NEPAL

NATIONAL SECTOR EXPORT STRATEGY

HANDMADE PAPER AND PAPER PRODUCTS

2017-2021

Government of Nepal

International Trade Centre

This national sector export strategy was developed on the basis of the process, methodology and technical assistance of the International Trade Centre (ITC) within the framework of its Trade Development Strategy programme.

ITC is the joint agency of the World Trade Organization and the United Nations. As part of its mandate of fostering sustainable development through increased trade opportunities, the ITC offers a suite of trade-related strategy solutions to maximize the development payoffs from trade. ITC-facilitated trade development strategies and roadmaps are oriented to the trade objectives of a country or region and can be tailored to high-level economic goals, specific development targets or particular sectors, allowing policymakers to choose the solution that meets their needs.

The views expressed herein do not reflect the official opinion of ITC. Mention of firms, products and product brands does not imply the endorsement of ITC. This document has not been formally edited by ITC.

The International Trade Centre (ITC)

Street address: ITC 54-56, rue de Montbrillant 1202 Geneva, Switzerland

Postal address: ITC Palais des Nations 1211 Geneva 10, Switzerland

Telephone: +41-22 730 0111

Fax: +41-22 733 4439

E-mail: itcreg@intracen.org

Internet: http://www.intracen.org

Layout: Jesús Alés – www.sputnix.es

NEPAL NATIONAL SECTOR EXPORT STRATEGY

HANDMADE PAPER AND PAPER PRODUCTS 2017-2021

Government of Nepal

International Trade Centre

Photo: ITC, *Lokta paper*

ACKNOWLEDGEMENTS

The Handmade Paper and Paper Products Sector Export Strategy of Nepal was developed under the aegis of the Ministry of Commerce (MoC), with the financial support and technical assistance of the ITC Trust Fund.

The document benefited particularly from inputs and guidance provided by the members of the handmade paper and paper products core team that steered the formulation of the sector strategy, namely:

Name	Function	Organization
Mr. Manoj Acharya	Under Secretary ITC Focal Point	Ministry of Commerce
Mr. Bimal Nepal	Deputy Director General Strategy Navigator	Trade and Export Promotion Centre
Ms. Anita Niraula	Under Secretary	Ministry of Commerce
Mr. Mohan Krishna Manandhar	President	Nepal Handmade Paper Association
Mr. Kiran Dangol	Senior Vice-President	Federation of Handicraft Associations of Nepal
Mr. Ichhya Bahadur Karki	Vice-President	Nepal Handmade Paper Association
Mr. Chhong Nobu Sherpa	Treasurer	Nepal Handmade Paper Association
Mr. Ramesh Lal Shrestha	Secretary	Nepal Handmade Paper Association
Mr. Suhrid Chapagain	Researcher on market systems development	Independent
Mr. Rajendra Singh	Deputy Director	Trade and Export Promotion Centre
Senior official, Ms. Mina Aryal (Under Secretary Ministry of Commerce and Deputy Permanent Representative at the Pemanent Mission of Nepal to the UN and Other International Organizations in Geneva) Mr.Toya Narayan Gyawali, Joint Secretary of the Ministry of Commerce was fully involved in coordinating all the activities in preparation of this Strategy.		

Technical support and guidance from the ITC was rendered through:

Name	Function	Organization
Marion Jansen	Chief Economist	ITC
Anton Said	Head Trade Strategy Programme	ITC
Olivier Marty	Adviser, Trade Strategy and Competitiveness Project Leader	ITC
Murari P. Gautam Upadhyay	International consultant	ITC
Assisted by Tiantian Xiang and Clariesse Jami Mari Chan		

ACRONYMS

AEC	Agro Enterprise Centre
AEPC	Alternative Energy Promotion Centre
BCP	Bhaktapur Craft Printers
BSCI	Business Social Compliance Initiative
CAGR	Compound Annual Growth Rate
CBI	Centre for the Promotion of Imports from Developing Countries
CFUG	Community Forest User Group
CoC	Code of Conduct
CSIDB	Cottage and Small Industries Development Board
DCSI	Department of Cottage and Small Industries
DFRS	Department of Forest Research and Survey
DoF	Department of Forests
DoPR	Department of Plant Resources
EIF	Enhanced Integrated Framework
ETI	Ethical Trading Initiative
EU	European Union
FAO	Food and Agriculture Organization of the United Nations
FECOFUN	Federation of Community Forestry Users, Nepal
FHAN	Federation of Handicraft Associations of Nepal
FLEGT	Forest Law Enforcement, Governance and Trade
FNCCI	Federation of Nepali Chambers of Commerce and Industry
FSC	Forest Stewardship Council
GI	Geographical Indication
GIZ	German Society for International Cooperation
HANDPASS	Nepal Handmade Paper Association
HANDECEN	Handicraft Design and Development Centre
HIMALI	High Mountain Agribusiness and Livelihood Improvement
HS	Harmonized System
ISO	International Organization for Standardization
ITC	International Trade Centre
MEDEP	Micro Enterprise Development Programme
MoC	Ministry of Commerce
MoFSC	Ministry of Forest and Soil Conservation
MoI	Ministry of Industry
MoSTE	Ministry of Science, Technology and Environment
NBSM	Nepal Bureau of Standards and Metrology
NECTRADE	Nepal Enhanced Capacities for Trade and Development
NGO	Non-governmental organization
NTIS	Nepal Trade Integration Strategy
PoA	Plan of Action
R&D	Research and Development
REACH	Registration, Evaluation, Authorization and Restriction of Chemicals
SME	Small and Medium-sized Enterprise
TEPC	Trade and Export Promotion Centre
TSN	Trade Support Network
UNICEF	United Nations Children's Fund
WFTO	World Fair Trade Organization

CONTENTS

LIST OF FIGURES

TABLES

BOXES

FOREWORD BY MR. **MEEN BAHADUR BISHWAKARMA**, HON. COMMERCE MINISTER

Handmade paper is a unique traditional product which is being used in important legal and religious writings. This sector has great potential to contribute towards the inclusive and socio-economic development and thereby to alleviate poverty particularly to the rural communities. The Sector Export Strategy (SES) of Handmade Paper and Paper Products 2017-2021 has been a roadmap to address pertinent challenges related to sector performance, especially competitiveness constraints and thereby to ensure the highest-possible economic returns in a sustainable manner. This strategy is the creation of inclusive and participatory approach and efforts of public and private stakeholders, with the support from the International Trade Centre.

The SES comes at an appropriate time to revamp the production for export purpose in Nepal and to drive exports in terms of better understanding of the export opportunities and challenges and to formulate a specific strategic objectives and plan of action for this sector. It provides a roadmap to improve export competitiveness through strengthened institutional supports and stimulation of trade with the provision of product research and market promotion support services.

I look forward to an intensive collaboration and support of all concerned ministries, agencies, international partners, bilateral donors, multilateral institutions, private sector, and other stakeholders to play precise roles in the relevant areas indicated in the plan of action and contribute to achieving the objectives of the Export Sector Strategy.

I would like to express thanks and appreciation to the ITC for the support to develop this very imperative Sector Export Strategy. Stakeholders in the public and private sectors, as well as the core team members are also thankful for their meticulous efforts in bringing out this document. The Government of Nepal is committed to play constructive and facilitative role for the implementation of this strategy with a view to realizing its vision and strategic objectives.

FOREWORD BY MR. **NAR BAHADUR CHAND**, HON. STATE MINISTER FOR COMMERCE

Nepal is a country blessed with rich cultural heritage and traditions. Nepali handmade paper is one such notable commodity that showcases Nepal's rich heritage in craftsmanship and also boasts strong export potentials. Nepali handmade paper has been able to carve a niche in the international market with the use of unique raw materials and indigenous paper production technology. Furthermore, the sector's contribution to the improvement of livelihoods of smaller income households and especially the positive impact on women employment makes it an even more compelling potential sector.

It gives me immense pleasure to see the National Sector Export Strategy (NSES) – Handmade Paper and Paper Products 2017-2021 come into fruition. The NSES is an important initiative for the Government of Nepal in further strengthening the sector, attracting foreign and private sector investment and mobilizing resources from international partners. It provides a relevant and realistic roadmap to revitalize the handmade paper sector in Nepal, to trigger SME competitiveness, and to raise the standard of living of communities engaged in the sector.

I believe that with the NSES now in place, concerted steps can be taken to deal with the export constraints that impede international competiveness and make trade an integrated and inclusive driver for economic growth of the country.

The NSES, in conjunction with the Trade Policy 2015 and NTIS 2016, will be instrumental in enhancing Nepal's trade capacity building and competitive strength which will have positive impact in socio-economic prospects of Nepal.

I would like to express my appreciation to International Trade Center for their technical assistance in developing the NSES and thank all concerned Ministries, agencies, developmental partners and private sector stakeholders who have actively participated in shaping of the NSES. I would like to convey the commitment of the Government of Nepal in playing a constructive role in the development of the sector and firmly believe that through joint efforts we can achieve the goal of a sustainable economic development for Nepal.

FOREWORD BY MR. CHANDRA KUMAR GHIMIRE, COMMERCE SECRETARY

Government of Nepal adopted the Trade Policy 2015 considering the need for reducing trade deficit by utilizing the opportunities provided by world trading system. The Trade Policy 2015 emphasizes on supply-side capacity building, increase in production and productivity, trade in services, protection and promotion of intellectual property rights, trade and environment, among others. In close complementarity with the Trade Policy, the Nepal Trade Integration Strategy (NTIS 2016) has been formulated in an effort to integrate and mainstream trade in the national development agenda in order to address the competitiveness challenges being posed by the export sector. Furthermore, the NTIS 2016 focuses on product development and supply capacity of priority products with a view to enlarging the trade inclusiveness.

Handmade paper including paper products is one of the priority export sectors of Nepal. With the aim of developing it, the Ministry of Commerce involved the International Trade Centre (ITC) in extending technical help mainly in the design of National Sector Export Strategy (NSES). The NSES goes beyond the NTIS as it includes detailed strategy along with a detailed 5-year plan of action and framework for successful implementation. This Strategy embodies the interests and priorities agreed upon during numerous extensive and fruitful discussions amongst relevant key players. The vision of the NSES sets to achieve quality and sustainability in Lokta handmade paper and paper products to deepen socioeconomic gains through more competitive exports. In this regard, this Strategy offers a common ground equipped with clear priorities laid down for long-term sector development.

This Strategy has outlined a 5-year Plan of Action with the key priorities, such as improving quality and availability of raw materials, strengthening the institutional framework, as well as enabling the sector further so as to augment value addition for existing and new markets. I am confident that the Strategy will be a corner-stone in achieving the overarching goal of export-led growth of Nepal through its successful implementation by the coordinated efforts of all relevant stakeholders.

I would like to thank the ITC for its technical assistance. I appreciate all public and private sector organizations including key players for their valuable inputs and continuous support during the entire process of preparation of this Strategy. I expect this partnership and collaboration to continue during the implementation phase. Finally, I am looking forward to seeing an exemplary execution of all recommendations outlined in Plan of Action so that we would be able to set an example in the sector.

Photo: New Pictures, *Lokta paper - Malachi Brown CC 2.0.jpg*

FOREWORD BY MS. **ARANCHA GONZÁLEZ**, EXECUTIVE DIRECTOR, INTERNATIONAL TRADE CENTRE

Nepal is a country rich in tradition and natural resources. Both come together in Lokta paper, a handmade paper made from a plant found only in Nepal's Himalayan forests. Knowledge of how to make Lokta paper has been passed on for generations in the country's mountainous districts.

Unique, durable and versatile, paper made from the Lokta plant has significant trade potential, not only as an end product in itself, but also in finished forms such as diaries, lamp shades, and other decorative items. The Nepal Trade Integration Strategy (NTIS 2016) identified handmade paper and paper products as priority sectors with high potential for both export development and contributing to inclusive growth. However, the multitude of micro, small and medium-sized enterprises (MSMEs) and artisans that make up the sector face challenges including limited product design and marketing capacity and a need to improve the sustainability of Lokta collection. These constraints prevent the 55,000 families whose livelihoods depend on the sector from increasing competitiveness and making the most of Lokta paper's trade potential.

This Sector Export Strategy (SES) highlights trade development options for Nepal's handmade paper sector. As an end-to-end diagnostic of the export value chain, the SES provides a practical and comprehensive five-year roadmap for Nepali MSMEs in the Lokta paper sector to overcome barriers, regain market share, capture more value and raise their international profile. The strategy calls for establishing a national plan to manage Lokta resources and resilience. It aims to revisit the sector code of conduct in order to raise quality standards and promote the Nepal Lokta brand on e-commerce platforms and among specialized importers. In addition, it sets out measures to reinforce the skills of youth and women, who form the majority of the sector's workforce, to design innovative products in line with market trends. The strategy is underpinned by an overall vision of "achieving quality and sustainability in Lokta handmade paper and paper products to deepen socio-economic gains through more competitive exports".

The International Trade Centre (ITC) is proud to have been of assistance in Nepal's export development plan. It is worth noting that the SES for Handmade Paper and Paper Products does not belong to any specific institution, but to the country as a whole. It has been jointly developed with the Nepal Handmade Paper Association (HANDPASS) and other relevant organizations, under the aegis of the Ministry of Commerce.

Raising the quality and design of Lokta paper production will require structured and coordinated efforts by policy makers, institutions, businesses as well as civil society. Guided by the immediately implementable plan of action, Nepal is poised to increase exports from the sector to high-end home decoration and giftware markets in Europe, North America and Asia.

ITC is committed to building on its work with Nepal's Lokta paper sector as the country gears up to use trade to drive sustainable and inclusive growth and development over the decade ahead.

कार्यकारी सारांश: नेपाली हाते कागज र यसका उत्पादनहरू

नेपालमा रहेका कतिपय पुराना परम्परा तथा रीतिरिवाजलाई नयाँ बजार अवसरहरूमा रूपान्तरण गर्ने प्रशस्त सम्भावना रहेको छ। इतिहास र संस्कृतिमा धनी तथा अद्वितीय प्राकृतिक सम्पदाहरूले युक्त नेपाल आफ्नो विशिष्ट मौलिक प्रतिस्पर्धात्मक र तुलनात्मक लाभहरूबाट लाभान्वित हुन प्रतिबद्ध छ। लोक्ताबाट बनेको हाते कागजले नेपाललाई उल्लेखनीय र आशालाग्दो सम्भावना प्रदान गरेको छ। यसको महत्त्वलाई पहिचान गरी सरकार तथा निजी क्षेत्र दुवैले यो क्षेत्रलाई अगाडि बढाउन पूर्व क्रियाशील दृष्टिकोण अपनाएका छन्। वास्तवमै, यो नेपाल व्यापार एकीकृत रणनीति, २०१६ ले प्राथमिकतामा राखेको यौटा महत्त्वपूर्ण क्षेत्र हो।

नेपाली हाते कागज यसको विशिष्ट गुण, बलियोपना, टिकाउ तथा कीटाणुप्रतिरोधक गुणहरूका कारण प्रसिद्ध छ। यस क्षेत्रमा संलग्न व्यवसायीहरूले हाते कागजका विभिन्न प्रकारका वस्तुहरू उत्पादन गर्ने गरेका छन् जसको ठूलो परिमाण प्रत्यक्ष वा नेपाल भ्रमणमा आउने पर्यटकहरूमार्फत विदेशमा निर्यात हुने गरेको छ। यद्यपि मुलुकको समग्र निर्यात डालोमा यस क्षेत्रको योगदान तुलनात्मक रूपमा कम छ, तर पनि लोक्ताबाट बनेको हाते कागज क्षेत्रले विभिन्न सामाजिक-आर्थिक लक्ष्यहरूमा महत्त्वपूर्ण स्थान ओगट्दै आएको छ। करिब ५५,००० घरपरिवारको जनजीविका लोक्ता सङ्कलनमा निर्भर छ, करिब ३०० दर्तावाला साना तथा मझौला उद्योगहरूले दुर्गम पहाडी क्षेत्र तथा शहरी केन्द्रहरूमा हाते कागजमा आधारित वस्तुहरू उत्पादन गर्ने गरेका छन्, यस क्षेत्रमा संलग्न झण्डै ८० प्रतिशत जति उद्यमी/व्यवसायीहरू महिला छन् र यसको सबै मूल्य अभिवृद्धि मुलुकभित्रै हुने गरेको छ।

यसो भए तापनि यो क्षेत्र चुनौतीहरूबाट मुक्त भने छैन। हाल यसको उत्पादन सानो आकारमा हुने गरेको छ र त्यो पनि देशभर छरिएर रहेको स्थिति छ। हाते कागज उत्पादन गर्ने अन्य मुलुकहरूबाट प्रतिस्पर्धा बढिरहेको छ। उत्पादनको डिजाइन बजार निर्देशितभन्दा पनि आपूर्ति निर्देशित पाइन्छ र पूर्वाधारहरू अविश्वनीय र खर्चिला प्रकृतिका छन्। सबैभन्दा महत्त्वपूर्ण पक्ष उत्पादनलाई दिगोपना दिनुपर्ने कुरा बढ्दो चासोको विषय रहेको छ।

यिनै अवसर तथा चुनौतीहरूलाई पहिचान गरेर सार्वजनिक तथा निजी क्षेत्रका सरोकारवालाहरूले यो क्षेत्रको रणनीति बनाउन शक्ति जुटाएका छन्। यसले नेपालमा हाते कागज क्षेत्रलाई पुनर्जीवन प्रदान गर्न, साना तथा मझौला उद्यमहरूको प्रतिस्पर्धात्मक क्षमतालाई बढाउन, र यो क्षेत्रको मूल्य शृंखलामा आबद्ध समुदायहरूको जीवनस्तरलाई माथि उकास्न सान्दर्भिक र यथार्थ मार्गचित्र प्रदान गर्दछ।

यो रणनीति देहायको दीर्घकालीन सोचबाट निर्देशित छ :

लोक्ता हाते कागज र त्यसबाट बनेको वस्तुको गुणस्तर र दिगोपना हासिल गरी प्रतिस्पर्धात्मक निर्यातमार्फत सामाजिक-आर्थिक लाभलाई खँदिलो बनाउने।

उक्त दूरदृष्टि हासिल गर्न, यो रणनीतिले तीनवटा रणनैतिक उद्देश्यहरूमा ध्यान केन्द्रित गरेको छ :

१. लोक्ता सङ्कलन तथा उत्पादनको दिगो विकासलाई प्रवर्द्धन गर्नेः

देशभरमा लोक्ता सङ्कलनको परिमाणमा अनिश्चितता छ र केही क्षेत्रहरूमा अत्यधिक मात्रामा लोक्ताको कटान/दोहन गर्ने गरिएको कारणबाट सिर्जित जनचासोले गर्दा यो स्थिति झनै नाजुक बन्न गएको छ। यसैले नेपालको वनसम्पदा अन्तर्गत लोक्ताको दिगो व्यवस्थापनका लागि यौटा राष्ट्रिय योजना नै बनाउन शुरु गर्नुपर्ने स्थिति छ। यसैगरी उच्च गुणस्तरको प्रक्रियाहरू उपलब्ध गराउँदै लोक्ता सङ्कलनको प्रविधिमा सुधार गरिनुपर्दछ। सँगसँगै, लोक्ता वनस्पतिको पुनरुत्पादनको लागि उन्नत खेती प्रविधि विषयमा अनुसन्धान कार्य शुरु गरिनुपर्दछ र उत्पादकहरूलाई यस्तो प्रविधि उपलब्ध गराइनुपर्दछ।

२. बजारको माग पूर्ति गर्न दिगो रूपमा हाते कागजको उत्पादन र हाते कागजबाट बनेका वस्तुहरूको गुणस्तर वृद्धि तथा विविधीकरण :

यस क्षेत्रमा संलग्न उद्यमीहरूमा अन्तर्राष्ट्रिय क्रेताहरूको रुचि खासगरी वस्तुको बनावट, गुणस्तर र डिजाइनका विषयहरुमा सीमित जानकारी छ। तिनीहरू परिमाणात्मक आवश्यकता पूर्ति गर्न संघर्षरत छन् र नियमित तवरले समयमै आपूर्ति गर्ने कुरालाई महत्त्व दिन्छन्। हाते कागज उद्यमहरूलाई उनीहरूको प्रतिस्पर्धात्मक क्षमता बढाउन उन्नत उत्पादन प्रक्रिया र प्रविधि, व्यवसाय व्यवस्थापन प्रविधि, गुणस्तर र प्रमाणीकरणका

विषयमा तथा उपभोक्ताको प्रवृत्ति/रुचिसँग तादात्म्य कायम गर्न र उच्च मूल्यका हस्तकला एवं उपहारजन्य वस्तुको मागलाई पूर्ति गर्न सक्षम तुल्याउन वस्तु विकासमा प्रशिक्षित गरिनेछ।

३. साना तथा मझौला उद्यमहरूको सुदृढीकरणका लागि संस्थागत सहयोग र निर्यात बजारमा नेपाली लोक्ताको हिस्सा बढाउन यसको प्रवर्द्धन गर्ने :

यो क्षेत्रको पुनरुत्थानका लागि परम्परागत बजारमा आफ्नो स्थान पुन ओगट्न जरुरी छ । त्यो गर्नका लागि आफ्ना प्रतिस्पर्धीहरूको रणनीति र लक्षित प्रवर्द्धनात्मक कार्यक्रमबारे जानकारी हुन आवश्यक छ । यो क्षेत्रलाई सहयोग गर्ने संस्थाहरूको क्षमतालाई बजार अनुसन्धानको कार्यमा सुदृढीकरण गरिनेछ ता कि तिनीहरूले साना तथा मझौला उद्यमहरूलाई विभिन्न बजारमा विभिन्न छुट्टाछुट्टै वस्तुको लागि बजार अवसरहरू उपलब्ध गराउन र व्यापार प्रवर्द्धनमा सघाउन सक्नेछन् । यस अन्तर्गत अन्तर्राष्ट्रिय बजारमा आयोजना हुने मेलाहरूमा सहभागिता, विशिष्ट आयातकर्ताहरूलाई लक्षित गरी कार्यक्रम, अनलाइन ई-कमर्श प्लेटफार्ममा आबद्धता र नेपाली लोक्ताको सामूहिक व्यापार चिह्नको प्रवर्द्धन आदि कार्य आउँछन् ।

बजार अवसरहरूमा विस्तार :

नेपाली हाते कागज र त्यसबाट बनेका उत्पादनहरू युरोप, उत्तरी अमेरिका र एशियाका थुप्रै देशहरूमा परिचित र प्रसिद्ध छन् । यद्यपि हालका वर्षहरूमा यसको बजार हिस्सा घटेको छ तापनि नेपाली लोक्ताले आफ्नो विशिष्ट विशेषताहरूका कारण स्पष्ट प्रतिस्पर्धात्मक फाइदा ओगटेको छ । यो रणनीति नेपाली हाते कागज उत्पादन गर्ने साना तथा मझौला उद्यमहरूको प्रतिस्पर्धात्मक क्षमतालाई सबलीकरण गरी फ्रान्स, जर्मनी, बेलायत, उत्तरी आयरल्याण्ड र संयुक्त राज्य अमेरिकामा उनीहरूको बजार हिस्सा पुनस्थापित गर्ने तथा सुदृढ गर्ने उद्देश्यले प्रेरित छ । यस क्रममा खास मौलिक उत्पादनहरू जस्तै गृह प्रसाधन तथा उपहारजन्य सामग्रीखण्ड अन्तर्गतका हाते बाकस, हातबाट निर्मित उच्च मूल्यका नोटबुक र डायरी तथा सजाउने हस्तकलासामग्री आदिको वृद्धिलाई लक्षित गरिएको छ ।

यो रणनीतिको उद्देश्यहरू हासिल गर्न विस्तृत कार्ययोजना जसले यो रणनीतिको पाँचवर्षको अवधिमा कार्यान्वयन गर्नुपर्ने शृंखलाबद्ध कार्यक्रमहरूलाई निर्देश गरेको छ, त्यसको वरपर निर्दिष्ट र समन्वित प्रयासहरूको खाँचो पर्दछ । यी प्राथमिकताका कार्यहरू पहिचान गर्न सार्वजनिक तथा निजी क्षेत्रका सरोकारवालाहरूसँग व्यापक परामर्श गरिएको छ र यो कार्य संवाद मञ्च र यस क्षेत्रका अन्तरङ्ग व्यक्तिहरू सम्मिलित टिमको स्थापनाबाट सम्भव भएको छ । नीति-निर्माताहरू, सहयोगी संस्थाहरू, उद्यमी-व्यवसायीहरू, नागरिक समाजका संस्थाहरू र विकास साझेदारहरूबीचको यो सहकार्य यो नीतिको प्रभावकारिता र उच्च परिणामहरूको सुनिश्चितताको लागि कार्यान्वयन चरणमा पनि निरन्तर रहिरहनुपर्दछ । कार्यान्वयन संरचना खाकाले व्यवस्थित व्यवस्थापन, अनुगमन तथा मापन संयन्त्रहरूलाई परिभाषित गर्छन् जसले नेपाल व्यापार एकीकृत रणनीतिमा पहिचान गरिएका विषयहरूको कार्यान्वयनमा सहयोगी भूमिका खेल्छन् । यो संरचना खाकाको निर्माणले प्रस्तुत रणनीतिको कार्यान्वयनको सफलताको मापनलाई निर्धारण गर्छन् ।

यो रणनीतिको कार्यान्वयनले न केवल प्राचीन नेपाली कलाकारितालाई पुनरुत्थान र अभिवृद्धि गर्न सघाउँछ, अपितु यो क्षेत्रको वातावरणीय र सामाजिक दिगोपना बढाई मुलुकमा विदेशी मुद्रा आर्जन गर्न पनि क्रमशः योगदान पुऱ्याउँछ । यस क्रममा, नेपाली हाते कागज क्षेत्रमा संलग्न सम्पूर्ण समुदायहरूलाई यसको अन्तर्राष्ट्रिय मूल्य शृंखलामा आबद्ध हुन र हजारौं परिवारको आर्थिक कल्याणलाई अभिवृद्धि गर्न समेत यो क्षेत्रले योगदान दिन्छ ।

Photo: Pixabay (cc1.0), *nepal-223001.jpg*

EXECUTIVE SUMMARY

Nepal has the potential to transform old traditions into new market opportunities. Rich in history and culture, and blessed with exceptional natural assets, the country is committed to benefiting from the unique niches of competitive and comparative advantages that it enjoys. Lokta handmade paper offers notable prospects, and both the Government and the private sector have recognized the importance of taking a proactive approach to stimulating this sector. It is, in fact, one of the prioritized sectors in the Nepal Trade Integration Strategy (NTIS) 2016.

Nepali handmade paper is known for its unique quality, strength, durability and resistance to insects. Enterprises engaged in this sector produce a diverse range of products and the bulk is exported, directly or through visiting tourists. Although its importance in the country's overall export basket is relatively low, the Lokta handmade paper sector scores on several socioeconomic goals: the livelihood of an estimated 55,000 families depends on Lokta collection; about 300 registered small and medium-sized enterprises (SMEs) produce handmade paper products both in remote mountain areas and in urban centres; approximately 80% of the entrepreneurs and workforce in this sector are women; and all value addition is retained in the country.

Nevertheless, the sector is not without its challenges: production is small-scale and scattered throughout the country; competition from other countries producing handmade paper is growing; product design tends to be supply-driven rather than market-led; and logistics are often unreliable and expensive. Most importantly, the sustainability of production is a rising concern.

Recognizing these opportunities and challenges, public and private sector stakeholders have joined forces to develop this sector Strategy. It provides a relevant and realistic road map to revitalize the handmade paper sector in Nepal, to trigger SME competitiveness, and to raise the standard of living of communities engaged in the sector's value chain.

This Strategy is driven by the following overall vision.

> "Achieving quality and sustainability in Lokta handmade paper and paper products to deepen socioeconomic gains through more competitive exports"

Photo: ITC, *Handmade paper factory*

To achieve this vision, the Strategy focuses on three strategic objectives:

ENHANCE SUSTAINABLE DEVELOPMENT OF LOKTA COLLECTION AND PRODUCTION

There is uncertainty about the volume of Lokta collection nationwide and this is aggravated by concerns about overharvesting in some regions. Nepal thus needs to kick off a national plan for the sustainable management of Lokta resources in its forests. Likewise, harvesting techniques must improve while providing processors with upgraded quality. Simultaneously, research on improved cultivation techniques for the regeneration of Lokta plants will be launched and shared with producers.

DIVERSIFY AND UPGRADE THE QUALITY OF SUSTAINABLE HANDMADE PAPER PRODUCTION AND PAPER PRODUCTS TO MEET MARKET DEMAND

Most enterprises engaged in the sector have a limited understanding of international buyer preferences in terms of specifications, quality and design. They struggle to meet volume requirements and honour regular and timely delivery. To enhance competitiveness, enterprises will be trained in improved production processes and technologies, business management techniques, standards and certification, and product development to adapt to consumer trends and meet the demand for high-end handicrafts and giftware products.

STRENGTHEN INSTITUTIONAL SUPPORT TO SMES AND PROMOTE NEPALOKTA TO ACCELERATE EXPORT MARKET SHARE GROWTH

Recapturing share in traditional markets is essential for the sector's revival. Doing so requires an understanding of competitors' strategies and targeted promotion. The capacities of institutions supporting the sector will be strengthened in the areas of market research – in order to supply SMEs with market opportunities in different product segments in different markets – and trade promotion. This will involve increased participation in trade fairs, targeting specialized importers, joining selected online e-commerce platforms, and promoting the collective Nepalokta brand.

Market opportunities abound. Nepali handmade paper and paper products are recognized and popular in several countries in Europe, North America and Asia. While market share has declined in recent years, Nepalokta enjoys clear competitive advantages in terms of its unique features. This Strategy is geared at reinforcing SME competitiveness with a view to recapturing and consolidating market share in France, Germany, the United Kingdom of Great Britain and Northern Ireland and the United States of America. Specific niches are being targeted in the upscale home decoration and giftware segments, covering a range of products including handmade boxes, premium handmade notebooks and diaries, and decorative handicrafts.

Achieving the objectives of this Strategy requires a focused and coordinated effort around the detailed Plan of Action (PoA) that specifies a series of activities to be implemented during the five-year lifetime of this Strategy. A great deal of consultation among public and private sector stakeholders has taken place to identify these priority actions, and this is visible through the dialogue platform and the sector's Core Team that have been established. This collaboration among policymakers, support institutions, enterprises, civil society organizations and development partners must continue during the implementation phase of the Strategy to ensure effectiveness and maximum impact. The implementation framework defines systematic management, monitoring and measurement mechanisms that are complementary to those identified in the NTIS. The establishment of this framework will determine the degree of success of this Strategy.

Not only will implementation of this Strategy bring about a revival and affirmation of an ancient Nepali craft, it will increasingly contribute to the country's foreign exchange earnings while raising the environmental and social sustainability of the sector. In doing so, entire communities will be integrated into international value chains, raising the well-being of thousands of families.

Photo: ITC, *Pokhara valley*

Photo: ITC, *Handmade Lokta handbook*

THE PRODUCT MAP

PAPERWARE

Handmade paper products are characterized by the multitude of varieties and forms on the market. Handmade papers are based on various raw materials including Lokta (Nepal), Xuan paper (China), Saa paper (Thailand), rice straw, banana fibre, bamboo paper (Viet Nam), banana leaf paper (Indonesia), Washi (Japan) and recycled paper (India), and are transformed into a vast array of final products such as coloured and plain paper sheets, diaries, notebooks, lampshades, writing sets, photo albums, frames, gift boxes, bags, greeting cards, wrapping paper and decorative products.

Handmade paper products:

- **Greeting cards** are illustrated pieces of card or high-quality paper given on special occasions. Cardmaking is the craft of hand-making greeting cards. Greeting cards, usually packaged with an envelope, come in a variety of styles. Common cardmaking materials include cardstock, stencils, markers, vellum, tissue paper, glue, rulers and T-squares, sequins, ribbon, paper embossing, die cutting machines and more.
- **Notebooks** (journals)[1] are products in which both the paper and notebook are produced by hand. Various raw materials can be used for this product. As sources of handmade paper, raw materials include cotton and other textiles, and tree bark (e.g. banana trees, mulberry, Lokta and argeli). Notebook covers are commonly made of textiles (e.g. cotton or leather), paper or paperboard.[2]
- **Photo albums** are books in which a collection of photographs may be stored. Some albums have compartments where the photos may be slipped in. Older style albums often are simply books of heavy paper. Photos can be glued to or attached to the paper pages of this type of album. Photo albums come in a variety of sizes.
- **Boxes and lampshades** are used for decorative purposes and/or gift-giving as well as for functional uses. Handmade paper boxes can be used as boxes for jewellery, cutlery and similar articles, pillboxes, boxes for cards or sewing boxes. However, they are also widely used because of their functionality. Paper boxes are used to store pictures, paper clippings, etc. Functionality and decoration merge in the application of paper boxes. While decorative boxes can be of any shape, they are often rectangular. Examples of trendy paper products marketed are: handmade paper boxes pasted with decorative petal work, and paper and penholder sets made of chipboard pasted with an exclusive paper front.
- **Handmade paper jewellery:** various objects can be produced, including bracelets, brooches, necklaces and earrings.

Photo: Lokta colored paper

1. Ministry of Foreign Affairs. CBI Product Factsheet Handmade Paper Notebooks in Europe. *CBI Market Information Database*. p. 1.

2. HS Codes: HS Code 482010: Notebooks, letter pads and memorandum pads without calendars, of paper or paperboard, HS-480210: Handmade paper and paperboards of any size or shape.

Figure 1: *Handmade paper products*

Paper flowers	Lampshade	Notebooks

PRODUCT FUNCTIONALITY, DESIGN AND VARIATIONS IN QUALITY

Functionality: handmade paper products' functionality depends on the flexibility of the paper, how the product is bound and the paper's thickness. How the paper absorbs the ink from ball pens and fountain pens also affects the product's functionality. Some types of paper, such as recycled cotton paper, are unsuitable for fountain pens as the ink in these pens results in stains.

Design: the design of handmade paper products is important for their quality. Handmade paper is often bleached to produce a white or off-white colour, which is what consumers prefer. Handmade paper notebooks contain unlined pages and a minimum of 30 pages. Notebooks exist in different sizes, with common sizes of paper in the A series from the International Organization for Standardization (ISO) 216 (A4 – A7).

Variations in quality: as the product is handmade, items may differ slightly from one product to the other. However, substantial quality inconsistencies are not accepted, as buyers demand a certain minimum quality level. It is important that suppliers provide a bandwidth for such deviation to their importers and make the importer aware that deviations can occur.

Photo: Links, *IMG_1543.JPG*

COMPETITION IN HANDMADE PAPER PRODUCTS

As Lokta is an export-oriented product, it is important to understand who the competitors are in the handmade paper segment. A study by the German Society for International Cooperation (GIZ) identified that the cost of producing Lokta paper (per sheet of 20 gsm, 20 x 30 inches) is nearly 45% lower than for Thai mulberry (Saa) paper. This lower cost of production is mainly due to lower labour and raw material costs. The raw material for Thai saa paper comes from Thailand's neighbouring countries, thus increasing its cost due to the logistics.

