

Non-wood forest product community-based enterprise development: a way for livelihood improvement in Lao People's Democratic Republic



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in Lao People's Democratic Republic**

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Acronyms

BDS	business development services
BTC	Belgian Technical Cooperation
CIAT	International Centre for Tropical Agriculture
EDC	a local enterprise development training agency
FAO	Food and Agriculture Organization of the United Nations
FONP	Forestry Policy and Institutions Service (of FAO)
FOPP	Forest Products Service (of FAO)
FS 2020	Forestry Strategy 2020
GAPE	Remote Village Education Support Project
JICA	Japanese International Cooperation Agency
Lao PDR	Lao People's Democratic Republic
MA&D	marketing analysis and development
MAF	Ministry of Agriculture and Forestry
MIS	market information system(s)
NAFRI	National Agriculture and Forest Research Institute
NGO	non-governmental organization
NGPES	National Growth and Poverty Eradication Strategy
NUOL	National University of Lao PDR
NWFP	non-wood forest product
PAFO	Provincial Agriculture and Forestry Office
RECOFTC	Regional Community Forestry Training Center for Asia and the Pacific
SADU	Small-Scale Agro-Enterprise Development for Uplands
SHG	Self Help Group
SIDA	Swedish International Development Authority
SNV	Netherlands Development Organization
SUFORD	Sustainable Forestry and Development Project (World Bank funding)
SWOT	strengths, weaknesses, opportunities and threats (analysis)
TCP	Technical Cooperation Project
VFI	Village Focus International
WWF	World Wide Fund for Nature

Exchange rate

(September 2006) US\$1 = 10 000 kip (K)

Chapter 1: Introduction and project context

Non-wood forest products (NWFPs) are a major natural resource of Lao People's Democratic Republic (PDR), where 41 percent of the national territory is covered by forest and 80 percent of the population live in rural areas. The per capita availability of forest is about 2.4 ha, about six times the subregional and four times the world averages. NWFPs play an important role in food security and daily livelihoods, and the Government of Lao PDR perceives them as a valuable alternative in its basic poverty eradication strategy. NWFPs include food products, spices, condiments, food additives, sweeteners, gums, oils, oleoresins, fibres, plaiting materials, medicinal and aromatic plants, animals and animal products. In Lao PDR, NWFPs worth an estimated US\$216 million are produced every year, of which local use accounts for US\$184 million. NWFPs contribute substantial shares of household food consumption and cash income (from rank 3 NWFP stands at the national level, and rank 2 at the district and village levels). In study sites, NWFP income was ranked second after agricultural products, and before domestic animal sales. NWFPs are collected for household consumption, and increasingly for commercial purposes.

Non-wood forest products (NWFPs) are goods of biological origin – excluding wood – derived from forests, other wooded land and trees outside forests.

Natural forests and forest lands belong to the national community and are managed by the State, which allocates them to individuals and organizations for rational use (Forestry Law 1996). Government policy aims to stabilize shifting cultivation, promote the conservation and rehabilitation of forest resources, and support the development of a market-oriented economy.

Forest land and user rights, based on certified land use titles, are assigned according to the Land Use Planning and Land Allocation Programme. Five categories of forests are allocated to villages: production, conservation, protection, regeneration, and degraded.

Village forests are managed by villagers, who have to develop five-year management plans endorsed by the district authority. Individuals and organizations to whom the State has allocated the protection, conservation and management of forests and forest lands have rights to such benefits as the use of trees and the collection of NWFPs, in accordance with regulations issued by the agencies concerned (Forestry Law Art. 7).

Over the past ten years, projects (e.g., the Participatory Sustainable Management of Production Forest project) and villagers have paid more attention to harvesting logs and gaining revenue than to managing NWFPs and planting trees. Local communities have traditional customary rights, but these are often limited by regulations. Households collect and use NWFPs in accordance with village regulations and with approval from district authorities.

The harvest/production of NWFPs for commercial purposes is based on annual quotas granted to registered companies by the government. Provincial and district-level traders play a prominent role in this. There is limited value-added processing of NWFPs for consumption and/or export in Lao PDR, but there are a number of small and medium-scale processing industries, including rattan and bamboo workshops, incense factories, resin distillers, berberin processing plants, small-scale mulberry paper industries, and aromatic oil distillers.

The following recent trends demonstrate the growing interest in conserving and developing NWFPs:

- Local innovators have started to domesticate NWFP species in agroforestry systems and home gardens.

- Communities are developing the capacity to establish and run effective NWFP management systems.

The Forest Law

The Forest Law provides a legal framework for the NWFP subsector and distinguishes between customary use and commercial use of NWFPs.

Customary uses include the sale of unrestricted NWFPs. A village-level association is formed and signs a forest management contract with the local Provincial Agriculture and Forestry Office (PAFO). (This entails developing a forest management plan when the community has access to NWFPs.) Villages are often assigned degraded forests where NWFPs can be developed for customary and commercial purposes. Customary sales of NWFPs are exempt from regulations, because they are often an important source of essential household income.

Commercial use of NWFPs is based on a quota system. Companies interested in trading NWFPs apply to the PAFO for quotas of the products they wish to obtain. Based on the companies' plans, the PAFO seeks approval for the quotas from the Ministry of Agriculture and Forestry (MAF). After approval, the PAFO holds a meeting with the Provincial Trade Office, the District Governor Deputy and the applicant companies, and the quotas are distributed among the companies. Quotas are set for each province and issued for specific zones within each district. After receiving a quota, the trader requests villages within the respective zone to supply the material. Quotas are not based on assessments of what there is in the forest, but on the number of traders applying through the district agriculture and forestry extension office.

Example: Traders in NWFPs have to pay different taxes and royalties, all of which involve paper work at different offices. The following steps are the standard process.

Traders seeking to buy NWFPs from villagers have to register with the village chief. The main reasons for this are to ensure that products can be traced back to their origins, taxes are collected from traders and statistics are collected. The village tax collector collects sales taxes from the traders:

- 50 percent of the tax remains in the village – 20 percent for official use and 30 percent as remuneration for the tax collector;
- 50 percent goes to the district tax office.

The current tax rates are complex and unclear. When a product is transported to the border from the district, traders have to pay the following additional taxes:

- 3 percent to the district agriculture and forestry office: An MAF instruction (October 1999) to PAFOs regulates the collection of royalties on NWFPs, requiring the collectors of NWFPs to replant the species harvested or pay a natural resource royalty. Royalty rates vary according to the NWFP. For example, for every tonne of paper mulberry collected, 15 trees have to be planted or a royalty of US\$5 paid.
- 5 percent of the purchase price is paid to the district finance office.
- 5 000 kips (K) per tonne is paid to the district commerce office.
- 3 percent goes to the trade department at the border.

Traders also have to pay a 1 percent transit tax for transport from district to district, and often double that for transport out of the province. This is one reason why district traders seek to bypass provinces. Product prices are generally negotiated by traders and villagers.

- Policies that emphasize sustainable forest management are reinforcing the NWFP subsector.
- The private sector is beginning to invest in small-scale NWFP processing industries.

At the same time, there are also a number of worrying trends that could adversely affect the overall status and management of NWFP resources. These include:

- possible negative impacts from the implementation of such government policies as village relocation, focal zone development, and land allocation and land-use planning (land-use conflict);
- accelerated deforestation resulting from land-use conversions for agriculture and dams, unsustainable or unauthorized logging practices, fire and other disturbances;
- increased market access and product demand without clear rules of resource allocation, tenure security and sustainable management regimes;

- loss of local technical knowledge about NWFPs, most of which is vested in older generations and at risk owing to out-migration and the changing lifestyles of younger generations.

In recent years, the government has adopted a number of initiatives aimed at developing forestry and NWFPs. Other positive signs include such innovations as self-help groups and participatory enterprises at the local level, which show much promise of success. Innovative institutional arrangements have been sponsored and promoted by donor agencies and non-governmental organizations (NGOs).

Within this context, MAF requested FAO and the Netherlands Development Organization (SNV) to assist the Government of Lao PDR in reducing rural poverty and promoting sustainable use and management of forest resources through appropriate NWFP marketing systems. More specifically, this involved establishing a model for the development of marketing systems for priority NWFPs through the market analysis and development (MA&D) approach, and promoting income generation for rural farmers through strengthening NWFP marketing and sustainable management of NWFP resources.

The key outputs of the project are:

- a) the establishment of ten pilot NWFP village enterprise groups (involving 239 people) for rattan, bamboo handicrafts, paper mulberry and mushroom production activities;
- b) increased incomes for local entrepreneurs;
- c) assessment of the NWFP sector at the national level;
- d) development of a model approach to NWFP marketing;
- e) establishment of linkages with national and international organizations and the private sector (marketing information system [MIS] workshops, project partnerships, etc.);
- f) capacity building for local communities and other key actors to strengthen their capacity for MA&D and sustainable management of NWFP resources.

