ensure agronomic services are available on a sustainable basis. Critical to success are our management teams on the ground, consisting of top tea professionals in functional areas of agronomy, operations, selling, finance and management.

As we increase the depth and breadth of our tea portfolio, we are beginning to attract other philanthropic investors and donors. We will explore such partnerships should they align with our smallholder objectives and enable us to work with more smallholders and on a broader geography, for example the UK Department for International Development (DFID) has, over the past year become a key partner on the Chai Project.



Investment
to date
£12.6 million

"We have seen continuing focus on growing our activities in the tea sector and estimate we are now working with and providing support to more than 45,000 smallholder tea farmers in Tanzania and Rwanda."



Tanzania

Total smallholder production
2009 9.4 million Kg
2013 10.7 million Kg

33,000
smallholder farmers
supported in Tanzania

Smallholder green leaf
revenue per hectare

2010 
US\$413

2013 
US\$720

Chai

Chai was launched in September 2009 with the intention of doubling smallholder made tea production and increasing competitiveness of the sector. The original commitment was US\$9 million over a six year period, but this has now increased to US\$17 million with DFID becoming a funding partner.

Tea is an important crop, contributing more than US\$56 million in export earnings for Tanzania. The industry provides employment to 50,000 rural families while indirectly affecting 2 million Tanzanians.

Chai continues to address various systemic constraints of poor smallholder quality and yields, limited access to inputs and agronomic services, a weak regulatory framework, and limited end markets through a portfolio of interventions. Examples include:

- Technical assistance to the Tea Board on the market-based pricing mechanism to ensure a fair share of risk and reward for farmers and factories alike. The success of this mechanism has had real impact on 30,000 farmers by increasing average smallholder share of the made tea price from 27% to 33%, resulting in an additional US \$2 million in farmer revenues per annum. The mechanism has already been replicated by another country in the region.
- Matching-grant arrangements to encourage innovation and achieve efficiencies in factory-farmer services. These include the introduction of electronic weigh-scales, mobile payment systems, input on credit schemes, extension schemes, and certification. With one processor, over the past 3 years a 21% increase in green leaf yields was realised for more than 12,000 farmers, with a doubling in harvesting efficiency through mechanisation resulting in a 61% increase in income per hectare.

Through these investments, total smallholder production has increased from 9.4 million Kg in 2009 to 10.7 million Kg in 2013, while green leaf (GL) revenue per hectare has increased from US \$413 in 2010 to US \$720 in 2013.

Njombe

We are working with Unilever on a major tea project in Njombe in the Southern Highlands of Tanzania. Unilever intend building a tea processing factory and developing its own core tea estate, but with a commitment to help the development of and acquire the tea from local smallholder tea farmers.

Wood/Gatsby, working with DFID, will be providing support to smallholders wishing to engage in the venture, including 2,500 hectares of smallholder tea planting in Njombe. \$8.1million will be provided to finance the 4 year tea planting programme and a range of support services, including the provision of tea seedlings, tea planting, agronomy support services, provision of fertiliser and, as time goes on, plucking and transport.

Altogether more than 4,000 smallholder farmers will benefit as well as the local Njombe economy and the tea industry in Tanzania.



Imbarutso

Imbarutso was launched in March 2011 in partnership with Gatsby. This 6 year US \$9 million program is introducing a portfolio of interventions to increase management and agronomic skills at the farm level, support government in creating a proper regulatory environment, and assist processors in creating farmer services that boost factory profitability and farmer incomes. Examples include:

- A programme to institutionalise Farmer Field Schools (FFS) in the sector by developing a cadre of FFS trainers housed within a professional body and accredited by the National Agricultural Export Board.
- A credit scheme for fertiliser application.
- The development of a network of smallholder nurseries to address new planting and gap filling, with a target of 2.2 million seedlings per year.
- A programme to professionalise tea plucking through introduction of mechanised harvesting technology and development of dedicated and trained mechanised harvesting teams.



Mulindi and Shagasha Factories

Through our philanthropic investment vehicle East African Tea Investments (EATI), formally RTI, we operate a majority stake in Mulindi and Shagasha Tea Factories which were the last factories to be privatised by the Rwandan Government in 2011. Through EATI, we bid US \$9.0 million for majority control of these businesses, and are now in partnership with 12,000 farmers supplying the factories, which represent approximately 1/3 of the smallholder tea farmers in Rwanda. The intention is to professionally manage field and factory operations and build Rwandan skills and governance capacity for the future.

EATI will provide the finance and board governance as required for an estimated 7 years. Once EATI recovers their share capital and loans, and once farmers meet KPIs on governance, the businesses will be handed over at nil consideration, thus establishing the first smallholder-owned tea factories in Rwanda.

Over the past year our focus has been on rehabilitation of field and factory, agronomic training and corporate governance, and introduction of quality standards for health and safety. Developments include:

- Over US \$3.5 million has been invested on working capital and capital equipment in field and factory to improve quality and lower costs through improved efficiencies.
- Transition of farmer services from the cooperatives to factory have been completed, with extension, green leaf collection, grading, transport, and payment now being provided directly by the factory.
- Both factories have taken over management of the Coopthe block farms. It is expected this will result in at least a 20% improvement in yields over 1 or 2 years.