Photo: ITC, *Lokta paper manufacturing*

Box 1: Competing countries in handmade paper products

	Main products	Market position
Nepal	Lokta paper	Low / medium end for domestic market and exports
China	Xuan paper for calligraphy	Largest exporter of handmade paper products Low-end, high volume, Western-designed (for handicrafts)
India	A vast variety of products including hemp paper, khadi cotton papers	Second-largest exporter of handmade paper products Low-end, high volume
Thailand	Mulberry handmade paper (locally called saa paper)	Low / medium end, high volume for tourism
Viet Nam	Rice straw, banana fibre, bamboo paper	Low / medium end, high volume for tourism
Indonesia	Banana leaf, mulberry handmade paper	Low end, high volume
Japan	Washi, traditional Japanese handmade paper	High end, low volume for domestic market

Photo: New Pictures, *Lokta - Phillip West CC2.0.jpg*

GLOBAL TRENDS IN HANDICRAFTS AND HOME DECORATION

This analysis of global trends is presented in two parts: firstly, an analysis of the global trade in handmade paper based on available trade statistics; and secondly, global trends in handmade paper products.

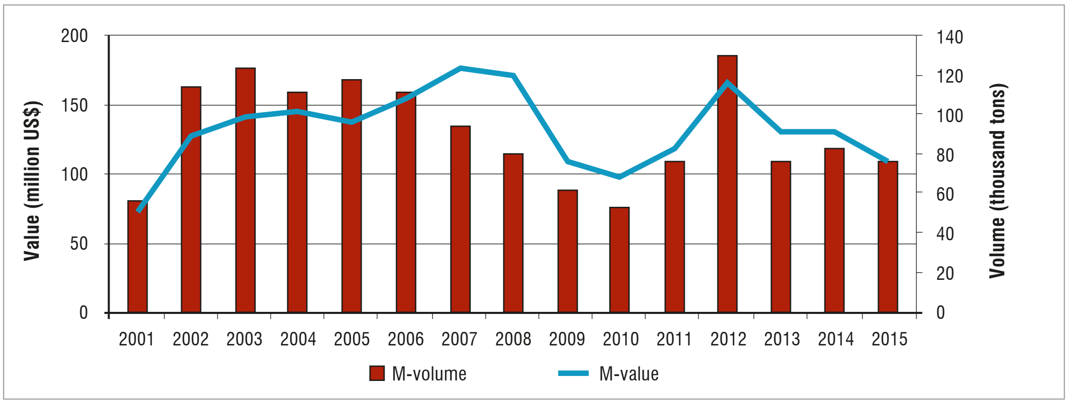
The lack of disaggregated data on the global trade of handicrafts does not allow for a comprehensive analysis of the situation. While there is a specific Harmonized System (HS) code for handmade paper sheets (HS 480210),[3] no disaggregated trade data are available for other handmade paper products or handicrafts (such as notebooks, postcards or decorations). The only HS code that records global trade in handmade paper does not fully disclose the global trade pattern of handmade paper products. Nevertheless, it gives a basic idea of the global market for handmade paper.

3. HS code 480210 handmade paper and paperboard of any size or shape.

HANDMADE PAPER GLOBAL TRADE

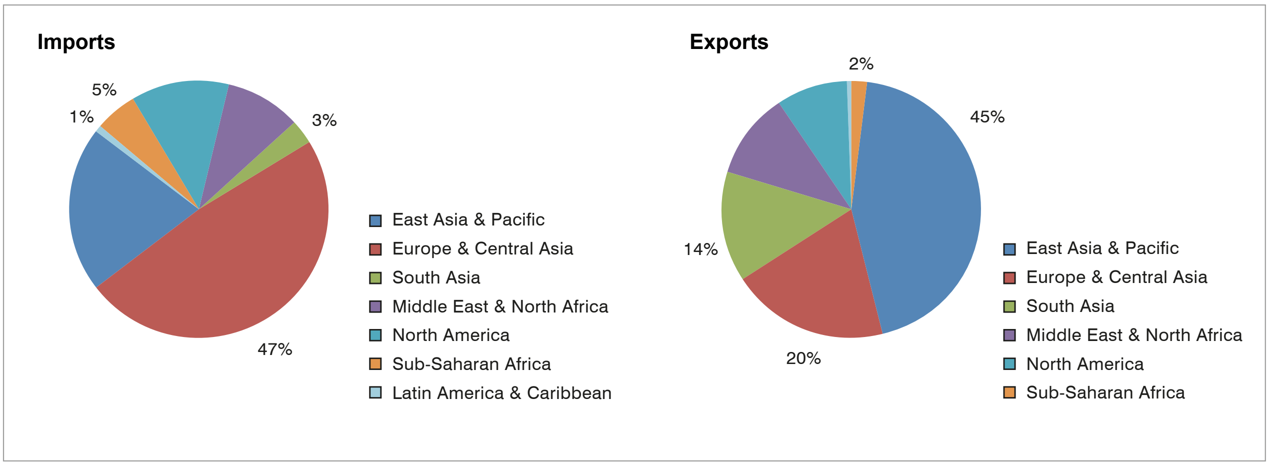
As illustrated in figure 2, the global market for handmade paper was marked by fluctuation and instability between 2001 and 2015. The world handmade paper market grew from roughly US$ 80 million in 2001 to US$ 180 million in 2007 and then sharply declined from 2008 following the financial crisis. It then substantially increased from 2010 and reached US$ 160 million in 2012 before falling and stabilizing at around US$ 120 million between 2013 and 2015. The unit value decreased significantly (-16%) between 2013 and 2015. This means the world market for handmade paper is stagnant, with global demand for cheaper products.

Figure 2: *World imports of handmade paper (HS code 480210), 2001–2015*



Source: ITC Trade Map 2016.

Figure 3: *Global trends in handmade paper by value, 2015 (HS-480210)*



Source: ITC (2016), Trade Map database <www.trademap.org>.

China and India – along with several other Asian countries – currently dominate handicraft production and exports worldwide and are likely to continue to do so in the future. However, these two countries show different export patterns. China is the leading exporter of handmade paper, accounting for 26.4% of world exports in 2015. Its primary export product, Xuan paper for calligraphy, is marked by a high level of concentration, with 46.5% of its exports destined for Japan and 20.8% for the Republic of Korea, countries which share the tradition of calligraphy.

India is the second-largest exporter of handmade paper, accounting for 13% of world exports. Its exports are characterized by a low level of concentration, mainly destined for Europe (31.5% of its exports), North America (21.8%) and the Middle East (21.6%).

The United States is the world's third top exporter of handmade paper and fourth top importer, with a trade deficit of approximately US$ 3.5 million in 2015. It dominantly supplies its neighbouring countries, with 59.6% of its exports going to Canada and 23% to Mexico.

Thailand is the world's fourth top exporter of handmade paper, growing at an impressive five-year compound annual growth rate (CAGR)[4] of 14%. Key destination markets for Thai handmade paper include Japan (27.1%), the Republic of Korea (22.6%) and Hong Kong (China) (15%).

Europe is the main importing market for handmade paper, accounting for 47% of world imports. The Netherlands is the leading importer of handmade paper, accounting for 15.6% of world imports, followed by France (14%), Japan (12.5%), the United States (8.5%) and Spain (7.4%).

4. Annual growth rate is the change in the value of a measurement over the period of a year. The compound annual growth rate (CAGR) is a measure of growth over multiple time periods

Table 1: *Top five exporters and importers of handmade paper by value (HS-480210)*

Exporters of handmade paper	Exports 2015 (US$ millions)	Share in world exports (%)	5-year CAGR (%)	10-year CAGR (%)
World	65.4		-2	-7
China	17.3	26.4	0	18
India	8.5	13.0	-10	-13
United States	5.9	9.1	18	-9
Thailand	4.5	6.9	14	7
France	3.7	5.6	-11	-8

Importers of handmade paper	Imports 2015 (US$ millions)	Share in world imports (%)	5-year CAGR (%)	10-year CAGR (%)
World	110.6		-1	-4
Netherlands	17.4	15.8	78	5
France	15.4	14.0	-17	-13
Japan	13.9	12.5	-7	-2
United States	9.4	8.5	13	9
Spain	8.2	7.4	42	24

Source: International Trade Centre (2016), Trade Map database <www.trademap.org>.

Box 2: Implications for Nepal of the handmade paper global trade

Nepali handmade paper is competing with large exporters from different countries. Nepali exports of handmade paper only represent 0.7% of world exports. In comparison, this represents 2.4% of Chinese exports or 5% of Indian exports, respectively the first and second world leading exporters of handmade paper. Building and maintaining clear differentiation with the competition is a key critical success factor to remain competitive in the world market.

EMERGING TRENDS IN THE GLOBAL MARKET FOR HANDMADE PAPER PRODUCTS

Handmade paper and paper products is one segment within the handicrafts section. Unfortunately there is no direct data to capture international trade in handmade paper and paper products, and it is also quite difficult to assess trends in the world handicrafts market. The home accessory market is thus often used to estimate the demand for handcrafted goods.

Market trends change frequently; it is a major challenge for handicraft exporters and artisan communities in developing countries to keep up. However, globalization creates many new opportunities and the home accessories market, especially in Northern America and Europe, has been growing, with particular demand for 'cultural or ethnic goods'. Experts believe that the rise of international tourism and increasing focus on interior decoration will last as a reaction to the global homogenization of mass production. These new opportunities naturally bring new challenges: **handicraft producers must be more responsive in adapting designs to buyer requirements, provide timely production and delivery, and improve quality and efficiency in view of increased price competition and consumer expectations.**[5]

Photo: handmade paper,

Major trends driving the handicraft and home accessory markets and which have a clear impact on the Nepali handmade paper and paper products sector are detailed below.

5. Barber, T. and Krivoshlykova, M. (2006). Global Market Assessment for Handicrafts. *United States Agency for International Development, Volume 1*, VII.

TRENDS IN INTERIOR DECORATION AND INTERIOR DECORATION PRODUCTS (INCLUDING CRAFTS AND GIFT ARTICLES).[6]

A market study conducted by the Centre for the Promotion of Imports from Developing Countries (CBI) estimates that there are two trend cycles per year for decorative items, and exporters of paper products should thus continuously seek information on ongoing and upcoming trends and be prepared to develop products accordingly on a running basis. The interior decoration market occasionally sees trends with a focus on 'ethnic' ornaments and decorative items from developing countries. Colour trends within interior design and the gift article market change almost as rapidly as fashion trends, and for handmade Lokta stationery products and interior design items specifically, the demand in terms of colours tends to follow colour schemes seen in the fashion industry.

PERSONALIZATION OPTIONS IN DESIGN[7]

Designs that can be transformed to fit individual preferences are growing in importance. Consumers wish to be able to personalize products based on their own tastes and ideas. Owning and creating such personalized products is a new status symbol and makes consumers feel unique.

EMOTIONAL CONNECTION BY STORYTELLING

Companies create an emotional connection with their customers by telling the story behind a product. Consumers emotionally connect to the characters or 'action' of the story. The new generations of consumers are highly responsive to interactive advertisements and marketing efforts. When combined with powerful imagery, storytelling engages an audience. Stories should entail:

- Making (techniques, materials)
- Makers (human interest, corporate social responsibility)
- Meaning (cultural significance, performance).

Consumers are travelling further than ever. This also influences the storytelling trend as consumers bring home new stories from distant cultures. In addition, the Internet has made consumers more open to inspiring stories from the other side of the world. As a result, Asian and African styles are influencing existing European styles. This trend has opened the consumer's mind to stories with an ethnic flavour, leading to a new appreciation of patterns, styles and imagery of ethnic origin.

6. Ministry of Foreign Affairs (2007). The Gifts and decorative articles market in the EU. *CBI Market Study*. pp. 3, 13.

7. Ministry of Foreign Affairs (2016). CBI Trends - Home Decoration & Home Textiles in Europe-2016. *CBI Market Intelligence*. pp.2,3.

DO-IT-YOURSELF[8] (PICTURE)[9]

At Paperworld fair 2016, a world leading international paper industry trade fair, new products and creative ideas were mostly emanating from the **'do-it-yourself'** trend. In the past, crafting seemed to be reserved for senior and middle-aged women. Now, adults under the age of 35 dominate the US$ 29 billion crafting industry. For brands and producers willing to tap into this new segment, they must understand the desire of these customers for active participation, individual customization and experiential value.

Photo: Do-it-yourself workshop at Paperworld

GROWING IMPORTANCE OF SUSTAINABILITY AND SUSTAINABLE DESIGN

The importance of sustainability and, with it, demand for accountability, keeps growing around the world. Sustainable products are still a niche market but sustainable purchasing is a growing trend. Especially in Western Europe, consumer demand is increasingly favouring sustainability and consumers are buying products to support local communities.

Sustainable design:[10] Sustainable design products are aesthetically appealing products with a clear identity and usability. These products thoroughly integrate social and environmental dimensions in their complete life cycle from production through to consumption and end of life. Sustainability in product design is used to deliver value in two areas: environmental and social. The market for sustainable design in home decoration is a niche market. Although no statistics are available, various market studies conclude that this market is following the fast-growing trends of other sustainable goods such as fashion, and the potential is important.

8. http://creativeworld.messefrankfurt.com/frankfurt/en/besucher/messeprofil/impressionen-2016.html

9. *Ibid.*

10. Ministry of Foreign Affairs (2016). CBI Trends - Home Decoration & Home Textiles in Europe-2016. *CBI Market Intelligence*. pp.2,3.

Photo: ITC, *Lokta stocks*

CHINESE AND INDIAN DOMINATION OF HANDICRAFT PRODUCTION

China and India – along with several other Asian countries – currently dominate handmade paper production worldwide and are likely to continue to do so for the foreseeable future. Their position is based largely on low-cost, high-volume, Western-designed goods. In the United States Agency for International Development handicraft trends report,[11] the 'China threat' to developing country handicraft producers is described as being overstated despite China's overwhelming competitive advantages. Buyers do and will continue to look at other countries as potential suppliers in their endless search for unique and marketable products. Many seek new resources outside of China for a number of reasons – the quest for greater product differentiation, the need for lower minimum quantities, interest in faster order turnaround, and a simple 'China fatigue' on the part of both consumers and buyers.

11. Barber, T. and Krivoshlykova, M. (2006). Global Market Assessment for Handicrafts. *United States Agency for International Development, Volume 1*, p. 29.

Box 3: Implications for Nepal of global trends

The following trends in global handmade paper and paper-based products have a number of implications for Nepal as it seeks to secure its place within the handmade decoration and giftware market:

- The world market for handmade paper is stagnant, with global demand for cheaper products. Nepal needs to focus on a niche segment as its products are not price-competitive.
- Ethnic and ethical products are growing segments in the interior decoration products market where handmade Lokta stationery products can find buyers.
- The growing trends of personalization options in design, emotional connection by storytelling and the importance of sustainable design must be integrated into the manufacturing of handmade paper products by Nepali producers.

Photo: ITC

HANDMADE PAPER AND PAPER PRODUCTS IN NEPAL: VALUE CHAIN ANALYSIS

HISTORICAL PERSPECTIVE

Nepali paper is a unique traditional craft of Nepal. The people of Nepal learned papermaking from Tibet in the seventh century. Documents available at various monasteries clearly state that handmade paper has been commercially produced in Nepal since the twelfth century. Handmade paper production has been able to provide income opportunities mainly for marginal communities residing in the hills and mountains of Nepal.

Lokta paper has a unique texture and is very strong, soft, durable and insect-resistant. It is thus traditionally used for important legal and religious documents. Currently its uses for regular purposes in the domestic market have been gradually increasing, albeit slowly. It is being used in courts and for land transactions of the Land Registration Office, bank documents, paper incense and letter pads.

Lokta paper was brought to the international market by the United Nations Children's Fund (UNICEF) by establishing a paper products manufacturing unit at Bhaktapur, with production of paper being concentrated in Baglung and Myagdi districts during the early 1980's. This project helped to establish Lokta paper as a potential product for export. Many entrepreneurs learned different ways of making products by observing the UNICEF production system. The UNICEF approach also confirmed that Lokta is a sustainable raw material, as Baglung and Myagdi districts are still producing Lokta paper after more than 35 years with no damage to the environment and with sustainable allocation of Lokta harvesting by local inhabitants. Similar methods of sustainable harvesting have been practised in other Lokta paper producing districts.

Figure 4: *Physical map of Nepal*

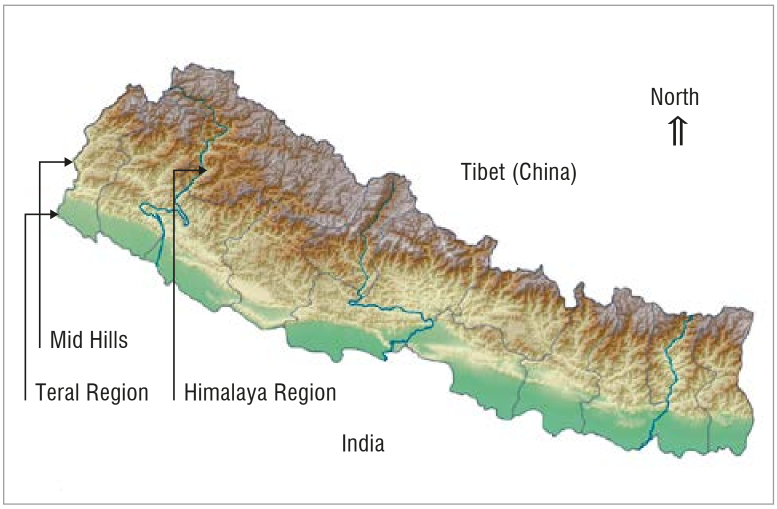
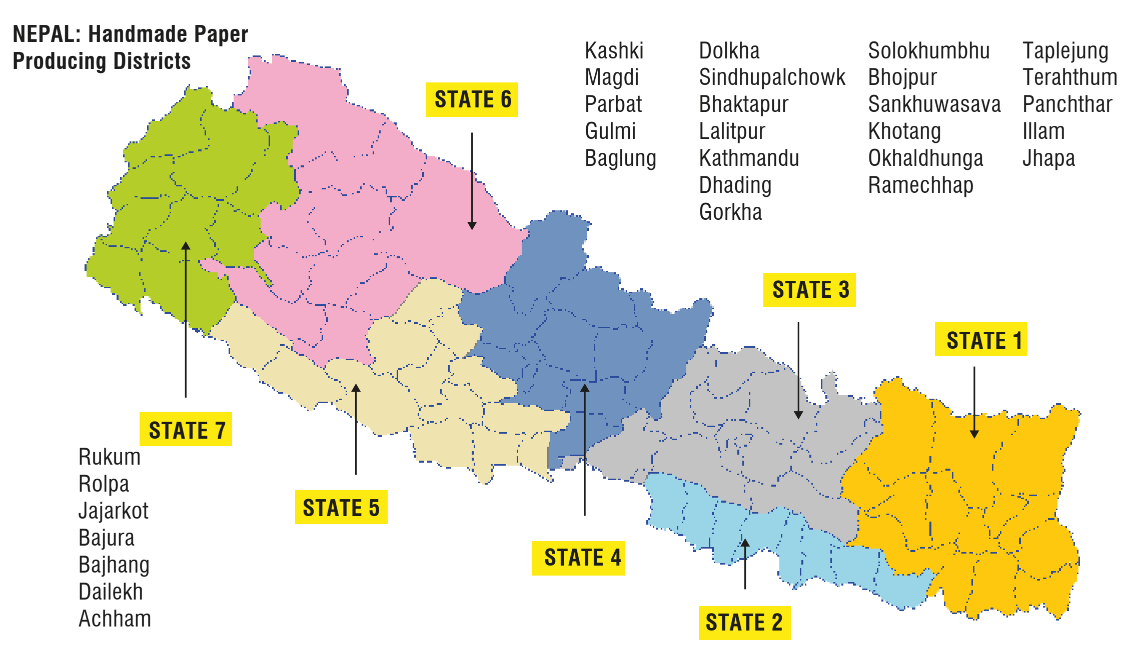


Figure 5: *Lokta production in the different regions in Nepal*



Source: HANDPASS.

STRUCTURE OF PRODUCTION: LOKTA PLANT, HANDMADE PAPER AND PAPER PRODUCTS

LOKTA PLANT

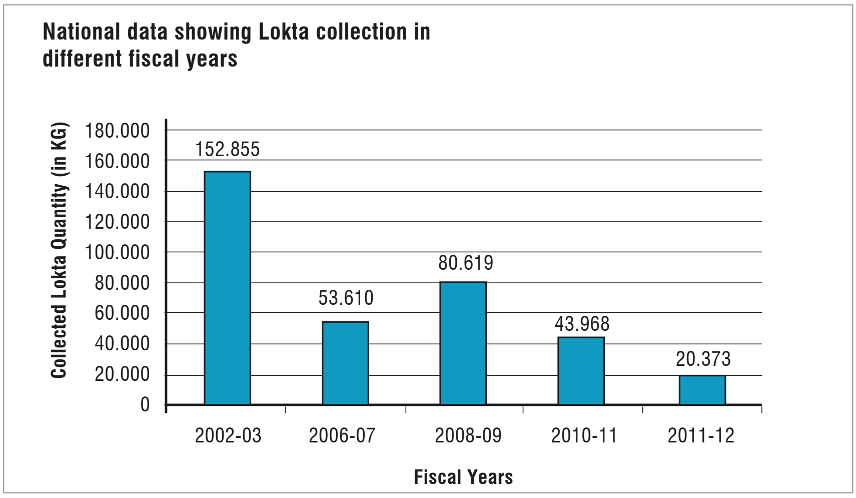
Nepali handmade paper is a unique traditional item of indigenous technology and made out of 'Lokta', the inner bark of *Daphne bholua Buch* (Ham.ex D.Don) and *Daphne papyracea* Wall. or *Daphne cannabina* Lour.ex Wall., (*Thymelaeaceae sp*).[12] Lokta contains long, textured and strong fibre and it is available in the upper-mid hills and lower Himalayan regions of Nepal at altitudes ranging between 1,500 and 3,000 metres above sea level (see figure 1). In view of the bitterness and other chemical properties of the plant, it is not useful as cattle fodder nor can it be used as fuel, as burning it produces a bad smell and a lot of smoke. On the other hand it grows by expanding through its rhizomes, root suckers or matured seeds, dominating forest areas and restricting the growth of other plants. Lokta plants contribute to soil and environmental conservation in many parts of the country.[13] Careful harvesting of Lokta bark does not destroy the plant.

After the Lokta plant stalk is harvested, its bark is extracted to process into paper by marginal farmers and cottage and small industries in the high hills and mountains, as they have limited scope for other economic activity. Lokta plant and paper production are necessary to maintain the ecosystem of the forest by restricting undue and unwanted coverage of this plant. Its monitored growth is equally desirable because it provides employment opportunities for marginalized farmers in the most difficult geographical terrains of Nepal.

12. Government of Nepal (2007). Medicinal Plants of Nepal. *Department of Plant Resources*, pp. 46 and 239. This plant is an erect, or spreading, or much branches evergreen or deciduous shrub up to 1 m to 2.4 m tall. It has medical properties also: bark is given in decoction to treat fevers. Juice from the root treats intestinal problems and toxic seeds expel worms. In Nepali it is also known as 'Kagatpate' or 'Kagate'.

13. Switch Asia Project/HANDPASS (2010), Sustainable Production of Lokta Handmade Paper Production in Nepal. *Scientific Training Directive*.

Figure 6: *National data showing Lokta collection in different fiscal years, 2002/03–2011/12*



Source: MoFSC 2003, 2007, 2009, 2010, 2011.

Lokta grows wild in forested areas of 55 of the 75 districts of Nepal, throughout the entire east and in the western mountains and the Himalayan regions.[14] Almost all of these districts are in Provinces 1, 3, 5, and 6, as shown in figure 5. According to the Forest Survey and Research Office, every year 110,481 tons of Lokta is available on 2.91 million hectares of land[15] and about 1,000 tons is collected annually, which produces 330 tons of paper. According to a survey conducted in 1976 in 13 districts, 986 tons of Lokta was available for papermaking annually in these districts, where 162 tons of Lokta was used to produce 87 tons of paper.[16] No similar survey has been conducted since then.

14. State of Nepal's Forests, Ministry of Forestry and Soil Conservation, Department of Forest Resources and Survey indicated that forests occupy 5.96 million ha of land (40% of total area of Nepal). Of this, 17% are in protected area and 83% are outside protected areas, and 38% of total forest is in mid-mountain physiographic regions where Lokta is found.

15. FSRO (1984). Preliminary Survey Report of Daphne spp. Vegetation, Forest Survey and Research Office. Kathmandu, Nepal. *Publication no. 41, Department of Forest*. According to this survey Mechi, Koshi and Sagarmatha Zones of Nepal has 67,266 tons; Janakpur, Bagmati, and Narayani Zones have 2,348 tons; Dhabalarigi, Gandaki and Lumbini zones have 9,516 tons; Karnali, Beri and Rapti Zones have 22,193 tons; and Seti and Mahaakali Zones have 9,157 tons of growing stocks of Lokta. Cited in Khadgi N., Shrestha B.B. and Siwakoti M. (2013). Resource Assessment and Habitat analysis of Daphne bholua in Bhujung of Anna purna Conservation Area, Central Nepal, *Research Journal of Agriculture and Forestry Sciences, Vol.1(4)*, p.1.

16. Industrial Services Centre and Department of Cottage and Small Industries (1976), Feasibility Study and Quality Improvement of Handmade Paper. Districts studied are Sankhuwasava, Khotang, Solukhumbhu, Okhaldhunga, Ramechhap, Nuwakot, Parbat, Baglung, Myagdi, Doti, Dailekh and Darchula.

The most recent data published by the Ministry of Forest and Soil Conservation (MoFSC) shows that Lokta collection is gradually decreasing in Nepal (see figure 6). In some districts Lokta has been overharvested. Also, Lokta has started to be collected illegally in national forests and thus does not appear in official statistics. In September 2016, during ITC consultations with sector stakeholders, the private sector expressed its concerns vis-à-vis the accuracy of the official statistics and its view that a proper national survey should be carried out in order to verify the actual stocks of Lokta, current production and harvesting practices.

There were a few successful attempts in Terhathum district to grow Lokta in farms. Local community farming of Lokta requires government intervention in terms of land allocation and technical support.

Currently, the following norms are applied for Lokta harvesting:

1. Minimum size of the Lokta plant stem 5 cm. in radius;
2. Branches of plants are cut above 20 cm to 25 cm from the ground (plants are not rooted out);
3. Available allocated forest land is divided into five areas or plots and only one area or plot is harvested in one year on a rotating basis;
4. The bark of harvested stems is peeled out using a sharp knife;
5. Masks, boots, sunglasses and gloves are used while peeling bark to protect body parts;
6. The bark is fully dried and stored.[17]

17. Manandhar, M. (2016). Lokta (Baruwa) Raw material – Nepali Paper-Product Production. *Ban Ko Jhandri*.

HANDMADE PAPER PRODUCTION

Paper is produced by cottage and small factories (units) in about 32 districts of Nepal. According to the Nepal Handmade Paper Association (HANDPASS), about 200 production units are in operation out of 300 units registered with the Government. The most important handmade paper production districts are: Taplejung, Panchthar, Solukhumbhu, Sankhuwasabha, Terhathum, Okhaldhunga, Bhojpur, Khotang, Jhapa, Dolakha, Ramechhap, Sindhupalchok, Dhading, Gorkha, Rasuwa, Jumla, Kaski, Myagdi, Parbat, Baglung, Bajhang, Bajura, Baitadi, Rukum, Rolpa, Jajarkot, Dailekh and Achham.

Paper handmade from Lokta is soft, durable, strong, dyeable and has inherent resistance to worms and insects. Lokta handmade paper is unique – different from those produced in China, India, the Philippines and Thailand. The production process is not mechanized, as each paper sheet is dried naturally in the sun and wind.[18] The traditional production technology used for papermaking is itself a unique selling point. When markets demand Nepali handmade paper, manufacturers also use other fibrous raw materials such as argeli, banana, cardamom and babiyo.

Nepali handmade paper and paper products as forest-based exportable handicraft items have more than 95% value added content in Nepal with full utilization of local resources/raw materials, labour and expertise (technology). Value addition takes place in both urban and rural areas with scope for sharing incomes between rural and urban people. Data available from HANDPASS reveal that annual paper production is 200,000 *kories*.[19] Nepali handmade paper and paper products/crafts worth about NPR 300 million are consumed in local markets annually and NPR 500 to 600 million are exported. The standard paper size is 50 x 75 cm, which is available in 5, 10, 15, 20 and 40 gram weights. Papermaking factories employ about 4,000 rural people, of which 80% are women. It is estimated that investing in a traditional papermaking factory currently costs NPR 1,000,000.[20]

18. Government of Nepal (2010). Nepal Trade Integration Strategy 2010. Kathmandu. *Ministry of Commerce and Supplies,* p 66.

19. 200 sheets of paper sized 50'x75' makes a *kori* irrespective of the weight of the paper.

HANDMADE PAPER PRODUCTS PRODUCTION

Handmade paper is further used to produce unique artworks by making paper products marketable in foreign countries. Production of paper products encourages small-scale entrepreneurs in urban areas too. The major handmade paper products are identified in the previous section 'product map'.

There are 150 business units (business and production) dealing in paper products manufacturing, mainly in Kathmandu Valley and Pokhara. More than 90% of total paper products are exported abroad and the remainder are sold in domestic markets. There are many retail shops dealing in handicrafts (including handmade paper and paper products) in Kathmandu Valley and Pokhara.

PRICING AND REVENUE DISTRIBUTION

At present Lokta collectors receive NPR 50 to NPR 180 per kilo of fresh Lokta depending on delivery location. For example, Lokta is delivered in Ghandruk for NPR 50 per kg whereas in Kathmandu it costs NPR 180 per kg. It takes about 1 kg of fresh and matured Lokta to produce 400 grams of paper and 1 kg fresh Lokta to produce 300 grams of paper. Prices of different types of paper and colour in weight are presented in table 2.

20. HANDPASS and FHAN (Federation of Handicraft Associations of Nepal).

Table 2: *Average prices of standard size paper*

Description	Wholesale price (NPR)		Retail price (NPR)		Weight
Weight in grams	Per kori	Per sheet	Per kori	Per sheet	In kg
Natural 5	1 000	50	1 200	6	1.00
Natural 10–12	1 400	7	1 600	8	2.40
Natural 15	20 00	10	2 200	11	3.00
Natural 20	28 00	14	3 000	15	4.00
Natural 40	5 600	28	6 000	30	8.00
Printed paper 20	8 000	40	9 000	45	4.50
Plain colour paper 20	64 000	32	7 000	35	4.50
Plain colour 40	9 400	47	10 000	50	9.00

Table 3: *Price analysis – average price structure*

Actors	Product	Value (NPR)	Unit	Percentage
Lokta collectors	Lokta	380	3.3 kg	24.0
Paper producers	Paper	500	1.0 kg	31.0
Paper traders	Paper	600	1.0 kg	37.5
Paper retailers	Paper	800	1.0 kg	50.0
Paper products producers / exporters	Paper products	1 600	1.0 kg	100.0

A brief analysis of price shows that there is more than 10 times value addition over the price of raw material (Lokta) when finished paper products are sold in the market (see table 3). According to this table, a Lokta collector receives 24% of the total value of the paper products while paper producers receive 31% of the total value. Paper products manufacturers add more than 50% over the value of paper from retailers and traders.

SOCIOECONOMIC IMPACT OF THE SECTOR

The local market and exports of handmade paper and paper products contribute to socioeconomic development and poverty alleviation of rural inhabitants, particularly women, in the remote and hill districts of Nepal. According to HANDPASS, more than 50,000 households in mountain regions are engaged in Lokta collection and 80% of women living in these households are getting off-farm employment. Income generated from Lokta paper is very significant for marginalized farmers in hills and mountains where economic activities are limited.

There are 150 business units (business and production) dealing in paper products manufacturing mainly in Kathmandu Valley and Pokhara. Including wholesalers and retailers, 150 units are registered with the sector association HANDPASS and 45 are exporters. The registered units give employment to more than 4,000 people.

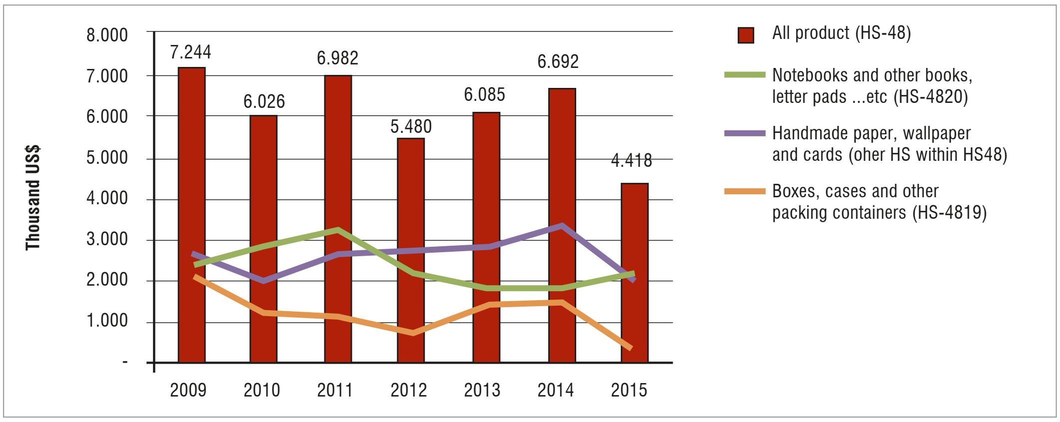
EXPORT PERFORMANCE

Nepal's export figures for handmade paper and paper products between 2009 and 2015 are presented in figure 7. During the review period, exports fluctuated greatly every year from US$ 7.2 million in 2009 to the lowest level, US$ 4.4 million in 2015. For the period 2011–2015, exports decreased in value significantly: by 10.8% annually (CAGR) with a sharp fall between 2014 and 2015 (a 34% decrease in value). Few handmade paper export items can be classified using HS codes.[21] In 2015, three major groups of products were being exported: notebooks (HS-4820), wallpaper and paper board,[22] and boxes (HS-4813). Other handmade paper items cannot be classified using HS codes.

21. All products exported by Nepal under the HS-2 digit group of products HS-48 'Paper and paperboard; articles of paper pulp, of paper or of paperboard' can be classified under handmade paper and paper products as there is no industrial paper factory in Nepal.

22. Product groups constituting various HS-4 digit subgroups including handmade paper: HS-02 to HS-18 and HS-21 to HS-23.

Figure 7: *Nepali exports of handmade paper and paper products (HS-48) 2009–2015*



Source: ITC Trade Map – data from TEPC.

PRODUCT EXPORT PERFORMANCE

Over the period 2009 to 2015, the two product groups 'notebooks' and 'handmade paper' each represented around 40% of exports in value; followed by the third group of products, 'boxes and packing containers' with 20%. Exports of these three products decreased over the same period with an annual growth rate of -10.8% (CAGR) for notebooks and -6% for handmade paper. The product group 'boxes and packing containers' has been the most severely impacted by the decrease in exports, as its 2015 export value only represented one-sixth of its export value in 2009.

