

## Helping people prosper

**Fair-trade movement is helping villagers in Laos to take full control of community businesses and earn more income. By Rachna Sachasinh in Vientiane**

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The opening of Route 13, the first all-weather paved highway in Laos, has increased commercial mobility and tourism across Laos. Economically and geographically isolated communities are now able to take part in the country's increasing private consumption and tourism sectors.



The influx of imported "crafts" from neighbouring countries sold at the Luang Prabang Night Market dilutes the overall brand and image of Lao handicrafts.

The change has been particularly significant for the rural economy, as three-quarters of the country's population still lives in rural communities and a quarter live below the poverty line.

Nam Chang is one of the many villages where people are dealing with both the promise and perils of Highway 13.

For decades, the ethnic Lanten village of 200 households has subsisted on slash-and-burn agriculture and the occasional sale of opium. Now, with access to transport channels and with the help of Laos Fair Trade (LFT), the community is creating "fair trade" artisanal food and textile-related handicrafts for sale in domestic and export markets.

Teaming up with the fair-trade movement allows village-based producers to distinguish their output from imported goods and allows for a pricing structure that is competitive and sustainable.

Nam Chang is one of the villages participating in the Mentoring Project run by LFT, along with Ban Soomkhan in Phongsaly where women are trying to develop a poultry and livestock project. Vientiane-based Sisterhood, a group of 30 women and men who create handicrafts based on Hmong embroidery, is also part of the project, which aims to help diversify members' incomes and impart basic business and marketing skills.

"Many of the groups do not even know how to calculate the price [of their product]," said LFT executive director Anousone Phimmachanh during a recent inspection visit to Nam Chang.

Part of the financial literacy training includes establishing a fair trade development fund, which requires communities to allocate a percentage of sales revenue to cover the cost of marketing and invest in materials and equipment.

According to Ms Anousone, rural communities are poised for change but are not necessarily ready for the change. "Being near the highway is good for accessing resources but it depends on how they use this opportunity and what kind of information and opportunity that they have access to," she said.

While the national highway allows Nam Chang to reach markets, it also opens the door to a flood of less expensive Chinese and Thai goods and textiles that compete for domestic and tourist dollars.

For tourists who wish to purchase items from village-based producers, guarantees that the payments actually benefit local residents are crucial. In order to achieve this type of transparency, LFT is helping village-based enterprises develop their capacity to operate and market themselves accordingly.

Since its inception in late 2008, LFT has undergone structural and organisational changes, a result of having to adapt to the strict regulations that govern civil organisations in Laos.



Anousone Phimmichanh leads a workshop in Nam Chang.

The organisation operates as a non-profit, but also has a for-profit consultancy arm. As a membership organisation, LFT certifies Lao businesses in corporate social responsibility (CSR).

It does not conduct product certification, although it plans to do so in the future.

According to Vicky Pauschert, director of communications for Fairtrade International (FTI), the market for fair trade is increasing across Asia. Japan, South Korea and most recently India have formalised fair trade marketing relationships with Germany-based FTI, while Hong Kong and Thailand are considering the same. In each of these countries, both export and domestic consumption of fair trade-certified products have grown steadily in the past five years.



Veronique Kittirath speaks with villagers in Nam Chang.

Accessing this regional and international market, particularly in light of the opening of the Asean Economic Community (AEC) this year, presents challenges for countries such as Laos. In order to export to European and American markets and get guaranteed fair trade minimum pricing, organisations must be certified by the Fairtrade Labelling Organisation (FLO), FTI's certification body. To date, the Bolaven Plateau Coffee Producers Cooperative (CPC) is the only group in Laos that has achieved FLO certification.

"Since Fairtrade monitors the transactions in each step of the supply chain," explains Ms Pauschert, "all the traders or exporters involved also need to have Fairtrade certification. In CPC's case, they have become a Fairtrade certified exporter and manage their own supply chain themselves. This can be challenging for a new producer and limits further certification of producer groups in Laos."

Product certification for fair-trade labelling is a logistical and economic challenge for even the most well-organised producer groups. For small-scale operations, it is practically impossible. Forming cooperatives or farmers' organisations to achieve economies of scale is an option, but "legal registration as a cooperative has only been available in Laos for the last couple of years," adds Ms Pauschert.

Even for CPC, which benefitted from early support from the Lao government and funding from the French Development Agency, the process was complicated, costly and lengthy. "CPC represents 1,885 smallholder families with an average of three hectares of coffee per family," said Yannick Lemezec, CPC's technical adviser.