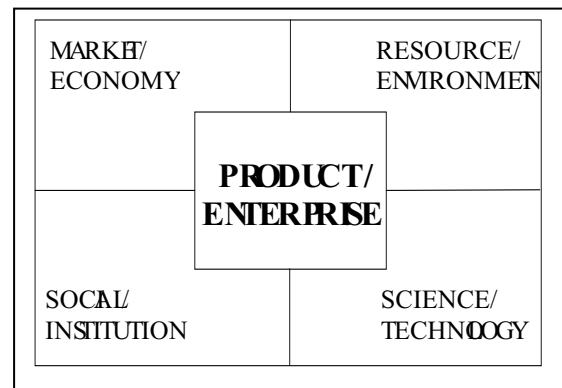
Photograph 1. Sign informing customers about the NWFP sales point (for mushrooms, bamboo, etc.) on road N9 between Thailand and Viet Nam.



Chapter 2: The market analysis and development approach and its implementation in Lao PDR

What is Market Analysis and Development?

MA&D's main objective is to assist local people, often the rural poor, in developing income-generating enterprises while conserving natural resources. It is a step-by-step participatory methodology for capacity building, arranged in three phases that consider social and environmental issues as well as the technological, commercial and financial aspects of products. The MA&D process recognizes local knowledge as an important source of information and builds alliances with appropriate institutions and individuals to increase access to information.



The MA&D process is conducted in three phases, preceded by a preparatory phase, as outlined in the following box.

PREPARATORY PHASE: PLAN ACTIVITIES

During this phase, project sites and actors are identified, activities are planned, and markets for the products that the project will work with – NWFPs, agricultural produce, trees, etc. – are analysed.

PHASE 1: ASSESS THE EXISTING SITUATION

This is an exploratory phase during which members of the target group are trained in tools and methods appropriate to the social, environmental, economical and technical issues they face. The target group considers:

- What resources and products are available?
- What are the potential enterprises? What are their main constraints and advantages?
- Who are potential entrepreneurs, and what are their expectations?

Outcome:

- Shortlist of products on which to base the next phase of MA&D.
- Identification of local people interested in developing enterprises.
- Understanding of the social, environmental, technical and institutional contexts of a range of products.
- Formation of interest groups to undertake the next phase.

PHASE 2: IDENTIFY PRODUCTS, MARKETS AND MARKETING METHODS

During this phase, target group members go deeper into the selection process initiated in phase 1. They are trained in identifying the criteria for selecting the best products for the market and collecting the information needed. The target group considers:

- Which products have the best current market potential?
- Are there sufficient quantities of resources for increasing trade or processing? Can the resources be managed easily without negative impacts on the environment?
- What kind of technology, organizational structure, capacity and capital will be needed to reach potential markets?
- Which products will generate a net return and fit the target group's expectations?
- What financial and technical support exists for setting up enterprises?

Outcome:

- List of possible products based on detailed feasibility studies.
- Data for designing a business plan.
- Formation of interest groups around promising products.
- Formation of a team to undertake the next phase.

PHASE 3: PLAN ENTERPRISES FOR SUSTAINABLE DEVELOPMENT

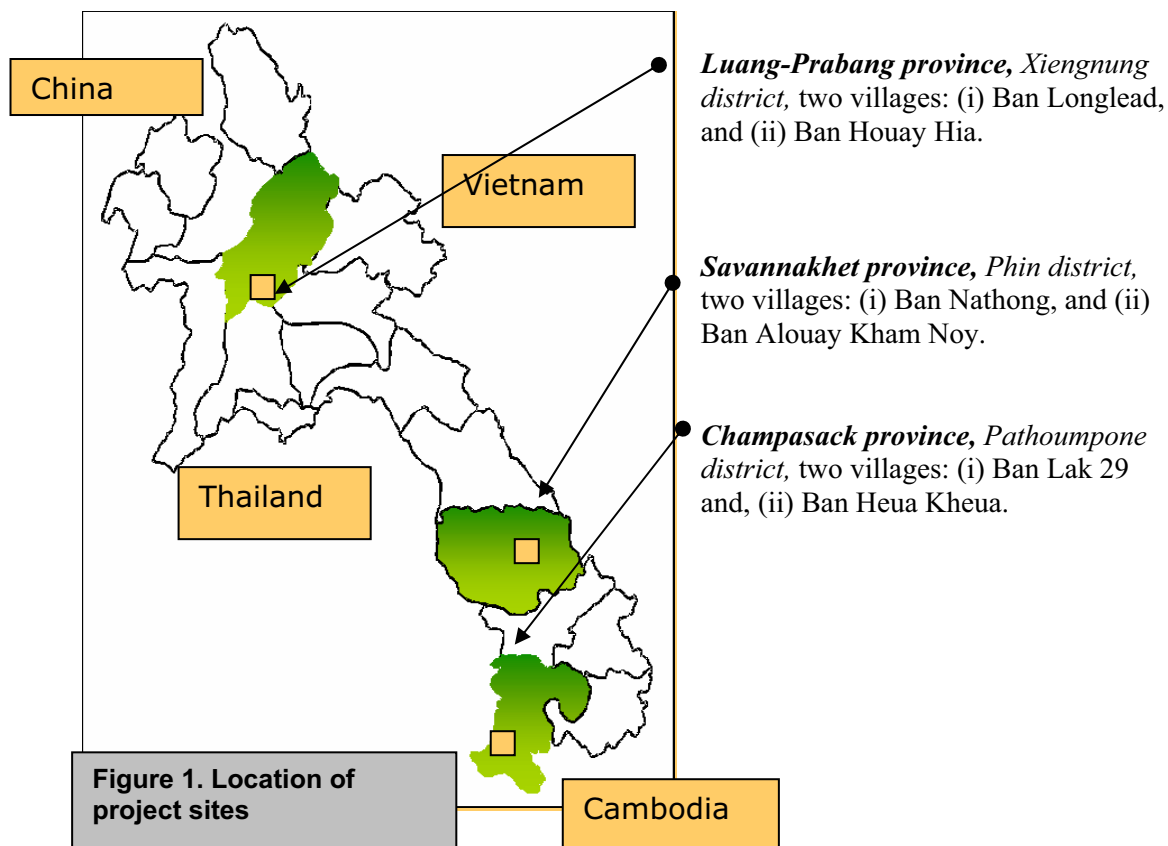
In the previous two phases, the future entrepreneurs selected products and markets that are socially and environmentally sustainable as well as financially promising. In this final phase, the enterprise strategy and business plans are prepared. Entrepreneurs are guided through a pilot phase and training, learning to monitor progress and adapt when needed.

Outcome:

- Identification of markets and development strategies, and formulation of enterprise development plans.
- Marketing and management plans, with action plans to ensure proper implementation.
- Financing obtained and a monitoring and planning system for the new enterprises implemented.

PREPARATORY PHASE

Project areas: The project first identified the project sites (six villages) in the target provinces and districts. The main criteria for selection were villages with large forested areas, proximity to roads and accessibility to markets. The target groups for the project were rural communities that depend on NWFPs, especially the poorest people in these communities. Project sites were in the 47 poorest districts identified in the government's National Growth and Poverty Eradication Strategy (NGPES) as priority areas for development assistance.