MAJOR EXPORT DESTINATIONS

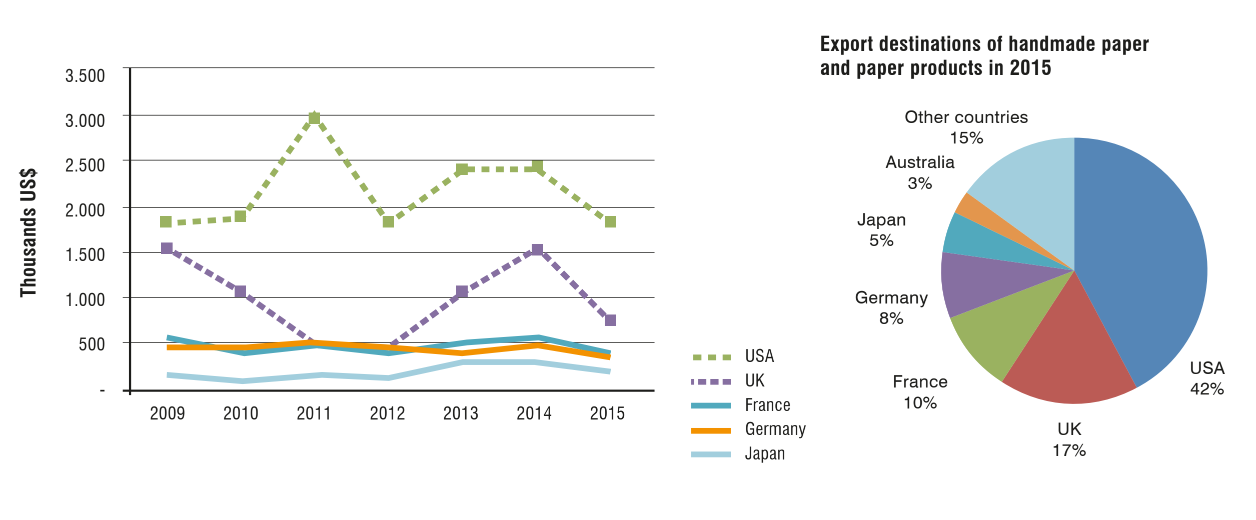
As described in table 4, the major export destinations for Nepali paper and paper products are the United States, United Kingdom, France, Germany, Japan, Australia, Singapore, the Netherlands, Italy, Denmark, Switzerland and China. Exports are concentrated in a few destinations, with the United States representing 41.7% and the first four countries representing 76.8% of total exports from Nepal in 2015. Germany and Japan are other important markets for paper and paper products from Nepal (see table 4). It is important to note the significant decline between 2011 and 2015 of imports by the United States (-11.3% CAGR) and Germany (-9.5% CAGR). The decline in Nepali exports between 2014 and 2015 is mainly due to major drops in its two most important markets: -24.3% (CAGR) in the United States and a huge fall (-51%) in United Kingdom imports.

Table 4: *Export destinations for handmade paper and paper products between 2011 and 2015*

	Importers	Export value 2011	Export value 2014	Export value 2015	CAGR 2011–2015 (%)	CAGR 2015–2016 (%)	Market share (%)
	World	**6 982**	**6 692**	**4 418**	**-10.8**	**-34.0**	**100.0**
1	United States	2 973	2 432	1 841	-11.3	-24.3	41.7
2	United Kingdom	532	1 556	754	**9.1**	-51.5	17.1
3	France	502	560	435	-3.5	-22.3	9.8
4	Germany	543	500	364	-9.5	-27.2	8.2
5	Japan	175	316	218	**5.6**	-31.0	4.9
6	Australia	294	181	136	-17.5	-24.9	3.1
7	Singapore	77	104	95	**5.4**	-8.7	2.2
8	Netherlands	96	94	90	-1.6	-4.3	2.0
9	Italy	112	78	68	-11.7	-12.8	1.5
10	Denmark	24	82	63	**27.3**	-23.2	1.4
11	Switzerland	81	94	53	-10.1	-43.6	1.2
12	China	44	23	47	1.7	**104.3**	1.1
13	Austria	31	38	46	**10.4**	**21.1**	1.0
14	Canada	116	62	44	-21.5	-29.0	1.0
15	Belgium	153	34	30	-33.5	-11.8	0.7
16	India	519	46	24	-53.6	-47.8	0.5
17	Norway	10	39	22	**21.8**	-43.6	0.5
18	New Zealand	50	34	19	-21.5	-44.1	0.4
19	Republic of Korea	8	11	14	15.0	27.3	0.3
20	Estonia	14	27	12	-3.8	-55.6	0.3

Source: ITC Trade Map.

Figure 8: *Export destinations of Nepali handmade paper and paper products (HS-48), 2009–2015*



Source: ITC Trade Map.

MARKET ACCESS CONDITIONS

TRADE AGREEMENTS AND TRANSIT TREATIES

As a landlocked country, Nepal faces issues of transit routes and ports to access the international market. Bilateral trade agreements and transit treaties are key elements of trade policy with its neighbouring countries. Effective economic integration through improved connectivity and the elimination of border barriers to trade and services should provide Nepal with broader access to regional and global markets. During the last three decades, Nepal has made conscious efforts to foster deeper economic integration with neighbouring countries and regional partners in South and East Asia as well as within the global economy. Nepal has signed 17 trade and two transit agreements, which have provided Nepal with improved access to regional and global markets. The transit agreements with India and Bangladesh are fully operational. Recently Nepal has also signed a transit and transport agreement with China (March 2016) and currently its protocol and operational modalities are under study and preparation.

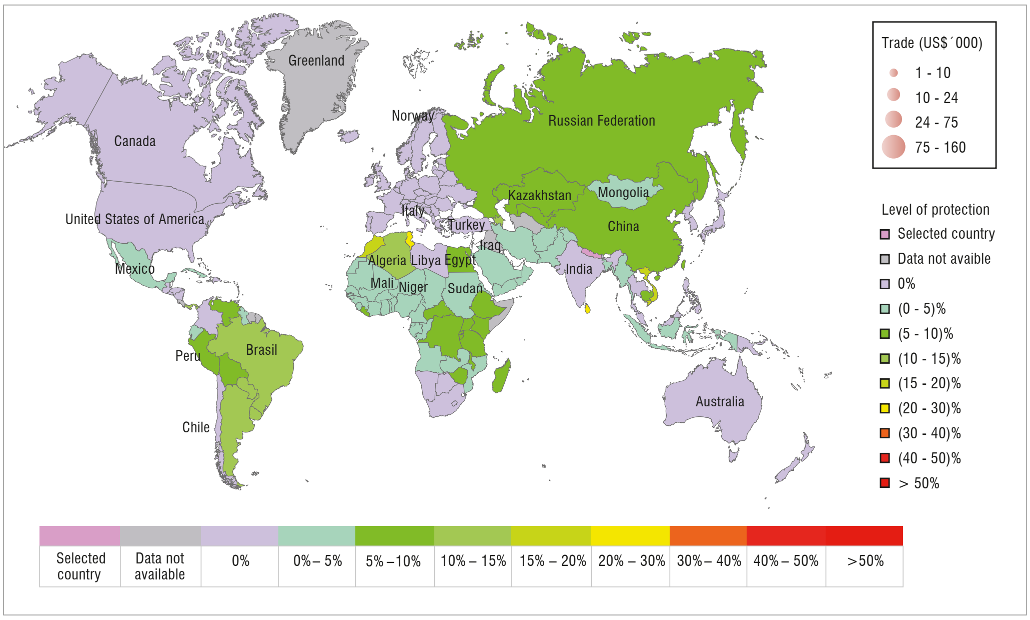
Nepal acceded to the World Trade Organization in 2004, is a founding member of the South Asian Association for Regional Cooperation and has been actively participating in the South Asian Free Trade Area and the South Asian Association for Regional Cooperation Agreement on Trade in Services. Nepal is also a signatory to other important regional cooperation initiatives, such as the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation. Similarly, the country participates in the Asia–Pacific Trade Agreement as an observer.

Nepal has bilateral trade agreements with India and China, which are also its major trade partners. The Trade Treaty signed with India is reviewed periodically and renewed every seven years. In October 2016 this treaty was renewed for a further seven years. China also provides zero-tariff access to its market for Nepal's 7,831 export items under a letter of exchange. Nepal's exports are also getting preferential access to developed countries' markets under the Generalized System of Preferences. Furthermore, the European Union (EU) has offered duty free, quota-free access to all export items under its Everything but Arms initiative. Nepal signed a Trade and Investment Framework Agreement with the United States in 2011.

Despite numerous trade agreements and preferential market access, there has been limited utilization of the benefits due to variation in the nature of schemes and lack of awareness among Nepali exporters about the requirements to comply with strict rules of origin and other regulatory and administrative procedures.[23]

23. NDTIS 2016.

Figure 9: *Level of Customs duties faced worldwide by Nepali exports of handmade paper (HS-480210)*



Source: International Trade Centre, Market Access Map (2016) (a).

TARIFF ANALYSIS: ABSENCE OF TARIFF ADVANTAGE

As illustrated in figure 9, tariffs imposed on Nepali exports of handmade paper (HS-480210) are relatively low worldwide. Among its main important trading partners, Nepali handmade paper and paper products face 0% tariff under most-favoured-nation regimes in the EU, United States and Japanese markets, and under the preferential tariff for Generalized System of Preferences[24] countries in Switzerland.[25] It is important to note that Nepal does not face any tariff advantage in its main trading partners when exporting handmade paper.

NON-TARIFF MEASURES

While tariffs are not a significant restraining factor for handmade paper and paper products to access international markets, the imposition of various non-tariff as well as para-tariff measures poses challenges for easy access to destination markets. As with any commodity, products must also comply with legal requirements (technical barriers to trade), and sometimes with non-legal requirements such as private standards.

24. International Trade Centre (2015). India's Duty Free Tariff Preference Scheme for Least Developed Countries: A Business Guide.

25. The tariff analysis was based on the main exported products of Nepal in the handmade paper sector: HS482010, HS480210, HS481920 and 481710.

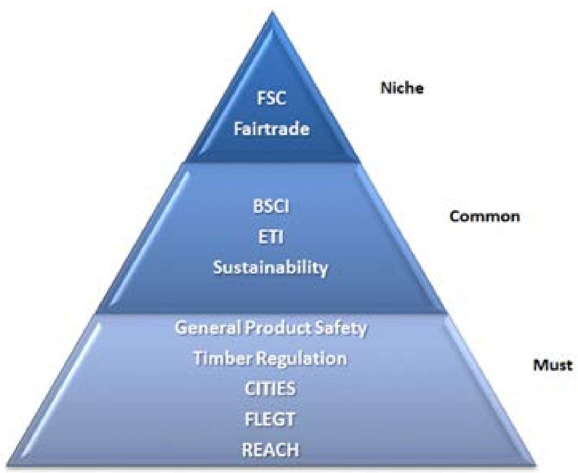
LEGAL REQUIREMENTS

Legal requirements[26] are the basis for market entry and products marketed in any target market must meet these requirements. These requirements are established by law and must be adhered to by all producers who want to export. Any product that fails to meet these requirements is not allowed in the target market. The following is the list of legal requirements imposed by the EU:

- ***General product safety:*** The General Product Safety Directive applies to all consumer products. It states that all products marketed in the EU should be safe to use and forms a framework for all specific legislation on specific products and issues.
- ***REACH:*** The Regulation on Registration, Evaluation, Authorization and Restriction of Chemicals (REACH) lists restricted chemicals in products that are marketed in the EU. In order to market notebooks on the EU market, you need to make sure that your products do not contain hazardous substances as defined by REACH. The chemicals that apply to you depend on the materials used in your product, for example in producing white paper.

26. For the European Union, you can find an overview here: http://exporthelp.europa.eu/thdapp/form/output?action=tariff&prodLine=80&mode=specificRequirements&status=null&simDate=20160725&languageId=en&cmd=chap&taricCode=0901110000&partnerId=NP&reporterId=DE&simulationDate=25%2F07%2F2016&submit=Search.

- ***The Convention on International Trade in Endangered Species*** lays down provisions for the international trade in endangered species. The EU has established additional import restrictions.
- ***Timber:*** Under the **EU Timber Regulation**, placing illegally harvested timber and timber products on the EU market is prohibited. Timber is only allowed to be imported into the EU if it is proven to be legal. Paper is also included in the timber regulation, with the exception of bamboo-based, recovered and printed paper. Wood and wood products carrying a **Forest Law Enforcement, Governance and Trade** (FLEGT) licence, or a Convention on International Trade in Endangered Species permit, are considered to comply with the EU Timber Regulation.
- ***FLEGT:*** The FLEGT action plan is designed to control the entry of timber or timber products (which includes paper in some countries, e.g. Indonesia) into the EU from those countries that have entered into Voluntary Partnership Agreements with the EU. It makes it illegal to import certain types of timber (products) from these countries unless the timber has a FLEGT licence which provides evidence that the timber has been legally harvested.



PACKAGING AND LABELLING REQUIREMENTS

Information on the outer packaging of notebooks should correspond to the packing list sent to the importer. External packaging labels for notebooks should include the following information: producer, consignee, material used, quantity, size, volume, caution signs. The International Article Number[27] (or barcode) are widely used on product labels within Europe.

27. The International Article Number (also known as European Article Number) is a 13-digit barcode symbol used worldwide for marking products often sold at retail point of sale.

NON-LEGAL REQUIREMENTS

Additional requirements go beyond legislation, as companies can go further in their requirements than legislation. The main categories of additional requirements are environmental requirements and social (labour) requirements.

SUSTAINABILITY CERTIFICATION[28]

Social and environmental sustainability offer ways for companies to differentiate their products on the European market. Opportunities range from sustainable raw materials to production, certification and the use of labels (see niche requirements). Buyers are increasingly demanding the following certification schemes.

- **The Business Social Compliance Initiative (BSCI)** has been developed by European retailers to improve social conditions in sourcing countries. Suppliers of BSCI participants are expected to comply with the BSCI Code of Conduct (CoC), which can be proved with an audit at the importer's request.
- **The Ethical Trading Initiative (ETI)** is a CoC developed to improve the working lives of people across the globe that make or grow consumer goods. ETI is particularly common in the United Kingdom.
- **Standards such as ISO 14001 and SA 8000** can be used to meet buyer demands for sustainability. However, compliance with these specific standards will only be demanded in niche markets.
- **Forest Stewardship Council (FSC):** FSC certification of timber is the most common label for sustainable wooden products, including (handmade) paper. This standard is used to certify forests that are sustainably managed. Wood from certified forests is labelled throughout the value chain and as final products. FSC certified products are especially popular in Western European markets, such as the Netherlands, Germany and the United Kingdom.
- **Fairtrade:** Besides the social and environmental aspects of production, Fairtrade certification also covers a fair wage to labourers involved in the production of handmade paper and notebooks. Compliance with Fairtrade norms also makes it easier to satisfy other social and environmental norms, as it is the most integrated system for sustainability. However, as handmade paper notebooks are a small part of the market, compliance with certification may be too expensive.

28. International Trade Centre (2016). Standards Map Database. Retrieved from http://standardsmap.org/.

POLICIES GOVERNING THE SECTOR

There is no specific policy formulated to support the development of the handmade paper and paper products sector. This section provides an overview of the key policies in place which impact the sector. MoC has included the sector in the NTIS 2016 priority export sectors and MoFSC has a bearing on Lokta collection through the National Forest Policy 2015 and Forest Regulation 2015. Additionally, the Government of Nepal considers handmade paper a rural handicraft and provides an export cash incentive of 2% to registered industries.

TRADE POLICY AND TRADE STRATEGY

The Trade Policy 2015 is a comprehensive and updated policy document which was framed and brought into implementation consistent with the principles of the World Trade Organization. This policy follows the principles of a liberal, open and transparent economic system. The policy vision is to achieve economic prosperity to enhance the contribution of commerce through export promotion. The policy target is to promote exports with a view to achieving inclusiveness and sustainable economic growth. The development objectives of this policy are (a) to strengthen supply capacity; (b) to boost competitive and value added products and services to world markets and thereby reduce trade deficits; and (c) to increase access of products, services and intellectual property to regional and international markets. This policy has recognized the potential of trade in services and intellectual property for Nepal. The Policy has identified 26 important exportable products and seven services. The product list, among others, includes Nepali handmade paper and paper products.

NTIS 2016: MoC launched NTIS 2010 and handmade paper and paper products was identified and included as one of the 19 products of priority for export from Nepal. Priority for handmade paper and paper products continued in NTIS 2016, also without a specific target. The Government has been supporting handicrafts, including handmade paper and paper products manufacturers and exporters, in implementing various programmes under NTIS for the development of handmade paper and its products in the past several years.

NTIS 2016, the third successive trade integration strategy and main trade strategy document, has charted actions and measures of intervention in cross-cutting areas and priority export potential sectors. The purpose of NTIS 2016 is to substantially enhance the trade sector's contribution to gross domestic product through a trade-centred growth strategy and to overcome the constraints and challenges associated with trade development and export competitiveness. The development objectives are to: strengthen the trade and export enabling environment; focus on product development; strengthen institutional capacity including trade negotiation and inter-agency cooperation; and build and enhance trade-related infrastructure. The cross-cutting issues taken up in NTIS 2016 are: (i) trade capacity-building, including trade negotiation; (ii) trade and investment environment; (iii) trade and transport facilitation; (iv) standards and technical regulations; (v) sanitary and phytosanitary measures; (vi) intellectual property rights; and (vii) trade in services.

FOREST POLICY AND FOREST REGULATIONS

FOREST POLICY 2015

Nepal has multiple policies and a legal framework in the forestry sector. Forestry sector development has been guided by periodic national plans and, until recently, by the Master Plan for Forestry Sector (1989, 2013). At present, Forest Policy 2015 is the main policy document which guides subsectoral programmes relating to forests, plant resources, wildlife, biodiversity, medicinal plants, and soil and watershed conservation.

One of the objectives of Forest Policy 2015 is to conserve, promote and manage the forest in collaboration with the private sector for the creation of incomes and employment. The policy spells out strategies, working policies and programmes for primary forestry and supportive forestry developments. Forest Policy 2015 is focused on:

- Satisfying basic needs;
- Sustainable use of forestry resources;
- Participation in decision-making and sharing of benefits;
- Socioeconomic growth;
- Protected and collaborative forest management;
- Participation of Government, Community Forest Users Groups (CFUGs) and Leasehold Forestry Groups; and
- Poverty alleviation through mobilization of the forestry resources.

Forests are classified as Government-managed forests, community forests, leasehold forests, religious forests, private forests, protected area forests, conservation area forests and protected watersheds. Lokta collection in Government-managed forests, protected areas, conservation areas and community forests falls under specific management rules set up under the Forest Regulation 2015.

The principles enshrined in the **Forest Sector Strategy 2016** are to:

- Adhere to the principles of land use;
- Ensure the sustainable development of land and forests;
- Increase the production of fuelwood, timber, fodder and non-wood products;
- Provide for effective harvesting and distribution;
- Improve legal and institutional arrangements;
- Educate the public about nature conservation and forestry;
- Focus on providing livelihoods to poor and landless people through forestry-related activities; and
- Promote private involvement in forestry development by creating a conducive environment for investment.

There is no specific strategy to support the development and collection of the Lokta plant.

NATIONAL DEVELOPMENT PLAN

Like the thirteenth Plan which ended in July 2016, the fourteenth Plan is expected to support growth of major exportable sectors such as tea, cardamom, coffee and handicrafts including handmade paper and paper products.

The important programmes under the fourteenth Plan will include:

1. **Trade promotion programmes:** collection and dissemination of information, market promotion, capacity development, research and development (R&D) on export products, and policy advice and advocacy.
2. **Trade, information and private sector support programmes:** production development drive for export growth through product quality improvements, design developments and uses of new technologies, in association with the private sector.
3. **NTIS programmes:** interministerial coordination for the implementation of programmes under NTIS including establishment and promotion of collective branding, trademarks, traditional knowledge and geographical indications (GIs) for Nepali products and services.
4. **Trade infrastructure, logistics and procedural development:** Programmes for the construction and development of inland container depots, container freight stations or dry ports, roads, trade portals and single window systems for the speedy clearance and movement of cargo, thereby reducing transaction time and costs.

SMALL INDUSTRY POLICY

Most of the papermaking and paper products manufacturing units fall withing the cottage and small industry group. The Industrial Policy of 2010 made special provisions for cottage and small industries, including:

- Institutional and infrastructural arrangements
- An Industrial Development Fund
- Business development services
- Industrial clusters
- One village one product
- Production development centres
- Product-specific clusters
- Collective marks
- Information technology.

According to the strategies of the policy:

1. The location and target groups of industries will be determined based on priority requirements;
2. Integrated business development services will be provided;
3. Capacity and productivity developments will be encouraged through the Industrial Development Fund, Rural Self-reliance Fund and Credit Guarantee Fund; and
4. Multipurpose cooperatives and collective marks will be encouraged.

LEGAL FRAMEWORK FOSTERING ENVIRONMENTAL SUSTAINABILITY IN THE AGRICULTURE SECTOR IN NEPAL

Nepal has a strong institutional and legal framework for environmental protection. After Rio 1992 Nepal established the Ministry of Population and Environment and a high-level Environment Protection Council, and enacted the Environment Protection Act, 1996 and the Environment Protection Regulations, 1997. Nepal has prepared and implemented guidelines on environmental impact assessments and strategic environmental impact for assessing the impact of all development projects.

Nepal is a signatory to more than 20 environment-related international conventions and agreements including the United Nations Convention on Biological Diversity, 1992; the United Nations Convention on Combating Desertification, 1994; the United Nations Framework Convention on Climate Change, 1992; and the Kyoto Protocol, 1997. Nepal has also recently developed its climate change policy and has begun implementing the National Adaptation Programme of Action.

Key policy instruments to foster environmental sustainability: There are many policies and programmes supporting the integration of environmental sustainability in the development of the agricultural sector in Nepal:

- The Nepal Biodiversity Strategy (2002)
- Nepal Biodiversity Strategy Implementation Plan (2006-2010)
- National Biosafety Framework (2007)
- Forestry Sector Policy (2000)
- Herbs and Non-Timber Forest Products Policy (2006)
- National Wetland Policy (2003)
- Water Resource Strategy (2002).

INVESTMENT POLICY

INVESTMENT CLIMATE AND INVESTMENT-FRIENDLY POLICIES IN NEPAL

For the past two years, the agricultural sector and other export sectors have been negatively affected and stunted due to two major shocks that happened in Nepal : the April 2015 earthquakes that caused huge loss of life and assets, and the political tension that disrupted external trade.[29] Compared with countries such as Bhutan or Bangladesh, Nepal performs at a lower level in terms of electricity and transportation. However, it performs better regarding tax rates and tax administration, labour skills, the functioning of courts and business licensing permits.[30] Due to poor infrastructure, crime and vandalism, Nepali firms bear higher aggregate costs associated with the poor investment climate than any comparator countries.

The country is now in the process of full fledge implementation of the new Constitution, where local election has already been completed and the election for federal parliament and provincial parliament is approaching very close. This will definitely drive the country towards socio-economic development by keeping these agenda on the top in the days ahead.

In October 2016, the Nepal Industrial Enterprise Act 2016 was approved by Parliament. Parliament has also approved amendments of the Labour Act to improve the investment environment in Nepal with more flexible labour regulations on 'no work no pay'. Also, the Foreign Investment and Technology Transfer Act was introduced in 1992 as the most liberal regulatory measure for the promotion and attraction of foreign direct investment in Nepal. An amendment is currently being prepared to enhance the investment environment.

29. The World Bank (2016). Nepal Development Update *May 2016: Remittances at Risk*. World Bank, Kathmandu. Retrieved from https://openknowledge.worldbank.org/handle/10986/24663 License: CC BY 3.0 IGO.

30. Afram, Gabi G.; Pero, Angelica Salvi Del (2012). *Nepal's investment climate: leveraging the private sector for job creation and growth*. Directions in development; private sector development. Washington, DC: World Bank. http://documents.worldbank.org/curated/en/343221468157793055/Nepals-investment-climate-leveraging-the-private-sector-for-job-creation-and-growth.

Table 5: *Investment climate in Nepal and neighbouring countries*

International benchmark	Viet Nam	China	Pakistan	Nepal	Sri Lanka	India	Bangladesh	Myanmar
Ease of Doing Business ranking (World Bank Group, 2016)	90	84	138	99	107	130	174	167
Competitive Industrial Performance ranking (United Nations Industrial Development Organization, 2012)	55	5	73	128	79	44	77	Not ranked
Global Competitiveness Index (World Economic Forum, 2015–2016)	56	28	126	100	68	55	107	131
Inward Foreign Direct Investment Performance Index (United Nations Conference on Trade and Development, 2010)	22	86	110	134	113	97	114	52
Corruption Perception Index (Transparency International, 2015)	112	83	117	130	83	76	139	147
Economic Freedom Index (Heritage Foundation, 2016)	131	144	126	151	93	123	137	Not on the list

Photo: ITC, *Dyed Lokta paper on drying platform*

CURRENT DIRECT INVESTMENT IN THE HANDMADE PAPER AND PAPER PRODUCTS SECTOR

The objective of the Foreign Investment Policy 2014 (2071) is to attract foreign capital, technology, skills and knowledge in the national priority sectors to maintain an improved balance of payments situation through import substitution and export promotion to ensure better competitiveness of the national economy and continual progress. The main strategy includes creation of a favourable environment for foreign investment.

Foreign investment is negligible in the paper and paper products sector. The majority of domestic investments are at the cottage and small industries level. In the past some paper and paper product factories made investments without proper technical and financial guidance. Many of these investments were made based on the guidance of machinery manufacturing business units in India, resulting in capital wastage due to knowledge gaps on the part of Nepali entrepreneurs. HANDPASS has started to provide technical guidance in machinery purchasing.

DEVELOPMENT ACTIVITIES SUPPORTING THE SECTOR

According to the study *Social Responsibility in the Growing Handmade Paper Industry of Nepal*, the biggest contribution that the original project made to the revival of the industry was the social marketing of Nepali handmade paper Christmas cards internationally, conducted by UNICEF.

With imports of modern paper in Nepal, production and use of handmade paper has declined since the 1960s. However, in the mid-1980s, international market demand encouraged use of Nepali handmade paper and its production was resumed with the implementation of the **Community Development through Handmade Paper** project implemented by UNICEF and the Agricultural Development Bank of Nepal under the Small Farmers Development Programme. This project was the first donor-funded attempt to revive indigenous papermaking processes. The project objectives were to: (a) provide community development in rural areas, primarily among Lokta cutters and papermakers; and (b) reduce poverty through new employment opportunities in the same areas.

The project facilitated the creation of a paper products factory operated by a public–private partnership, called Bhaktapur Craft Printers (BCP). BCP bought Lokta paper stock produced in rural areas like in Baglung Parbat, Myagdi, Lamjung and Gorkha Districts and then used another indigenous Nepali technology, block printing, to produce high-quality paper products to export to the international market. To ensure that market, the UNICEF Geneva-based Greeting Cards Operation guaranteed to buy the product. Paper produced by the project for greeting cards was part of the UNICEF Basic Services in Local Development Programme, combining economic and community development functions with rural and urban components to revitalize and expand a traditional craft production process.[31] One-quarter of BCP profits reverted back to support community development activities in rural sites and social development activities among BCP factory employees. BCP was incorporated into a public limited company in 2005. Now it is registered at the Company Registrar Office with a new name: Bhaktapur Craft Paper Ltd.

---

31. Biggs, S. and Messerschmidt, D. (2005). Social Responsibility in the Growing Handmade Paper Industry of Nepal. *World Development, Vol. 33, No. 11,* pp. 1821-1843.

Box 4: Past and ongoing trade- and value chain-specific development assistance

Donors and partners	Programme	Current status	Remarks
UNICEF	BCP, Bhaktapur	Currently BCP is operating under a public–private partnership	Involved with HANDPASS members
Asian Development Bank and Nepal Government	High Mountain Agriculture and Livelihood Improvement Project (Agro Enterprise Centre (AEC) / High Mountain Agribusiness and Livelihood Improvement (HIMALI))	Supports Lokta paper entrepreneurs through grants as per business planning, capacity-building	Partnership with HANDPASS on capacity-building
United Nations Development Programme and Alternative Energy Promotion Centre (AEPC)	Renewable Energy for Rural Livelihoods	Supports renewable energy	Partnership on technology transfer with HANDPASS
Australian Aid and United Nations Development Programme, Ministry of Industry (MoI)	Micro Enterprise Development Programme (MEDEP)	Supporting a different approach to micro enterprises including social mobilization, entrepreneurship development, technology transfer, access to finance, market linkages and mentoring	Knowledge-sharing with HANDPASS
Multiple donors	Multi-Stakeholder Forestry Project	Supported enterprise development. At present the project has been phased out. Supported HANDPASS for its capacity-building through the Forestry Enterprise Division / Federation of Nepali Chambers of Commerce and Industry (FNCCI)	Knowledge-sharing
Enhanced Integrated Framework (EIF) and MoC	Nepal Enhanced Capacities for Trade and Development (NECTRADE)1 Project Period: 2010 to 2017 Budget : Tier 1: US$ 1,685,000 Tier 2: US$ 7,820,000	The EIF Tier 2 Process is supported by the EIF Trust Fund for priority small-scale projects to build trade-related and supply-side capacities. NECTRADE supervises and monitors the implementation of projects in collaboration with other development partners.	In the past NECTRADE supported some programmes such as buyer–seller meetings, media broadcasting and Public-Private Dialogue in the sector. The NECTRADE project will keep contributing to the implementation of handmade paper and paper products sector strategies.

Photo: ITC, *Demonstration of Lokta paper manufacturing during ITC visit*

Donors and partners	Programme	Current status	Remarks
The World Bank and Ministry of Agricultural Development	Project for Agricultural Commercialization and Trade Period: 2009 – June 2018 Budget: US$ 26,550,000	The overall project objective is to improve the competitiveness of smallholder farmers and the agribusiness sector in selected commodity value chains through helping farmers in market-oriented production.	The project provides supports in value chain development to entrepreneurs in 10 hill districts. It extends support to those papermaking factories who apply on a case by case basis. It has not excluded the paper sector.
United Nations Development Programme and MoI	Micro Enterprise Development Programme (MEDEP) – MEDEP Phase IV Period: 2013 to 2018 Budget: US$ 34.03 million	Focus Area: Poverty alleviation, employment generation, livelihoods improvement. Over the last 15 years, MEDEP has created over 66,000 micro entrepreneurs, who have created about 70,000 sustainable jobs. MEDEP entrepreneurs have produced goods and services worth NPR 9.5 billion with a production cost of NPR 2.6 billion, earning a whopping profit of NPR 6.9 billion It has helped establish 221 functional Micro Entrepreneurs' Cooperatives.	Micro entrepreneurs at below poverty level are supported through credits, technical knowledge and training, resulting in creation of employment and income generation and thereby increasing their standards of livings. It also covers support to small papermaking factories in hill districts.

Annapurna Lokta Paper and Handicraft Factory (Gandruck-Nepal) Picture: ITC

VALUE CHAIN MAPPING: LOCAL LOKTA RESOURCE, LOCAL LABOUR AND LOCAL EXPERTISE

Lokta paper is one of the rare manufactured products from Nepal in which all the elements of the supply chain are based on local resources. The raw material comes from the hills, local labour is based in mountain areas and a few urban areas, and local expertise based on a mix of cultural heritage and modern design is also entirely Nepali. The technology consists of basic machinery with a part also produced in Nepal. The value addition takes place both in remote mountain areas (for Lokta handmade paper production) and in urban areas (for the production of handmade paper items). The roles and functions of the main actors along the value chain are described below, starting from raw material collection to production of paper and paper products and distribution to domestic and export markets.

LOKTA COLLECTION IN MOUNTAIN AREAS (PICTURE)[32]

The process of papermaking starts with Lokta collection. During dry season (from September to May), farmers go to forests and collect bark. They harvest the Lokta plant stems and take off the bark (skin of stems) on-site and dry the bark in the field or at home before bringing it to the paper factory. Farmers or Lokta collectors also arrange payments of a NPR 5 per kg royalty to the concerned local office of the Department of Forests (DoF). While Lokta is the primary input for paper factories, Lokta paper is then an input for paper products factories. Most paper product factories are located in urban areas like Kathmandu Valley and Pokhara. Therefore, paper produced mostly in the mountain districts and villages is transported down to the cities and sold to paper product manufacturers and exporters.

Photo: Lokta collectors

Major input requirements and suppliers of such inputs are presented in table 6.

32. http://olinopaperworks.com/en/Lokta-paper/.

Table 6: *Inputs required and supply sources*

Inputs required	Suppliers	Source or origin
Forestry land and labour	Locally available	Nepal
Lokta	Lokta collectors or traders	Nepal
Seedlings or seeds when planting is done by farmers	Locally available or from the Forestry Office in the District	Nepal
Water and energy including electricity/ solar	Water available through natural sources. electricity from Nepal Electricity Authority and solar through AEPC	Nepal
Fuel and firewood	Nepal Oil Corporation and Forestry Office	India and Nepal
Machinery and tools: boiler or vat; stove; wooden mallet; power-driven beating machine; wooden frames; dryer; cylindering machine; binding, printing and other tools	Regional or district distributors	India or Nepal
Caustic soda, dye materials and other auxiliary materials	District distributors of importing agents	Foreign countries: India, Switzerland and Germany
Nepali handmade paper for paper products factories	Nepali paper manufacturers	Nepal
Packaging materials: plastic bags and corrugated cardboard boxes for export	Manufacturing companies in Biratnagar, Kathmandu and Birgunj.	Nepal and India

TYPES OF FORESTS

There are mainly four types of forests from which Lokta bark is collected:

1. Government Forests and Protected Area Forests, which are managed by the local office of DoF or District Administration Office, District Development Committee, or Village Development Committee;
2. Community Forests managed by CFUGs;
3. National Conservation Areas managed by the office of the Department of National Parks and Wildlife;
4. Privately managed forest.

LOKTA COLLECTORS

There are two types of Lokta bark collectors and transporters: (a) organized Lokta collectors such as CFUGs or cooperatives of farmers; and (b) semi-organized individual farmers or Lokta collectors. The organized Lokta collectors are made up of cooperatives linked to papermakers operating at the district level who are vertically integrated with large paper products manufacturers in Kathmandu. The semi-organized channel comprises individual farmers who collect Lokta for additional revenue and sell it to local village papermakers. It is estimated that there are more than 50,000 Lokta farmer families or organized or individual collectors engaged in Lokta collection in Nepal. They carry out the following functions:

1. Harvesting Lokta stalks
2. Taking skin (bark) from the stalks on-site
3. Making royalty payments to the Forest Department Office
4. Transporting bark from the field to the farmer's house and drying it
5. Making bundles for transportation
6. Transportation of bundles to the factory.

LOKTA HANDMADE PAPER PRODUCTION

Most paper factories are located in villages near forests where Lokta is available and very few are located in urban centres like Kathmandu Valley and Pokhara. In most cases Lokta is transported by the collectors themselves. After the factory owners receive Lokta it is processed through 10 steps as explained below. The major functions of a paper factory include:

1. Collect harvested products from collectors or local farmers and make payments to them
2. Process the dried Lokta to produce paper
3. Grade and sort the paper
4. Bundle, pack and transport the product to district markets or Kathmandu market centres
5. Receive payments from buyers in the market.

Paper manufacturing processes

After Lokta collectors and processors bring dried Lokta bark to paper factories, the following steps are taken to produce paper.[33]

33. Nepal Handmade Paper Association (HANDPASS) (2008). Nepal Lokta Quality Paper Production Manual 2065. (In Nepali).

Step 1	Bark cleaning	This involves handpicking of particles and scraping rough parts off with a knife if needed.
Step 2	Bark soaking	Lokta bark is soaked in a drum or bucket full of water for 6 to 12 hours for better quality.
Step 3	Cleaning and cutting	Dirt and knots are removed and bark is cut into pieces of about 15 cm length.
Step 4	Digestion	This process is followed to remove all impurities except cellulose (main papermaking fibre required) and to disintegrate lignin and pectin from the bark. Alkaline hydrolysis is done by boiling the bark in a solution of caustic soda (sodium hydroxide) 4–6% by weight of bark for three hours (per 25 kg lot).
Step 5	Washing	Cooked Lokta is washed in clean water three or four times and a bleaching agent is used only if a buyer requires additional whiteness.
Step 6	Beating	The quality, fineness and strength of a piece of paper depends on beating. Beating in a Hollander or knife beater type of machine is more common for better results. The beaten pulp mixture, locally called *lugdi* (pulp), is kept in a water bucket.
Step 7	Moulding	The pulp mixture (*lugdi*) is placed in a floating paper frame in a water tank or vat, using the quantity needed for the thickness of the paper.
Step 8	Drying	Moulded paper frames are immediately placed in the field for natural drying or for solar drying.
Step 9	Glazing	Dried paper is pressed in a glazing or cylindering machine if needed.
Step 10	Cutting	Paper is cut into the required size (standard size is 50 x 75 cms) and normally it is piled in a bundle of 200 sheets and packed in plastic sacks for market delivery.