Rwanda

"We are now in partnership with 12,000 farmers supplying the factories, which represent approximately 1/3 of the smallholder tea farmers in Rwanda"

Developing Young People in Scotland

Our principal objective is to improve tolerance and encourage citizenship values and enterprise in Scotland's young people. Our programmes focus on:

- Citizenship, including Global Citizenship and encouraging philanthropy in young people
- Enabling Positive Destinations into Employment, Education and Training
- Youth Poverty
- Enterprise Education

The main projects supported by The Wood Foundation in Scotland during 2013/14 include the Youth and Philanthropy Initiative (YPI), Global Learning Partnerships, The Prince's Trust, and STV Appeal.



The Youth and Philanthropy Initiative (YPI)

The Wood Foundation is responsible for the management and delivery of YPI in Scotland under a licence agreement with its Canadian creators, the Toskan Casale Foundation.

YPI is a fully resourced and supported, curricular based, active citizenship programme which is delivered by teachers, with YPI staff support. Within each YPI secondary school, a whole year group (S2-S6) works together in small teams to analyse their community, identify a prominent social issue they feel strongly about, and research the local, grassroots charities involved in working on their chosen issue. After selecting a charity, each team then focuses on how it is financed, how it operates, what its main challenges are, and subsequently advocates on their behalf to a panel of judges. The most discerning and impassioned presentation group is awarded a £3,000 grant for their chosen charity.

During the 2013/14 academic year, YPI was delivered in 108 schools, engaging 14,485 young people and 622 teachers. There was in excess of 540 charities represented at school finals throughout 2014, with a total of £324,000 granted to local charities across Scotland.

The Wood Foundation continues to develop more effective ways of delivering YPI, focussing on long term sustainability without compromising the quality of the programme.

A rigorous national consultation was undertaken in 2013/14, meeting in excess of 50 key stakeholders in order to establish a more sustainable model moving forward. The Wood Foundation will continue to work in partnership with The Gannochy Trust, Scottish & Southern Energy, the Speratus Group, and the STV Appeal at a national level, and with The Orcome Trust and Artemis as community partners while actively seeking new, like minded partners to support on-going growth in new and existing regions.

In the 2014/15 academic year, YPI will be operational in 143 Scottish secondary schools, with new geographies including Shetland, Dundee, Fife and Midlothian. Based upon the success of the new blended funding model, The Wood Foundation has ambition to expand YPI to 30 new schools per annum, up to a maximum of 300 Scottish secondary schools over the next 6 years.

2013/14

£324,000 was donated to local charities

108 secondary schools took part in YPI **18** local authorities engaged

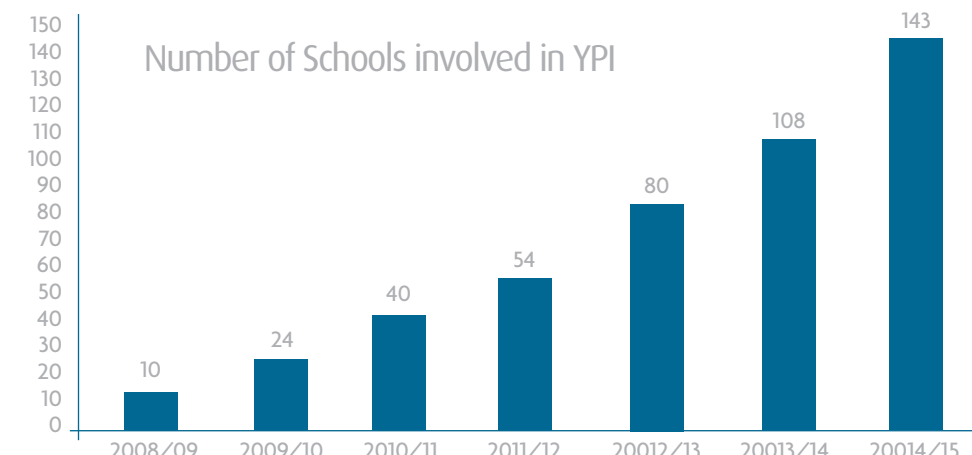
14,485 students participated **622** teachers delivered the programme

2014/15

A further **£449,000** will be donated to local charities

143 secondary schools will take part in YPI **24** local authorities will be engaged

19,250 students will participate **820** teachers will deliver the programme



ypi[®]
YOUTH AND
PHILANTHROPY
INITIATIVE
SCOTLAND

Global Learning Partnerships

During the 2013/14 year, The Wood Foundation built upon previous experience of global citizenship programmes to develop and implement a new programme under the direction and management of The Wood Foundation, in partnership with Aberdeen City and Aberdeenshire Councils. The emergent Global Learning Partnerships is a personal and professional development opportunity for educationalists designed to promote broader and deeper global citizenship education in Scottish learning communities through the provision of a 4 week overseas placement for applicants to live and work within host communities overseas, and follow up support for curricular development and embedding of good practice.