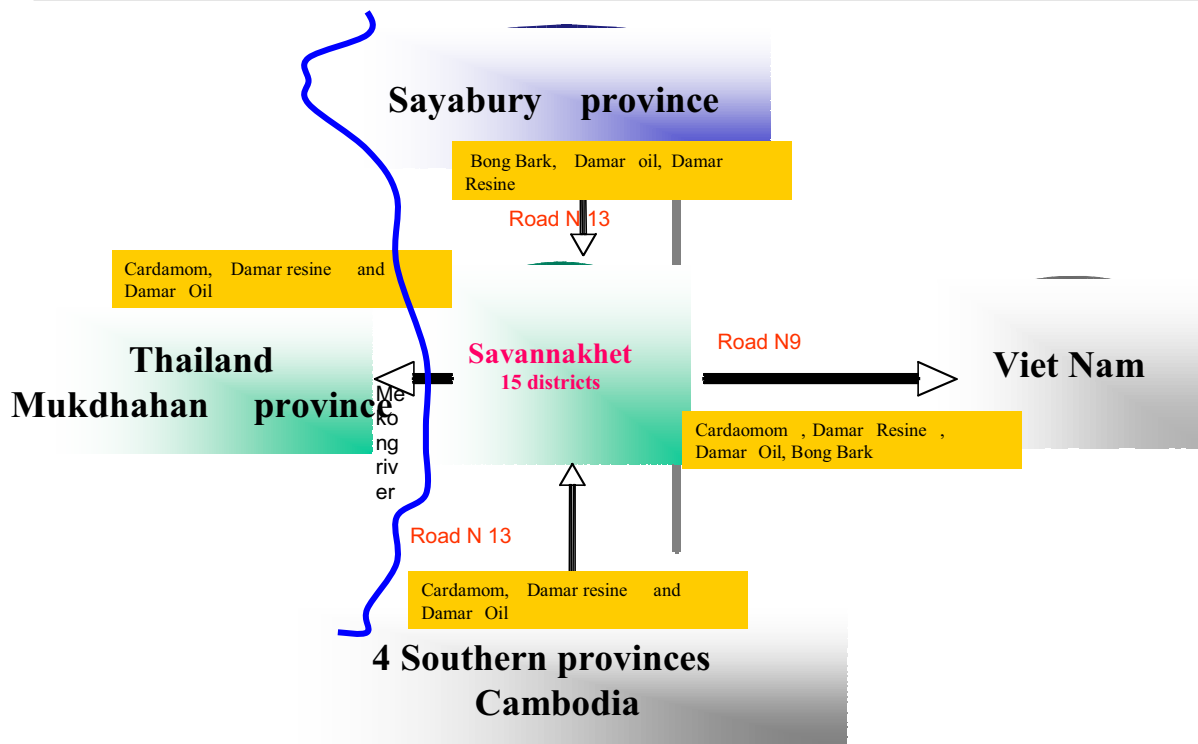


Project stakeholders: The project inception workshop was attended by 65 participants, representing national government, NGOs and international organizations and projects. This reflects the considerable importance that international organizations give to the issue of NWFP marketing. Collaboration with the private sector and other projects working in the same areas was initiated. The project was a member of the Lao NWFP Network coordinated by the National Agriculture and Forest Research Institute (NAFRI). During implementation, partnerships were established with other projects, such as the Small-Scale Agro-Enterprise Development for Uplands Project (SADU), the World Bank's Sustainable Forestry and Development Project (SUFORD) and the Remote Village Education Support Project (GAPE), with the private sector (rattan, paper mulberry and rattan factories and traders, and trainers) and with a local knowledge service provider (called EDC).

Facilitation and implementation framework: In each target province (see Figure 1) and district, two project coordinators – one from PAFO and one from the Trade Department – were appointed as field facilitators. Project management was located at NAFRI (in the capital city Vientiane).

NWFP regional survey: In each target province, a survey was carried out to provide a brief overview of opportunities and constraints for enterprise development, including past experience in enterprise development in the area, existing service providers, livelihood strategies at the selected sites, and an inventory of potential resources and products with comparative advantages for the region. NWFP status was surveyed through a questionnaire in the Lao language. The project collected: (i) data and information on the main NWFPs traded, and an analysis of trends over the last ten years; (ii) information on existing NWFP management plans; (iii) policy and regulation links to NWFP management and trade; and (iv) gender aspects of NWFP management. Figure 2 provides a brief overview of the survey in Savannakhet province.

Figure 2. Overview of market channels for main NWFPs inside and outside the province of Savannakhet



Example of survey

Savannakhet province is located in a strategic position between Thailand and Viet Nam. NWFPs currently traded and identified by the survey were: rattan (six species), mushrooms (eight species), bamboo shoots (six species), sang, orchids, cardamom, wild fruits, wild vegetables, damar resin, honey, Persia (bong), insects, fish, frogs and birds. Many companies expressed concern about the depletion of resources; problems with the supply of raw materials are becoming a preoccupation. Many felt that the government and development projects should provide more support to resource management and plantation. Companies and traders expressed the need for the government to be more effective in controlling illegal trade and complained of problems with illegal traders. Companies and province-level traders mentioned that they also face strong competition from local traders who supply other companies at the international level. It was recognized that competition from Vietnamese traders is high in Savannakhet province. They give higher prices than other traders, and buy though their own trade agents in villages.

Table 1. Relative value of NWFP exports compared with other sectors in the province

No.	Export sector	Annual value	% of total
1	NWFPs	315 738.00	0.36
3	Agricultural exports	986 033.00	1.11
4	Industry and handicrafts	5 069 474.62	5.71
5	Tourism	No information	
6	Other products	82 329 829.00	92.82
	Total		100

Savannakhet Province has 1 298 800 ha of forest cover. Over the last five years, plantations of rubber, eucalyptus, acacia and sugar cane have been increasing.

Table 2. Transport nodes, costs of transport and time needed (example)

From	To	Type of goods transported	Cost (K/tonne)	Time (hrs)
Savannakhet	Mukdahan, Thailand	NWFPs	62 500	5
Savannakhet	Vietnamese border	NWFPs	154 490	6

PHASE 1: ASSESS THE EXISTING SITUATION

This is an exploratory phase in which the target group members are trained in tools and methods for social, environmental, economical and technical issues in four areas of enterprise development.

The target group answers the following questions:

- What resources and products are available?
- What are the main NWFPs used and sold?
- What forest and land use and allocation systems exist?
- What are the potential enterprises?
- What are the main constraints and opportunities?
- Who are potential entrepreneurs and what are their expectations?

During phase 1, the project identified target groups of potential entrepreneurs at the selected site, built understanding of their different socio-economic profiles, determined economic objectives, listed existing resources and products, identified products that already provide income for local people, identified key constraints, and eliminated products that were not viable for marketing.

Phase 1 has six steps

- Step 1 – Identify the target group.
- Step 2 – Determine the financial objectives of the target group.
- Step 3 – List existing resources and products.
- Step 4 – Identify key constraints in the existing market system.
- Step 5 – Shortlist a range of products.
- Step 6 – Raise awareness of the benefits of working together.

Three province-level MA&D training workshops and village-level meetings were organized to build the capacity of project facilitators, other stakeholders (national institutions and other projects) and villagers (the target groups from the six villages). Training focused on enterprise development and the MA&D objectives, framework and process. Project facilitators developed MA&D training materials (in the Lao language), and planned and carried out field activities. At the beginning, a day was spent in each village to explain what the project was about and to make the initial needs assessment.

Step 1: Identify future entrepreneurs within the local community

In each of the villages, the facilitators explained the purpose of the project and MA&D approach. Assessing the socio-economic situation is an essential first step in determining whether or not the MA&D approach will be viable in a village. It was important for the facilitators to spend enough time in each village to analyse its specific socio-economic and environmental situation. The target groups in each village were women and men involved in the collection, sale and/or processing of NWFPs. In Lao PDR, NWFP collectors are often the poorest people in the villages. They have no land, and the only way that they can buy rice is through selling or exchanging NWFPs. They are the first actors in the NWFP supply chain.

Participants at the first meeting in each village were men and women with an interest in NWFP-based enterprises. In most of the villages, more than 80 percent of villagers rely on NWFPs for their livelihoods. In general, about 80 to 120 people participated at the first meetings, but by the end of phase 1, only 20 to 40 people showed commitment to developing an NWFP pilot enterprise. These interest groups included a mix of rich and poor people.



Photograph 2. In all six villages, more that 60 percent of the NWFPs collected are used for food, and more than 70 percent are sold or bartered. Only 30 percent of NWFPs collected are used for construction and household tools (handicrafts are not counted in this 30 percent).

Table 3. Description of project sites

Province	District	Village	Population	% of adult women and men involved in NWFP activities through the project	Area of forest village (ha)
Luang-Prabang	Xieng Nung	Ban Long Lead	268 (130 women, 138 men)	98%	1 648 (40 % of total village area)
Luang-Prabang	Xieng Nung	Ban Houay Hia	477 (235 women, 242 men)	95%	
Savannakhet	Phin	Ban Nathong	1 211 (618 women, 593 men)	100%	5 303 (38.52% of total village area)
Savannakhet	Phin	Ban Alouay Kham Noy	648 (310 women, 338 men)	98%	2 461 (87% of total village area)
Champasack	Pathoumphone	Ban Lak 29	340 (175 women, 165 men)	70%	408 (80% of total village area)
Champasack	Pathoumphone	Ban Lak 62	446 (228 women 218 men)	90%	162 ha (60% of total village area)

Socio-economic description of a typical project site

Ban Longlead is located in Xiengngueng district, in the southern part of Luang-Prabang province. There are 43 households in the village, and ethnic groups include Lao, Hmong and Kamou. The total population is 268 people, 50 percent of whom are female. The average household size is six people. The most important activities providing employment are agriculture and the collection/sale of NWFPs. Education and health facilities are minimal. There is a small primary school, but no clinic. For medical treatment, villagers must take road 13 north to Luang-Prabang town or go to the district hospital. The main source of income is collecting NWFPs (paper mulberry, broom grass, bamboo), livestock and fisheries. Five women trade NWFPs in the village. Rice yields from paddy depend mainly on the rainfall rate; in a good rainfall year, rice production may meet villagers' needs. Villagers face rice insufficiency for four to five months a year.



Step 2: Determine the financial objectives of the target group

In each village, the target group members defined the incomes that they expected the enterprise to generate. Potential entrepreneurs must identify their current positions at the start of an enterprise and what they eventually want to achieve. An enterprise has long-term development potential only when it satisfies expectations and entrepreneurs have the capacity to implement and sustain it. The facilitators used participatory rapid appraisal tools to assess the wealth of the target group and the socio-economic and forest status. As most target group members had difficulties with reading, counting and writing, the tools used involved drawing and role play. The wealth ranking was based on information from the villagers. The target group was split into three groups: (i) rich; (ii) average; and (iii) poor. Criteria for classification were clear and based on the factors that influence people's wealth (rice, access to land, livestock capital). For each group, the information obtained was based on households' current yearly consumption and on what they require to meet family and/or production needs for one year.