Lokta handmade paper production


Handmade paper factor


Lokta stocks


Lokta bark


Lokta boiler


Bark soaking,
cleaning and cutting


Washing


Beating


Beaten pulp mixture


Water basins
for moulding


Moulding


Moulding


Moulding


Drying


Removing dried paper


Kori packaging

PAPER PRODUCTION SETTING AND SORTING

A typical handmade paper production unit in Nepal needs at least a 200 m² covered shed, a 25 m² paper storage area and office and about 1,500 to 2,000 m² of suitable yard for paper drying. The covered shed must be equipped with:

1. One large water tank with sufficient water supply and three to four water buckets or drums to soak and clean the Lokta bark;
2. A simple or mechanical bark boiler;
3. Bark beating wooden mallets or a mechanical beater;
4. Wooden frames with nets; and
5. A water vat for moulding paper.

The moulded papers in frames are dried in the sun. Nepali handmade paper is packed in 200 sheets as a *kori* containing different weights of paper (5, 10, 15 and 20 grams).

WHOLESALE HANDMADE PAPER TRADING

In each district or cluster of districts there are paper dealers in the market centres. These paper traders keep stocks of varieties of paper and supply different types and sizes of paper to paper products manufacturers and exporters as and when needed. The major functions of the traders include:

1. Mobilizing local collectors in villages and village collection centres to develop linkages with paper factory owners;
2. Making provisions for advance payments to collectors if needed;
3. With the help of local collectors, making transportation arrangements for products from the village factory to a district market centre or Kathmandu Valley;
4. Arranging grading, repackaging and storage until the product is sold;
5. Determining the final price, making final payments to collectors and receiving payments from clients.

HANDMADE PAPER PRODUCTS MANUFACTURING

According to HANDPASS, paper products manufacturers and exporters in Nepal can be grouped in two types: (a) large and medium manufacturers and exporters, having investments above NPR 1 million; and (b) micro and small manufacturers and exporters having investments up to NPR 1 million. All types of paper product manufacturers use handmade paper as raw materials in making their products. Major functions of these manufacturers include:

1. Procurement and storage of paper as an input
2. Identifying marketable products and developing and adapting the designs of products
3. Approaching potential buyers and communicating with photographs or samples of products and terms and conditions of offers
4. Providing training and guidance to technical and non-technical workers
5. Following production processes
6. Arrange packaging of products
7. Conducting and participating in promotion campaigns
8. Managing exports and export procedures
9. Managing domestic selling of the products.

PACKAGING

Commonly used packaging materials include corrugated cardboard, excelsior (wood wool), jute, paper, plastics (including expanded polystyrene), wood and bubble wrap. Moisture-isolated packaging is extremely important for paper products as they can change their colour, shape and even smell when exposed to moisture. Boxes, albums, etc. are mostly packaged in polybags to protect them from humidity. Hard-cover packaging is used when moving paper boxes, for instance, as they might lose their shape when subjected to pressure. Smaller boxes are also usually put into larger ones to save space. When packaging small, lightweight paper articles, agglomeration is generally used.

HANDMADE PAPER AND PAPER PRODUCTS' DOMESTIC MARKET AND EXPORTS

DOMESTIC MARKET

Sector stakeholders estimate that the local market for Lokta paper is about 40% of the total market supply and its domestic use is limited to government and non-government official documents, internal tourists, stationery, invitation cards, gift items, wrapping paper, document folders, shopping bags, etc. Reliable data on domestic consumption is difficult to obtain. It is important to note that Lokta paper is expensive compared with ordinary imported papers; thus, its use by local consumers is limited and local companies have to develop serious marketing efforts.

Photo: ITC, *Handmade Lokta paper gift boxes*

EXPORTS

There are many handicraft exporters who also export paper and paper products. Most of these exporters do not specialize in paper and paper products. They deal in a large variety of handmade products from Nepal. They collect all types of handicrafts from different individuals, artisans, manufacturers and specialized traders. These units have good linkages with importers and marketers of Nepali handicrafts in different parts of the world. Normally Nepali manufacturers do not collaborate even if they receive large orders. Therefore, the buyers themselves place separate orders to different exporters if they need large quantities of particular items.

MAIN DISTRIBUTION CHANNELS IN EXPORT MARKETS

Lokta paper is mostly distributed through shops selling alternative or exotic goods.[34] The main distribution channel is **specialized shops** including shops for alternative goods, shops for stationery and gift items, speciality paper shops, flower shops and fair trade stores. Other channels are:

- **Buying groups:** Individual retailers often work together in a buying group to save time and share knowledge. The buying group can offer different forms of cooperation, from simple buying and importing to offering a complete shop formula in a franchise structure.
- **Importer/wholesalers:** Importer/wholesalers have become a dominant force in the market for paper gifts and decorative articles. They are the link between producer and retailer, both of whom are usually smaller than the importer/wholesaler. They are very knowledgeable about fashion and trends, have an extensive buying and sales staff, and often hold stock.[35]
- **Internet shops/e-commerce:** E-commerce has grown considerably, especially for gift cards and notebooks (online sales are not directly managed by Nepali companies but through a third party).

The lack of disaggregated data on sales figures or volumes does not allow proper calculations.

34. GTZ (2006). EU Market Study for Handmade Paper; Banjara, GB (2007). Handmade Paper in Nepal: Upgrading with Value Chain Approach. GTZ. p. 14.

35. European Economic Chamber of Commerce (EEC), The Danish Federation of Small and Medium-Sized Enterprises (DFSME), London Chamber of Commerce and Industry (LCCI) and Federation of National Cottage and Small Industries Nepal (FNCSIN) (2008). Study on Export Potential Nepal: An Analysis of Selected Sub-Sectors of Nepal. *ECIBON Project, Chapter Five: Three Sub-Sectors that have Good Opportunities for Potential Trade with EU Market.*

Figure 10: *Handmade paper and paper products value chain map in Nepal*

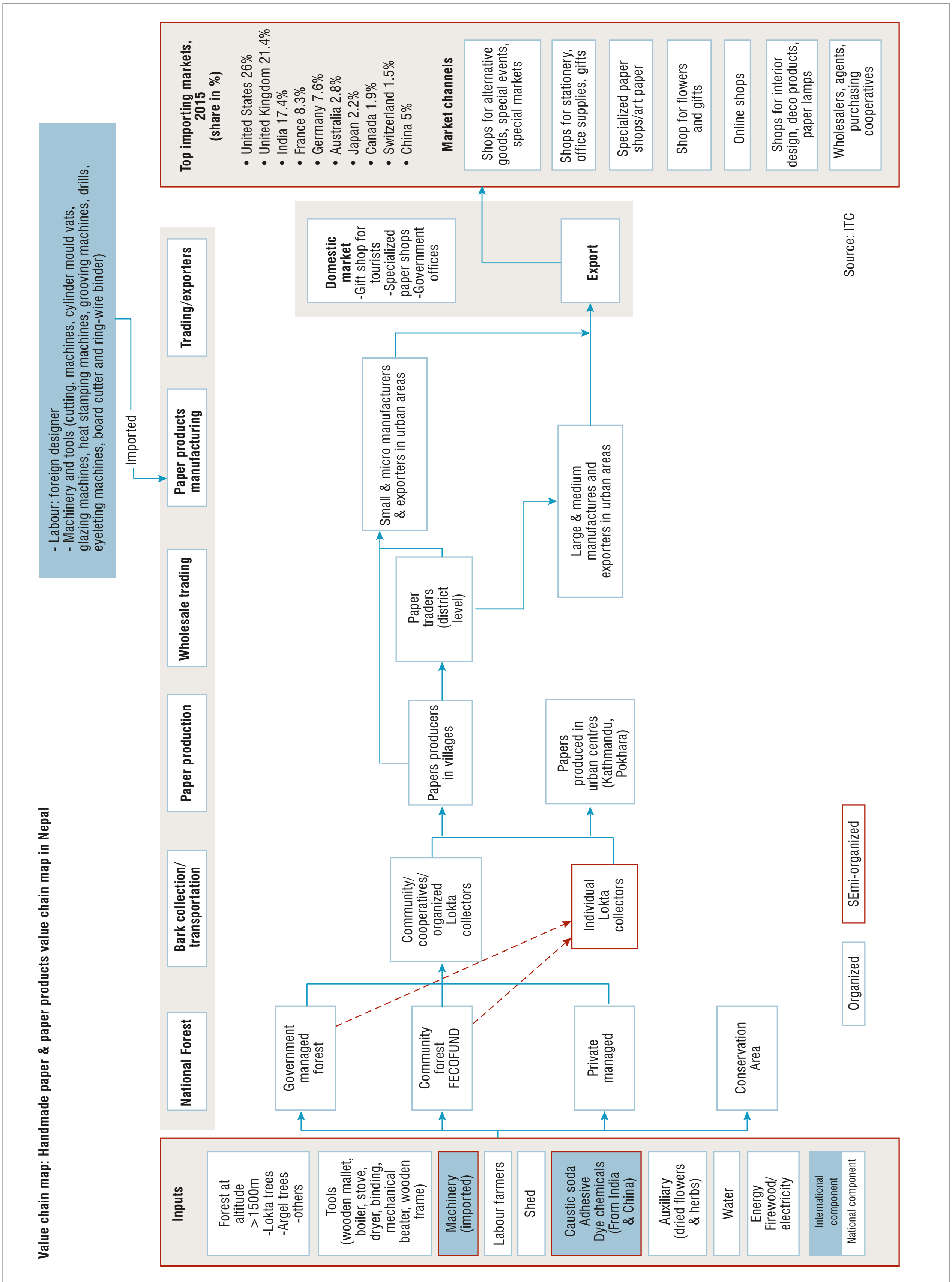
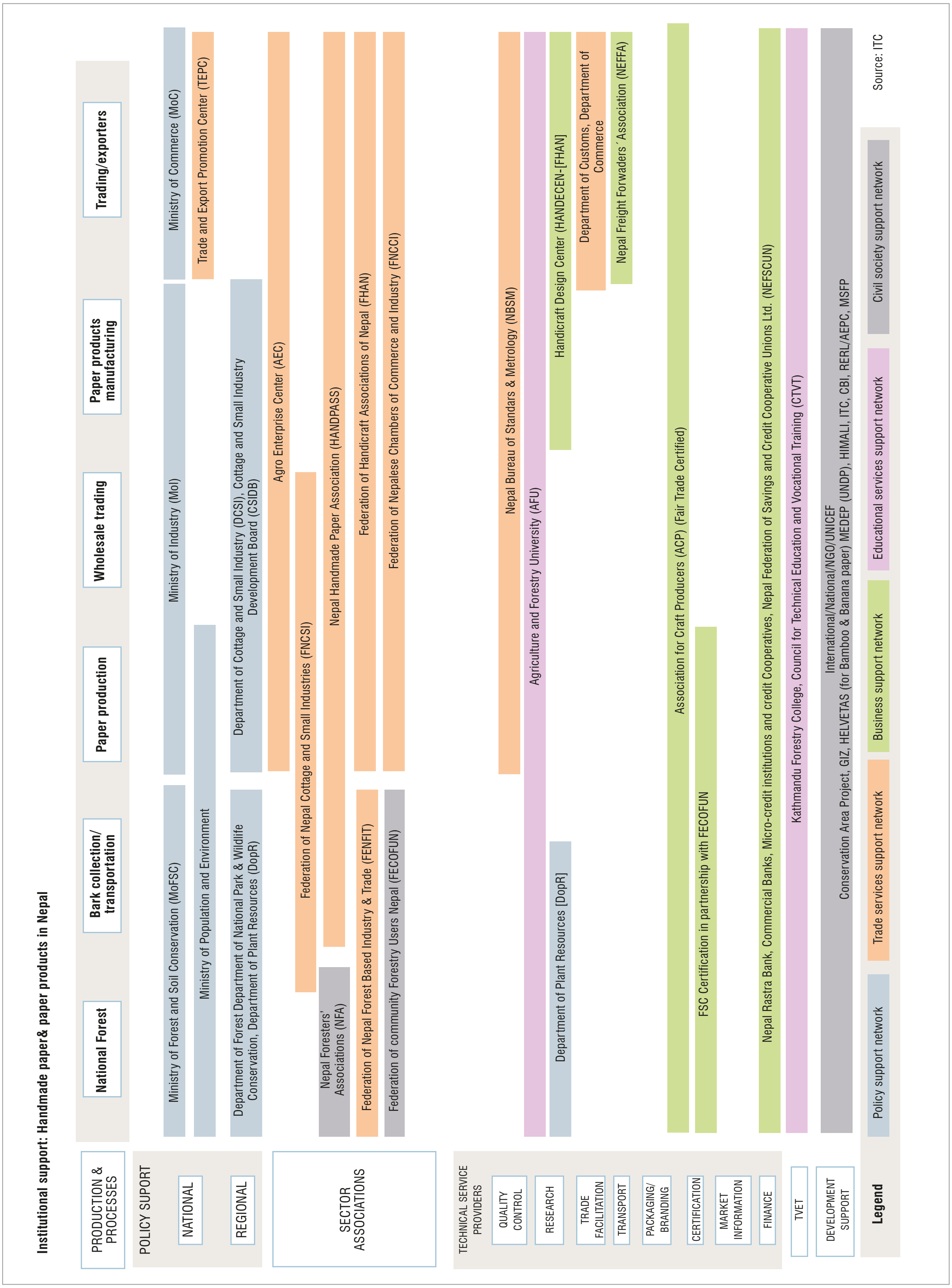


Figure 11: *Handmade paper and paper products trade support network in Nepal*



TRADE SUPPORT NETWORK

The future success of the Nepali handmade paper sector will not only depend on the internal capacities of the communities and companies operating in the industry. In order for the sector to achieve long-term, sustainable growth, participating enterprises and farmers must be able to rely on a capable network of government and private sector support institutions. The overall trade support network (TSN) of the handmade paper and paper products sector in Nepal is considered for this sector Strategy as the aggregate institutional framework in the country, bringing together those institutions that have a particular interest in, or bearing on, the export development and competitiveness of the sector. Broadly, the TSN comprises the following support areas: policy support network, trade services network, business services network, educational services network and civil society network. Figure 11 (above) displays the handmade paper and paper products TSN, categorized by functions along the value chain.

POLICY SUPPORT NETWORK

The value chain is covered mainly by three ministries: MoFSC for the part related to Lokta collection, MoI for handmade paper and paper production and manufacturing, and finally MoC for exports and trade promotion. Each ministry and relevant affiliated departments and institutions are described below, along with their role in terms of policy or technical assistance rendered to the sector value chain.

MINISTRY OF COMMERCE

Nepali handmade paper and paper products are fully export-oriented cottage and small industry products of Nepal. Therefore, MoC gives these products priority in its policy agenda and intervenes directly in the trade development and promotion of them. Handmade paper and paper products were identified and included as one of the 19 priority products in NTIS 2010 and this was continued in NTIS 2016. In the past several years MoC has been implementing various product and market development programmes for such priority products under the NTIS with the engagement of the Trade and Export Promotion Centre (TEPC), the EIF-funded NECTRADE project. In the past NECTRADE supported the sector by conducting buyer–seller meetings at regional level to develop links between paper suppliers and paper product manufacturers, supporting production and broadcasting of audio–video promotional materials and conducting public–private dialogues on future action plans for product development of handmade paper and paper products. Future support programmes provided by NECTRADE will depend on demand from sector stakeholders and this sector Strategy document.

MINISTRY OF FORESTRY AND SOIL CONSERVATION

Lokta growing in protected and unprotected forest areas is under the direct control of MoFSC. This Ministry is responsible for policy, planning, programming, evaluation and monitoring of forestry and soil conservation in Nepal. It is also responsible for the protection, use, conservation and management of forestry and forest resources and soil. MoFSC formulates policy and makes final decisions on legal and administrative issues related to the allocation of Lokta to its collectors and papermaking factories. Technical services are managed by the following departments of MoFSC:

Department of Forests

All the forest areas in Nepal are managed by DoF and its regional and district offices. The District Forest Officer allocates the annual quota to the collectors of Lokta in each district. DoF is also responsible for the conservation of the natural environment and for supplying forest products to consumers and industries. Specific functions of the Department include planning, implementation and coordination of forestry development activities; encouraging people's participation in forestry management; and contributing to economic development through improved community livelihood and income and revenue generating activities from forestry products.

Department of Forest Research and Survey (DFRS)

This Department is mandated to conduct surveys and inventory mapping, and keeps statistical records of forest and forestry products, including research on agroforestry, tree improvement, forest use and socioeconomic studies. Lokta trees were last surveyed in 1982.

Department of Plant Resources (DoPR)

DoPR conducts field research and develops plant resources. It is a multidisciplinary department comprising mainly botanists, chemists and pharmacists. There is currently no research carried out by DoPR on the Lokta plant. However, DoPR conducts research on a needs basis.

MINISTRY OF INDUSTRY

MoI is responsible for policy, planning, programming, evaluation and monitoring of the industrial sector in Nepal. It ensures that the Industrial Policy of 2010, Industrial Enterprise Act, Foreign Investment and Technology Transfer Act, and related regulations and directives are implemented smoothly by the relevant organizations.

Department of Cottage and Small Industries (DCSI) and Cottage and Small Industry Development Board (CSIDB)

The DCSI mission is to promote and foster various kinds of cottage and small industries by supporting them to enhance their productivity and ensure a congenial environment for their development. DCSI has 27 offices in 27 districts, mainly in Kathmandu Valley and other districts in Terai. DCSI received Japanese support in the 1980s to develop the sector. However, the papermaking unit is not currently functional as paper produced using Japanese techniques had difficulty finding buyers.

TRADE SERVICES NETWORK

TRADE AND EXPORT PROMOTION CENTRE

TEPC is a public institution under MoC in charge of trade promotion and product development, as well as market research and market promotion. TEPC support activities include Nepal's participation in international trade fairs and buyer–seller meetings. TEPC is also responsible for collecting foreign trade data and informing entrepreneurs about export market opportunities. Recently TEPC, in collaboration with HANDPASS and other major trading groups, agreed to support the development of a collective trademark 'Nepalokta' for handmade Nepali paper. This trademark is already registered in the EU. A norm and CoC have been developed that describe the eligibility for the use of this logo in the packaging materials and letterheads of handmade paper processors and exporters. However, it is necessary to revisit the administration process of the collective trademark and to register it in other importing countries.

NEPALOKTA
THE NEW SPIRIT IN PAPER

HANDPASS

This is a registered (1996) non-profit organization under the Institution Registration Act of the Nepal Government. HANDPASS comprises 130 members, all of whom are handmade paper producers, or paper products manufacturers or traders. The Association's goal is to contribute to the national economy and rural employment by focusing on strengthening and promoting the interests and welfare of handmade paper enterprises in Nepal. The objective of the Association is to foster the sustainable development of handmade paper enterprises using ancient and traditional heritage practices. It seeks ways to help improve the living standard of rural people by providing capacity-building programmes. It also assists its members in trade promotion in domestic and international markets. HANDPASS is a unique association of paper producers and product manufacturers reporting the sector's constraints to relevant ministries and institutions. It is a member of the Federation of Handicraft Associations of Nepal (FHAN).

FEDERATION OF HANDICRAFT ASSOCIATIONS OF NEPAL

FHAN is a non-profit association of private sector business and artisan communities actively involved in the development and promotion of the handicraft industry and trade in Nepal since 1972. It has more than 1,200 members and encourages and helps its member to improve their productivity, product competitiveness and market exploration. It is actively involved in policy lobbying and collaborating with governmental and non-government institutions for the steady development of handicrafts in Nepal. Nepali handmade paper and paper products are also covered by the scope of activities of FHAN. FHAN occasionally conducts seminars, trade exhibitions and fairs; contacts, promotes and markets to potential buyers; and collaborates with international agencies and donor partners for the development of Nepali paper and paper products.

HANDICRAFT DESIGN AND DEVELOPMENT CENTRE (HANDECEN)

FHAN has set up HANDECEN in collaboration with the Government of Nepal to support the overall growth and development of handicrafts by maintaining state-of-the-art design technology. HANDECEN develops product designs and supports handicrafts – including paper and paper product manufacturers – through research, documentation, information and publication services. It also provides training and consultancy services supported by proper and professional research. HANDECEN also adopts new technology for innovation in contemporary crafts and upgrades prevalent technology to develop marketable products. In addition it preserves traditional crafts and skills of artisans and extends support in obtaining patent rights on designs created by artists, exporters and manufacturers.

AGRO ENTERPRISE CENTRE

Photo: ITC, *Lokta paper dyeing*

AEC, initially set up as a project funded by the United States Agency for International Development, is the agriculture and forestry products wing of FNCCI. AEC is focused on policy lobbying on behalf of private sector entrepreneurs and farmers involved in production and trade of agriculture and forestry products. It collects qualitative and quantitative domestic and international information including price, quality and production of such products; and analyses and disseminates this information to stakeholders including Government, farmers and institutions. In the past AEC has played important roles in policy advocacy and in the recent past it has supported handmade paper manufacturers by providing consultancy services and training to entrepreneurs for management of sustainable Lokta harvesting and processing in selected northern Himali districts of Nepal.

AEC is implementing some of the activities of t**he HIMALI Project** of the Ministry of Agricultural Development. The HIMALI Project, with grant assistance from the Asian Development Bank, is intended to increase the income and employment of high mountain people through value chain development of their agricultural, livestock and non-timber forest products, and improve rural household livelihoods in the high mountain districts of Nepal. The project is being implemented in 10 districts and aims to achieve its goals by stimulating private sector agribusiness development through provision of Agribusiness Grant Assistance to eligible farmers, farmers' groups, cooperatives and related entrepreneurs or enterprising bodies that have qualified and commercially viable plans for production, product aggregation, quality improvement, processing, value adding and marketing.

FEDERATION OF FOREST BASED INDUSTRY AND TRADE

This Federation was set up in 2008 by forestry-related business organizations, with a view to stabilizing the business by contributing to the conservation and development of Nepali forests. It aims to protect and preserve the rights of all the scattered businesses and organizations related to forestry. It also has the objective of contributing to foreign currency earnings through exports of ready-made goods by developing the skills, knowledge and technology of manufacturers and traders. In the long run the Federation can support paper and paper products manufacturing units. However, at the moment it has not directly contributed to the development of handmade paper and paper products.

ALTERNATIVE ENERGY PROMOTION CENTRE

AEPC is a Government agency established in 1996 with the objective of developing and promoting renewable / alternative energy technologies in Nepal. Although it is under the Ministry of Population and Environment, it functions independently. AEPC formulates policy, plans and programmes; conducts standardization, quality assurance and monitoring; provides subsidies and financial assistance; and coordinates various policy initiatives and activities with governmental, non-governmental, private sector and donor partners. Currently it is implementing two important programmes: the National Rural and Renewable Energy Programme and Renewable Energy for Rural Livelihood. At present AEPC is supporting HANDPASS for the introduction of energy-saving Lokta boiling units and improved stoves.

NEPAL BUREAU OF STANDARDS AND METROLOGY (NBSM)

NBSM is the national standards body of Nepal functioning under MoI. It works as a secretariat to the Nepal Council for Standards as the governing body for quality, standards, testing and metrology activities in Nepal. NBSM issues licences to use the Nepal Standard Mark with relevant inspection and supervision of industrial activities and market surveillance. It is equipped with laboratory facilities for testing, calibration and accreditation services. NBSM has also fixed the Nepal Standard for Nepali handmade paper and carries out updates upon request.

ASSOCIATION FOR CRAFT PRODUCERS

The Association for Craft Producers is a local, not-for-profit, fair trade organization providing design, marketing, management and technical services to low-income Nepali craft producers. It is a resource to advance and globally distribute their work, for which they receive fair wages and generous benefits. For buyers' specific requests, members offer a flexible programme that encourages creative collaboration. An item may be revised or recreated for a completely original product. The Association promotes Lokta handmade paper and paper products.

BUSINESS SERVICES NETWORK

NEPAL FREIGHT FORWARDERS' ASSOCIATION

This Association plays an important role in trade facilitation. Freight forwarders in Nepal handle the legal documents for exports. Most of the members provide freight forwarding services to exporters of handicrafts products, including paper and paper products.

FINANCIAL SUPPORT SERVICES THROUGH COMMERCIAL BANKS AND OTHER FINANCIAL INSTITUTIONS

The majority of Lokta papermaking cottage and small industries are located in remote mountain districts with limited access to commercial banks or financial cooperatives. Paper product manufacturing and exporting companies and firms in Kathmandu Valley and Pokhara have access to concessional export credit based on the scheme of Nepal Rastra Bank. According to this provision, commercial banks are supposed to charge 4.5% interest, for which the Nepal Rastra Bank refinancing rate is only 1%. However, only a few entrepreneurs are informed about this provision and the financial institutions have not shown much interest in promoting this scheme due to lower spread or margin compared with normal market rates for other loans and credit.

Additionally, this facility is available only to those productive units that are directly involved in exports. Manufacturers of paper or paper products can approach any commercial bank or institution for normal credit facilities under standard banking terms and conditions. There is also a provision for a Handicraft Loan at an interest rate of 11% up to NPR 1 million without collateral for one year at a time. This facility is available with the recommendation of FHAN.

EDUCATIONAL SERVICES

TECHNICAL AND VOCATIONAL EDUCATION AND TRAINING SERVICES

- DCSI, CSIDB, FHAN and HANDPASS are the organizations that sporadically conduct training programmes on paper and papermaking techniques, paper dyeing, product development and marketing. Occasionally, these organizations conduct such training programmes with the technical and financial support of donor partners.

AGRICULTURE AND FORESTRY UNIVERSITY AND KATHMANDU FORESTRY COLLEGE

Agriculture and Forestry University is the first university of its kind in Nepal and was established in Rampur, Chitwan, in 2010. The university aims to train highly skilled technicians on quality R&D in agriculture. Kathmandu Forestry College is one of the colleges of Kathmandu University.

CIVIL SOCIETY NETWORK

NEPAL FORESTERS' ASSOCIATION

Nepal Foresters' Association is a non-governmental, non-political and not-for-profit professional association. It is a forum for foresters to share their thoughts and efforts for enhancing the prosperity and progress of Nepal's forests and foresters. The main objectives of the Association are:

1. To help in developing the professional competence of members;
2. To enhance awareness among the general public about the importance of the scientific management and conservation of forests, soil and watersheds, and wildlife;
3. To provide expert services in forestry and related natural resources and environmental issues to institutions and/or Government; and
4. To play a leading role in assisting and advising the Government to formulate sound natural resources management policies.

The Nepal Foresters' Association can play an important role in providing technical services in Lokta production and development technology.

FEDERATION OF COMMUNITY FORESTRY USERS NEPAL (FECOFUN)

FECOFUN is a formal network of approximately 13,000 Forest User Groups from all over Nepal. As a national federation represented by 8.5 million forest resources users it is dedicated to promoting and protecting users' rights. Only Forest User Groups established under the Forest Act of 1993 are eligible to become general members. FECOFUN promotes cooperation and mutual goodwill among Forest User Groups and coordinates with government and non-government agencies to establish networks among interest groups and to promote interrelationship among Forest User Groups and related stakeholders. It advocates for the removal of policy and regulatory constraints and supports income-generation activities to improve the economic condition of forest users. FECOFUN has received support for FSC certification programmes and is currently taking part in pilot projects with the Forest Certification for Ecosystem Services. There is no indication that Lokta collection has been part of previous FSC certification programmes.

TSN PERFORMANCE ANALYSIS

There are inadequate and limited supports in the handmade paper and paper products sector at the policy as well as developmental levels from different government and non-government bodies and from technical agencies. The unique public institutions which have been actively engaged in recent years are MoC, with priority in NTIS 2010 and 2016; TEPC with trade promotion support; FHAN with financial, technical and capacity-building programmes; and FNCCI and the Nepal Chamber of Commerce concerning private sector engagement and promotion.

The results of the ITC Non-Tariff Measures Business Survey in Nepal highlight the overall weak performance of the TSN of the handmade paper sector[36] (see figure 12). The majority of support services have been reported to be only 'satisfactory' or 'poor', especially concerning training on export management and trade information services. Although the limited number of respondents cannot represent the overall perception from the private sector perspective, the results match opinions expressed during the two sector stakeholder consultations.

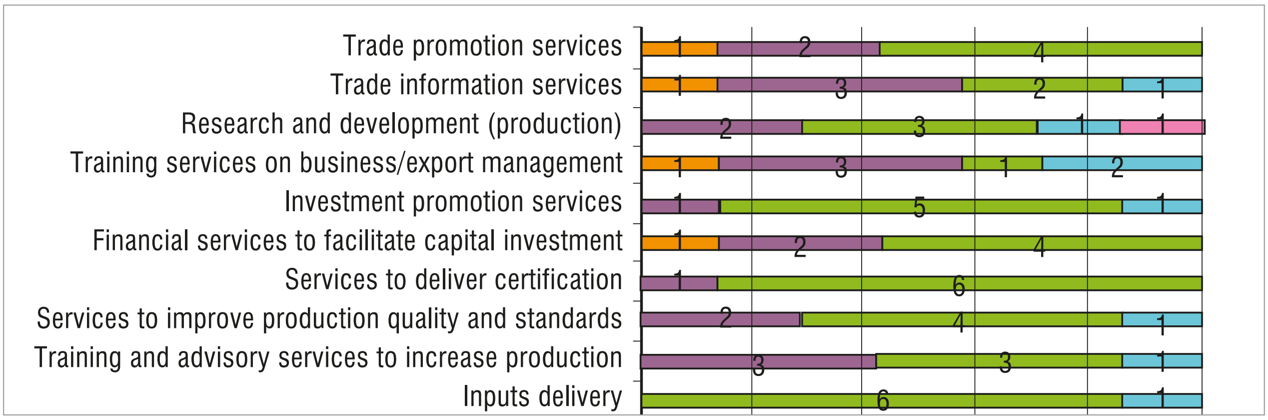
A number of key institutions play a critical role in the development of the handmade paper sector. The most relevant are plotted in box 5 according to the perceptions of an ITC analyst and sector stakeholders in terms of each institution's importance for the sector and its capacity to fulfil its mandates as they relate to the sector. Most of the institutions listed have a significant level of influence on the sector.

To conclude, the lack of political support provided to the sector is reflected in the limited financial resources at the disposal of ministries and related technical agencies to respond to the specific needs of the sector. Very few institutions benefit from foreign development aid, such as AEPC, to start development activities and build a partnership with HANDPASS.

This sector strategy initiative has helped to bring all actors to the same table and identify their common issues, which are described in the analysis of competitive constraints affecting the handmade paper value chain in the following section.

36. International Trade Centre (2016). Non-Tariff Measures Business Survey in Nepal. The ITC NTM Survey allows companies to directly report the most burdensome NTMs and the way in which they impact their businesses. The survey also takes into account inefficiencies in the trade-related business environment. Seven companies in the handmade paper sector participated in the survey.

Figure 12: *Business survey results about TSN performance (number of respondents)*



Source: International Trade Centre (2016). Non-Tariff Measures Business Survey in Nepal.

Photo: ITC, *Lokta paper dyeing*

Box 5: Perception of trade and investment support institutions – influence versus capacities

		Capacity of the institution to respond to the needs of the handmade paper sector		
		Low	Medium	High
Capacity to influence the handmade paper sector	High	• MoFSC / DoF • DFRS • DoPR • AEC (FNCCI) • NBSM	• MoC • TEPC • AEPC • FHAN • HANDECEN • FECOFUN	• HANDPASS
	Medium	• MoI • Ministry of Science, Technology and the Environment (MoSTE) • Council for Technical Education and Vocational Training Kathmandu Forestry College • Agriculture and Forestry University • Nepal Rastra Bank	• DCSI • Federation of Forest Based Industry and Trade • Nepal Freight & Forwarders' Association • Nepal Foresters' Association	
	Low	• Ministry of Water Supply and Sanitation		

Legend: (blue) policy support network, (orange) public trade support services, (green) business support services, (red) public trade support services, (grey) civil society support network.

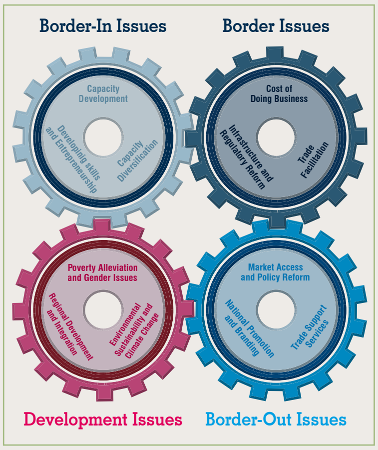
KEY COMPETITIVE CONSTRAINTS AFFECTING THE VALUE CHAIN

A sector's competitiveness depends on a number of factors, ranging from supply of export goods and services to the quality of the business environment, market entry and the development impact of the country's trade, which is important to its sustainability. For a sector export strategy to be effective, it must address a wider set of constraints across these four dimensions of competitiveness. This integrated approach is illustrated by the ITC four gears framework in box 6 below:

Box 6: ITC four gears competitiveness constraints analysis framework

Supply-side issues affect production capacity and include challenges in areas such as availability of appropriate skills and competencies, diversification capacity, technology and low value addition in the sector's products.

Social and economic concerns include poverty reduction, gender equity, youth development, environmental sustainability and regional integration.



Business environment constraints are those that influence transaction costs, such as regulatory environment, administrative procedures and documentation, infrastructure bottlenecks, certification costs, Internet access and cost of support services.

Market entry constraints are essentially external to the country (but may also be manifested internally), such as market access, market development, market diversification and export promotion.

The constraints are classified according to three criteria.

Competitiveness severity The issue is critical for the competitiveness of the sector.	On a scale from 1 to 4: → Low to high impact
Urgent action needed The issue/constraint is hampering export competitiveness and requires immediate action. This could potentially be a quick win in the short or medium term for the implementation of the Strategy.	On a scale from 1 to 4: → Low to high impact
Ease of resolution Assessment based on discussions during stakeholder meetings, taking into account the nature of stakeholders involved in the action, time for implementation, investment required, the need to adapt/change the legal framework and the contentiousness of the reform.	On a scale from 1 to 4: → Low to high impact

SUPPLY-SIDE CONSTRAINTS

Supply-side issues impact production capacity and include challenges in areas such as availability of appropriate skills and competencies, diversification capacity, technology and low value addition in the sector's products.