Following a thorough selection and training programme through 2013/14, 15 primary and secondary school teachers from across the north-east of Scotland travelled to Rwanda in July 2014 to participate in a reciprocal learning opportunity, providing mentor support and professional training to their overseas counterparts in return for a unique insight into another culture.

On their return, they share their knowledge and experience with the home school and in particular help young people understand the challenges of living and working in some of the poorer countries of the world.

“You were able to attach some real-life learning and thinking about Global Citizenship and what it looks like to interesting and funny stories from the trip, versus just saying ‘well I’ve read this book and now this is what my theory is, and you should follow that theory too’. Being able to share the experience that I had, and the journey that it took me on was definitely something that had an incredible impact across the whole school”

Margaret Thomson, GLP Alumni
Head Teacher, Banff Primary School,
Aberdeenshire

“When I first got interested in teaching I decided that I wanted to be a really inspirational teacher, someone that could motivate their students. When the opportunity came up to take part in Global Learning Partnerships I thought this is something I definitely have to do. I wanted to be able to inspire my students, and I knew it would also benefit me – I learnt so much from the experience and brought everything I learnt back into my classroom.”

Nicola Tanner, GLP Alumni
Design & Technology Teacher, St Machar Academy, Aberdeen





The Prince's Trust

Get Into

The Wood Foundation's ongoing investment into The Prince's Trust has been designed to support the development and growth of Get Into, expanding the offering into new geographies, exploring alternative, more efficient delivery models, and opening up opportunities within new, emerging industry sectors.

Aimed at 16-25 year olds, the Get Into programme is a short, fast paced course designed to give young people the skills and qualifications necessary to gain employment. Get Into helps prepare participants for the world of work by offering work experience; industry recognised certification; mentoring and confidence building.

By the end of August 2014, The Wood Foundation had helped support over 3000 young people to engage with the programme.

Future Starts

In 2014 The Wood Foundation committed to investing in the new Future Starts pilot programme. Working in partnership with the Scottish Government, this project specifically targets young people in education who are at risk of disengagement by helping them raise their ambitions and build up their confidence so they can move towards vocational training or employment.

The programme offers senior school students the opportunity to sample potential career options and develop their skills and provides relevant and practical knowledge of careers and the workplace to ensure positive destinations into employment or further education.

STV Appeal



The Wood Foundation have pledged to support the STV Appeal with £450,000 over three years, with a particular focus on addressing the challenges of child poverty in the North east of Scotland. Sir Ian Wood has also joined the

Board of Trustees for the STV Appeal to support the strategic direction of the Appeal and ensure impact of all funds generated is maximised.

Major Projects



Robert Gordon University

In 2014 The Wood Foundation granted £500,000 to support Robert Gordon's University's new International Oil & Gas Institute. The funds will be applied to develop both RGU's UK and international aspirations in its oil and gas teaching

and research. The Institute will play a role in maximising economic recovery from the North Sea and also establish RGU in a strong position from which to exploit its oil and gas expertise internationally as the North Sea matures.

Plans for the year ahead

Our Sub Saharan Africa programmes during 2014/15 is focused on:

- Improving the performance of the Shagasha and Mulindi Tea Factories, working to enhance the quality and yield of the smallholder farmers supplying these factories and beginning to develop the local Rwandan management capability.
- Successfully managing the start-up of the Njombe Outgrowers Services Company in Tanzania.
- Working with a major international tea processor, we are investigating a second significant greenfield tea development opportunity which will have a significant benefit to a large number of smallholder farmers in Rwanda.
- Continuing to enhance our management team, in-house knowledge and expertise in the tea industry.

Our activities in the UK for 2014/15 will be focused on:

- Implementing and embedding the new model for YPI in a managed and supported manner in order to best support future growth across Scotland.
- Developing Global Learning Partnerships to support our next group of North East teachers to visit Rwanda in summer 2015.
- Ongoing engagement with the broader education agenda to support identification of future opportunity, with particular focus on citizenship, enterprise, and employability.
- Identification of possible long term opportunities in the North East of Scotland that will help the inevitable economic adjustment as North Sea oil winds down.

Management and Staff

Venture philanthropy is very similar to a business in that the success of our efforts is dependent on the quality and commitment of our management team and staff. Moving forward for 2014/15, Sir Ian Wood has become Executive Chairman of The Wood Foundation and will be increasingly engaged with ongoing activities and investments.

Operations continue under the highly effective regional leadership of David Knopp in Africa and Alison MacLachlan in the UK. We are proud of our professional, innovative, dedicated and caring team which gives us the confidence that we will significantly achieve our increasingly ambitious objectives.





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The Wood Foundation, Scottish Registered Charity No. SC037957 is the Parent Charity of The Wood Foundation Africa, registered in Scotland as a company limited by guarantee and having charitable status. Company No. SC361033. Scottish Charity No. SC040580.