Mrs Bounlouang, rattan trader in Ban Lack 29,
Pathoumphone
“What I would like to have is a car to be able to transport
handicrafts, but also to travel.”

Steps 3 and 4: List existing resources and products, and identify market constraints

It is important that the facilitator knows and understands the target group's livelihoods. Participatory group discussions were used to identify the main NWFPs and issues related to their management, including the main constraints and opportunities. At this stage, the groups listed all the NWFPs that they collected, including those less frequently or not yet used. For information collection, the target group was split into three groups: (i) women; (ii) elderly men; and (iii) mixed men and women. This exercise helped target group members to identify and assess all the NWFP resources they have in the surrounding forests. Resource locations and products were mapped, listed, categorized according to use (food, medicine, construction, etc.), and ranked according to price and quantity sold.

No.	NWFP	Food (rank)	Use (rank)	Sale (rank)	Average selling price (K/kg)	Quantity sold	Income ranking
1	Mushrooms (Hetphok)	Y (1)	N	Y (1)	10 000 to 15 000	19 kg/year/family	1
2	Frogs, fish, crabs and snails	Y (2)	N	Y (2)	12 000	25 kg/year/family	2
3	Damar resin	N	N	Y (3)	2 500	25 kg/year	3
4	Rattan (wai) six species	Y (4)	Y (1)	Y (4)	700/cane	50 kg/year	4
5	Cardamom	N	N	Y (5)	10 000	25 kg/year	5
6	Bamboo shoots	Y (3)	N	Y (6)	1 000	20 kg/year/family	6

In all six villages, people eat, use and sell NWFPs as part of their livelihood strategies. More than 40 different NWFP species were listed during the PRA exercise in January 2005. In all six villages, more than 60 percent of the NWFPs collected are used for food, and more than 70 percent are sold or bartered. Only 30 percent of NWFPs collected are used in construction or for household tools (handicrafts are not included in this 30 percent). Villagers emphasized that they have to travel further and further to collect NWFPs. The main causes of NWFP depletion identified by the villagers were: (i) overharvesting (legal and illegal); (ii) forest fires; and (iii) logging.

Current constraints in the community were analysed carefully so that the target group had the information necessary to choose the most appropriate NWFP(s). Every NWFP sold by the village was assessed. During the exercise, the facilitators asked the target group to reflect on the following questions:

- Where are the main markets? To whom do you sell?
- What quantities do you harvest and sell? At what prices?
- How quickly does the resource regenerate?
- Do you pay taxes? What is the cost of transport?
- What is your profit margin?
- What are the main difficulties, problems, constraints and additional costs?



Photograph 5. The main constraints to the development of rattan marketing identified by villagers in Ban Lak 29 were: (i) depleting resources (overharvesting) and the need to travel further and further to obtain and buy rattan; (ii) lack of equipment for rattan handicrafts; (iii) low quality of rattan handicrafts; (iv) fluctuating demand and prices; and (v) lack of access to markets (dependence on local traders as intermediaries).

Step 5: Shortlist potential products

The facilitator helped the target group to collate all the information and data collected, and facilitated selection of the criteria for shortlisting potential products. The following information was put on the wall and checked by all participants:

- importance of the product in household economies;
- quantity and quality of the product harvested and the regeneration rate in the forest;
- harvesting technique;
- main markets and prices of all NWFPs sold;
- access to credit, transport costs, etc.

Selection of the criteria for shortlisting NWFPs was a lively exercise with the full participation of all target group members (men and women) under the facilitator's guidance.

Example of criteria defined by a target group for shortlisting NWFPs

<p>Marketing</p> <ul style="list-style-type: none">• The NWFP is already sold.• There is market demand.• Enough is available to respond to demand.• Profit can be made.• Prices fluctuate.• The NWFP is profitable.	<p>Social/institutional</p> <ul style="list-style-type: none">• There is demand among the villagers.• Laws and regulations exist.• Both men and women participate.• Entrepreneurs benefit.
<p>Resources</p> <ul style="list-style-type: none">• The NWFP is available in sufficient quantity and in the long term.• Collection will have no negative impact on the environment.• There is possibility for plantation.• Forest management will be developed.	<p>Processing and technology</p> <ul style="list-style-type: none">• Villagers have basic knowledge of processing.• Processing and storage will be developed at the village level.

Table 5. Shortlisting of NWFPs in Ban Alouay Kham Noy, Phin district

Participants: 67				
Criteria for elimination				
Item	Marketing	Resources	Social/institutional	Village-level processing
Kisi (Shortlisted)	High demand Price is 2 000 to 3 000 K/kg Collection increases every year	All-year collection Collected from trees, rather than felling Resources are available	Men, women and children can collect Trees cannot be cut (government ruling)	No processing Can be stored for 5 to 10 years
Mushroom (Shortlisted)	High demand Market in the district Demand not satisfied Some species sell at high prices	Once a year Collection for 3 months 2 seasons a year: June to July and October to December Resources available	Women collect and sell	Dried and steamed only
Orchids (Excluded in first round)			Collection not authorized by the government	
Frogs, birds (Excluded in first round)	Not all season Very low prices		Government ban on hunting	
Forest fruits (Excluded in first round)	Not all season Low prices Mainly a source of food			
Bamboo shoots (Shortlisted)	Few markets – difficult to find buyers Source of food	Collection season May to October Resources available	No problem	Dried Traditional Dong
Bamboo cane (Shortlisted)	Market exists; high demand for handicrafts Cannot respond to demand, often insufficient time	No problem; found in the forest	No government ban or quotas Men collect and women do handicrafts	For catching fish <i>Kadong</i> – rice basket <i>Ngouat</i> – basket for cooking rice
Wild vegetables (Excluded in first round)	Used only for food Low prices	Insufficient for marketing		
Honey (Excluded in first round)	Not all season	Difficult to harvest Only two families involved		
Bong bark (Excluded in first round)		Insufficient resources		

Step 6: Raise awareness of benefits of working together

Once target group members have identified potential NWFPs to work with, it is important for them to understand the benefits of working together. Team building is an important aspect of the MA&D approach. Ethnicity is diverse in Lao PDR, and each ethnic group has its own organizational and social set-up. In each of the pilot project villages, workshops with team building exercises were held. In all six villages, women are the main collectors and traders of NWFPs, but heads of households are usually men, who also control the money. The project supported women's involvement. The target group selected group representatives (women and men) to carry out the market chain survey and report back to the group.

Summary of Phase 1

Participatory exercises with the target communities identified a good demand for most NWFPs, local availability of products, local people's experience of harvesting and post-harvest activities, and local market opportunities. However, there were also constraints and challenges to be overcome. The target villages identified:

- depletion of resources (increased collection time and lower quantity), and inadequate common property resource management systems to promote the sustainable harvesting of resources;
- inadequate marketing information, knowledge about alternative markets and marketing means;
- inadequate trade networking and market access for farmers – low prices to farmers;
- policy bottlenecks – villagers need permits to take products to other districts and permits are difficult and complicated to obtain;
- inadequate credit facilities, which restrict value adding by farmers and entrepreneurs;
- inadequate product development, design and quality management (post-harvest techniques and technologies);
- local people's inadequate skills in post-harvest and product design aspects;
- inadequate enterprise/business development services (BDS) and lack of community organization for resource management and marketing;
- lack of enterprise culture and capacity (product development, enterprise planning and management, marketing);
- poverty and subsistence-oriented livelihoods, which restrict the capacity to take risks and innovative steps.

During the process, the target groups (400 people in six villages) took part in training and meetings, building their capacity in NWFP enterprises and marketing and in group formation, They shortlisted 16 NWFPs for phase 2.

Table 6. NWFPs shortlisted by villages

Province	District	Village	Target group	NWFPs selected
Luang-Prabang	Xieng Nung	Ban Long Lead	31 (10 women)	1. Mulberry paper (posa) 2. Broom grass (kaem) 3. Bitter bamboo shoots 4. Insect larvae (mai douang)
Luang-Prabang	Xieng Nung	Ban Houay Hia	44 (16 women)	1. Mulberry paper (posa) 2. Broom grass (kaem) 3. Stick lac
Savannakhet	Phin	Ban Nathong	39 (20 women)	1. Rattan 2. Bamboo 3. Cardamom 4. Mushrooms 5. Pandanus leaf
Savannakhet	Phin	Ban Alouay Kham Noy	30 (14 women)	1. Rattan 2. Bamboo 3. Damar resin (Kisi) 4. Mushrooms
Champasack	Pathoumphone	Ban Lak 29	56 (25 women)	1. Bamboo shoots 2. Rattan 3. Fish 4. Mushrooms
Champasack	Pathoumphone	Ban Lak 62	26 (15 women)	1. Rattan 2. Bamboo cane



Photograph 6. Meeting in Ban Alouay Kham Noy, Savannakhet. MA&D training for target groups involved women as the main NWFP collectors, and the village traders' organization.