Supply-side constraints: handmade paper and paper products	Competitiveness severity	Urgent action needed	Ease of resolution
Capacity development issues			
Research			
• Lack of baseline data or inventory on Lokta and paper production. DoF conducted a survey of Lokta plants in 1982 but there has been no follow-up and updating since then. • Inadequate research for better productivity and regeneration of Lokta from Lokta plants. • Lack of Lokta plant development programmes and planting plans.			
Productivity			
• Inaccessibility to Lokta plants due to current policy, rules and regulations in forestry management. In certain areas, harvesting has led to a drastic decrease in Lokta resources. • Knowledge gaps on the techniques for sustainable harvesting. For instance, if Lokta is collected during the rainy season (June and August), the bark is too thin and collectors or farmers will not receive good revenue, while at the same time diminishing the resource. • The income of farmers or collectors is low in view of the hard work involved in Lokta collection. The working conditions to collect Lokta are also very difficult and tiring. This has resulted in farmers switching to other farm activities such as planting large cardamom and other crops. • Insufficient research for improved processing and manufacturing technology to upgrade the bark boiling method; improve stoves, Lokta cleaning and waste management; make frames more efficient; and introduce or improve solar or electric dryers.			
Quality			
• The quality of paper is being reduced with the use of other raw materials. • Knowledge gaps among paper producers to improve quality, particularly among community-based paper producers. • Absence of quality management (QM) practices in processing units.			
Capacity diversification issues			
• Knowledge gaps on standard sizes, grading and the quality requirements of buyers • Lack of investment in appropriate new technologies for paper and paper products production including drying, dyeing, design and finishing as per buyer preferences. • Finished paper products are not produced in the mountain regions where paper is produced.			
Developing skills and entrepreneurship issues			
• Not enough workers are trained in Lokta harvesting techniques. HANDPASS has developed a manual for Lokta harvesting and product design. Trained workers are either becoming too old or are migrating abroad for better income opportunities. • Lack of human resources development working on paper and paper products in mountain and hill regions. • Lack of knowledge about domestic and international market demands with proper market assessments. • Insufficient qualified technical and design experts in handmade paper products. • Insufficient networking among sector stakeholders. Competition is fierce between factory owners to access new markets and share market intelligence.			

SUPPLY-SIDE CONSTRAINTS

LOKTA COLLECTION AND SUSTAINABILITY

Lokta is the main raw material required for the production of handmade paper and it is a forest resource. Data on the availability of Lokta in terms of locations and quantity are not up-to-date at the national level. DoF conducted a national survey of Lokta in 1982 and for a long time all research and policies were based on the results and findings of that survey. Some data on Lokta collection is available for specific districts, usually based on research funded by external development agencies. There appear to be huge discrepancies between district surveys and national data.[37]

There are many agencies involved in R&D on forestry products. However, so far substantive, results-oriented commercial research activities for better productivity and regeneration of Lokta have not been conducted by any national agency. Cases of overharvesting in specific parts in Nepal have started to become a prominent issue. The lack of reliable data on Lokta resources is a constraint not only for the formulation of policy and regulations but also in planning and programming for the development of Lokta. Additionally, sustainable Lokta collection is a fundamental part of the future development and survival of the sector.

The rules and procedures of DoF and the Department of National Parks and Wildlife Conservation are complicated, not transparent and difficult for local inhabitants in high mountain areas – whose livelihoods often depend on Lokta collection – to understand. For this reason collectors are often not motivated to follow this livelihood activity and tend to migrate to urban areas or abroad or switch to other activities.

As indicated earlier, Lokta can be harvested from three types of forests. These are:

1. Government forests, which are managed by the local offices of DoF, the District Administration Office, District Development Committee or Village Development Committee;
2. Community forests managed by CFUGs or other forms of cooperatives; and
3. National Conservation Areas managed by the Department of National Parks and Wildlife Conservation.

37. For example, District Forest Office data in Sankhuwasabha district shows that about 20,224 kg of Lokta bark was collected in Sankhuwasabha district alone in the fiscal year 2069/70 (BS). In contrast, national data shows no record of Lokta collection and trade that year (MoFSC 2069).

Currently it is reported that there are good stocks of Lokta in Government forests as well as National Conservation Areas, as collection is only permitted to local inhabitants for their livelihood. However, availability can be confirmed only if a detailed national survey is carried out in close collaboration with sector stakeholders.

PRODUCTIVITY ISSUES IN HANDMADE PAPER FACTORIES

Productivity is not improving due to the absence of adequate research on appropriate technologies on the areas of harvesting, bark boiling, cleaning and processing. For instance, most local producers waste more than 20% of Lokta during processing.[38] Large quantities of Lokta are found in water drainage due to lack of a simple blocking system such as using net filters during washing. There are no incentives and specific training for workers to reduce wastage. There is insufficient research into finding innovative measures to reduce wastage.

The sector also lacks R&D-based training programmes for Lokta farmers and handmade paper processors and manufacturers. The quality of the paper in some cases is decreasing due to knowledge gaps and the absence of a QM system among Lokta harvesters and paper manufacturers. There are also gaps in knowledge of market requirements and preferences in terms of specifications and standards for further diversification and development of the sector. Stakeholders, particularly manufacturers of handmade paper and paper products, are experiencing a shortage of technical manpower in paper production and in design and development of paper products.

PRODUCTIVITY ISSUES IN HANDMADE PAPER PRODUCTS MANUFACTURERS

The productivity of handmade paper products manufacturers depends on trained labour, timely availability of quality paper, appropriate tools and machinery, and an adequate supply of energy. The sector also lacks R&D-based training programmes for Lokta farmers and handmade paper processors and manufacturers. The limited resources of HANDECEN have to cover the needs of the entire Nepali handicraft sector (carpets, jewellery, etc.) for research and training programmes on design development. Also, because of the lack of adequate research and technical services provided by relevant institutions, paper products entrepreneurs do not receive proper guidance on procurement of appropriate technology, resulting in wasted investment in imported machines and tools.

38. Rai, J.K. and Chapagain, S.P., (2014). Value Chain Analysis of Forest Products in Koshi Hill Districs of Nepal: Challenges and Opportunities for Economic Growth. ForestAction Nepal and RRN, Kathmandu, p. 186.

Photo: Links, *IMG_1537.JPG*

QUALITY ISSUES

It is often reported that handmade paper is produced by using or mixing materials other than Lokta as and when demanded by buyers. This has a negative impact on the entire sector, which is trying to position Nepali handmade paper as 100% pure Lokta handmade paper to maintain a clear differentiation from competing countries.

Often, community harvesting groups and paper manufacturer lack knowledge about the importance of the use of Lokta for papermaking. In view of knowledge gaps they also do not follow standard manufacturing practices and adequate QM practices.

CAPACITY DIVERSIFICATION ISSUES

Nepali paper manufacturers are focused on only one size of paper due to knowledge gaps on standard sizes, grading and the quality requirements of buyers in major markets. Buyers are forced to accept whatever is available, recognizing it as a handmade product. Additionally, the majority of paper and paper products manufacturers have not taken initiatives to invest in appropriate new technologies for papermaking, drying, dyeing, designing, finishing, grading and packaging as per buyer tastes and preferences due to a lack of innovative ideas and R&D support from institutions involved in the sector.

It might be more economic and practical to produce some finished paper products in the mountain regions near to the areas where paper factories are located. This would reduce wastage during transport; give employment to rural inhabitants and transfer technology to rural areas. However, entrepreneurs have not taken any initiatives as there is a dearth of policy and technical support from governmental institutions for investment in rural areas.

DEVELOPING SKILLS AND ENTREPRENEURSHIP ISSUES

Handmade paper exporters are solely interested in ‘A’ grade paper. They add value before exporting by categorizing the paper, sorting the grades, colouring and manufacturing handmade paper products. There are separate entities for colouring paper in Kathmandu Valley (such as in Kapan), as well as for cutting and also making paper products. Exporters are able to outsource various value added works to separate enterprises at national level but are not willing to do the same at rural level due to lack of quality maintenance on the one hand and unavailability of entities for making paper products on the other. Workers in the hills lack the training to work in handmade paper factories. Only a few successful entrepreneurs have located their factories closer to rural areas.

Handmade paper production


Embossing and cutting machine


Flat cutting machine


Dyestuff


Calendering machine


Registry books


Screen printing machine


Boxes and bags handmade


Photo albums handmade

Source: ITC.

BUSINESS ENVIRONMENT CONSTRAINTS

Business environment constraints are those that influence transaction costs, such as regulatory environment, administrative procedures and documentation, infrastructure bottlenecks, certification costs, Internet access and cost of support services.

Business environment constraints: handmade paper and paper products	Competitiveness severity	Urgent action needed	Easeof resolution
Infrastructure and regulatory reform			
• The Government rules for Lokta harvesting are very complicated and difficult for farmers and villagers to understand. Farmers or collectors have to go to the district office several times to get permission for one harvest. • Innovative policy to provide incentives to farmers who wish to create Lokta plants is lacking. • There is no direct incentive for paper manufacturing. Export incentives are received by paper product producers-cum-exporters only and even those incentives are very low. • Lack of policy support for generating value added products. • There are labour problems because all provisions of the Labour Act and Regulations are also applicable to domestic and small industries. • Inadequate supply of energy.			
Trade facilitation			
• Problems transporting paper from production centres to market and the high cost of transportation. • Many documents are needed for export and there is no single window system.			
The quality of institutional support			
• Weak institutional capacity of HANDPASS to conduct product and market development activities, including for the Lokta value chain, through developing linkages among stakeholders. • MoFSC has not conducted a national survey of Lokta resources and there is thus no reliable data on availability of Lokta resources.			
Ease and cost of doing business constraints			
• New exporters cannot receive advance payment from foreign buyers for exports of paper and paper products. Some buyers want to pay cash on delivery. This is another reason Nepal's export competitiveness has decreased.			

INFRASTRUCTURE AND REGULATORY SYSTEM

Existing procedures (called ghatgaddi) applicable to the harvesting of Lokta from allocated forest locations are very burdensome for Lokta collectors or farmers. The procedures require collectors or farmers to visit DoF and forestry district offices four to five times to complete all procedures for one harvest.

In view of the demand for Nepali handmade paper some individual farmers and community farmers are interested in developing Lokta plants in Government forests that are not being used for any other purpose. However, there are no policies or incentives to encourage individuals or community farmers who wish to develop such plants.

Currently only organized paper manufacturers who export directly receive export incentives. Small paper manufacturers are not in a position to receive export incentives because they supply products to paper product manufacturers. Existing norms include provision of export incentives to those factories that directly export paper and paper products.

Photo: ITC visit to Lokta paper processing unit

THE QUALITY OF INSTITUTIONAL SUPPORT

HANDPASS is the only private sector organization working directly to protect the interests of paper and paper products manufacturers and exporters. This organization has very few financial and technical resources to conduct product development, training and market promotion activities and capacity-building of its members.

As described previously, control of forestry resources is held by MoFSC. Assessments of how much Lokta is available and what the sustainable yields might be are out of date and cover only small parts of the country. Harvest levels are not known. Whether Lokta is harvested correctly (by removing the bark only after cutting the tree 30 cm above ground, to preserve the stump and allow coppicing) is not systematically monitored. Meanwhile, the current centralization of control prevents communities from taking responsibility for the resource and developing their own management system in Government forests.

EASE AND COST OF DOING BUSINESS CONSTRAINTS

Exports of Nepali handmade paper and paper products are uncompetitive in foreign markets in part because the country's regulatory requirement does not permit payment on a consignment or cash on delivery basis. Currently, payments must be received either in advance or through letters of credit. Many overseas buyers do not wish to take the risk or cost of advance payment or opening a letter of credit. This regulatory system is losing Nepal many small orders for paper products and handicrafts.

Testimony: *'A certificate issued by a bank stating that the buyer has made 100% advance payment must be presented at the Customs Department in order to export the product. Buyers are not willing to make 100% advance payment before receiving the product. This requirement has hampered the business potential of budding small-scale enterprises like ours, which cannot gain large business deals without providing goods on credit, particularly during the early stage of a firm's engagement with the buyer.'*

Handmade paper exporter, ITC Non-Tariff Measures Survey, Nepal 2016

MARKET ENTRY CONSTRAINTS

Market entry constraints include issues such as market access, market development, market diversification and export promotion.

Market entry constraints: handmade paper and paper products	Competi-tiveness severity	Urgent action needed	Ease of resolution
Market access			
• Issues related to grading / quality certifications: buyers demand pure Lokta paper but there is no proper certification body to test and validate the Lokta content. This leads exporters to sell at a lower price. • The sanitary and phytosanitary requirements of some countries have hindered trade, e.g. Australia does not allow paper products with dried flowers without fumigation. Additional certification is required for paper products with leather content. • Difficulties with Indian authorities when transiting through India: Indian officials demand bank guarantees issued by Indian banks but Indian banks do not issue these to Nepali exporters. • Insufficient understanding about REACH requirements in the EU market for paper products and perceptions of these being a non-tariff barrier to exporters. • Absence of a product certification system to certify that there is no chemical use, that a product is eco-friendly and that sustainable or renewable sources of inputs have been used.			
Trade services support constraints (in and outside the market)			
• Support services related to capacity-building for factory workers, factory management and technical upgrading are sporadic and lack a long-term vision for sector development. • HANDECEN, the focal point agency for the development and dissemination of design for handicrafts in Nepal, has limited resources and programmes to provide adequate services in the handmade paper sector. • HANDPASS has developed a CoC applicable for Lokta paper and paper products but it is not being followed seriously by entrepreneurs.			
Trade promotion			
• Insufficient access to market information, market research activities and dissemination of findings of such research. • With the support of the GIZ project, the 'Nepalokta' collective brand was registered in Europe (Germany) but there is no adequate brand promotion programme in major importing markets (United States, United Kingdom, Germany, France and Japan). • Insufficient market promotion efforts in international markets and no sector promotion strategy.			

MARKET ACCESS ISSUES

There are many buyers who have already recognized the importance and product specialty of Lokta paper. Now various international buyers are demanding certification of Lokta paper. In the meantime some countries also require REACH certification, including sanitary and phytosanitary certification, as per their regulations. For example, Australia does not allow imports of handmade paper products that include natural dried flowers without fumigation, as well as requiring additional certification if such products contain leather components.[39]

There is also no product certification system to verify that there is no hazardous chemical residue or that the product is eco-friendly. Different importing markets require different types of test certification. Nepal is behind in providing product test certificates due to the lack of laboratory facilities accredited by internationally recognized institutions.

Additionally, Lokta collectors and manufacturers of paper and paper products are not seriously following the CoC developed by HANDPASS for the quality production and marketing development of Lokta paper and paper products. This is a critical issue as the CoC is the only guideline put in place by the sector concerning the use of sustainable or renewable sources of inputs such as Lokta plants and energy. The environmental sustainability of producing handmade paper and paper products is a key differentiator for foreign buyers who are looking for sustainable products. The fair trade sustainability framework is not limited to ensuring fair wages and economic development of poor communities but also includes environmental sustainability.

39. International Trade Centre (2016). Non-Tariff Measures Business Survey in Nepal.

Testimony: *'Australia does not allow paper products with dried flowers without fumigation. In addition to that, it seeks extra certification for paper products with leather content. Nepal does not have adequate facilities to fulfil those requirements*.'
Handmade paper exporter, ITC-NTM Survey, Nepal 2016

TRADE SERVICES SUPPORT CONSTRAINTS

Many small and micro entrepreneurs involved in making paper and paper products in Nepal lack support in terms of factory management, technical upgrades and skilled workers. Many governmental and non-governmental institutions and agencies have sporadic programmes and provide support services without any specialization or focus on handmade paper. HANDPASS is the only organization exclusively focused on the sector and playing a coordination role with all the pertinent agencies and stakeholders for the overall development of the sector, from Lokta development and harvesting to the marketing of paper products.

HANDECEN is the focal point agency for the development and dissemination of handicraft designs in Nepal. It has limited resources and programmes to provide adequate services to the handmade paper sector. Therefore, the business community of paper and paper products makers lacks adequate design, quality improvement and market information support.

GIZ supported HANDPASS to register 'Nepalokta' as a collective brand mark in Europe (Germany) but it is not effective due to the lack of adequate brand promotion programmes in this market. Registration and promotion of this collective mark have not been effectively implemented in other markets.

TRADE PROMOTION

Trade promotion activities for handmade paper and paper products in Nepal are conducted by TEPC, HANDPASS, FHAN and FNCCI. Sometimes individual manufacturers and exporters take initiatives themselves in production and dissemination of communication materials and participation in international trade fairs. However, they still have insufficient access to market information, market research activities and dissemination of the findings of such research. Many countries organize gift fairs suitable for Nepali handmade paper products However, no agencies have taken initiatives to conduct innovative programmes targeting Nepali paper and paper products. In the meantime, market-oriented design development to suit buyer requirements and consumer trends is lacking.

SOCIAL AND ENVIRONMENTAL CONCERNS

Social concerns include poverty reduction, gender equity, youth development, environmental sustainability and regional integration.

Social and environmental concerns: handmade paper and paper products	Competitiveness severity	Urgent action needed	Ease of resolution
Social concerns			
• A shortage of skilled labour due to the 2015 earthquake (skilled victims from these districts are only slowly returning to normal life). • Seasonal income: Lokta collection only generates revenue for a few months during the year for collectors in the mountains.			
Youth concerns			
• Economic migration: youth in mountain areas are migrating to look for overseas employment opportunities.			
Environmental concerns			
• No plan or programme in place for sustainable development of Lokta by stakeholders (Government, private sector, community organizations and non-government organizations (NGOs)). Consequently Lokta stands are quickly being depleted in certain districts. • Lots of firewood is needed to boil Lokta when papermaking units do not have access to electricity. • Fuelwood harvests combined with Lokta collection can negatively modify forest ecosystems. • Chemicals used in papermaking, including caustic soda for processing the bark and dyes used for colouring some paper, are not considered to be a serious threat to the environment. However, high concentrations in water can result in toxic effects for aquatic organisms.			

MIGRATION

There is a general shortage of labour and also a lack of skilled labour in Lokta collection and manufacturing of paper and paper products due to an increase in temporary migration of workers. This migration has had positive impacts on the overall economy and standards of living because the volume of remittances swelled remarkably when new markets for jobs opened up for Nepali workers. The incidence of poverty has declined from 42% to 31%.[40] Migrant workers have developed skills; earned enough to enable household members to access better food, clothing, medicines and education; increased financial and social capital; and empowered spouses with their own earnings as well as remittances from abroad. However, one negative consequence is that there is declining interest among Nepali people in working in agriculture or industry.

40. FAO (2010 June). A Rapid Situation Assessment on Agriculture and Migration in Nepal. UN Complex, Pulchowk, Nepal, p. 1.

YOUTH DISINTERESTED IN HANDMADE PAPER AND PAPER PRODUCTS SECTOR

Migration of youth to foreign countries is the major challenge of Nepali society, especially in the agricultural and industrial sectors. According to the National Youth Policy (2010), youths[41] accounts for 38.8% of the total population and are a vital resource for the nation's development as well as being change agents. The poor participation of young people in the economy must be seen as a matter of grave concern to all; indeed it directly threatens the future of agriculture, forestry and rural economic transformation.[42] Some reasons youth migrate for foreign jobs are poor government investment and low representation of donor agencies in productive sectors. The new generation also does not want to become farmers or labourers. It seems the future development of the sector will be difficult without investment to attract youths.

41. The National Youth Policy defines that populations aged 16–40 shall be treated as youths in Nepal.

42. Panday, D. (2012 September 13). Reshaping Youth in Nepali Agriculture. Young Professionals for Agricultural Development (YPARD). Retrieved from http://www.ypard.net/2012-september-3/reshaping-youth-Nepali-agriculture-0.

Photo: Pixabay (cc1.0), *mountains.*

CLIMATE CHANGE AND RAINFALL

Nepal has already experienced unusual climatic conditions with erratic rainfall and increases in temperature, mainly in mountainous regions. These conditions have gradually affected plantations and plant physiology. According to a study conducted by the Food and Agriculture Organization of the United Nations (FAO), temperature observations in Nepal show a great warming trend, with annual mean temperatures increasing by 0.06°C and these increases more pronounced at higher altitudes and in winter.[43] In the case of Lokta plants, the effect of climate change is apparent in that the plant will gradually grow higher up, more than 1,500 metres above sea level, as temperatures increase at the lower level.

SUSTAINABLE LOKTA COLLECTION

Given the absence of a national monitoring system, the sector is facing a critical dilemma as there is no clear reliable information about the actual state of Lokta resources. In addition, cutting firewood for fuel to cook and dry the Lokta further reduces forests. As the forests diminish, the Lokta also disappears.[44]

Other environmental problems[45] related to deforestation and biodiversity loss are affecting Nepal's handmade paper sector.

1. **Deforestation:** Forest loss has contributed to stagnant agricultural output and a decrease in non-timber forest products like cardamom and Lokta. In Nepal, estimates suggest that between 1966 and 2000 forest cover declined from 45% to 29% of total land area. Oft-cited causes of deforestation include population growth, high fuelwood consumption, infrastructure projects and conversion of forests into grazing and cropland.

2. **Biodiversity loss:** Agro biodiversity is under threat due to the use of high-yielding varieties, destruction of natural habitat, overgrazing, land fragmentation, commercialization of agriculture and the extension of modern high-yielding varieties, indiscriminate use of pesticides, population growth and urbanization, and changes in farmers' priorities (MoFSC, 2000). Mountain biodiversity is suffering due to ecological fragility and the instability of high mountain environments, deforestation, poor management of natural resources and inappropriate farming practices (MoFSC, 2000).

COMPETITIVE CONSTRAINTS ANALYSIS

The analysis of the competitive constraints makes it clear that the sector's sustainable development will require an integrated set of interventions that holistically address challenges across the entire value chain. Roadblocks are not limited simply to enterprise capacities or government policy, and many challenges are the result of a combination of factors that require wide-ranging remediation. It is for this reason that a comprehensive sector export strategy becomes all the more necessary; individual stakeholders, and indeed small groups of stakeholders, will not be able to deal with the constraints on their own. It is only through strategic cooperation that the most effective results will be achieved.

43. FAO of the UN (2010). Implications of Climate Change for Agriculture and Food Security and Adaptation Priorities in Nepal.

44. Prescott-Allen, R & Prescott-Allen, C (Eds.) (1996). Assessing the Sustainabiliy of Uses of Wild Species – Case Studies and Initial Assessment Procedure. IUCN, Gland, Switzerland, and Cambridge, United Kingdom. P14. Retrieved from https://portals.iucn.org/library/efiles/documents/ssc-op-012.pdf

45. Source: Nepal National Planning Commission, 2012.

Photo: ITC, *Annapurna Lokta Paper and Handicraft Factory (Gandruck-Nepal)*

Photo: ITC, *New technology for electric boiler, HANDPASS and AEPC project*

THE WAY FORWARD

The handmade paper and paper products sector possesses significant potential to impart socioeconomic contributions to Nepal through export-led and domestic market growth. In order to realize this potential, competitive constraints and structural deficiencies along the four export development gears (supply side, business environment, market entry and development side) will be addressed and identified opportunities will be leveraged.

The following is a delineation of the proposed vision and strategic approach in this direction.

THE VISION

Stakeholders of the handmade paper and paper products sector of Nepal agreed on the following vision statement.

> "Achieving quality and sustainability in Lokta handmade paper and paper products to deepen socioeconomic gains through more competitive exports"

THE STRATEGIC OBJECTIVES

The vision set up for the sector export Strategy is delineated in three strategic objectives built around the key areas where action is required over the following five years. The PoA (detailed in page 90) will respond to this vision by addressing the sector's constraints in a comprehensive manner.

STRATEGIC VISION
Achieving quality and sustainability in Lokta handmade paper and paper products to deepen socio-economic gains through more competitive exports

Strategic objetive 1:
Enhance sustainibility of Lokta collection and production

Strategic objetive 2:
Diversify and upgrade quality of sustainable handmade paper production and paper products to meet market demand

Strategic objetive 3:
Strengthen institutional support to SMEs and promote NepalLokta to accelerate export market share growth

ENHANCE SUSTAINABLE DEVELOPMENT OF LOKTA COLLECTION AND PRODUCTION

1. Establish a national plan to manage Lokta resources sustainably and improve the forest regulatory framework.
2. Improve the supply of quality materials to paper factories without damaging existing Lokta resources.
3. Support R&D on the Lokta plant to improve productivity and resilience.

The first strategic objective aims to strengthen the capacity of the sector to ensure it makes sustainable products, starting with sustainable management of their primary resource, Lokta plants. It is of utmost importance to organize a national inventory of available Lokta resources in partnership with CFUGs and international NGOs specialized in biodiversity and sustainable forest management. A feasibility study on the possibility of using suitable land in appropriate locations, including public forests, will have to be done in parallel to increase the production capacity for handmade paper. Based on this research, stakeholders will define a national plan to sustainably manage Lokta resources in forests.

The collaboration and research between Lokta collector communities, HANDPASS and MoFSC will redefine the conditions for accessing Lokta resources and will simplify the procedures for Lokta collection. Business-friendly policies and regulations will provide incentives and financial support to farmers who wish to work on Lokta planting or develop nursery plantations in unused land areas on a lease basis.

Another importance aspect of this strategic objective is to improve the quality of Lokta supplied to paper factories. This will be done by building the awareness and capacities of Lokta collectors and handmade paper manufacturers about sustainable and qualitative Lokta collection, focusing on improved collection and harvesting techniques.

In addition, research on the Lokta plant must be revived to improve cultivation techniques for the regeneration of Lokta plants. Past research on tissue culture and mass production has been successful, according to sector stakeholders. Given the constant progress in silviculture, new research protocols should be put in place in collaboration with DFRS and HANDPASS, followed by training in nursery development and management in collaboration with CFUGs.

DIVERSIFY AND UPGRADE THE QUALITY OF SUSTAINABLE HANDMADE PAPER AND PAPER PRODUCTS TO MEET MARKET DEMAND

1. Upgrade paper manufacturing units' capacities in QM, cost reduction and business management practices to improve competitiveness.
2. Improve the quality and diversity of paper products to meet market requirements and consumers trends.

The second strategic objective is geared towards upgrading the quality of the production both at paper manufacturing units and paper products producers. It is important to enhance the quality and sustainability of the production along the sector value chain in order to gradually improve its competitiveness and meet the requirements of international buyers for high-end sustainable home design and eco-friendly and socially responsible handicraft and giftware products.

The sector will revisit its CoC in order to set new quality standards. Papermakers and paper products manufacturing units will integrate QM practices such as 5S housekeeping and QM systems in order to improve product quality. A few large paper products manufactories will be supported to become ISO 9001 certified.

Additionally, technical and advisory services will be rendered by HANDPASS to paper product manufacturers and their staff to improve the quality of existing products, to create new products and to develop new designs to regain market shares in traditional importing markets: the United States, United Kingdom, France and Germany. Training programmes will focus on modern equipment and smart tools for paper product production and on improved processes for papermaking, new production methods such as the use of different natural dyes and pigments or different adhesives, as well as combining different materials in the making of paper products (bamboo, wood and metal), and new products: paper flowers, bag and boxes, personal diaries.

Furthermore, paper production will reduce waste and use more renewable energy in order to cut costs and maintain efforts to constantly reduce its impact on the environment. As the sector is already eco-friendly, it is important to constantly investigate and adopt energy-efficient equipment and tools such as modern electric Lokta boilers supported by mini hydropower turbines.

Box 7: Success story of Thai Saa handmade paper

The current structures of the industry and the Saa paper production chain have faced a number of obstacles and weaknesses. These have been overcome to reach eco-efficient Saa paper production and processing/finishing. The three steps described below present how the sector has changed its course.

1. Department of Environmental Quality Promotion of the Thai Ministry of Natural Resources and Environment has in the past actively promoted the development of this sector to reach eco-efficient production and processing requirements.

2. Strong efforts have been made to increase the industry's competitiveness through applying advanced production technologies and improved knowledge dissemination.

3. Analysis of products and how product characteristics can positively impact the industry and the production chain options, especially with regard to the Saa paper export market.

Results: The Thai Saa (mulberry) paper industry has experienced steady annual growth of 10–20% over the last 25 years. Its products have shifted from goods for basic local needs to luxury items, with between 65% and 80% of products being exported. The Saa paper niche market generates approximate annual export revenue of US$ 50 million to US$ 70 million.

Source: Export Market for Tahi Saa Paper – Thai-German Programme for Enterprise Competitiveness (2005).

STRENGTHEN INSTITUTIONAL SUPPORT TO SMES AND PROMOTE NEPALOKTA TO ACCELERATE EXPORT MARKET SHARE GROWTH

1. Strengthen the TSN to provide improved production advisory services and market information.
2. Benchmark competitors and disseminate market intelligence to sector stakeholders.
3. Promote the Sustainable Nepalokta trademark to regain market share in traditional markets and online distribution channels.

The third strategic objective aims to improve the key sector institutional support services which will facilitate the future development of the sector. Activities falling under this strategic objective are divided along three operational objectives: strengthening the sector association, HANDPASS, to provide business and production development services; gathering and disseminating market information to sector stakeholders; and promoting Nepalokta handmade products to regain market share in traditional export markets and develop new linkages with online distribution channels.

HANDPASS supports all sector stakeholders and advocates for policy changes with the Government and public institutions. Its financial capacities are extremely limited and it has been highly dependent on foreign aid. Nevertheless, the institutional development of HANDPASS is fundamental for the future development of the sector. The activities of the Strategy aim to reinforce the business and production development services related to key aspects of the sector Strategy, including production management advisory, market information dissemination, social entrepreneurship advocacy and gender empowerment.

Given the current lack of competitiveness of the sector, it is important to quickly initiate a benchmark study on the production, technology and marketing strategies of handmade paper and paper products competitors such as China, Viet Nam and Thailand. In parallel, the sector needs to conduct market research to understand current trends in the sustainable design in home decoration and giftware markets in target markets (United States, United Kingdom, France and Germany), and to determine the market opportunities for its different product segments: handmade paper (paper writing blocks/stationery and writing sets, greeting cards), handmade paper products (handmade boxes and packaging segment, handmade notebooks and handmade decorative items). Specific market studies also need to be developed to identify business prospects within distribution channels specialized in sustainable products in new attractive markets such as the Netherlands, Spain, France, the Republic of Korea and online handicraft stores.

Finally, the sector needs to revamp its Nepalokta trademark and use it to promote the sector in major traditional markets where imports from Nepal have recently fallen drastically. HANDPASS and other support agencies such as TEPC will lead the process to establish a sustainable business model for the Nepalokta trademark, redefine its CoC, and develop linkages with sustainable and fair trade certification bodies to support a new certification system. Additionally, the Nepalokta collective trademark will be promoted in major importing markets and online market channels focusing on sustainable products. A communication strategy will focus on developing new marketing material and social media. Export-ready handmade paper product companies will be supported to participate in selected international trade fairs related to the paper, home decoration and giftware industries in target markets, such as Paperworld in Germany.

LEVERAGING MARKET AND PRODUCT DEVELOPMENT OPPORTUNITIES IN THE DOMESTIC AND EXPORT MARKETS

Very little data is available on this niche market at the world market level or even for specific countries. It is necessary to look at the handmade paper and paper products sector from a broader perspective. Including handmade paper products in their many diverse forms, the international market for Nepali handmade paper is exponentially larger. This takes into account, for instance, the market for stationery such as envelopes, cards, artist's paper and book bindings, as well as for art items and household items such as lampshades.[46] As described in the 'global trends' chapter, handmade paper and paper products is part of a larger market, the giftware and home decoration market, which offers great potential. The following section first presents the product development opportunities in export markets and then identifies the market diversification prospects in the domestic and international markets.

46. EEC, DFSME, LCCI & FNCSIN (2008). Study on Export Potential: An Analysis of Selected Sub-Sectors of Nepal: (Coffee, Cut- Flower and Handmade Nepali Paper). *ECIBRON Project, Chapter Five: Three Sub-Sectors that have Good Opportunities for Potential Trade with EU Market*.

LEVERAGING PRODUCT DEVELOPMENT OPPORTUNITIES IN EXPORT MARKETS

This section on product development opportunities identifies export potential based on the sustainable design segment in home decoration and giftware markets. Then key market trends and export potential for handmade paper and the three handmade paper products segments are presented, followed by specific actions to be undertaken in the framework of the export Strategy.

TARGETING THE SUSTAINABLE DESIGN SEGMENT IN THE HOME DECORATION AND GIFTWARE MARKETS

The trend towards searching for individualistic products and attaching importance to sustainability indicates that there is an increasing interest in handmade products of high quality (but non-traditional design) that are produced under sustainable conditions. Storytelling and branding about the products and their origin (putting a face on the community and the producers) provide potential customers with additional perceived value.

The market for sustainable design in home decoration and gift items is following the same trend as other sustainable goods such as fashion. Despite relatively small market share and relative growth, the potential is important.[47] Consumers are aware of or subscribe to sustainable objectives and regard design as important in the products they buy. They try to fulfil their desire to surround themselves with beautiful, comfortable, convenient, durable objects that carry a meaning or a story.

Sustainability is a niche market with specific requirements. From a business perspective, sustainability could be assimilated as a tool to make a business financially and economically sound and efficient in the medium and long terms because it allows:

- Improved social conditions of workers and thus reduces staff turnover and potentially improves productivity;
- Reduced manufacturing costs through energy saving and material waste reduction;
- Improved business relationships with importers due to increased transparency and commitment.

47. Ministry of Foreign Affairs (2011). Tailored intelligence: the sustainable design market for home decoration and home textile. *CBI Market Study*. pp. 14-18..

As described in the study *Social Responsibility in the Growing Handmade Paper Industry of Nepal,*[48] the depth and diversity of socially responsible behaviour is already part of the sector's development success in Nepal. The sector has to strengthen these long-term socially responsible traditions that exist at the foundations of Nepali society. This socially responsible behaviour comes from five interrelated sources:

48. Biggs, S. and Messerschmidt, D. (2005). Social Responsibility in the Growing Handmade Paper Industry of Nepal. *World Development* Vol 33, No. 11, pp. 1821–1843.

1. Traditional community practices of social responsibility and volunteerism that are deeply rooted in Nepali society;
2. Fair trade CoCs to which social entrepreneurs adhere;
3. Corporate social responsibility CoCs arising in the private sector;
4. Agreements built into membership in HANDPASS, the industry's major business association; and
5. The general policy, project and legal context. For instance, FECOFUN received the first FSC certificate in Asia.

Box 8: Environmental and social dimensions within sustainability

Environmental dimensions	Social dimensions
Raw material • Products made of organically produced raw materials • Products made of materials from sustainable sources / plants • Products made of materials that take into account the protection of biodersity • Products made of recycled materials • Products made from novel materials that have an overall near-zero impact	**Fair trade** Products that are Fairtrade-certified by the World Fair Trade Organization (WFTO) or produced following fair trade principles, which implies that they are: • Made according to fair trade principles • Made by transparent suppliers • Made by suppliers who invest in their communities
Production process • Products that are made in a cleaner process (less waste, cleaner materials, less energy) • Products that are made in a leaner process (faster, more lightweight, less transport) • Smart products that use parts that can be reused / used in other products	**'Cause-pushed' trade** • Products made by (disadvantaged) communities or minorities • Products that support a good cause • Products that are made locally
Product life cycle • Products that are recycled • Products that are reused or upcycled • Products that are easily recyclable after use • Products that are cradle-to-cradle	**'Cultural-pushed' trade** • Products that reflect cultural values • Products that show special skills • Products made to preserve and further local skills and techniques.
• Product use • Products that are smarter: multipurpose, modular, detachable • Products that are more durable • Products that are simpler: more timeless, less trendy, have a versatile design	**Note:** * The difference between 'cause' and 'culture' is whether or not origin is shown or used in marketing.

Source: CBI Market Study, the sustainable design market for home decoration and home textile.

Given this positive trends in sustainable products in high-end markets, the strategy for the handmade paper segment is to focus on this growing segment and propose the following action:

- Handmade paper manufacturers need to embed the key environmental and social dimensions of sustainable product design in order to tap into this segment of the home decoration and giftware markets.

KEY MARKET TRENDS AND EXPORT POTENTIAL FOR THE HANDMADE PAPER SEGMENT (EXCLUDING PAPER PRODUCTS)

The market for handmade paper is a niche market with a very limited and specialized distribution channel in few markets. Lokta paper is already known by this very specialized segment of the paper market. Unfortunately no specific data is available for this high-end segment so it is not possible to establish any trends. The key buyer requirements in the high-quality handmade paper segment are quality, consistency and adaptability. The key aspects for the export potential of Nepali handmade paper and market trends are the following.