Tara Gujadhur, a co-director of the Luang Prabang-based Traditional Arts and Ethnology Centre (TAEC), at the TAEC Boutique, which markets textiles, jewellery, clothing and accessories produced by 600 families in over 30 villages throughout Laos.

By focusing on quality and certification, he said, "CPC members are able to reach a fair-trade organic 'niche market' which allows for better prices, especially when you manage the whole supply chain from plantation to cup."

By leveraging its capital and labour resources as a cooperative organisation, CPC has achieved measurable quality and certification standards. This, however, is not the case with the majority of producer groups in Laos.

According to Veronique Kittirath, a co-founder and technical adviser to LFT, scale and labour are the main constraints for Laos's community-based producers (be they commodities or handicrafts).

"Scaling up is a big issue. That is when you start seeing real economic gains," she said. "That is why the government [support] goes for rubber, electricity, mining, logging and not to handicrafts or community-based enterprises."

In terms of labour, said Ms Veronique, "There is still a very strong subsistence mentality [in remote communities] and the entrepreneurial spirit is still developing. It is very difficult to change local behaviour and ways of thinking. For example, a 'deadline' is a hard concept for many groups to grasp."

Social businesses such as Saoban in Vientiane and Ma Te Sai in Luang Prabang are addressing this problem by acting as the design and marketing arms for village-based producer groups.

Emi Weir, owner of Ma Te Sai, a social enterprise and member of Lao Fair Trade, tackles the issues of scale and labour by helping producer groups develop value-added components to their supply chain.

For example, Ms Weir acquired independent funding to purchase sewing machines for a community she works with in Nambak province. The women use their new skills to sew products that she has designed.

"In the past, the women would weave fabric and we would outsource assembly of the final product. Now the value of the entire product, from dyeing, weaving to assembling the complete product stays with the community," she said.





Anousone Phimmichanh (left) presents a workshop on business skills in Nam Chang.

Currently, LFT has 10 active members. Members must adhere to minimum CSR standards, which include fair wages, safe working conditions and no child labour, while maintaining a social premium fund to assist with further training and growth. Given the difficulties faced by small organisations in maintaining the CSR requirements, LFT works closely with members over several years to help them achieve the standards. .

The Luang Prabang-based Traditional Arts and Ethnology Centre (TAEC) markets textiles, jewellery, clothing and accessories produced by 600 families in over 30 villages throughout Laos.

TAEC co-director Tara Gujadhur maintains there is tremendous potential to commercialise Lao textiles and handicrafts in fair-trade markets. "However, we are constrained by high operating costs, such as transport, shipping, materials and so on, which limits accessibility to the outside world," she said.

"Also, there is a real influx of imported 'crafts' from neighbouring countries which are sold in shops and the Luang Prabang Night Market. [This] dilutes the overall brand and image of Lao handicrafts."

A recent study conducted by TAEC confirms that the sale of authentic, handmade Lao handicrafts is facing increasing competition from mass-produced imports. Sellers at the Luang Prabang Night Market correlate declining income to the presence of cheaper, imported textiles and crafts.

Along with Lao Fair Trade, there are several government and non-government organisations working to expand fair-trade activities in the country.

The World Fair Trade Organisation-Asia currently works with three organisations in Laos. In an effort to be more inclusive, WFTO has developed the Guarantee System, which extends the length of the review process in order to help village-based groups achieve fair trade standards.

"The system specifically reviews the whole organisation's compliance with each of the 10 WFTO principles. It is credible yet affordable, especially for small producers," said Jade Peters, WFTO-Asia's communications coordinator.

"It is designed to meet the demand for a recognition scheme for dedicated Fair Trade Organisations, particularly where there is a high degree of hand labor but not one specific commodity. Furthermore they can use the Guarantee System logo on their certificate which can support them for better market access."

WFTO-Asia has three members in Laos and hopes to increase participation in the coming year.

The Lao government offers market support through the Lao Handicrafts Association (LHA), a membership organisation supervised by the Lao Chamber of Commerce and Industry. The Luang Prabang Handicraft Association (LPHA) is another membership organisation that helps to promote locally-made crafts, although neither has stringent fair trade requirements.

Since LFT began working in Nam Chang, the community has seen a 30% increase in income and reinvestment in marketing activities.

"Nam Chang is now quite independent in its group management and marketing," says Ms Anousone. "Their village development fund is increased, meaning increased household income. They are able to explain their group activities [to customers] and manage their own sales."

LFT wants to achieve similar results in other rural communities. In doing so, LFT, along with like-minded organisations and businesses in Laos, hopes to diversify the country's economy, expand opportunities and promote inclusive growth.

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