PHASE 2: IDENTIFY PRODUCTS, MARKETS AND MEANS OF MARKETING

During phase 2, the target groups go deeper in the selection process initiated in phase 1. They are trained to identify the criteria for selecting the best products for the market, and to collect the information needed. The following questions have to be answered:

- Which products have the best market potential? How many collectors and traders are involved?
- Are there sufficient quantities of resources for increasing trade or processing? Can these resources be managed easily without having a negative impact on the environment? What are the opportunities for domestication?
- What technology, organizational structure, capacity and capital are needed to reach potential markets?
- Which products will generate a net return and fit the target group's expectations?
- What financial and technical support exists for setting up the enterprise?

Phase 2 has three steps

Step 1 – Analyse the four areas of enterprise development.

Step 2 – Select the most promising products.

Step 3 – Create interest groups.

Step 1: Analyse the four areas of enterprise development

The team of field facilitators and target group members reviewed the outcomes of phase 1 and developed the criteria for assessing and selecting the NWFPs with the highest chance of success.

With support from facilitators, the target group prepared natural resource, marketing, socio-economic and institutional surveys. A village-level forest survey was carried out.

Market chain analysis started with the village to the district market, with traders following product channels to the borders or capital city. It took one week to move along the chain and identify all the main actors and types of processing in the country. Unfortunately, it was not possible to follow the product into neighbouring countries, where many NWFPs are processed, but some information from other countries was collected through other channels (Internet, national institutions, projects, etc.). This was a participatory exercise carried out for each of the shortlisted NWFPs. Mrs Boulea from Ban Nathong told the project "It is the first time for me to understand what is a market and to discover how to grow mushrooms."

Target groups were exposed to new markets for cultivated mushrooms, handmade paper, bamboo and rattan handicrafts, learned about new processing techniques and designs for handicrafts, and met national trading and processing companies, as well as training companies. Groups also attended trade fairs in their provinces and Vientiane.



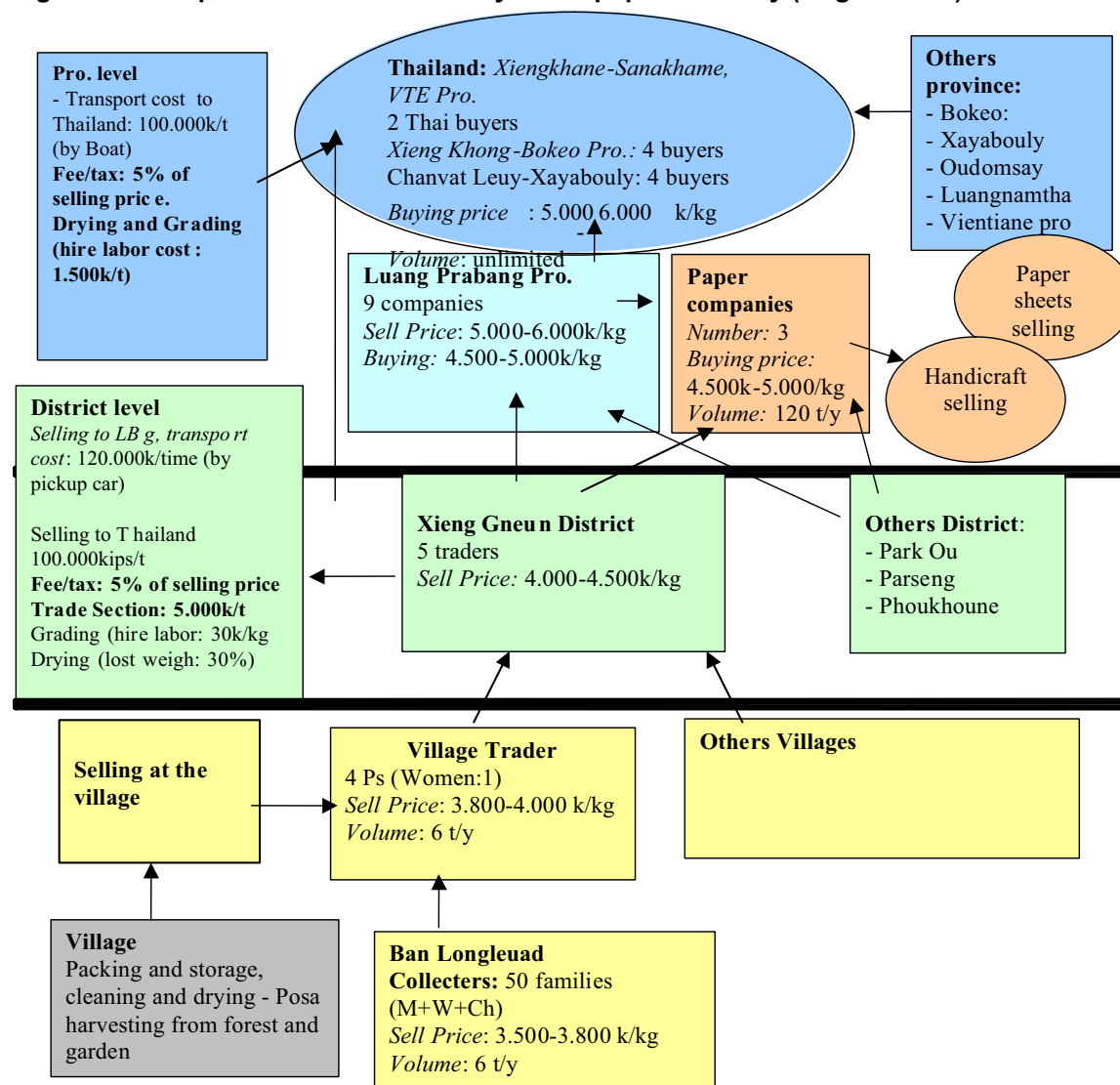
Photograph 7. The target group interviewed local rattan handicraft traders in Pakse (May 2005) using a specially prepared questionnaire. The main information collected was on supply, demand, prices and taxes.

The market chain analysis highlighted the following problems faced by villagers in marketing their products:

- lack of access to market information, especially regarding prices;
- fluctuating demand;
- difficulties in negotiating prices with traders, villagers' lack of confidence;
- complex market chain with much trade with neighbouring countries;
- lack of expertise or equipment to produce and sell good-quality products;
- lack of organizational skills;
- lack of credit facilities for developing community-based enterprises;
- lack of BDS.

In the following example of market chain analysis for paper mulberry (*Broussonetia papyifera*) in Ban Long Lead and Ban Houay Hia, Luang-Prabang province target groups interviewed traders, processors, retailers, intermediaries, and local and provincial authorities. The groups travelled for one week from the village, to the district, the province and the border with Thailand. Data and information at each stage where recorded and presented in one diagram (Figure 3).

Figure 3. Example of market chain analysis for paper mulberry (August 2005)



Example of NWFP resource management: Each of the project sites followed the land-use and allocation programme initiated by the government. This resulted in classification of the land managed by villages as agriculture and forest land.

Villagers and facilitators identified the different types of forest where major NWFPs were collected and where plantation and cultivation activities could be developed. The field survey recorded the following information: (i) distance between the forest and the village; (ii) location of the forest area for harvesting; (iii) density and status of each shortlisted NWFP in each type of forest; and (iv) regeneration rates and constraints of shortlisted NWFPs.



Table 7. NWFP survey in the forests surrounding Ban Houay Kheua				
No.	Description	Rattan	Bamboo cane	Malva nut
1	Type of forest and habitat occurrence	Found in evergreen forest only	Evergreen forest and bamboo forest Scattered on hillsides and along streams in evergreen forest	Found in evergreen forest only
2	Seasonal harvesting calendar	Throughout the year, depending on needs and market demand	Throughout the year, depending on needs and market demand	For between 2 weeks and 1 month in April or May only
3	Area harvested	Evergreen forest, widely distributed and situated 5 to 7 km from the village	Evergreen forest, widely distributed and situated 5 to 7 km from the village	Evergreen forest, widely distributed and situated 5 to 7 km from the village
4	Time needed for harvesting	1 day to collect 10 canes per person (men and women) – 1 cane is 4 m	½ day (usually morning) to collect 6 canes per day per person – 1 cane is 4 to 5 m	1 day to collect less than 5 kg per person
5	Problems with harvesting	Cannot collect all of the canes because of sharp spines. Need to climb tree to collect whole canes	Difficult to cut and carry, very heavy and far from village	Tree very high and slender for climbing to collect fruit. Very short harvesting season
6	Impact of harvesting on the ecosystem	No impact. No felling or slash and burn in allocated forest	No impact. No felling or slash and burn in allocated forest	No impact. No felling or slash and burn in allocated forest
7	Time needed for regeneration and regrowth after harvesting	4 to >10 years, depending on species. Shoots can be collected every year	1 year. Cane and shoots also collected for food	>10 years, plus 3 to 4 years for first fruiting
8	Propagation/plantation	Not yet	Not yet	Not yet
9	Resource management and improved harvesting methods	No management plan – collection only, depending on season and demand	No management plan – collection only, depending on season and demand	No management plan – collection only, depending on season and demand

Analysis of the policy and social environment: Meetings were organized for target groups and local authorities to discuss village forest management regulations (decrees, rules, etc.), harvesting plans, quotas, taxation, etc. for each of the shortlisted NWFPs.