- **Lokta paper has clear competitive advantages** over other handmade papers. It is renowned for its robustness and natural resistance to insects. The uneven length and spreading of fibres give a unique texture. Unlike most paper that is put into coloured solution, Lokta paper does not dissolve and can be dyed using the dip dyeing process. The flexibility of this dyeing process gives enormous possibilities for design and colours. For these distinctive product characteristics, Lokta paper is a high-quality handmade paper. From a marketing perspective, Lokta paper is environmentally friendly as no trees need to be felled for pulp. It is biologically degradable and acid free.

- **High-quality handmade paper segment**: With regard to classic paper products, e.g. stationery products, it is obvious that the volume of handwritten letters has rapidly decreased with the use of emails. However, in areas where 'the personal touch' continues to be of high importance – e.g. personalized invitations, seasonal greeting cards and scrapbooking – there are growing business opportunities for exporters of high-quality paper products with innovative designs and trendy colours. For instance, an interesting sub-segment is paper mixed with dried flowers, plants or herbs, usually to create gift cards.

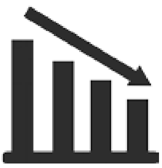
- **Few existing distribution channels:** Various market studies have helped to identify the final consumers of handmade paper, including: i) private individuals/amateur craft makers; ii) craft shops and small producers of gift items, as well as professionals, e.g. photographers; and iii) marketing houses that use the paper to make upmarket products as part of a promotional package, e.g. gift wallets for buyers of a luxury car.

- **Consumer trends and seasonal purchases: Colour trends** are important aspects to follow for handmade paper producers. Colour forecasting is a particular field of market research which aims at predict the colour palette that will lead the new season's fashions. In this way, colour forecasting also represents the colour trends that will be interpreted into fashion accessories, homewares and interior design. As with all trends, these forecasts can be followed, interpreted or ignored, depending on the nature of the clients.[49]

Pantone, a renowned authority on colour and provider of colour systems across a variety of industries, chose Rose Quartz and Serenity as the colours for the year 2016. They are said to 'demonstrate balance between a warmer embracing rose tone and the cooler tranquil blue, reflecting connection and wellness as well as a soothing sense of order and peace.'

- **Seasonality:** Valentine's Day, Christmas, Mother's Day, etc. are very important holidays for the paper, gift and decorative articles market. On these occasions, people tend to give their gifts in highly decorated boxes of unusual and original shapes.

DECREASING MARKET SHARES IN TRADITIONAL DESTINATION MARKETS, WITH A FOCUS ON THE UNITED STATES MARKET



Given the absence of specific data for this high-end paper segment in destination markets, the identification of potential target markets is based on the past export performance of Nepal. Based on table 7, it is important to highlight that exports of handmade paper, paperboard and envelopes decreased between 2011 and 2015 at an annual rate of -6% (CAGR), with a sharp fall between 2014 and 2015 (-38.2%). This decline is mostly due to a decrease in American and German imports, the largest and fourth-largest importers (56% and 5.5% market share in 2015 respectively). France, Japan and the United Kingdom have significantly increased their imports, with an impressive growth rate in the French market with a 181% CAGR between 2011 and 2015.

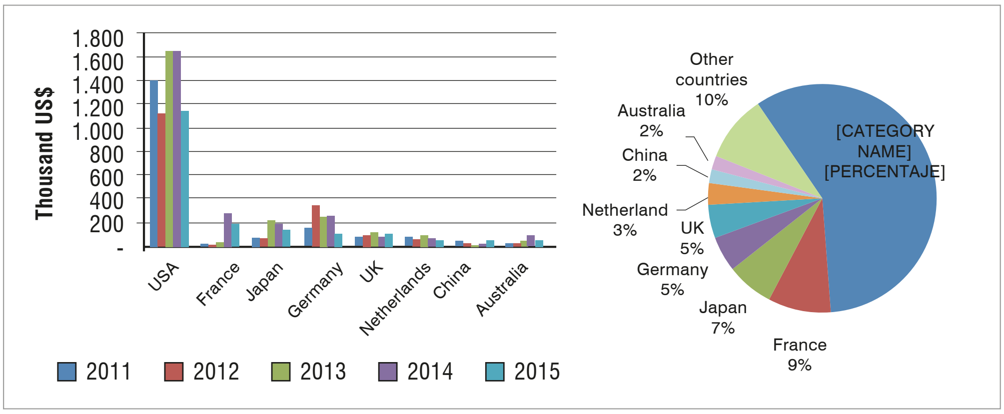
49. Blue, B. (2006). Handicraft Sector Design and Business Development Manual. *International Labour Organization.* p. 61.

Table 7: *Main export destinations of handmade paper and paperboards of Nepal (HS-4801 to HS-4819), 2011–2015*

Importers	2011	2012	2013	2014	2015	CAGR 2011-2015 (%)	CAGR 2015-2016 (%)	Market share (%)
World	**2.591**	**2.625**	**2.854**	**3.280**	**2.027**	**-6.0**	**-38.2**	**100.0**
United States	1 389	1 122	1 643	1 653	1 147	-4.7	-30.6	56.6
France	3	9	36	275	187	181.0	-32.0	9.2
Japan	60	69	218	182	138	23.1	-24.2	6.8
Germany	153	348	244	260	111	-7.7	-57.3	5.5
United Kingdom	79	76	117	75	102	6.6	36.0	5.0
Netherlands	63	53	99	64	55	-3.3	-14.1	2.7
China	39	18	13	22	44	3.1	100.0	2.2
Australia	16	16	51	92	42	27.3	-54.3	2.1
Other countries	788	917	432	657	202	-28.8	-69.3	10.0

Source: International Trade Centre (2016), Trade Map database <www.trademap.org>.

Figure 13: *Main export destinations of handmade paper and paperboard of Nepal, 2011–2015*



Source: International Trade Centre (2016), Trade Map database www.trademap.org.

Given this relatively negative market trend in traditional destination markets, the strategy for the handmade paper segment is twofold:

- Focus on regaining market share in the largest importing market, the United States. It is important to carry out a study of the United States market to identify the cause of the decline in imports and to adapt the marketing strategy accordingly.
- It is also important to gain further market share in existing markets by developing marketing activities to promote products in other traditional markets where imports increased between 2011 and 2015, such as France, the United Kingdom and China.

Box 9: Summary of target markets for the handmade paper segment

Handmade paper
- Paper, writing blocks / stationery and writing sets
- Greeting cards, photo frames and boxes

Product characteristics
- 100% Lokta paper
- Customize according to buyer's requirement: colour, weight and size
- Mixed with flowers

Target markets
Traditional destination markets
1. United States
2. France, Japan, Germany, United Kingdom

Distribution channels
Specialized paper shops and online stores

Final consumers
- Private individuals / amateur craft makers
- Craft shops; small producers of gift items; professionals, e.g. photographers
- Marketing houses that use the paper to make upmarket products as part of a promotional package

KEY MARKET TRENDS AND ATTRACTIVE MARKET SEGMENTS FOR HANDMADE PAPER PRODUCTS[50]

The segment for handmade paper products includes a vast range of goods that can be made with handmade paper including: diaries and notebooks, photo albums/frames, gift boxes, bags, lampshades and decorative items. The following first describes the export potential and required positioning of Nepali handmade paper products according to the overall handicraft market segmentation; and second, the market trends of the three main handmade paper products segments (handmade boxes and packaging, premium handmade notebooks and diaries, and handmade paper decorative items).

TARGETING THE MIDDLE SEGMENT OF THE HANDICRAFT MARKET BY CONSTANTLY IMPROVING QUALITY, INNOVATION AND MARKET RESEARCH

The handmade paper products market can be segmented into the upper segment, the middle segment and the lower segment (see box 10). Based on stakeholder consultations, the primary target market for Nepali handmade paper products is mainly in the middle segment – apart from sales to a few exclusive specialized stores or brands in the upper segment – and continued targeting of the middle segment seems to be of most interest to Lokta manufacturers to avoid fierce competition with other Asian handmade paper producers (with poorer quality and lower prices). However, this assumes that Nepali exporters are capable of meeting expectations in regard not just to price but also consistent quality.

Handmade paper products importers can and will specify to Nepali exporters their exact requirements for colour and design. However, it is important that Nepali exporters can present a product range in continuous development that demonstrates some knowledge and monitoring of colour and design trends that affect the market. A good way of following new market trends is by obtaining information on fashion and interior decoration trends via international fairs, magazines and websites for fashion, crafts, gift articles and interior decoration in general.

It is important to underline that in Nepal and other developing economies, there is a tendency to copy what other exporters of the same product types are apparently successfully exporting. If all exporters essentially present the same products, they will find it difficult to differentiate themselves in a market which is always looking for new products in order to stimulate customer demand, and which has a large number of suppliers to choose between globally. Therefore this strategy is not sustainable. Handmade paper producers have to integrate innovation and market research for new trends within their core competencies in order to constantly improve their products' perceived quality, packaging and presentation, uniqueness and sustainability.

50. Ministry of Foreign Affairs (2007). The Gifts and decorative articles market in the EU. *CBI Market Study*.

Box 10: Market segmentation for handicraft products

Segment and market share	Market criteria	Product criteria
Upper segment: Estimate 5–10%	• Exclusive distribution • Best locations • Glossy promotion • Important brands	• High-quality materials • First class workmanship • Perfect design • High price level • Also European products • Brands important
Middle segment: Estimate 50–70%	• Many chains • Department stores and chain stores • Large assortment • Coordinated collections • Large-scale promotion	• Reasonable to high-quality materials • Good design and workmanship • Fashionable collections • Lower to medium price level • Mostly non-European products
Lower segment: Estimate 20–40%	• Intensive distribution • High traffic locations • Aggressive marketing • Bulk sales	• Basic quality • Focus on low price and special sales offers • Brands less important • Products mostly from the Far East

Source: CBI.

Nepali handmade paper products can be divided into two main groups of products: the handmade boxes and packaging segment and the handmade notebook and diaries segment. The following describes the export potential of each product group.

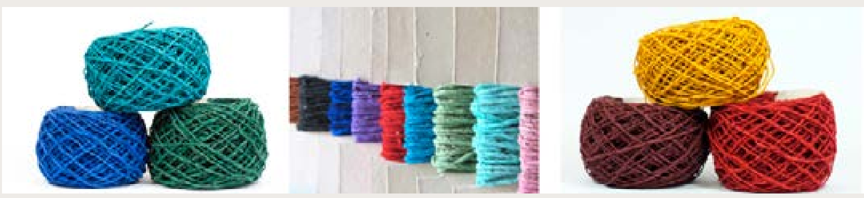
TRENDS IN THE HANDMADE BOXES AND PACKAGING SEGMENT, AND EXPORT POTENTIAL

According to a CBI market study,[51] the packaging segment for both retailers and consumers is most likely the market segment with the highest potential growth rate in a market with increasing interest in and purchase of gifts, crafts and interior decoration items in need of natural packaging. Paper gifts is another segment which offers interesting market potential, as Lokta paper is highly resistant to insects and various colours can be used. Paper twine is ideal for weaving, crochet, floristry, gift wrapping and crafts. Likewise, the interior decoration market is also expanding, which could provide market opportunities for manufacturers that can develop decorative paper boxes for storage at home.

51. CBI Market Study, The Giftsand decorative articules market in the EU- 2007.

Box 11: Paper twine

Paper twine is a light string or strong thread composed of two or more smaller twisted strands of paper which are then twisted with one another. Some examples:2



SIGNIFICANT EXPORT GROWTH OF HANDMADE BOXES AND PACKAGING IN TRADITIONAL DESTINATION MARKETS IN THE UNITED KINGDOM AND UNITED STATES

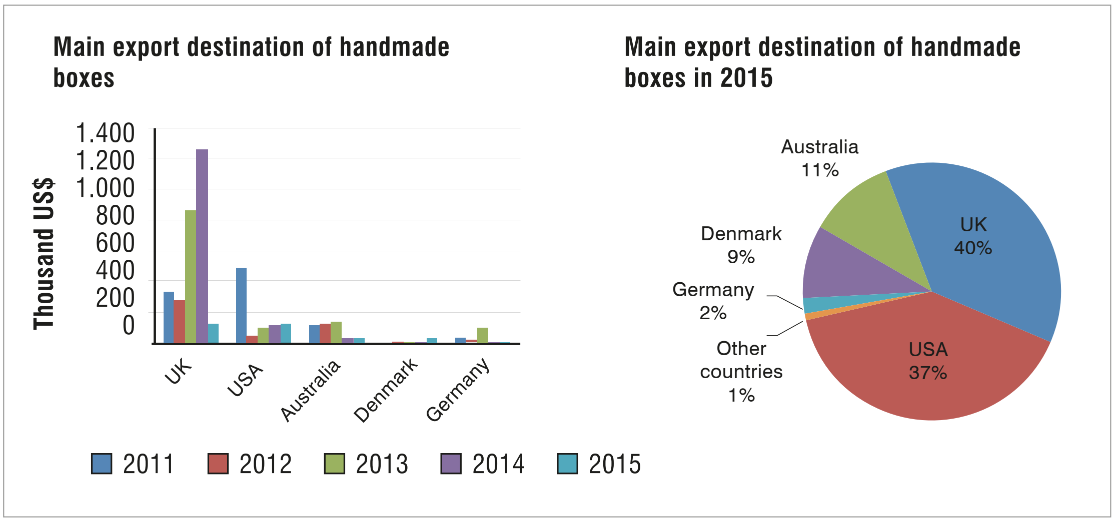
Following promising trends, exports of handmade boxes have also experienced significant growth, with a CAGR of 11.5% between 2011 and 2014. However, exports in this segment faced a great fall between 2014 and 2015: -79.2% CAGR. This growth and subsequent decline was mostly driven by the largest importer, the United Kingdom, representing approximately 40% and 56% of imports between 2011 and 2014. All other importing markets saw a sharp decline in their imports over the period 2011–2015.

Table 8: *Main export destinations of Nepali handmade boxes (HS-4819), 2011–2015*

	2011	2012	2013	2014	2015	CAGR 2011–2015 (%)	CAGR 2015–2016 (%)	Market share
World	**1.138**	**749**	**1.454**	**1.578**	**329**	**11.5**	**-79.2**	**100.0**
United Kingdom	337	284	873	1.270	133	55.6	-89.5	40.4
United States	497	51	103	124	120	-37.0	-3.2	36.5
Australia	124	135	148	32	35	-36.3	9.4	10.6
Denmark	0	7	9	1	29		2.800.0	8.8
Germany	32	25	117	12	6	-27.9	-50.0	1.8
Other countries	148	247	203	140	5	11.5	-96.4	1.5

Source: International Trade Centre (2016), Trade Map database <www.trademap.org>.

Figure 14: *Main export destinations of Nepali handmade boxes (HS-4819), 2011–2015*



Source: International Trade Centre (2016), Trade Map database www.trademap.org.

Photo: ITC, *Lokta paper handmade gift boxes*

Based on the recent decline in exports of handmade boxes, the strategy for this segment is to focus on regaining market share in its traditional markets, especially the United Kingdom and United States markets.

- It is important to carry out market studies directly in these markets to define the main reasons for the decline in imports and to review the marketing strategy accordingly.

TRENDS IN THE PREMIUM HANDMADE NOTEBOOK AND DIARIES SEGMENT AND EXPORT POTENTIAL

As opposed to their digital counterparts, handmade notebooks offer the opportunity to commit thoughts to real paper. Amid the rush to collect as many experiences and stories as possible on social media, consumers want to embrace the here and now as well by creating moments of reflection and introspection. 'Me time'[52] moments are enhanced by the sensory effect of the materials and techniques used, as well as by using natural materials. Based on the CBI Product Factsheet *Handmade Paper Notebooks in Europe*, notebook producers need to take into account the following characteristics to target this specific segment of premium notebooks and diaries.

- **Triggering the senses:** Handmade notebooks can add a sensory experience to 'me time' moments. The texture of natural fibres, accessories, embossed surfaces or fabrics, as well as colour effects, such as gradient or marbled effects, can all add touch and feel to the notebook. These elements intensify the experience of writing notes.

- **Closer to nature:** As can be seen in home decoration and home textiles as a whole, consumers want to feel closer to nature. This trend is also apparent in the home. Handmade paper notebooks can depict nature with the use of fibrous paper, notebook covers made of wood or fabric, or by using imagery from nature (see box 12).

- **Personalization:** As notebooks invite personal reflection, the choice of notebook is extremely individual. Moreover, users of notebooks care about detail. Alternatively, consumers are invited to decorate their own notebooks on blogs and hobby websites.

- **Giving:** Stationery as a whole – and particularly notebooks – has moved from a separate category (with a specific marketing mix) towards home decoration because of the potential it offers as gifts. Currently, retailers that offer general home decoration product ranges include some ranges of notebooks as well (see box 12).

- **Sustainability:** Sustainability is a growing trend in home decoration products on the European market and fits exceptionally well with handmade paper notebooks. There are numerous options for sustainable products ranging from raw material use (e.g. recycled paper, waste from cotton production and animals) and fair trade notebooks, to sustainable production (e.g. using non-chlorine bleach).

Handmade paper notebooks, produced by small-scale producers under fair working conditions, have traditionally been used in the Fairtrade movement. Often, these products provide a clear visual impression of the place of origin.

52. Ministry of Foreign Affairs. CBI Product Factsheet Handmade Paper Notebooks in Europe. *CBI Market Information Database*. p. 1.

Box 12: Book binding and premium positioning

In book binding, traits that are lauded are 'quality of materials, meticulous workmanship and attention to detail from sewing to finishing.' More specifically, design binding is the new challenge, in addition to traditional binding techniques and materials. Today, binders should not only focus on using high-quality paper, leather or parchment but should also work on displaying originality and creativity through their designs.

Positioning of premium handmade notebooks: The company Buchbinderei Vera Donna in Germany is a family business specialized in high-quality book binding, with hand-picked suppliers from all over the world. The products, whether guest books, photo albums, poultry books, diploma and presentation books or diaries, are made from the highest quality materials and are all handmade. The marketing strategy is to position the products as completely individual, tailored to the needs of customers. The company's slogan is 'our products stand out from the crowd because they are not part of it'. The product quality is defined not only by peculiarities such as hand-torn paper, Italian full-grain leather or Nepali parchment but more importantly by the tasteful composition of Italian design.

SIGNIFICANT DECLINE OF EXPORTS IN THE PREMIUM HANDMADE NOTEBOOK AND DIARIES SEGMENT DESPITE GROWING TRENDS.

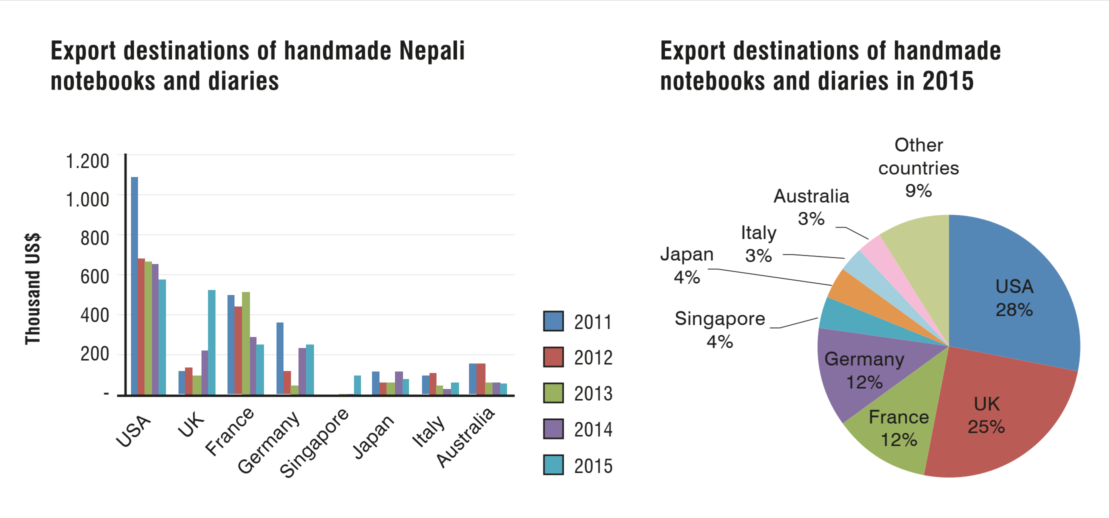
Despite the growing trend for handmade notebooks, Nepali exports of handmade diaries and notebooks have experienced a significant decline, with a -10.8% CAGR between 2011 and 2015. It is important to note that, compared with the two other product groups, exports of handmade diaries increased significantly between 2014 and 2015 (+12.4%).This increase mostly originated from the United Kingdom with an impressive growth rate of 45.4% (CAGR) between 2011 and 2015. In 2015 the market was concentrated between four importers: the United States (27.8%), United Kingdom (25.2%), France (12.0%) and Germany (12.0%). Notably, the United Kingdom is the only market in which imports increased during this period.

Table 9: *Main destinations for export of Nepali handmade notebooks and diaries (HS-4820), 2011–2015*

	2011	2012	2013	2014	2015	CAGR 2011–2015 (%)	CAGR 2015–2016 (%)	Market share (%)
World	**3.253**	**2.106**	**1.777**	**1.834**	**2.062**	**-10.8**	**12.4**	**100.0**
United States	1.087	677	666	655	574	-14.8	-12.4	27.8
United Kingdom	116	136	93	211	519	45.4	146.0	25.2
France	495	441	517	283	248	-15.9	-12.4	12.0
Germany	357	112	40	230	247	-8.8	7.4	12.0
Singapore	-	-	1	3	95		3.066.7	4.6
Japan	109	64	62	122	81	-7.2	-33.6	3.9
Italy	91	104	42	23	64	-8.4	178.3	3.1
Australia	154	151	60	56	58	-21.7	3.6	2.8
Other countries	846	420	295	247	178	-32.3	-27.9	8.6

Source: International Trade Centre (2016), Trade Map database <www.trademap.org>.

Figure 15: *Main destinations for exports of Nepali notebooks and diaries (HS-4820), 2011–2015*



Source: International Trade Centre (2016), Trade Map database <www.trademap.org>.

Based on the recent increase in exports of handmade notebooks, the strategy for this segment is twofold:

- Regain market share in the largest importers: the United States, France and Germany.
- Increase market share in smaller importing markets such Singapore, Italy and Australia.

TRENDS IN HANDMADE PAPER DECORATIVE ITEMS AND EXPORT POTENTIAL

As virtually anything can be made from paper, from toys to fashion garments, this segment encompasses a large number of items, among which lampshades and paper flowers are the most popular products produced in Nepal. Handmade paper decorative items are part of the larger handicrafts industry and artisan market. Decorative items can be divided into four basic groups:

- **Functional wares:** items made in a workshop or small factory that mass-produces handmade goods such as pottery, tiles or furniture for national or export markets;
- **Traditional art:** ethnic crafts marketed locally by creating interest in the culture and by maintaining high quality;
- **Designer goods:** sometimes based on local crafts but always redesigned by foreigners to suit fashion trends in the export market; and
- **Souvenirs:** inexpensive, universal trinkets or simplified traditional crafts made for local retail or sold through international development agencies as tokens of goodwill.

Nepali handmade paper decorative items mostly fall into the last two segments. Designer goods are typically exported and sold in the high-end market segment by interior designers and high-end furniture and specialty stores. Souvenirs are mostly found in low-end markets and at souvenir and gift shops in Kathmandu and Pohkara.

There is no specific data for this type of handmade paper decorative item. Thus, it is not possible to draw precise conclusions concerning the export potential of specific products or destination markets. As described previously, the growing consumer trend for sustainable design products presents the highest potential for Nepali handmade paper decorative products.

The sustainable design trend offers excellent opportunities as long as the key product characteristics detailed in box 10 above are integrated in the final product. The strategy for this segment is:

- Embed the environmental and social dimensions in the various steps of the life cycle of the product, starting with the raw material, production process and product use.
- These products' characteristics need to be communicated to buyers with the assistance of a sustainable certification system, requiring the help of specialized certification bodies such as Fair Trade Alliance.

HIGH POTENTIAL DISTRIBUTION CHANNELS IN EXISTING IMPORTING MARKETS

The distribution channels for handmade paper and paper products in importing markets (identified previously) presenting the highest potential are described below.

CHARITABLE/CAUSE ORGANIZATIONS AND FAIR TRADE ORGANIZATIONS

Although charitable and cause organizations or fair trade organizations are a relatively small channel compared with other retail and wholesale channels, they have been decisive for the growth of the Nepali handmade paper products sector since the UNICEF project.

Charitable organizations are largely non-profit groups, in either the artisans' country or the destination market, that perform a few or many of the functions of an exporter, importer, buying agent and retailer. They may receive private or public funding and they are often guided by a cause such as poverty alleviation, gender empowerment or improved health care.

Most fair trade organizations work directly with artisans to better serve their goal of ensuring fair wages, safe and ethical employment practices, and environmentally sustainable production. In addition to acting as local intermediaries, they may also act as importers, wholesalers, agents and retailers. They sell through all types of retailers as well as directly to consumers through their own stores, websites or catalogues. Ten Thousand Villages is a successful non-profit organization that markets handcrafted products made by artisans from all over the world. It is one of the world's largest and oldest fair trade organizations. The products it sells range from handmade home décor to baskets, toys, stationery and other accessories. Currently, its makers are from 29 different countries.

SPECIALIZED SUSTAINABLE AND CULTURAL HOME DECORATION AND GIFTWARE RETAILERS

In the gift and home decoration market, many importers, whether they are retailers, importer/wholesalers or agents, ask for exclusivity when they buy a product. Sustainable, eco-friendly, high-quality home decoration retailers also fall into this category. The main reason is to reduce the possibility of the same product appearing in competitors' stores. Against this exclusivity, the buyer usually offers a large order or regular repeat orders. Furthermore, exclusivity is usually limited in time and/or to a specific country. There is a movement towards ever-shorter lead times.

A few important retailers in target markets have been identified through desk research and are presented in box 13 below. Additional market research is necessary to identify potential prospects within this indicative list.

Box 13: Sustainable home decoration retailers

Target markets	Retailers		
United States	• Bed Bath & Beyond • Wayfair.com • Wisteria • Kirkland's Inc.	• Williams-Sonoma, Inc. • Crate & Barrel • Hanover Direct, Inc.	• Restoration Hardware • Art.com • Brookstone • Lamps Plus
Germany	• XXXL • Moebel.de • Möbelhaus Roller	• Poco Domäne • Höffner	• Segmüller • Porta-Möbel
United Kingdom	• Habitat • Dfs (mostly sofas though)	• B&Q • Harveys	• Furniture Village
Japan	• Nitori Co. Ltd • Muji	• Watashi no Heya (私の部屋) • Loft (ロフト)	• IDC Otsuka
France	• Maison du Monde	• Casa	• Lamali

E-COMMERCE AND M-COMMERCE OPPORTUNITIES

E-commerce and m-commerce have grown considerably over the last few years. According to the online home décor market report 2016, published by a market research company,[53] in 2015 the global online home furniture market and global online home furnishings market, combined, were worth US$ 39.9 billion, Analysts forecast the global online home décor market will grow at a CAGR of 19.45% during the period 2016–2020. Europe dominates this market and held a market share of more than 44% during 2015. The increased sale of premium-priced and customized home décor products in the United Kingdom, France, Italy and Germany will contribute to the growth of this market in the near future.

The global online home décor market is fragmented due to the presence of a few international vendors and several regional players in the market. To succeed in this fiercely competitive environment, online vendors need to distinguish their product and service offerings through a clear, unique value proposition.

Online selling offers exporters the possibility of scaling up in a short space of time. Targeting online retailers is the most efficient way to reach a broader range of customers. This means, however, that producers need to be ready to supply small batches and individually packaged items, have the capacities to pre-stock and offer more just-in-time supply concepts. Gift items such as handmade paper gift cards and notebooks are particularly suited to online marketing.

53. sandlerresearch.org.

Box 14: Successful online handicraft stores

The online store Etsy is a peer-to-peer e-commerce website that sells handmade and vintage items as well as unique factory manufactured items online. Sellers are given their own online storefront to sell their products, including art, toys, jewellery, food and clothing. Around a third of purchases are made through smartphones or tablets, thus putting it right in the forefront of m-commerce fashion.3 As of 2015, 29% of Etsy sellers were located outside the United States. Its key markets are currently Australia, the United Kingdom and Canada. Lokta paper is already being sold on Etsy and numerous other platforms such as Amazon, eBay, Craigslist, DaWanda, Bonanza and iCraft.

As of March 2016, Etsy's top three competitors, according to Hoovers Online, are Amazon, Craigslist and eBay. Etsy has been compared to 'a crafty cross between Amazon and eBay' and to 'your grandma's basement'. Etsy also has a number of direct competitors detailed in table 10.

Table 10: *Online handicrafts stores with sustainable products*

	Online stores	Headquarters	Target market	Lokta paper	Products
1	Etsy	United States	Global	X	
2	Amazon	United States	Global	X	Notebooks, journals, lanterns, incense paper packs, gift wrap, prayer flags
3	Craigslist	United States	Global		
4	eBay	United States	Global	X	Journals, gift wrap, prayer flags
5	DaWanda	Switzerland	European countries	X	Envelopes, letter paper, gift wrap, photo albums, journals, lamps
6	Ezebee.com	Switzerland	Global		
7	Bonanza	United States		X	Notepads, lamps, journals, albums, incense boxes, decoupage
8	Zibbet	Australia	Global		
9	Madeit	Australia	Australian products, global market		
10	iCraft	Canada	Global	X	Paper
11	ArtFire	United States	Global		
12	Hello Pretty	South Africa	African products, global market		
13	Tindie	United States	Global		

Other key players in the global online home décor market: Amazon, Bed Bath & Beyond, IKEA and Wayfair.

In order to target the distribution channels with the highest potential for handmade paper and paper products, the strategy is to:

- Develop comprehensive marketing material in various languages to build awareness about Nepalokta in major specialized sustainable home decoration retailers and online handicraft stores.
- Develop one website and related brochures and a social media platform about Nepali handmade paper and paper products, focusing on sustainable production, eco-friendliness and social entrepreneurship.
- Build capacity of exporters to use social media to reach out to consumers.
- Develop partnerships with key successful online handicraft stores to develop online marketing campaigns during festive seasons.

SUMMARY OF PRODUCT DEVELOPMENT OPPORTUNITIES IN EXPORT MARKETS

Table 11 summarizes the information concerning the four product groups and their respective target markets and distribution channels.

Table 11: *Summary of handmade paper and paper products target markets and distribution channels*

Segment	Products	Product characteristics	Target markets	Distribution channels
Handmade paper	• Paper writing blocks / stationery and writing sets • Greeting cards • Business cards • Wallpaper	• 100% Lokta paper • Customize according to buyer's requirements: colour, weight and size • Lokta mixed with dried flowers and herbs	• Regaining market shares in traditional destination markets: • United States • France, Japan, Germany, United Kingdom, China, Italy, Netherlands	• Private individuals / amateur craft makers • Craft shops; small producers of gift items; professionals, e.g. photographers • Marketing houses that use the paper to make upmarket products as part of a promotional package
Handmade boxes and packaging	• Paper giftwrap • Gift boxes • Bags, paper twine	• Lokta pure or mixed with other fibres	• Regaining market shares in its traditional markets, especially in the United Kingdom and United States markets	• Import agents supplying luxurious gift items; boutiques (jewellery, fashion accessories, etc.) • Home accent / gift stores • Lifestyle stores
Handmade notebooks	• Premium notebooks and diaries • Photo albums / frames	• 100% natural • Customize according to buyer's requirements *and personalization* • Sustainable product	• Regaining market share in the United States, France and Germany • Increase market shares in smaller importing markets such as Singapore, Italy and Australia	• Home accent / gift stores • Lifestyle stores • Specialized paper stores • Specialized online stores
Handmade decorative items	• Lamp shades • Jewellery	• Lokta pure or mixed with other fibres • Sustainable design	• Sustainable and fair trade certification in partnership with buyers in importing markets in the EU, United States and Japan	• Traditional furniture stores / chains • Lifestyle stores • Home accent / gift stores • Interior designers • Home improvement centres and warehouse clubs • Department stores • Specialized online stores

MARKET DIVERSIFICATION OPPORTUNITIES

This section on market diversification opportunities identifies potential in the domestic market and new prospects in international markets, followed by specific actions to be undertaken in the framework of the export strategy.

OPPORTUNITIES IN THE DOMESTIC MARKET

Lokta paper is expensive compared with ordinary paper, which is a limiting factor for local consumers. Popular handmade products in the local market include business cards, wedding invitation cards and files/folders. Given the lack of information and reliable data on domestic consumption, it is difficult to assess consumer trends. Likewise, it is difficult to obtain information about actual domestic sales of Lokta between collectors and paper product manufacturing units. This makes it particularly difficult to forecast the needs of paper product manufacturers and establish a sound, sustainable, national Lokta resource management plan.

Tourism is the main market locally, as it gives the opportunity to raise consumers' awareness about Lokta paper and also test new product designs for stationery, lampshades, wallpaper and gift wrap which would not find domestic consumers.

The following action is required to improve knowledge about domestic market dynamics:

- Conduct a domestic market survey for paper to determine future demand for paper products.

NEW OPPORTUNITIES IN INTERNATIONAL MARKETS

As described previously, the sector's exports are mainly concentrated in five markets: the United States (42%), United Kingdom (17%), France (10%), Germany (8%) and Japan (5%). The export strategies for the different product segments primarily focus on regaining market shares in those traditional market destinations where imports have significantly dropped between 2014 and 2015. However, it is also important to diversify export destinations in order to look for new market opportunities.

Analysing global imports of handmade paper (HS-480210) helps assess which markets have increased their imports the most significantly in the past few years, and this can be used as a proxy to identify potential new target markets for the Nepali handmade paper and paper products sector. Table 12 presents the most attractive target markets – those which had the best annual growth rate over the period 2011–2014 with an import value above US$ 500,000 (average value between 2011 and 2014).[54]

54. 2015 data has not been taken into account as global demand drastically decreased between 2014 and 2015.

Table 12: *Attractive target markets for handmade paper (HS-480210)*

Importers	Imported value in 2011 (US$)	Imported value in 2014 (US$)	Imported value in 2015 (US$)	Average imported value 2011–2014 (US$)	CAGR 2011–2014 (%)	CAGR 2014–2015 (%)
Netherlands	1.735	12.698	17.414	7.217	94.2	37.1
Spain	1 997	10.281	8.208	6.139	72.7	-20.2
Republic of Korea	3.158	4.952	3.860	4.055	16.2	-22.1
Singapore	614	896	1.713	755	13.4	91.2
Algeria	1.206	1.862	1.328	1 534	15.6	-28.7
Iran	95	1 180	1.311	638	131.6	11.1
Italy	827	1 854	1.293	1 341	30.9	-30.3
Portugal	480	1 238	788	859	37.1	-36.3
Switzerland	451	1 032	602	742	31.8	-41.7

Various European countries, including the second-largest importer of handmade paper, the Netherlands, followed by Spain, have experienced impressive CAGR growth rates (respectively 94.2% and 72.7% between 2011 and 2014). Furthermore, Netherlands imports have increased despite an overall decline in imports of handmade paper in 2015. Singapore and Iran have also experienced similar trends.

The following actions are required to improve knowledge about international market dynamics:

- Conduct market studies to assess the potential and market trends in the attractive markets of the Netherlands, Singapore and Iran.
- Participate in local trade fairs to promote Nepalokta.

STRUCTURAL IMPROVEMENTS TO THE VALUE CHAIN

A number of structural improvements to the value chain were suggested by value chain stakeholders, and are grouped according to the following five value options:

- Improve efficiency: develop a high level of integration among supply chain actors
- Value retention: retain more value in the country
- Value addition: add value by improving existing products
- Value creation: create value by developing new products
- Value distribution: contribute to the socioeconomic development of the country.