Photograph 8. In Xieng Nung district, forestry authorities have banned the commercial harvesting of bamboo worm (mai douang), which is highly sought after and can obtain good prices. The main reason for the ban is that too much bamboo has to be cut to find the worm. It is therefore difficult for target groups to collect bamboo worm.

According to the Forestry Law, local communities benefit from tax exemptions when they promote NWFP plantations.



Photograph 9. In Ban Houay Kheua village, the groups decided to promote rattan plantations within the village forest area. The district forestry office will exempt them from land taxes amounting to 10 000 K/ha. The pilot enterprise planted 5 ha under a management plan. District agriculture and forestry extension offices encourage villages to plant.

In the six villages, village traders (both women and men) were already involved in the process and sometimes led it, when they had experience in marketing. Village heads also participated. For all shortlisted products, the groups assessed whether both women and men, the elderly and the poorest members were already benefiting and whether they would benefit from further developments (marketing, NWFP plantations, etc.).

Step 2: Select the most promising products

Once the target groups had gathered the necessary information about the economic, ecological, social, policy and technical viability of each of the shortlisted products at the local, district, province and national levels (step 1), a village-level meeting was held to present these findings to all target group members. For each product, the facilitator helped the target group to display the information through diagrams, drawings and product assessment tables (see example in Table 8). This gave all group members the opportunity to provide missing data/information and ask for clarifications.

	Market/economy	Resource/environment	Social/institutional	Science/technology
Opportunities	<p>(1 set = 4 chairs and 1 table)</p> <p>Good price: 450 000 to 550 000 K per set</p> <p>Traders compete to buy the products</p> <p>Transportation is good and easy</p> <p>Skills exist already, production volume is important</p> <p>Prices for road-side sales are acceptable</p> <p>Each family (3 to 4 people) produces 2 to 4 sets a month for 8 months</p> <p>32 families make chairs</p> <p>32 families make cupboards, producing 10 per family per month</p> <p>Half of sales are profit (average of US\$500 per family per year)</p> <p>Labour: 3 person-days to produce a cupboard; 6 person-days to produce a set</p>	<p>Still found in the forests</p> <p>Easy to plant and grow (from seedling)</p> <p>No insect attack problem</p> <p>Harvesting throughout the year, but mainly during 9 months</p> <p>Rattan shoots are widely distributed in the evergreen forest 3 to 10 km from the village</p> <p>1 day to collect 15 large canes per person</p> <p>1 day to collect 30 to 60 medium canes per person</p> <p>1 day to collect 100 to 200 small canes per person</p>	<p>Government promotes rattan plantation</p> <p>Women and men collect</p> <p>Both work on the handicrafts</p>	<p>Harvesting is easy</p> <p>Skills in processing rattan for handicraft production already exist</p>
Constraints	<p>Traders do not care about quality, resulting in lower prices for villagers. Retailers complain about low quality</p> <p>Less demand during the rainy season; products attacked by fungus and sometimes rot</p> <p>Unstable prices</p> <p>Competition with other villages and traders.</p> <p>Insecure market</p> <p>District officers/tax collectors (foresters) confiscate rattan raw material if it has no permit</p>	<p>Distance of forest from village</p> <p>Dense forest makes it difficult to harvest rattan</p> <p>Rattan regrowth is very slow after harvesting; resources decrease dramatically. Villagers compete to harvest from the forest, causing depletion</p> <p>No resource management plan. No plantation and no development of production</p> <p>Village heads stop authorizing the collection of rattan from the forest</p> <p>Risk of fungus attack</p>	<p>Rattan raw material from other districts is often confiscated by district officers/tax collectors (foresters) if it has no permit</p> <p>Uneven skills among villagers</p>	<p>Out-of-date knowledge and skills for processing rattan furniture</p> <p>Low-quality product, using too much rattan and too many nails</p> <p>Uneven skills among villagers</p> <p>Lack of design</p>
Possible solutions	<p>Village should improve the quality of products</p> <p>Find new markets: Thai border or Vientiane</p> <p>Improve quality</p> <p>Organize and promote road-side sales</p> <p>Secure market</p>	<p>Promote rattan plantation among villagers</p> <p>Develop a forest rattan management plan</p>	<p>Village regulations should be enforced (mechanisms)</p> <p>Dialogue with authorities to obtain permission to collect rattan</p>	<p>Villagers need training and support in processing</p> <p>Improve designs</p> <p>Try to use less material – increase efficiency to reduce costs</p>

During the meetings, participants agreed on the NWFPP selection criteria and scoring system. At this stage, the facilitator reminded participants that the objective was not to choose one product for phase 3 but to prioritize the products they wanted to start working with immediately in order to maximize project support. Future local entrepreneurs need to

understand that some products can be developed rapidly and with minor risks, but yield less profit; other products take more time to develop and incur more risks, but yield better profits. During this phase, it is important for the group to assess possible sources of financing for the pilot enterprises. A product assessment table (see example in Table 9) was used to assess each of the shortlisted products according to the criteria chosen by the group.

In this case, the group selected mushrooms and rattan as the best products to develop. For each criterion, a score was given as agreed by all target group members.

Sample product selection table for Ban Lack 29				
Criteria	Products			
	Rattan	Ham	Mushrooms	Bamboo
Market/economy				
Raw materials supply (quantity available)	2	2	2	1
Market potential (demand)	3	2	3	1
Competition (many traders buy)	3	1	3	2
Ease of marketing products	2	2	2	2
Profitability (benefits to villagers)	3	1	2	1
Subtotal	13	8	12	7
Resource management/environment				
Distance from forest (time to reach forest)	2	2	3	2
Area of resource (dense or sparse)	2	1	2	1
<i>For forest products for only:</i>	2	1	2	1
Regenerative potential				
Impact of harvesting on species survival (less impact)	2	1	2	2
Impact of production on environment (less impact)	2	1	2	2
Subtotal	12	7	11	9
Social/institutional				
Indirect benefits to the community	3	1	2	1
Contribution to incomes	3	2	2	1
Previous experience of product	2	1	2	1
Potential number of villagers involved	3	1	2	1
Gender impact (positive impact for women)	3	2	3	2
Subtotal	14	7	11	6
Science and technology				
Local availability of processing companies in the area	3	2	2	1
Villagers' interest and capacity to learn processing techniques	3	1	2	1
Number of villagers involved in product harvesting	3	1	3	1
Villagers' skills and experience with the product	2	1	2	2
Infrastructure status	3	3	3	3
Subtotal	14	8	12	8
Total	53	30	46	30

One important factor was the short two-year duration of the project. This allowed only one year to assist enterprises and work on mushroom and rattan handicraft production. In general, the target groups were familiar with the NWFPS that they selected. Future entrepreneurs' confidence in their products was important.

Step 3: Create interest groups for shortlisted products

Once they had selected and thoroughly investigated the products to develop, the target group members started to organize interest groups for each of the potential enterprises. The set-up of an interest group was planned by target group members, but facilitators encouraged members to take an active role with their leadership, motivation and experience of small-scale marketing activities. Most interest group members could not write or calculate (especially women, as they have no access to school), so the project had to ensure that each group was led by a woman or man with sufficient literacy, experience and motivation. In all six villages, the village chiefs and existing village traders were involved and interested.

Table 9: Pilot enterprises set up by the target groups at the end of phase 2		
Village	NWFP enterprise	Interest group membership
Ban Long Lead	1. Paper mulberry bark production	31 (10 women)
Ban Houay Hia	1. Paper mulberry bark production	48 (13 women)
Ban Nathong	1. Wild mushroom collection and mushroom cultivation	28 (18 women)
	2. Bamboo handicrafts	11 (2 women)
Ban Alouay Kham Noy	1. Wild mushroom collection and mushroom cultivation	22 (13 women)
	2. Bamboo handicrafts	8 (1 woman)
Ban Lak 29	1. Wild mushroom collection and mushroom cultivation	21 (10 women)
	2. Rattan handicrafts	35 (15 women)
Ban Lak 62	1. Rattan handicrafts	10 (5 women)
	2. Bamboo handicrafts	16 (10 women)



Photograph 10. Members of the mushroom pilot enterprise in Ban Nathong, Phin district, Savannakhet province.

PHASE 3: PLAN ENTERPRISE FOR SUSTAINABLE DEVELOPMENT

During phase 3, the enterprise strategy and business plans are prepared. Entrepreneurs are guided through a pilot phase and training, learning how to monitor progress and adapt when needed.

Phase 3 has eight steps

- Step 1 – Examine the business environment of the selected product/enterprise.
- Step 2 – Define the enterprise mission, goals and objectives.
- Step 3 – Develop strategies in each of the four areas of enterprise development.
- Step 4 – Formulate action plans to implement the strategies.
- Step 5 – Calculate financial projections for the enterprise.
- Step 6 – Obtain financing and hold a stakeholder meeting.
- Step 7 – Initiate the pilot phase and training.
- Step 8 – Monitor progress and deal with change.

Steps 1 to 5: Develop the pilot enterprise development plan

Steps 1 to 5 were carried out during a one-week training course at the village level. Participants of the training were representatives (heads, deputies, accountants, technical people) of the interest groups formed at the end of phase 2, assisted by the facilitators and, when required, business analysts with experience of financial planning for small enterprises. This exercise was the most difficult for the group because most of them could not read, write or calculate. To overcome this difficulty, the project hired local trainers in small-scale business development (EDC) with experience of supporting village marketing groups. Training materials and a format for the pilot enterprise development plan were developed and translated into the Lao language. The project also invited NWFSP specialists to assist the entrepreneurs in selecting technology, costing and assessing market trends.

Photograph 11. A mushroom expert was invited to the training at Ban Nathong, which established a pilot enterprise to cultivate mushrooms and sell wild mushrooms. The expert helped the group to assess the materials needed, cost the production and source spores (through identifying spore producers).



The target groups reviewed all the data and information collected during phases 1 and 2 in product assessment table, and checked that nothing was missing. Members of each group examined the business environment and learned more about the market and market chain analysis. Those who could write collated all the information and data into one report, briefly describing the enterprise and demonstrating that it was a good investment choice – that the product was competitive, responded to demand and had sufficient resources.

Steps

- Overview of the enterprise.
- Business environment.
- Mission statement.
- Goals.
- Objectives.
- Strategies.
- Action plan.
- Financial plan.

When the business environment of the product and most of the information were collated, the group started to formulate the enterprise development plan. Designing a plan encourages the group to think carefully about each phase of the business.

Sample assessment of the business environment for paper mulberry in Luang-Prabang

GEOGRAPHY, RAW MATERIAL AND CLIMATE

Ban Long Lead is located on road 4 to Xayaboury province, 17 km from Xieng Ngeun district. The village is not far from the main potential clients, who are traders in the district town. In fact, distance from the market was not an issue for sales of dried mulberry bark, because traders usually come to buy products at the villages. However, distance was the main difficulty for villagers collecting and transporting products from the fields and forest to the village. Paper mulberry grows in fallow forest from 1 to 25 km away from Long Lead village. Freshly cut and collected paper mulberry trees are heavy to carry home for primary processing (removal and drying of bark) before selling.

Paper mulberry trees grow easily and quickly, and regenerate quickly in the fallow forest after slash-and-burn cultivation. In the areas of the two target villages, there is plenty of land for planting and cultivating paper mulberry, and the climate is also suitable; this was confirmed by the district officers who attended the workshop.

MARKET CHAIN AND BUSINESS SUPPORT

Villagers from Ban Long Lead usually sell their product to intermediaries – village traders who sell the products on to district traders. District traders sell to NWFP export companies in Luang Prabang province. This kind of marketing channel works satisfactory. However, when there was high market demand, village traders had to compete to buy, which artificially raised prices. When selling on to traders further along the chain, to make a profit from the already high-priced product bought, the traders tried to cheat over product weights by adjusting scales or mixing stones or sticks in bunches of dried mulberry bark. In other case, because producers had to compete in terms of time (demand pressure), they sold badly dried mulberry bark, which became moldy later on. These issues were raised and discussed among the villagers and traders at a multistakeholder meeting. It was agreed that villagers would ensure good-quality product and use standard scales when selling to village and district traders. The traders themselves were pleased to cooperate with these ideas.

There is no formal business support mechanism, but all stakeholders are very supportive, especially the district authority – through the District Agriculture and Forestry Extension Office and the trade office. The district authority exempted traders from the forest replenishment fee, and collects only 2 percent profit tax. At the stakeholder meeting, it was emphasized that the authority would help to manage competition from illegal traders and assist with land and forest allocation for livestock raising and tree plantation. The district extension office is also planning technical training workshops for villagers.

Sample enterprise development plan for Ban Long Lead's paper mulberry production and trading group, Luang-Prabang province

1. GOAL OF THE ENTERPRISE

The name of the enterprise is Ban Long Lead's Paper Mulberry Production and Trading Group. It aims to boost productivity to 5 tonnes/household by 2010 (this is the long-term vision), while obtaining standard quality, minimizing deforestation and promoting product processing.

2. ORGANIZATIONAL STRUCTURE OF THE ENTERPRISE

There are 21 members, of whom the management team accounts for three representatives of households. Mr Bounthong is the head (general supervisor), and Ms Bouavan and Mr Pheang are deputies. Ms Bouavan is in charge of accounting and Mr Pheang is responsible for organization, planning and finance. The group is divided into four subgroups, each with a leader who supervises production and quality control. The heads of the subgroups are Mr Khammanh, Mr Hean, Mr Kham On and Mr Chong Nia Her.

3. SALES TARGETS, MARKETS AND PROMOTION STRATEGIES OF THE ENTERPRISE

The group expects to produce 48 393 kg of paper mulberry in 2005/2006, increasing this nearly twofold to 85 183 kg in 2006/2007. Group members will increase sales by enhancing their negotiation power with traders through a collective voice and the upgrading of product quality. The target markets are trade intermediaries in Xieng Ngeun district and import-export enterprises in the province.

4. DISTRIBUTION OF BENEFITS/SOCIAL STRATEGY OF THE ENTERPRISE

- 50 percent of the total income will go to the enterprise fund.
- 40 percent will be distributed to members.
- 10 percent will be used for group management costs.

5 TRAINING NEEDED FOR THE ENTERPRISE

Group members attended a five-day enterprise planning training course covering such topics as marketing mix, the market chain, cost calculations, price setting, strengths, weaknesses opportunities and threats (SWOT) analysis, and business planning. Group members expect more training courses on techniques for paper mulberry plantation and harvesting, group management, paper mulberry handicrafts, bookkeeping, group fund formation, price setting, and technical expertise for value addition, sale negotiation and profit and loss calculation.

6. POTENTIAL FUTURE COLLABORATION OF THE ENTERPRISE

District NWFPP traders in Xieng Ngeun district are willing to continue buying paper mulberry from villagers. They will be even more enthusiastic if the villagers can ensure the quality and product grading specified in the plan. The district authority, with project support, will provide technical support (plantation and collection techniques). It will also help to stop illegal traders from competing with legal traders buying from villagers. It will assist the establishment of a village development fund. If a group enterprise has difficulties in establishing rules for buying and selling dried paper mulberry barks, the district authority will also assist this process and ensure harmony among villagers. The village receives additional assistance from the SADU project, which also works with paper mulberry bark in a cluster of villages in Xieng Ngeun. FAO and SADU have established partnerships for longer-term support to the paper mulberry pilot enterprise.

An example of a detailed enterprise development plan is presented in Annex 1.

Stakeholder meeting: When the pilot enterprise groups had developed their enterprise development plans, the facilitator organized a stakeholder meeting at the district level. The purpose of the meeting was for the groups to present their enterprises to all the main stakeholders. The meeting provided a platform for discussion and negotiation between the groups and the stakeholders, who were local and national traders and representatives of the local authority, financial service providers (agricultural banks, etc.), international NGOs working in the area, other service providers, etc. One of the main issues discussed was the pilot enterprises' difficulties in obtaining credit and BDS. The meeting was divided into three main sessions. The first session was for opening and orientation, when all the government,

Issues at the stakeholder meeting in XiengNgeun district, LuangPrabang province

- **Product quality and buying competition.** The products supplied were not of standard quality. The suppliers (villagers) mixed bark with stones or sticks and even included poorly dried mulberry barks. There was also competition between illegal and official traders (who had signed agreements with the district authority and were paying taxes). Villagers could sell large volumes of their products to illegal traders, who could afford to pay higher prices than official traders because they were not paying taxes. Illegal traders also often used scales that had been modified (so that instead of buying 1 kg, as shown on the scales, they were buying 1.5 kg). After discussing this issue, it was agreed that villagers would aim to assure good-quality product supply. They aimed to supply graded products, probably starting with grade B. The district authority agreed to assist villagers and traders in dealing with illegal traders.
- **Group organization in Ban Houay Hia.** This group anticipated difficulties in managing the group collection of paper mulberry in its village. Members expected that the group might not be able to compete with other traders. There might be conflict over benefits with existing village traders. The district authority, with the help of the project, agreed to assist villagers in setting up group rules in a participatory way and to provide advice on how to manage the group.
- **Technical training.** In coordination with district and provincial offices, the project agreed to provide technical training and support to villagers.
- **Taxes.** Villagers accepted the payment of taxes and regarded them as reasonable. The authority exempted paper mulberry from the forest replenishment fee.
- **Annual trade stakeholder meetings.** It was suggested that there be an annual meeting. Similar meetings were already being held, but did not involve producers. In the future, producers will be taken into consideration.

private sector and village representatives introduced themselves. In session two, representatives of the enterprise groups presented a summary of business plans. Questions and answers clarifying the plans followed. The third session was the main session, when all parties shared their expectations and services. To start this session, the facilitator made a brief presentation about the market chains for the products that business plans were being formulated for.