Box 15 summarizes the different structural improvements and activities to be implemented within the value chain in order to improve its competitiveness. Major structural adjustments are also highlighted with the following icon and then illustrated in the future value chain map schematic in the next section (see figure 17).

Box 15: Value options for handmade paper and paper products

Improve efficiency		
Value option	How to implement	Time frame
Foster collaboration and research between Lokta collector communities, HANDPASS and MoFSC to improve sustainable Lokta paper production	• Set up a task force of sector stakeholders to address current issues related to sustainable collection of Lokta plants and organize a national inventory of Lokta resources • Support research on innovative and improved techniques for regeneration and planting through tissue culture or other possible options for increased productivity of Lokta • Strengthen awareness among collectors and manufacturers about sustainable Lokta collection • Improve access to Lokta collection in public forests	Short term
Improve access to public forests for Lokta collection	• Introduce simplified and accessible procedures for Lokta collection • Introduce business-friendly policies and regulations and provide incentives and financial support to farmers who wish to work on Lokta plants on unused land through leasing.	Short term
Value retention		
Value option	How to implement	Time frame
Ensure quality materials supply without damaging existing Lokta resources	• Strengthen training on appropriate timing and techniques for sustainable harvesting	Short term
Reduce wastage of Lokta plant resources during harvest and paper production and improve energy efficiency	• Provide training on appropriate timing and techniques for sustainable harvesting • Enhance production efficiency by introducing better production equipment and tools in Lokta boiling, cleaning, beating, moulding, drying and waste management	Medium term

Value addition		
Value option	How to implement	Time frame
Improve processing and production techniques for handmade paper and paper products to target the premium segment in home decoration and giftware	• Introduce total QM practices to factory owners and workers by developing user-friendly training packages and programmes • Conduct research on paper production to introduce new intermediary or improved technology for production of paper products	Short term
Ensure compliance with regulatory requirements in key traditional markets regarding product safety and chemical use	• Introduce an awareness-raising programme about regulatory requirements related to product safety and harmful chemicals and other substances used in paper and paper products	Medium term
Reinforce the national brand Nepalokta and international promotion	• Register the collective trade mark 'Nepalokta' in Nepal and five major markets for paper and paper products • Conduct publicity for the Nepalokta collective trademark in five major markets • Conduct a feasibility study to receive GI for Lokta paper and paper products	Short term
Value creation		
Value option	How to implement	Time frame
Diversify the product range, following sustainable design trends and personalization consumer trends	• With the help of international experts on handmade paper and paper products, conduct training of trainers on production skills and sustainable design developments. • Support research on other auxiliary raw materials usable for handmade paper (e.g. dried flowers, dried herbs, etc.)	Short term
Encourage compliance with sustainability standards across the value chain	• Create awareness among manufacturers through briefing on CoCs applicable to Lokta, handmade paper and paper products related to sustainability and the environment • Promote fair trade standard certification and develop partnerships with WFTO distribution channels	Short term
Value distribution		
Value option	How to implement	Time frame
• Develop a paper products manufacturing unit in mountain regions • Promote the integration of women and disabled persons in the sector • Attract youth to the sector in developing new products and new designs	• Conduct research on the feasibility of manufacturing selected paper products in the mountain regions where paper manufacturing units are located • Encourage female entrepreneurship, especially in mountain regions, to develop handmade paper products manufacturing • Encourage employment for disabled persons and other disadvantaged population groups • In collaboration with art and fashion schools, encourage young artists to develop new designs	Medium term

The section below provides detailed explanations on the different value options and actions required to implement them.

IMPROVE EFFICIENCY

Foster collaboration and research between Lokta collector communities, HANDPASS and MoFSC to improve sustainable Lokta paper production (Reference A in the future value chain map)

The future of the handmade paper sector depends entirely on its ability to ensure it makes sustainable products. Differentiation from its main competitors is built on the unique characteristics of Lokta paper. Since the development of the sector towards export, there has been no national survey to assess Lokta resources. Clear discrepancies exist between the data collected by MoFSC and information collected by other stakeholders. It is crucial to conduct an inventory of Lokta resources immediately and start the following activities:

1. Set up a task force of sector stakeholders to address current issues related to sustainable collection of Lokta;
2. Organize a national inventory of available Lokta resources in partnership with international NGOs specialized in biodiversity and sustainable forest management;
3. Conduct a feasibility study on the possibility of using suitable land in appropriate locations and mobilize CFUGs or private land for Lokta plants in 10 selected districts;
4. Strengthen awareness among collectors and manufacturers about sustainable Lokta collection.

Additionally, research on the Lokta plant must be revived to improve cultivation techniques for the regeneration of plants and development of nurseries. According to sector stakeholders, past research on tissue culture and mass production has been successful. Given the constant progress in silviculture, new research protocols should be put in place in collaboration with DFRS and HANDPASS:

1. Support research on innovative and improved techniques for regeneration or planting through tissue culture or other possible options for increased productivity of Lokta;
2. Organize training on nursery development and management in collaboration with DoF.

According to sector stakeholders, the institutions in box 15 could support the development of research activities for handmade paper and paper products development.

Box 16: Research and training institutions that could support research in the handmade paper sector

Institutions	Research area	Remarks
Ministry of Environment and Population, AEPC	Solar drying, biomass cooking, electrical boilers	Demand-based
DFRS	Forest-based products: inventory, planting	Inventory carried out in 1980s
MoFSC, DoF, Department of National Parks and Wildlife Conservation	Policy constraints, entrepreneur barriers, Lokta promotion programme	Central / provincial and district programmes depending on bottom-up planning
FHAN and HANDECEN	Product design in the handicraft sector	Demand-based
Forestry-related universities and colleges	Plants, sustainable management of forest-based products	Student project-based
MoC, TEPC	Market research	Demand-based
HANDPASS	Lokta tissue culture / nursery / planting	Private partnership
	Technology upgrading	Public–private partnership
	Waste management	Private partnership
FECOFUN	Forest development and management	Donor–public–community partnership
Council for Technical Education and Vocational Training	Curriculum development on handmade paper production	Public–private partnership

Improve access for Lokta collection in public forests (Reference B in the future value chain map)

In parallel with the national inventory and research programme, MoFSC and the private sector need to review current practice and regulations in order to facilitate Lokta collection following sustainable principles, as well as setting up business-friendly procedures. Time and procedural obstacles have a negative impact on Lokta collection, adding to the difficult conditions working at altitude. Lokta collectors do not receive enough incentive to keep carrying out this seasonal activity. MoFSC and HANDPASS must agree on the following activities:

1. Introduce simplified and accessible procedures for Lokta collection, issuing of permits and payment of royalties.
2. Introduce business-friendly policies and regulations and provide incentives and financial support to farmers who wish to work on Lokta planting on unused land through leasing.

VALUE RETENTION

Ensure quality materials supply without damaging existing Lokta plants (Reference A in the future value chain map)

Due to lack of knowledge about cutting and sorting, poor quality, immature and undersized Lokta has entered the market, resulting in low-quality Lokta paper production. One of the main concerns is lack of awareness about the period of collection. These unsustainable harvesting practices have distorted the pricing mechanism between Lokta collectors and handmade paper factories because low-quality Lokta attracts a lower price and this will ultimately disincentivize collectors. Financial incentives must be clearly determined following specific grading criteria for collected Lokta. These harvesting practices and related price determination need to be addressed to ensure a sustainable supply of quality Lokta. The following activities should be developed:

1. Strengthen training on appropriate timing and techniques for sustainable harvesting;
2. Launch mass awareness-raising campaigns among Lokta collectors on the value of Lokta plants, and planting, harvesting and processing methods;
3. Introduce a mechanism to determine appropriate pricing of raw materials to encourage sustainable harvesting and supply.

Photo: ITC, *Lokta processing unit*

Reduce wastage of Lokta resources during harvesting and paper production and improve energy efficiency (Reference A in the future value chain map)

Most local producers waste more than 20% of Lokta during processing.[55] Large quantities of Lokta are found in water drainage due to lack of a simple blocking system such as using filters during washing.

Boiling Lokta is energy-intensive. In traditional paper factories the main source of energy is firewood and in modern factories electricity. Energy costs contribute 1% of the total processing cost of handmade paper. Energy conservation is possible through conservation measures alone such as upgrading boiler technology. The following activities are proposed:

1. Enhance production efficiency by introducing low-cost and better production equipment and tools for boiling, cleaning, beating, moulding, drying and waste management;
2. Assess the potential to use renewable energy sources such as mini hydropower plants, biomass residue or solar energy for boiling and drying;
3. Create awareness and develop best practice guidelines on suitable energy-efficient and environmentally sound technologies and housekeeping measures for handmade paper factories;
4. Develop financial support programme to adopt energy-efficient and environmentally sound technologies.

55. Rai, J.K. and Chapagain, S.P., (2014). Value Chain Analysis of Forest Products in Koshi Hill Districs of Nepal: Challenges and Opportunities for Economic Growth. ForestAction Nepal and RRN, Kathmandu, p186.

Box 17: New boiler technologies

AEPC is currently working with HANDPASS on research and demonstration of improved electric boilers and improved multi-fuel cooking stoves and solar drying technologies to reduce cooking time and fuelwood consumption. HANDPASS members are also innovating themselves by developing new cooking stoves and boilers. They are able to use a chimney-based cooking system and rocket stoves.

Many Lokta processing units have expressed their interest. HANDPASS is developing Public-Private Partnerships to promote the adoption of these new technologies in remote areas of Nepal.


Photos: ITC, *new electric boiler to process Lokta fibres*

VALUE ADDITION

Ensure compliance with regulatory requirements in key traditional markets

Handmade paper product processing units need to manufacture products according to the standards and technical regulations prevailing in their export markets. Although the sector seems to be negatively impacted by non-tariff measures, it is important to ensure compliance with regulatory requirements. For instance, general product safety applies to all consumer products including handmade paper products, in particular lampshades and fire-resistance standards. Another example is the European Community REACH regulation, which requires manufacturers to provide appropriate safety information to users. For this, manufacturers need to be able to use testing laboratories to determine the compliance of their products[56] and the type of chemicals used in dyes and glues for wallpaper, notebooks and paper boxes. The compliance, product testing and certification process are usually undertaken by importers in the case of the handmade paper and paper products sector, so Nepali producers are not aware of them.

- Introduce an awareness-raising programme about regulatory requirements related to product safety and harmful chemicals and other substances used in paper and paper products.

56. European Chemicals Agency (ECHA). Guidance Documents. Retrieved from https://echa.europa.eu/support/guidance.

Improve processing and production techniques for handmade paper and paper products in order to target the premium segment of high-quality products in home decoration and giftware (Reference C in the future value chain map)

In order to regain market share in traditional importing markets and follow consumer trends on sustainable design in the home decoration and giftware markets, handmade paper product makers have to constantly improve the quality and the design of their paper and related products. This requires the adoption of solid QM practices.

Quality is the essential prerequisite for gaining and maintaining sustained competitive advantage and market presence in international markets. Though safety, performance, reliability and sustainability are all important, quality is critical to export success. Enterprises with sound QM are likely to be more innovative. In 2016, only one company, Nepali Paper Products Pvt. Ltd, was ISO certified.

- Review the CoC for Nepalokta and related quality requirements.

The sector has already defined specific quality requirements in its CoC. It is important to review these requirements in light of market requirements.

- Improve QM in processing units for handmade paper and paper products

QM is defined in ISO 9000 as 'coordinated activities to direct and control an organization with regard to quality'. To direct and control an organization, its management should first set out its quality policy and related quality objectives and then specify activities related to quality planning, quality control, quality assurance and quality improvement. The objective of QM is to ensure that all company-wide activities necessary for enhancing the satisfaction of customers and other stakeholders are carried out effectively and efficiently. QM focuses not only on product/service quality but also on the means for achieving it.[57]

A first step prior to introducing QM for small paper and paper products processing units is to implement 5S as a good housekeeping tool. The 5S system allows improved productivity and reduces cost by simply carrying out systematic organized housekeeping within the processing unit. 5S is based on five steps:

1. Sort (Distinguish between necessary and unnecessary items)
2. Set in order (enforce the dictum 'a place for everything and everything in its place')
3. Shine (clean the workplace and look for ways to keep it clean)
4. Standardize (maintain and monitor adherence to the first three Ss)
5. Sustain (follow the rules to keep the workplace 5S-right. Hold the gain).

Although handmade paper quality has improved over the years with the support of development agencies and specific trainings delivered by HANDPASS, these training activities on quality improvement at the level of paper production units need to be rolled out on a yearly basis given the high turnover of employees in paper factories in hill regions. The following activities should take place:

- Introduce 5S housekeeping and then QM practices to factory owners and workers by developing user-friendly training packages and programmes;
- Selected factories could also be supported financially to be certified ISO 9001 whenever QM systems are already being implemented effectively;
- Support ISO 9001 certification for selected processing units.

Photo: ITC, *Worker at the Lokta processing unit*

Reinforce the national brand Nepalokta and international promotion (Reference D in the future value chain map)

The Nepalokta brand was established by sector stakeholders with the support of the development agency GIZ in order to promote Lokta paper in the EU market by improving its image and making consumers aware of its unique attributes. The brand logo and slogan 'The new spirit in paper' were developed to create awareness in the international market and stand for quality. Use of the brand is provisional on compliance with a CoC. By the end of the programme, 50% of CoC signatories had actually implemented it. According to HANDPASS, implementation is today almost negligible.

Despite this branding effort, Lokta paper is still confined to the same market distribution channel for alternative goods and charitable organizations. The funding mechanism to support the sector branding initiative faded away after the support of the GIZ programme and today the Nepalokta logo is the only communication item remaining. The sector does not receive any support from Government to promote the brand in international trade fairs. The sector, through HANDPASS, is committed to relaunching the branding and promotion programme with financial support and developing a sustainable finance mechanism through subscription. The positioning and unique value proposition of Nepalokta should be reassessed with the targeted market segment of sustainable design in home decoration and giftware. The assessment should be carried out with the assistance of international experts in marketing in these specific market segments.

- Conduct an international promotion programme for the collective trademark of Nepali handmade paper and paper products in five major markets using social media, trade fair participation and specific events related to sustainable products.

57. International Trade Centre (ITC) and Physikalish-Technische Bundesanstalt (PTB) (2011). Export Quality Management:A Guide for Small and Medium-Sized Exporters. 2nd *edition,* p. 11.

Box 18: Trade fairs to promote Nepalokta

Visiting – and especially participating in – trade fairs is highly recommended as one of the most efficient methods for testing market receptivity, obtaining market information and finding prospective business partners. The most relevant trade fairs in Europe for exporters of handmade paper and paper products are presented below.

Paperworld in Frankfurt, Germany, is the world's leading international trade fair for stationery, office supplies and writing instruments: in 2016, 34,000 trade visitors, 1,600 manufacturers and 139 countries were represented. In 2008, eight Nepali paper exporters exhibited at the fair. The fair is divided into three parts: Office, Stationery and Creativeworld. The latter is for hobby, craft and art supplies.

United States

- Seattle Gift Show: Twice a year in Seattle, Washington – gift shops, furnishing stores, jewellery and stationery stores show. Seattle Gift Show will also feature a full-scale educational programme packed with free seminars led by industry experts and trend forecasters
- National Stationery Show: May in New York (office equipment, supplies and stationery)

Europe

- Netherlands: Knotsgekke Kaarten én Scrapdagen – greeting cards and scrapbooking exhibition, twice a year in in Den Bosch, Netherlands – stationery
- Spain: Expohogar, every year in Barcelona – international gift and housewares exhibition
- Germany: Bazaar Berlin, every year – retail show for handicrafts, design and natural products from around the world; Ambiente, February in Frankfurt
- Denmark: Formland – trade fair for Scandinavian design, giftware, handicrafts and applied art, twice a year in Herning
- France: Maison et Objet, every January and September in Paris
- Sweden: Formex, twice a year in Stockholm – trade fair with Nordic interior design, gifts, delicacies, crafts, interior textiles, fashion, paper, toys and designed products for children
- Italy: ART – La Mostra Internazionale dell'Artigianato; every year in Florence – international handicrafts trade fair
- Austria: Creativ Salzburg – twice a year in Salzburg – international trade fair for gifts, home accessories, design and lifestyle articles, paper, office, floristry, handicraft supplies, art products, toys, etc.
- Portugal: Papergift, once a year in Lisbon – international exhibition of stationery, educational material, toys, gifts, party articles and decorative articles.

Asia

- Indonesia: INACRAFT – Jakarta international handicraft trade fair, every year in Jakarta
- Chinese Taipei: Giftionery Taipei – international gift and stationery show
- Philippines: Manila F.A.M.E. – international, twice a year
- India: IHGF Delhi Fair Spring – Indian handicrafts and gifts fair, New Delhi
- Thailand: Bangkok International Gift Fair and Bangkok International Houseware Fair (BIG+BIH),
- Hong Kong, China: Hong Kong International Stationery Fair, once a year
- Japan: International Stationery and Office Products Fair Tokyo, July; Tokyo International Gift Show, twice a year
- United Arab Emirates: Paper Arabia, once a year in Dubai World Trade Centre – international technological exhibition for paper, printing and converting industries

Box 19: Components of GI success and examples of Thai GI products

The ITC guide: *Geographical Indications: Linking Products and their Origins* provides hands-on advice to developing country agribusiness producer groups who are considering the registration of GIs for their unique products. Lessons from the case studies and the literature review suggest that, for a GI to be successful, four components are essential:

- Strong organizational and institutional structures to maintain, market and monitor the GI. The core processes of: (i) identifying and fairly demarcating a GI; (ii) organizing existing practices and standards; and (iii) establishing a plan to protect and market the GI all require building local institutions and management structures with a long-term commitment to participatory methods of cooperation.
- Equitable participation among producers and enterprises in a GI region. Equitable is here defined as the participating residents of a GI region sharing reasonably in not only costs and benefits but also in the control and decisions regarding their public assets.
- Strong market partners committed to promoting and commercializing over the long term. Many GI market successes are the result of mutually beneficial business relations through which consistent market positioning and effective commercialization have led to a long-term market presence.
- Effective legal protection including a strong domestic GI system. Carefully chosen protection options will permit effective monitoring and enforcement in relevant markets to reduce the likelihood of fraud that can compromise not only the GI's reputation but also its legal validity.

Thai GI products

In Thailand, as of 2015, there were 61 registered Thai GIs with a few among the handicrafts sector, such as Lamphun Brocade Thai silk, Mae Jaem Teen Jok fabric and Bor Sang umbrellas.

The Bor Sang umbrella is made from **Saa paper**, which comes from the bark of the mulberry tree. The process of making this product is time-consuming and people making it must be patient. Traditional bamboo umbrellas require only a knife and hand drill as tools. The rest of the process, such as the design and colour, depends on the person putting everything together. This product is used for sunshade or indoor decorative purposes only. Umbrella making in Thailand, more specifically in Bor Sang village, has been performed for over two centuries. In the past, people made each part of the umbrella at home, especially during postharvest season. This tradition was passed down from generation to generation.

In 2009, the Department of Intellectual Property of Thailand registered the Bor Sang umbrella as a GI. This ensures that there can be more stable export earnings and that there will be a positive contribution to rural development, preservation of diversity, quality of products and local jobs. This gives protection to small producers so that they may be able to compete in a global market through products that are deeply rooted in tradition, culture and geography.

Pictures: CC BY-SA 3.0 Bo Sang Ching Mai Thailand Author: Grossbildjaeger (7014) Bor Sang Umbrella Village CC BY-SA 2.0 Author: Jennifer – 2008–1011

Register the collective trade mark 'Nepalokta' in Nepal and five major markets for paper and paper products.

The initiative could also potentially be supported and strengthened by receiving a GI. A GI signals a link not only between a product and its specific place of origin but also with its unique production methods and distinguishing qualities. A GI is thus a differentiator, often a key to higher and more stable export earnings.[58] GIs also have the potential to enhance economic rewards for sustainable production through traditional methods. However, little can be done without the availability of adequate financial resources to market and sell GI products.Furthermore, GIs are not easy to establish. Success on a large scale is often measured in decades and requires patient application and sustained commitment (see box 19).

- Conduct a feasibility study to receive GI for Lokta paper and paper products.

VALUE CREATION

Diversify the product range, following sustainable design trends and consumer trends

In order to regain market share in traditional importing markets and follow consumer trends in sustainable design in the home decoration and giftware markets, handmade paper product makers have to improve the quality and design of their products constantly. This requires qualified staff, improvement of production processes and upgrading of equipment orchestrated under a total QM practice. The skills development and research activities required are:

1. Capacity-building through training of trainers programmes on improved processes for making handmade paper products, with the assistance and guidance of international experts on production skills and sustainable design developments:

- Improved processes for papermaking: sheet making, paper lifting, cooking and drying, gluing, binding, book making and packaging.
- Modern equipment and techniques, smart tools: cutting machines, cylinder mould vats, glazing machines, heat stamping machines, grooving machines, drillers, eyeleting machines, board cutters and ring-wire binders.
- New production methods: the use of different natural dyes and pigments, or different adhesives, as well as combining different materials in the making of paper products (bamboo, wood and metal).

Photo: Links, *20.jpg*

- New products: paper flowers, bag and boxes, personal diaries.

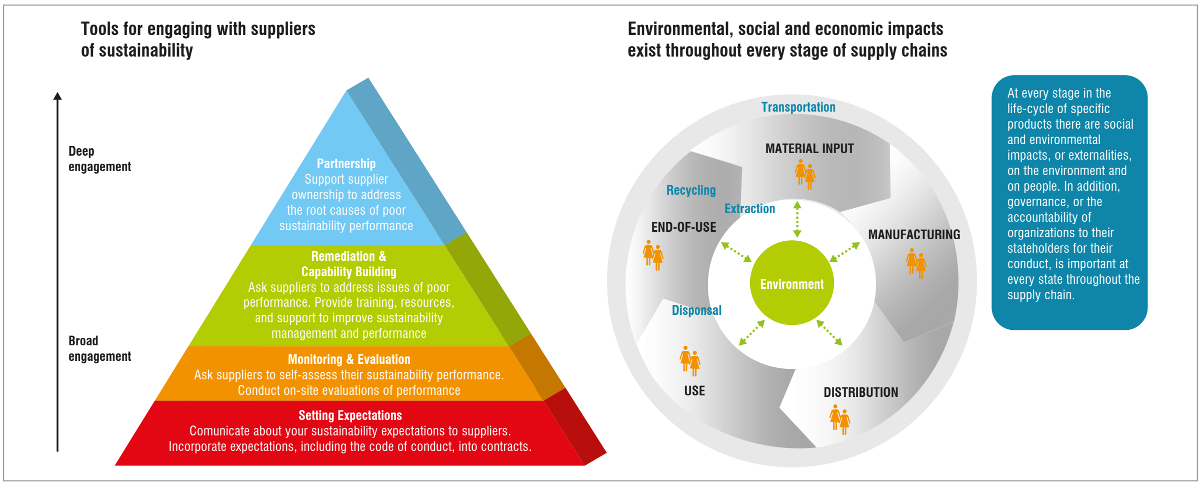
1. Conduct research on paper production to introduce new intermediary or improved technology.
2. Conduct a benchmarking analysis with competing handmade paper products and home decoration items from other countries.
3. Support research on other raw materials usable for handmade paper (e.g. dried flowers, dried herbs, etc.)
4. Develop partnership agreements with specialized schools of art, design and interior architecture in target markets to develop joint educational programmes with Nepali universities and HANDECEN.
5. Reorganize an international handmade paper product design contest in collaboration with a local design institute.

In November 2006, GIZ/Private Sector Promotion and HANDPASS organized a successful Nepal Lokta Design Contest. The contest aimed at encouraging product design innovation. The best designs were prototyped and displayed at the Paperworld Fair in Frankfurt. The winners were invited to visit Nepal to produce a collection together with the manufacturer. Such projects should be renewed and developed in collaboration with HANDECEN and art and fashion schools of Kathmandu.[59]

58. Giovannucci, Josling, Kerr, O'Connor and Yeung (2009). Guide to Geographical Indications: Linking Products and their Origins. *International Trade Centre*.p. 105.

59. http://creativeworld.messefrankfurt.com/frankfurt/en/besucher/messeprofil/impressionen-2016.html.

Figure 16: *Sustainable supply chain engagement principles*



Source: UN Global Compact - From Business for Social Responsibility.

Encourage compliance with and certification in sustainability standards across the value chain(Reference E in the future value chain map)

In order to tap fully into the sustainable design market for home decoration and giftware, companies must be supported to comply with sustainability standards, including sustainable raw materials and production. As described below in the diagram by the United Nations Global Compact, the tools for engaging with suppliers on sustainability rely of the level of engagements starting with:

- Setting expectations
- Monitoring and evaluation
- Remediation and capacity-building
- The highest level of commitment with partnership.

The handmade paper sector has clearly established the first step concerning setting clear expectations by creating the CoC for use of the Nepalokta brand. Unfortunately this is not yet applied by sector stakeholders, even when processing units are signatories. Implementation is negligible. The other missing steps are monitoring and evaluation. Only a few companies are actually engaged with private fair trade associations and FSC in Nepal. As of 2016, only seven handmade paper companies use Fair Trade Group certification. FSC Chain of Custody certification for Nepali handmade paper has been awarded to five enterprises, including Himalayan Bio Trade Pvt. Ltd.

It is important to request assistance and work closely with other private sustainable standards organizations to further integrate sustainability principles in the value chain.

The two important aspects to be put in place in order to successfully implement the Sustainable Nepalokta CoC are:

1. Build a partnership platform with potential foreign buyers interested in or already purchasing sustainable certified handmade paper products;
2. Promote fair trade standard certification and develop partnerships with WFTO distribution channels;
3. Assist companies to implement the CoC and become certified: create awareness among manufacturers through briefings on the CoC related to sustainability and the environment and applicable to Lokta handmade paper and paper products.

The certification schemes that would be the most interesting for the sector – FSC and Fairtrade, BSCI and ETI – are described in the following chapter under 'Fair trade and environmental opportunities'.

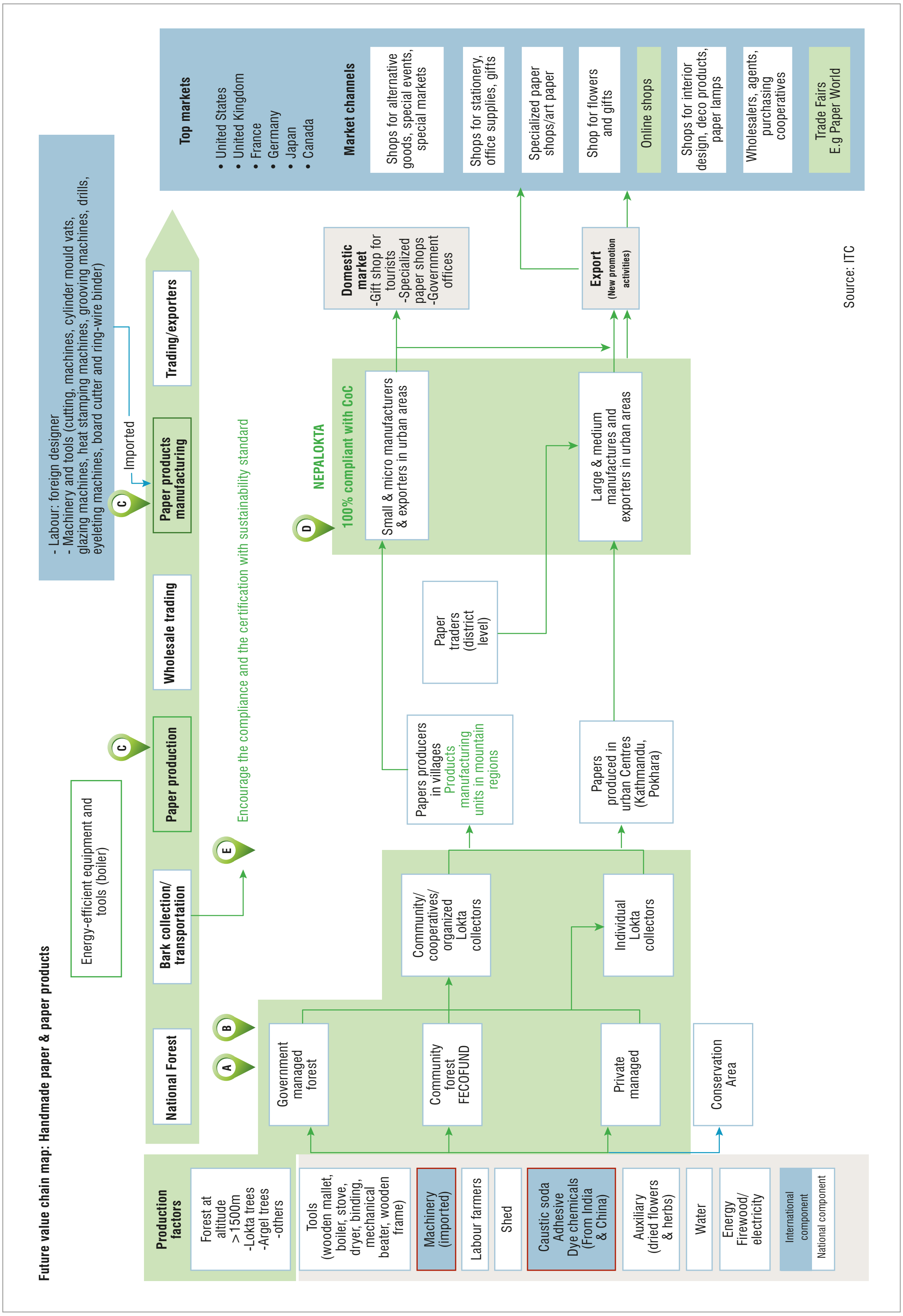
VALUE DISTRIBUTION

Value distribution is discussed in detail in the next chapter under 'Potential offered by the sector for women and youth'.

FUTURE VALUE CHAIN

Developing Nepali Lokta handmade paper and paper products quality and sustainability will require transformations throughout the value chain. These structural improvements, explained in the previous section, are reflected in the future value chain schematic (see figure 4 below) and outlined in green. Major adjustments are also indicated with the following icon.

Figure 17: *Future value chain diagram*



UPGRADING INSTITUTIONAL SUPPORT

Institutions play a critical role in fostering the development of a sector. They are the foundation of the sophistication of SME competitiveness in the sector. The preceding section identified opportunities to upgrade the extent and quality of support services to drive the sector forward. This will involve the following.

Enhance coordination among institutions to improve the social and environmental sustainability of Lokta collection

A task force of sector stakeholders driven by DoF and including FECOFUN, CFUGs and HANDPASS will define a national plan to manage the collection of Lokta according to environmental and social sustainability standards and introduce business-friendly policies and regulations to simplify procedures for Lokta collection, issuing of permits and payment of royalties.

Optimize the use of limited financial and human resources by focusing on priority thrusts linked to market intelligence and trade promotion

SMEs clearly lack support to access relevant and up-to-date market information about market trends and business opportunities. TEPC, in coordination with HANDPASS, will establish a market information system to analyse and disseminate country-specific intelligence on market access requirements and trends in niche markets of the sustainable home decoration and giftware segments.

HANDPASS is the one association which has the capacities to mobilize the entire private sector and take the lead to revisit and update the Nepalokta CoC and its business model. The objective is to establish a public–private marketing programme in close collaboration with TEPC, FNCCI and FHAN, focusing on promotion of the collective Nepalokta brand associated with market visits, marketing material, online marketing campaigns and participation in international trade fairs.

Additionally, MoC, MoI and MoFSC should coordinate a common approach to reach out to the World Intellectual Property Organization in order to conduct a feasibility study on GI for Lokta paper and paper products.

Extend the portfolio of advisory support services to SMEs, focusing on QM, production technology upgrading and design for home decoration and giftware items.

The development of improved services provided by private sector associations is fundamental for the future development of SME competitiveness. The activities of the Strategy aim to reinforce the support services provided by HANDPASS and HANDECEN related to advisory on production and QM as well as improved technology for paper production.

LEVERAGING INVESTMENT TO IMPROVE QUALITY AND COMPETITIVENESS

There is intense competition in the paper gifts and decorative articles market, mainly from developing countries' manufacturers. Production processes in this sector are very labour-intensive and involve scarce capital investments. Developing the opportunity areas identified within the sector value chain will require investment. Domestic investment from the public and private sectors and potentially financial support from development agencies are both seen as essential to accompany the ambitions of the handmade paper and paper products sector.

Poor transport infrastructure and poor communication and electricity supply in remote hilly areas are among the major hindrances to developing the production capacities of papermaking factories and investing in advanced technologies for enterprise development. Local government has a key active role to play in reinforcing these infrastructures. Furthermore, the remote areas of Nepal have very few financial institutions, so financial service is a constraint for enterprise development in these areas. Even though the capital required to start a papermaking factory is low – a typical papermaking factory has an investment level of about NPR 30,000 to NPR 200,000 – seed capital or a loan still needs to be provided through current development programmes such as Project for Agricultural Commercialization and Trade or Asian Development Bank programmes.

One of the operational objectives of the Strategy is to enhance production efficiency by introducing low-cost and better production equipment and tools in Lokta boiling, cleaning, beating, moulding, drying and waste management. Communities and villages can receive financial support to acquire small water pumps to produce electricity and the paper factory can consume the electricity during the day when village consumption is low. This way the community can reimburse the loan and the paper factory can reduce its electricity costs while using renewable energy. Additionally, the grade of handmade paper has to be improved in order to comply with international buyer demands. SMEs need to invest in calendaring machines, which smooth a sheet of paper and make it glossy.

Another objective is to introduce new intermediary or improved technology for producing paper products. Large paper product manufacturing units will need to invest in new machinery in order to produce new handmade paper items with innovative designs. Equipment will have to be imported, such as cutting machines, glazing machines, heat stamping machines, grooving machines or eyeleting machines.

Figure 18: *Machines for producing paper products*

Paper lamination machine

Paper cover machine drum

Manual paper scoring and creasing machine

Envelope making machine

Finally, private investors could be attracted to reduce the production cost of handmade paper products by setting up micro and medium production units in hills and mountains. A part of the value addition would then be transferred to communities closer to Lokta collection. This would require the development of basic training skills in handmade paper product manufacturing oriented to low-skilled handmade paper workers.

WAYS TOWARDS GREATER SUSTAINABILITY AND SOCIAL INCLUSIVENESS

Sustainability and socioeconomic development are key elements of the vision of this Strategy. Stakeholders emphasized the importance of addressing sustainability of the Lokta resource as part of the strategic objectives. From the buyers' perspective, the sector's competitive attributes are built on the uniqueness of the Lokta plant and the social inclusiveness of the sector. Therefore it is essential to ensure sustainable management of the entire value chain, both environmentally and socially, as well as identifying opportunities for sustainable products in the world market.

The following section provides detailed information on fair trade and environmental opportunities, followed by the potential offered by the sector for women and youth.

FAIR TRADE AND ENVIRONMENTAL OPPORTUNITIES

As explained in the global trends section and value options of the Strategy, there is increasing global consumer demand for handicraft products produced without exploiting workers, children or the environment. This corresponds to the principles of fair trade and implies: first, knowing about the supply chain from the collection of the raw material through the workshop up to the retail stores; and second, trusting that production methods meet ethical standards. Ethical consumers place a value on these labels and in most cases are prepared to pay a premium price for the ethical assurance given.

There are several initiatives that give varying degrees of independent third-party assurance about sustainable, fair trade and other ethical product dimensions. Among these are BSCI, ETI and WFTO, who focus on ethical trade. The FSC mission is to promote environmentally sound, socially beneficial and economically prosperous management of the world's forests.