During the presentation, stakeholders involved in each stage of the market chains were identified. After the business plans were presented, participants split into two groups to discuss two questions: "What do we expect from other stakeholders?" and "What can we provide to other stakeholders to help implement the business plans and develop enterprises in general?". The results of these discussions were then presented.

The final session was a general discussion about the stakeholders' expectations and the service provision of each group, assessing whether these matched or whether there were gaps. The results of this were satisfactory, with most expectations being matched by the contributions of other stakeholders.

Step 6: Obtain financing

During the calculation of financial projections, the participants discussed which items and what kind of costs and investment would be covered by their own contributions. Their contributions covered mainly the costs of locally available materials and tools that they already possessed. Some groups planned to raise small contributions from members to contribute to the business. In many cases, participants planned to borrow, but they did not know where to apply for this. This issue was discussed, and sources of financing were clarified. Some participants expressed a strong demand for grant money from the project or other donors. The project identified the following financial services: (i) the Agriculture and Promotion Bank; (ii) the Savings and Credit Union; and (iii) projects. The project worked with Lao Women's Union to provide financial and group organization training.

It was difficult for the pilot enterprise groups to obtain seed capital from the Agriculture and Promotion Bank and the Savings and Credit Union. The main reasons for this were: (i) group members (most of whom are poor) have no capital to put up as collateral; and (ii) loan procedures are cumbersome and take a long time, which demotivates people. It was agreed that pilot enterprise members and village representatives would set up village funds to support the pilot enterprises and other activities. Financial and management training were provided during implementation of the pilot enterprise.

Step 7: Initiate the pilot phase and training

The aim of this step was to build the groups' capacity to manage their enterprises, finalize the technical aspects and test the first samples of production in the target markets. First, training needs were identified, and training was organized. The project organized the following training for group members (depending on the needs they identified):

- rattan handicrafts, to improve designs and methods of handicrafts;
- mushroom cultivation;
- bamboo handicrafts, to improve designs and methods of handicrafts;
- paper mulberry drying process, to improve the quality of the bark;
- financial management, such as basic accounting systems and monthly reports;
- enterprise management.

The project also assisted the pilot enterprise in:

- improving agro-forestry techniques and expanding paper mulberry plantation by 2 ha in Ban Long Lead and Ban Houay Hia;
- setting up 5 ha of rattan plantation under natural forest with a management plan in Ban Houay Kheua;
- setting up road-side sales in Ban Nathong, Alouay Kham Noy and Ban Lak 29.

At the beginning of the pilot phase, the project facilitators played an important role in supporting the groups' negotiations with traders, as well as responding to questions raised by each group. The facilitators provided advice through regular visits/meetings to review the results of the pilot phase and assess whether the enterprise development strategies needed adjustment or change. Because of the lack of business services at the district and province levels, the project facilitators had to advise pilot enterprises about marketing, available technology, etc. This lack of business services (technical and financial) was one of the main obstacles faced by the project in supporting pilot enterprises.

Example of an activity: paper mulberry plantation for bark production in Ban Long Lead

The group obtained the village committee's approval to use 1 ha of village land (degraded forest) to plant paper mulberry in the following association with banana and pineapple:

Banana – 4 x 4 m²; paper mulberry – 1.5 x 1.5 m²; pineapple – 0.5 x 0.5 m².

The group designed this agroforestry system with inputs from a forestry expert from NAFRI. Paper mulberry is harvested twice a year (six months after harvesting for the bark), pineapple once a year (after three years) and banana twice a year.

- Income expected in the first year = 6 955 000 K:
 - banana = 1 000 000 K;
 - paper mulberry bark = 5 955 000 K.
- Income expected in the second year = 6 955 000 K;
- Income expected in the third year = 11 955 000 K:
 - banana = 1 000 000 K;
 - paper mulberry bark = 5 955 000 K;
 - pineapple = 5 000 000 K.



Photograph 12: Paper mulberry plantation in Ban Long Lead, Luang-Prabang province.

Example of activity: bamboo handicrafts in Ban Houay Keua, Champasack province

A bamboo trainer spent two weeks at the village to train the pilot enterprise group in bamboo handicrafts. Designs were selected based on market demand. The pilot enterprise established contact with Bachang Company, which produces and exports tea. It ordered 400 tea boxes in bamboo from the enterprise (for June to September 2006). One box sells at 2 800 K, and costs 1 800 K to make. The enterprise therefore made 400 000 K profit.



Photographs 13 and 14. Tea packaging made from bamboo; and bamboo collected from the forest (Maiphoung).

Step 8: Monitor progress and assist changes

At this stage, the project ensured regular visits to the ten pilot enterprises to provide advisory support, monitor training programmes and identify new activities and adjustments to the enterprise development plans with entrepreneurs. During the one-year pilot monitoring of enterprise implementation, it was found that all necessary training had been provided and all activities carried out.

Example of outputs

RATTAN HANDICRAFTS GROUP IN BAN LACK 29

After six months, the entrepreneurs learned new designs and improved their handicraft processes (making them less costly) in order to improve the quality of the final product. This small intervention allowed the group to sell each set – of one table and four chairs – for 600 000 K instead of 500 000 K. In the meantime, the establishment of a road-side market increased the number of sets sold.



Photograph 15. The covered market built by the rattan enterprise in Ban Lack 29. Sales of rattan handicrafts have increased since (Champasack province).

MUSHROOM PRODUCER ENTERPRISE IN BAN NATHONG

The enterprise group set up a mushroom growing house, and the first sales (after three months) brought members additional income of 1 058 000 K. Women are the main actors in this enterprise.

Photograph 16. Women from the Ban Nathong mushroom group preparing the box for growing mushrooms (Savannakhet province).



Table 10. Strategies developed by the pilot enterprises

	Location	Enterprise	Actions
1	Ban Long Lead	Paper mulberry bark production	<p>Increase production by increasing plantation area (associated with other crops) – two harvests per year</p> <p>Improve quality product (using the boiling method) and grading</p> <p>Strengthen organizational structure of the enterprise</p> <p>Set up a village development fund</p> <p>Meetings with the district and traders</p> <p>Links to SADU activities</p>
2	Ban Houay Hia	Paper mulberry bark production	<p>Increase production by increasing plantation area (associated with other crops) – two harvests per year</p> <p>Improve quality product (using the boiling method) and grading</p> <p>Strengthen organizational structure of the enterprise</p> <p>Set up a village development fund</p> <p>Meetings with the district and traders</p> <p>Links to SADU activities</p>
3	Ban Nathong	Wild mushroom collection and mushroom cultivation	<p>Organize training on mushroom growing techniques</p> <p>Finalize agreement with local spore producers in Savannakhet</p> <p>Cultivate mushrooms from November to April (dry season)</p> <p>Sell wild mushrooms during rainy season</p> <p>Strengthen the road-side market</p> <p>Establish a village development fund</p> <p>Cooperation with SUFORD and Ban Alouay Kham Noy</p> <p>Advisory support from FAO agrobiodiversity activities in 2006/2007</p>
4	Ban Nathong	Bamboo handicrafts	<p>Continue to produce bamboo handicrafts for local market demand</p> <p>Advisory support from FAO agrobiodiversity activities in 2006/2007</p>
5	Ban Alouay Kham Noy	Wild mushroom collection and mushroom cultivation	<p>Organize training on mushroom growing techniques</p> <p>Establish a village development fund</p> <p>Finalize agreement with local spore producers in Savannakhet</p> <p>Cultivate mushrooms from November to April (dry season)</p> <p>Sell wild mushrooms during rainy season</p> <p>Strengthen road-side market</p> <p>Cooperation with SUFORD and Ban Nathong</p> <p>Advisory support from FAO agrobiodiversity activities in 2006/2007</p>
6	Ban Alouay Kham Noy	Bamboo handicrafts	<p>Continue to produce bamboo handicrafts for local market demand</p> <p>Advisory support from FAO agrobiodiversity activities in</p>

			2006/2007
7	Ban Lak 29	Wild mushroom collection and mushroom cultivation	<p>Cultivate mushrooms from November to April (dry season)</p> <p>Sell wild mushrooms during rainy season</p> <p>Strengthen road-side market and improve sales in local market</p>
8	Ban Lak 29	Rattan handicrafts	<p>Improve quality of products (to obtain higher prices) and diversify products (link with markets in Vientiane and Thailand)</p> <p>Increase sales</p> <p>Maintain road-side market</p> <p>Contact Ban Lak 62 and other villages regarding supply of raw materials</p>
9	Ban Lak 62	Rattan handicrafts	<p>Manage the 5 ha plantation and rattan resources in the village forest</p> <p>Improve handicraft techniques</p> <p>Increase sales</p>
10	Ban Lak 62	Bamboo handicrafts	<p>Annual contract with Bachang company to produce tea boxes</p> <p>Improve handicraft techniques</p> <p>Increase sales via road-side market</p> <p>Support from GAPE</p>