Fair trade labels are being used as marketing tools. Fair trade organizations have been found to: protect small producers from being forced to accept low prices; ensure minimum prices for their products; and create markets. Additionally, the sale of fair trade handicrafts online has been of particular importance in aiding the development of female artisans in other regions of the world, especially in Latin America. It is important to mention that recently some criticisms have arisen about fair trade systems due to failure to enforce the fair trade standards with sector stakeholders and limited benefits for producers.

In the handicraft sector, **WFTO** is the most dominant certification and labelling organization in the world. The WFTO Guarantee System is an assurance mechanism that Fair Trade is implemented in the supply chain and practices of an organization. It is an accountability and development tool for organizations. Members that pass the Guarantee System process attain 'Guaranteed Fair Trade Organization' status and may use the WFTO label on their products. It is not a product certification system. The WFTO Fair Trade Standard is the heart of the Guarantee System, focusing on the management and operation of fair trade organizations in relation to their fair trade practices.

The WFTO Standard comprises a set of compliance criteria based on the 10 Fair Trade Principles and International Labour Organization conventions. Many of these criteria are mandatory requirements to join WFTO. There are also other non-mandatory requirements, where WFTO members must show continuous improvement over time. Compliance with this Standard will be assessed by various means, including a self-assessment report, a peer visit and a monitoring audit. Trading members are called Fair Trade Organizations. They must be engaged with Fair Trade as a producer, trader or supportive organization. WFTO Guaranteed members can apply the WFTO label on products which they sell. The label assures that the product is 'made by a guaranteed Fair Trade organization'. The organization is certified; not the product.

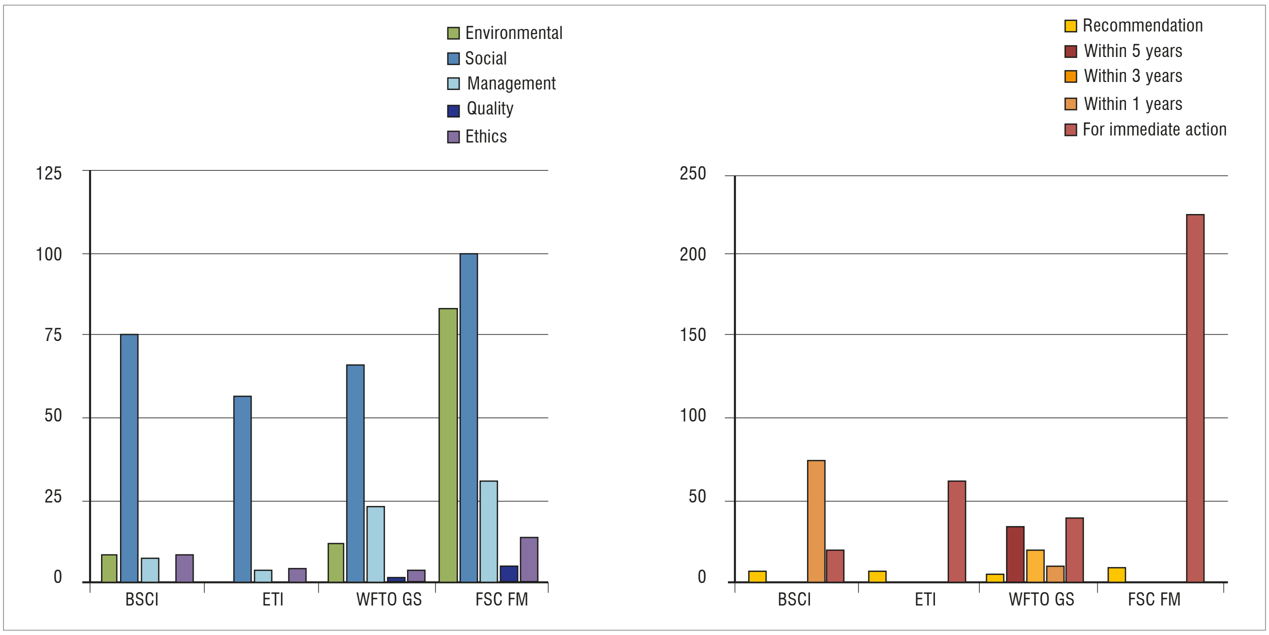
Fairtrade International is an independent NGO which is part of WFTO and counts 19 national organizations, called Fairtrade Labelling Initiatives, to promote the marketing of Fair Trade Products in 24 countries in Europe, North and Central America, Australia and New Zealand. One organization – FLOCert – is responsible for auditing and certification compliance against the Fairtrade standards. The FLOCert office responsible for Nepal is based in Bangalore in India.

FSC is an organization that provides a system for voluntary accreditation and independent third party certification. This system allows certificate holders to market their products and services as the result of environmentally appropriate, socially beneficial and economically viable forest management. FSC principles and criteria require, for example, that forest management is compliant with national legislation, respects local use rights and indigenous peoples' rights, maintains ecological functions of the forest and its biodiversity, enhances economic viability, and carries out adequate management planning and monitoring of operations. The FSC principles and criteria apply to natural forests, plants and also some types of non-forest vegetation.

The FSC standard is adapted to different conditions of forests around the world through the development of national and subnational indicators. FSC standards have a specific geographical scope, such as a political designation (country, region or province) or an ecological designation (forest type, ecologically delimited area). In countries where no specific standards have yet been developed, certification bodies adapt the generic standards to local conditions. FSC is a third-party certification system, meaning that compliance with FSC requirements is verified by an independent certification body. FSC products can contain parts or proportions which are not fully FSC certified. The 'FSC Mixed Sources' label allows manufacturing companies to mix FSC certified material with non-certified material.

Figure 19 below shows the number of requirements applied by the certification body for each pillar that defines sustainability and also their relative degree of obligation vis-à-vis the implementation time frame.

Figure 19: *Comparison of BSCI, ETI, WFTO and FSC certification areas and degree of obligation (number of requirements)*



Source: International Trade Centre Standards Map (2016) (b).

As previously explained, the Strategy recommends compliance with and certification in sustainability standards across the value chain. HANDPASS, in close collaboration with Fair Trade Certified companies, needs to restart implementation of the Nepalokta CoC and establish a partnership with **other private sustainable standards organizations to further integrate sustainability principles in the value chain.**

POTENTIAL OFFERED BY THE SECTOR FOR WOMEN

In Nepal's agricultural sector, around 90% of farmers are women and most are usually small farm operators.[60] Around 80% of those employed in the handmade paper sector are also women. Their role is important in various stages of Lokta collection, and handmade paper and paper products manufacturing. The prevalence of women in the handmade paper industry, however, 'is a result of Nepali socioeconomic tradition rather than of conscious gender policy initiative.'[61] Also, there is a recent trend of men leaving the country to pursue employment in other countries, reinforcing the employment of women. The sector offers potential for empowerment of women in both rural and urban areas in Nepal. However, to achieve positive returns a number of factors need to be considered priorities. These areas will provide women with immediate opportunities and are those with the lowest involvement of cultural perceptions. Assistance through self-help groups, sustainable financial programmes and entrepreneurship skills trainings can give women in this industry a good foundation to expand, improve and be competitive in the market.

60. FAO (2010). Integration of Gender in Agriculture: An Analysis of Situation. p. 5; and SOFA Team and Doss C (2011). The Role of Women in Agriculture. *European Spice Association Working Paper No. 11-02, p. 2.* Retrieved from http://www.fao.org/docrep/013/am307e/am307e00.pdf.

61. Biggs, S. and Messerschmidt, D. (2005). Social Responsibility in the Growing Handmade Paper Industry of Nepal. *World Development, Vol. 33, No. 11*, P.1823.

POTENTIAL OFFERED BY THE SECTOR FOR YOUNG PEOPLE

The sector offers potential for employment and self-employment for youth in both rural and urban areas in Nepal. The Strategy proposes developing specific training programmes for unemployed youth in different aspects of handmade paper and paper products manufacturing and basic entrepreneurial skills. Another dimension is to develop partnership programmes with art schools in Kathmandu to develop a specific curriculum for handmade paper products design.

Handmade paper dyeing

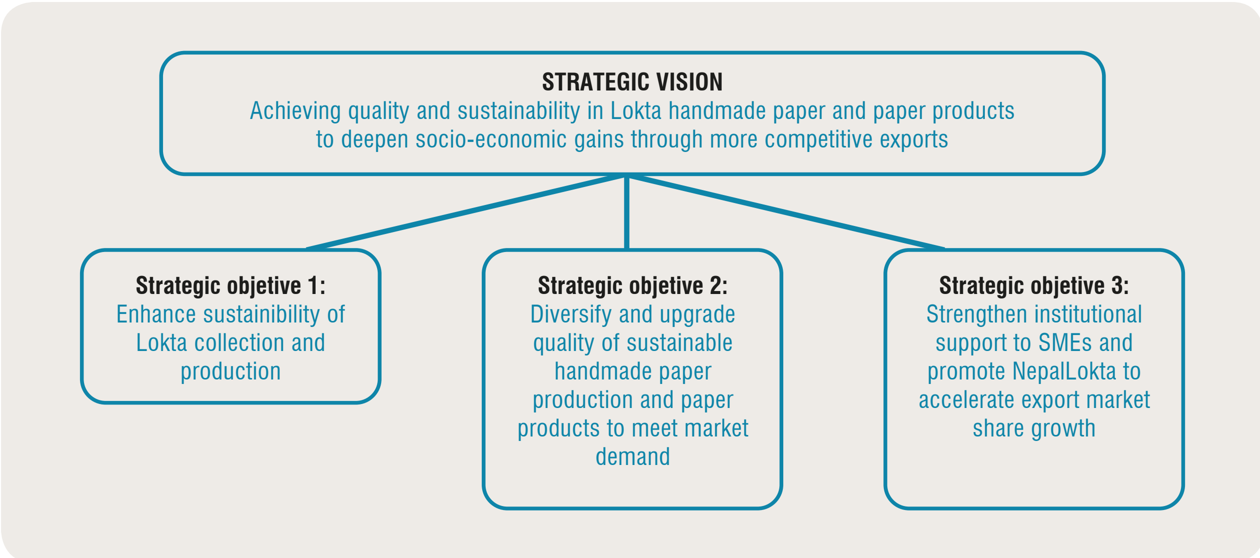
Handmade paper products manufacturing line

Handmade paper diaries manufacturing line
Pictures: ITC.

To achieve the vision and strategic objectives that have been discussed above, a robust, actionable and realistic strategic PoA is required. This is provided in the section below, and effectively constitutes the heart of this Strategy.

STRUCTURE OF THE PLAN OF ACTION

The PoA of the Strategy is articulated around three strategic objectives. Each strategic objective is composed of operational objectives to answer specific constrains affecting the sector. Below is the structure followed by the PoA.



Enhance sustainability of Lokta collection and production

1. Establish a national plan to manage Lokta resources sustainably and improve the forest regulatory framework.
2. Improve the supply of quality materials to paper factories without damaging existing Lokta resources.
3. Support R&D on the Lokta plant to improve productivity and resilience.

Diversify and upgrade the quality of sustainable handmade paper production and paper products to meet market demand

1. Upgrade paper manufacturing units' capacities in QM, cost reduction and business management practices to improve competitiveness.
2. Improve the quality and diversity of paper products to meet market requirements and consumer trends.

Strengthen institutional support to SMEs and promote Nepalokta to accelerate export market share growth

1. Strengthen the TSN to provide improved production advisory services and market information.
2. Benchmark competitors and disseminate market intelligence to sector stakeholders.
3. Promote the Sustainable Nepalokta trademark to regain market share in traditional markets and online distribution channels.

Photo: Pixabay (cc1.0), *mountains-1686550.jpg*

NEPAL
NATIONAL SECTOR EXPORT STRATEGY
HANDMADE PAPER AND PAPER PRODUCTS

THE PLAN OF ACTION

Strategic objective 1: Enhance sustainability of Lokta collection and product

Operational objective	Activities	Priority 1=high 2=med 3=low	Starting period 2017	2018	2019	2020	2021	Beneficiaries	Target measures	Leading national institution	Supporting implementing partners	Existing programmes or potential support
Operational objective.	1.1 Establish a national plan to manage Lokta resources sustainably and improve the forest regulatory framework											
1.1.1 Define a national plan for Lokta sustainable resource management, including action programmes for improved collection and plantation planning.		1	X	X	X	X	X	Lokta collectors	In 18 districts	DoF	FECOFUN CFUG HANDPASS	
1.1.1.1 Conduct a baseline survey on the availability of Lokta plants in northern mountain districts of Nepal in collaboration with DoF.		1	X	X	X	X	X	Lokta collectors	In at least 32 mountain and hill districts	DoF DFRS DoPR	FECOFUN CFUG HANDPASS	
1.1.1.2 Conduct a feasibility study on the possibility of using suitable land in appropriate locations and mobilize CFUG or private land for Lokta plants.		2		X	X	X	X	Lokta collectors	In 18 districts	DoF	FECOFUN CFUG HANDPASS	
1.1.2 Improve access in order to collect Lokta sustainably in public forests and adapt existing regulatory provisions and incentive systems.		2			X	X	X	Lokta collectors	In 18 districts	DoF	FECOFUN CFUG HANDPASS	
1.1.2.1 Introduce business-friendly policies and regulations to simplify procedures for Lokta collection, issuing of permits and payment of royalties.		1	X	X	X	X	X	Lokta collectors	Reforms carried out and new policy officially endorsed	MoFSC	DoF HANDPASS FECOFUN FNCCI	
1.1.2.2 Provide incentives and financial support to farmers who wish to work on Lokta plantsin unused land areas on a lease basis and establish sustainable collection practices (based on the results of 1.1.1).		2			X	X	X	Farmers in hill regions and collectors	In six districts	DoF	DoF HANDPASS FECOFUN FNCCI	
Operational objective.	1.2 Improve the supply of quality materials to paper factories without damaging existing Lokta resources.											
1.2.1 Provide training on appropriate timing and techniques for sustainable Lokta collection and harvesting.		1	X	X	X	X	X	Lokta collectors	Fifteen trainings (three per year)	DoF	HANDPASS CFUGs	
1.2.2 Organize training on Lokta nursery development and management in collaboration with DoF.		2	X	X	X			Lokta collectors, CFUGs	Six training programmes organized, one for three districts	DoF DoPR	CFUGs FECOFUN HANDPASS	
1.2.3 Launch awareness-raising campaigns for Lokta collectors on the value of Lokta plants, informing them about practical and acceptable conservation, planting, harvesting and processing methods.		2	X	X	X	X	X	Lokta collectors	Eighteen districts	DoF FECOFUN	CFUGs HANDPASS	
Operational objective.	1.3 Support R&D on the Lokta plant to improve productivity and resilience.											
1.3.1 Support R&D on innovative and improved techniques for regeneration or planting through tissue culture or other possible options for increased productivity of Lokta.		2	X	X				Lokta collectors	One programme established	DoF DoPR FNCCI	HANDPASS	
1.3.2 Support research on other auxiliary raw materials usable for handmade paper.		3		X	X			Handmade paper factories	One programme established	HANDPASS	FHAN	

Strategic objective 2: Diversify and upgrade the quality of sustainable handmade paper and paper products to meet market demand

Operational objective	Activities	Priority 1=high 2=med 3=low	Starting period 2017	2018	2019	2020	2021	Beneficiaries	Target measures	Leading national institution	Supporting implementing partners	Existing programmes or potential support
Operational objective.	2.1 Upgrade paper manufacturing units' capacities on QM, cost reduction and business management practices to improve competitiveness.											
2.1.1 Improve waste reduction, energy efficiency and use of renewable energy in processing and production techniques.		2						Handmade paper factories		MoSTE	AEPC HANDPASS	Renewable Energy for Rural Livelihood, National Rural and Renewable Energy Programme
	2.1.1.1 Enhance production efficiency by introducing better equipment and tools for Lokta boiling, cleaning, beating, moulding, drying and waste management.	2						Handmade paper factories	Half of all registered handmade paper manufacturing units have better equipment	MoSTE	AEPC HANDPASS	Renewable Energy for Rural Livelihood, National Rural and Renewable Energy Programme
	2.1.1.2 Conduct research on alternative energy use and energy efficiency systems to assess the potential to use renewable energy sources such as mini hydropower turbines, biomass residue or solar energy for boiling and drying.	2						Handmade paper factories	One study	MoSTE	AEPC HANDPASS	AEPC, National Rural and Renewable Energy Programme, HANDPASS
	2.1.1.3 Build awareness and develop best practices guidelines on energy-efficient and environmentally sound technologies and housekeeping measures suitable for handmade paper factories and the required investment.	3						Handmade paper factories	Reach 75% of paper manufacturing units	HANDPASS	FNCCI FHAN AEPC	Royal Nepal Academy of Science and Technology, Research Centre for Applied Science and Technology
	2.1.1.4 Support the introduction of appropriate effluent and water treatment technology in paper factories.	3						Handmade paper factories	One sensitization programme and support as per demand	MoSTE	Ministry of Water Supply and Sanitation, HANDPASS, Royal Nepal Academy of Science and Technology, Research Centre for Applied Science and Technology	AEPC
2.1.2 Improve processing and production techniques through introduction of QM and business management skills.		1						Handmade paper factories		HANDPASS	NBSM FHAN	
	2.1.2..1Review the CoC of the handmade paper sector and related quality requirements. The sector has already defined specific quality requirements in its CoC. It is important to review these requirements in light of market requirements.	1						Sector	CoC to be reviewed	HANDPASS	NBSM FHAN TEPC	

Strategic objective 2: Diversify and upgrade the quality of sustainable handmade paper and paper products to meet market demand

Operational objective / Activities	Priority 1=high 2=med 3=low	Starting period 2017	2018	2019	2020	2021	Beneficiaries	Target measures	Leading national institution	Supporting implementing partners	Existing programmes or potential support
2.1.2..2 Improve QM in processing units for handmade paper and paper products: » Introduce 5S housekeeping and then QM practices to factory owners and workers by developing user-friendly training packages and programmes. » Selected factories could also be supported financially to certify in ISO 9001 whenever QM systems are already being implemented effectively. » Support ISO 9001 certification for selected processing units.	1						Handmade paper and paper products factories	One QM programme based on sensitization and one coaching programme targeting 50% of manufacturers	HANDPASS	NBSM FHAN	Note: Nepal Standards also to be followed
2.1.3 Provide training on financial management and marketing to small paper and paper products factories.	1						Small paper factories and paper products factories	One programme targeting at least 50% of manufacturers	HANDPASS	CSIDB	
Operational objective	**2.2 Improve the quality and diversity of paper products to meet market requirements and consumer trends**										
2.2.1 Conduct research on paper production to introduce new intermediary or improved technology for paper production.	1						Handmade paper products factories		HANDPASS	FHAN	Royal Nepal Academy of Science and Technology, Research Centre for Applied Science and Technology
2.2.1.1 Organize training programmes on improved technology for paper products production: » Modern equipment and techniques, smart tools: cutting machines, calendar mould vats, glazing machines, heat stamping machines, grooving machines, drillers, eyeleting machines, board cutters and ring-wire binders, etc. » Support research on other auxiliary raw materials usable for handmade paper (e.g. dried flowers, dried herbs, etc.).	1						Handmade paper products factories	One programme targeting at least 50% of manufacturers	HANDPASS	FHAN	Royal Nepal Academy of Science and Technology, Research Centre for Applied Science and Technology
2.2.2 Provide technical and advisory services to paper products manufacturers and their staff to develop the quality of existing products, to create new products and to develop new designs for selected target markets.	1						Handmade paper and paper products factories	One programme targeting at least 50% of manufacturers	HANDPASS	HANDECEN	

Strategic objective 2: Diversify and upgrade the quality of sustainable handmade paper and paper products to meet market demand												
Operational objective	Activities	Priority 1=high 2=med 3=low	Starting period					Beneficiaries	Target measures	Leading national institution	Supporting implementing partners	Existing programmes or potential support
			2017	2018	2019	2020	2021					
2.2.2.1 Conduct training of trainers, with the help of international handmade paper and paper products experts, on production skills and design developments » Improved processes for papermaking: sheet making, paper lifting, cooking and drying, gluing, binding, bookmaking and packaging. » New production methods: the use of different natural dyes and pigments or different adhesives as well as combining different materials in the making of paper products (bamboo, wood and metal). » New products: paper flowers, bag and boxes, personal diaries.		1						Handmade paper and paper products factories	Two ToT programme carried out to certify10 trainers	MoC MoI	CSIDB TEPC FHAN HANDPASS HANDECEN	
2.2.2.2 Develop partnership agreements with specialized schools of art, design and interior architecture in target markets to develop joint educational programmes with Nepali universities and HANDECEN. » Reorganize an international handmade paper product design contest in collaboration with local design institutes.		2						Handmade paper and paper product factories	One partnership established and one design contest organized every two years	HANDPASS HANDECEN	HANDECEN	
2.2.3 Create awareness among manufacturers, through briefings, on CoCs applicable to Lokta handmade paper and paper products.		2						Sector	Yearly stakeholders meeting on CoC	CSIDB HANDPASS	FNCCI FHAN	
2.2.4 Upgrade paper manufacturing units in hill regions to produce paper products.		2						Handmade paper factories in hill regions		HANDPASS		
2.1.1.1 Conduct a technical and financial feasibility study on manufacturing selected paper products in the mountain regions where paper manufacturing units are located, in order to plan upgrading of paper production units.		2						Handmade paper factories in hill regions	One feasibility study	HANDPASS	CSIDB FNCCI	
2.1.1.2 Support development of selected and new handmade paper products that can be manufactured in mountain regions of Nepal.		2						Handmade paper factories in hill regions	Three paper manufacturers established in districts	TEPC HANDPASS	CSIDB FNCCI	

Strategic objective 3: Strengthen institutional support to SMEs and promote Nepalokta to accelerate export market share growth

Operational objective	Activities	Priority 1=high 2=med 3=low	Starting period 2017	2018	2019	2020	2021	Beneficiaries	Target measures	Leading national institution	Supporting implementing partners	Existing programmes or potential support
Operational objective	3.1 Strengthen the TSN to provide improved production advisory services and market information											
3.1.1 Strengthen HANDPASS capacities to provide technical assistance related to production management advisory, market information dissemination, social entrepreneur advocacy and gender empowerment.		2						Sector	Capacity-building and coaching programmes constructed	MoC	HANDPASS FHAN	
	3.1.1.1 Assist HANDPASS to review and update its strategic plan and action plans for the next five years in line with this Strategy to provide improved services. » Identify the strategic business portfolio of HANDPASS, including sustainable sources of income.	2						Sector	Private sector association strategy plan updated	MoC MoFSC	HANDPASS	
	3.1.1.2 Support setting up a handmade paper and paper products market information system about market requirements in target markets and home decoration market trends.	2						Sector	Annual market report disseminated	HANDPASS TEPC	FNCCI FHAN	
3.1.2 Revisit and update the business model of the Nepal Handmade Paper CoC, use of the Nepalokta logo and shared marketing programme (link to 2.1.2.1).		1						Sector	Business model for CoC established	HANDPASS	TEPC	
	3.1.2.1 Review CoC monitoring practices and introduce a certification system for Nepali paper and paper products, supported by a business model to ensure financial sustainability.	1						Sector	Periodic report on monitoring practice produced	MoC MoI	HANDPASS Department of Industry NBSM	
	3.1.2.2 Organize workshops to raise awareness about Nepalokta's CoC and the benefits of sustainable business practices.	2						Sector	Use of CoC and brand name increases	MoC	HANDPASS	
	3.1.2.3 Develop linkages with sustainable and fair trade certification bodies to support the Nepalokta CoC and certification system.	3						Sector	Platform created	MoC MoI	TEPC HANDPASS	

Strategic objective 3: Strengthen institutional support to SMEs and promote Nepalokta to accelerate export market share growth											
Operational objective	Activities	Priority 1=high 2=med 3=low	Starting period					Beneficiaries	Target measures	Leading national institution	Supporting implementing partners	Existing programmes or potential support
			2017	2018	2019	2020	2021					
Operational objective	3.2 Benchmark competitors and disseminate market intelligence to sector stakeholders											
3.2.1 Conduct advanced benchmark studies to understand the production, technologies and marketing strategies used by top competitors – including China, Viet Nam, India, Indonesia and Thailand and other new entrants – in order to plan new investment.		1						Handmade paper factories	Benchmark studies done	MoC HANDPASS	TEPC	
3.2.2 Conduct a domestic market survey to determine future demand for paper product manufacturers.		1						Handmade paper factories	One domestic survey	MoC HANDPASS	TEPC	
3.2.3 Conduct country-specific market research in target markets identified in the Strategy to assess the dynamics within niche markets in the sustainable home decoration and giftware segments.		2						Sector	Six country-specific market research studies done	MoC HANDPASS	TEPC	
3.2.3.1 Determine market trends and identify distribution channels and future prospects for the different product segments. Handmade paper: writing blocks / stationery and writing sets, greeting cards. » Handmade paper products: handmade boxes and packaging, handmade notebooks and decorative items (lampshades and others). » Target markets identified in the Strategy: » United States » United Kingdom, France, Germany, Japan » Singapore, Italy, Australia; » New high potential markets identified: the Netherlands, Spain, France, the Republic of Korea and China. » Carry out field visits and market exposure visits to China with selected groups of export-ready companies.		2						Handmade paper factories and traders	Annual country-specific market studies on distribution channels for sustainable products in target markets and new attractive markets disseminated and field visits twice a year	MoC HANDPASS	TEPC	
3.2.4 Organize market trend sensitization workshops to share the results of the market studies with sector stakeholders and develop market information material to be disseminated.		2						Manufacturers	Annual sensitization workshop carried out to reach manufacturers	MoC HANDPASS	TEPC	

Strategic objective 3: Strengthen institutional support to SMEs and promote Nepalokta to accelerate export market share growth

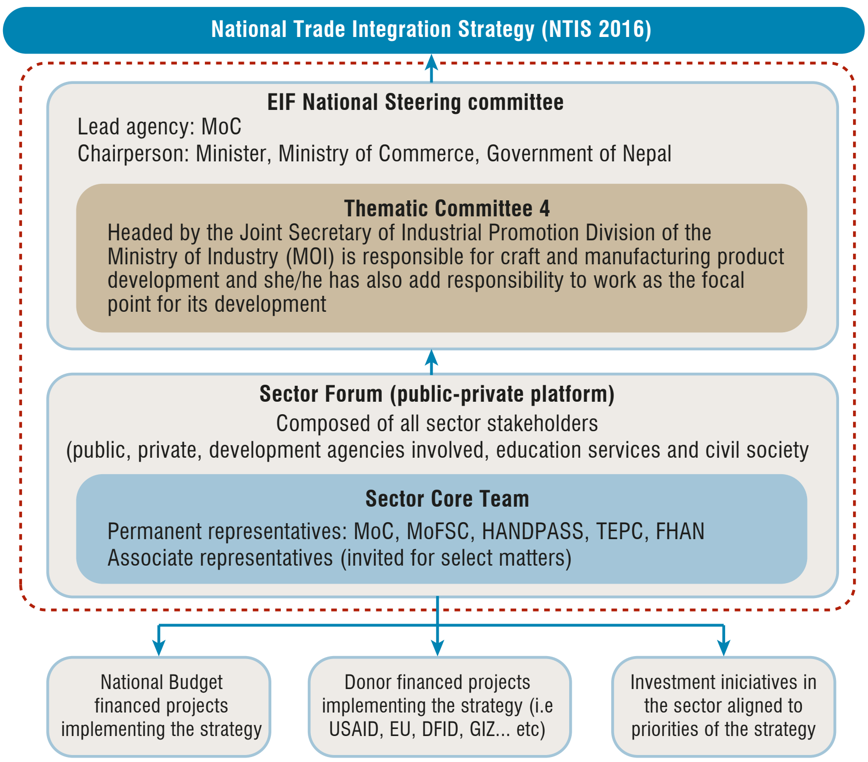
Operational objective	Activities	Priority 1=high 2=med 3=low	Starting period 2017	2018	2019	2020	2021	Beneficiaries	Target measures	Leading national institution	Supporting implementing partners	Existing programmes or potential support
Operational objective	3.3 Promote the Sustainable Nepalokta trademark to regain market share in traditional markets and online distribution channels											
3.3.1 Register the collective trademark 'Nepalokta' in Nepal and five major markets for paper and paper products.		1						Sector	Register in the United States, EU and Japan	MoC MoI	HANDPASS TEPC	
3.3.2 Promote the Nepalokta collective trademark in major importing markets and online market channels.		1						Sector	Promote in the United States, EU and Japan	MoC MoI	HANDPASS TEPC	
	3.3.2.1 Develop comprehensive marketing material in various languages to build awareness about Nepalokta in major sustainable home decoration retailers and handicraft online stores. » Develop a website and related brochure as well as a social media platform about Nepali handmade paper and paper products, focusing on sustainable production, eco-friendliness and social entrepreneurship. » Build capacity of exporters to use social media to reach out to consumers. » Develop partnerships with key successful online handicraft stores to develop online marketing campaigns during festive seasons.	1						Sector	Marketing material created and available in various languages One website established Partnership established with online businesses	HANDPASS	TEPC FNCCI FHAN	
	3.3.2.2 Support participation in selected international trade fairs related to the paper, home decoration and giftware industries in target markets. » Establish a Nepalokta booth at Paperworld on a yearly basis. » Set up market visits to other trade fairs, focusing on France, the United Kingdom, Italy, Denmark, Japan and Chinese Taipei.	3						Sector	Trade fairs in the United States, EU, Republic of Korea and Japan Market visits in France, UK, Italy, Denmak, Japan and Chinese Tapei	MoC TEPC	HANDPASS	
3.3.3 Conduct a feasibility study to receive GI for Lokta paper and paper products, including a cost/benefit analysis.		3						Sector	One study done and recommendations provided	MoC MoI MoFSC	HANDPASS, TEPC, World Intellectual Property Organization, Department of Industry	

IMPLEMENTATION MANAGEMENT FRAMEWORK

The comprehensive Handmade Paper and Paper Products Export Strategy of Nepal endeavours to generate the conditions for a favourable expansion of the sector so as to contribute to overall socioeconomic development. Nevertheless, a strategy in and of itself is not enough to ensure the sector's sustainable development. Such development will require the elaboration and coordination of various activities. While the execution of these activities will allow for the Strategy's targets to be achieved, success will depend on the ability of stakeholders to plan and coordinate actions in a tactical manner. Activities must be synchronized across the public sector, private sector and NGO communities in order to create sustainable results.

Indeed, the Handmade Paper and Paper Products Export Strategy is not the strategy of any specific institution; rather it is the strategy of Nepal, and to ensure its success it is necessary to foster a conducive environment and create an appropriate framework for its implementation. The following section presents some of the key conditions considered necessary for the Strategy to be effectively implemented and successfully achieve self-sustainability and long-lasting benefits for Nepal.

Figure 20: *Proposed structure for Strategy implementation*



ESTABLISH AND OPERATIONALIZE A PUBLIC AND PRIVATE COORDINATING BODY, SECTOR FORUM AND ITS SUBSIDIARY ORGAN, SECTOR CORE TEAM

A key criterion for the success of the Handmade Paper and Paper Products Export Strategy is the sector's ability to coordinate activities, monitor progress and mobilize resources for the implementation of the Strategy. It is recommended that the country establishes an independent sector forum for public–private deliberations that acts in an advisory capacity to the Government and the private sector over issues related to or affecting the sector and its Strategy.

SECTOR FORUM AND SECTOR CORE TEAM

The formal dialogue platform will require high-level involvement by TSN members (public and private), as their role is crucial and will impact the effectiveness with which the Strategy is implemented. Likewise, the ability of the private sector to provide inputs to the Strategy implementation process will significantly influence its success.

The stakeholders group consulted during the Strategy design process comprised a panel of representatives of key institutions, including ministries and TSN members, as well as representatives of the private sector. As such, once its mandate is appropriately adjusted, this group of stakeholders, together with additional human resources as required, is best positioned to serve as the public–private platform, **the sector forum**, responsible for the coordination of Strategy implementation. It will also be required that a nominated **sector core team** coordinates, monitors and mobilizes resources for implementing the Strategy.

The creation of the sector forum and sector core team are line with NTIS 2016. The Joint Secretary of Commerce is the Focal Point for the handmade paper and paper products sector.

The main functions of the public–private platform, or **sector forum**, should be the following:

1. Act as a consultative group pertaining to the handmade paper and paper products sector, enabling the private sector and government representatives to identify priority issues;
2. Coordinate and monitor the implementation of the Strategy by the Government, private sector, institutions or international organizations so as to ensure Strategy implementation is on track;
3. Identify and recommend allocation of resources necessary for the implementation of the Strategy;
4. Elaborate and recommend revisions and enhancements to the Strategy so that it continues to best respond to the needs and long-term interests of the sector;
5. Propose key policy changes to be undertaken based on Strategy priorities and promote these policy changes among national decision makers.

As discussed above, the public–private platform should be supported by a **sector core team** to complete the operational work related to implementation management of the Strategy. The core responsibilities of the sector core team should be to:

1. Support and organize regular meetings of the sector forum (public–private platform);
2. Monitor the progress and impact of Strategy implementation;
3. Coordinate Strategy implementation partners;
4. Mobilize resources to implement the Strategy in line with NTIS 2016.

Specific tasks falling under these broad areas of activities include:

- Formulate project proposals, including budgets, for implementation of activities of the Strategy;
- Develop annual and twice-yearly workplans for approval by the sector forum (public–private platform);
- Collect information from project implementation and prepare regular monitoring reports to be submitted to the sector forum, the EIF National Steering Committee, the NTIS National Implementation Unit and Donor Facilitator;
- Advocate in favour of the Strategy to public and private partners, and development partners;
- Execute any other tasks required by the sector forum.

NTIS 2016 Implementation mechanism

The implementation mechanism of NTIS 2016 has six Thematic Committees working under the EIF National Steering Committee chaired by Honorable Minister of Commerce. Thematic Committee 4 headed by the Joint Secretary of Industrial Promotion Division of the Ministry of Industry (MOI) is responsible for craft and manufacturing product development and she/he has also add responsibility to work as the focal point for its development.

BUILD CAPACITIES REQUIRED FOR MANAGING THE IMPLEMENTATION

Even with institutional structures in place, Nepal and its Strategy implementation framework will not be able to effectively fulfil their assigned functions without suitable capacity development interventions.

The ability and skills of the technical committee and sector core team need to be sufficient to ensure effective management of Strategy implementation. Hence, the sector core team and its partners should have knowledge of the ideas, challenges and best practices behind the Strategy when monitoring implementation progress, assessing overall impact, mobilizing additional resources, programming and communicating results. Without such skills they will not be in a strong position to assume their respective oversight and management responsibilities for Strategy implementation.

PRIVATE SECTOR SUPPORT AND PARTICIPATION

The private sector should benefit from Strategy implementation through improved productive capacities, reduced costs of doing business, facilitated administrative procedures, enhanced access to finance, etc. However, the private sector clearly expressed during the Strategy design process its willingness to contribute, directly or in partnership with public institutions, to the implementation of the Strategy. Their implementation efforts can range from providing business intelligence to institutions to contributing to development projects, establishing processing and transformation units, advocacy, etc. In brief, the private sector's practical knowledge of business operations is essential to ensuring that the activities of the Strategy are effectively implemented and targeted.

SENSITIZATION OF IMPLEMENTING INSTITUTIONS TO BUILD OWNERSHIP

The key implementing institutions detailed in the PoA need to be informed of the content of the Strategy and the implications for their 2017–2021 programming. This sensitization is essential to building further ownership and it provides institutions with the opportunity to review the PoA in order to confirm the activities they can implement immediately, in both the medium and the long term. This programming approach will permit better resource allocation within the responsible agencies. This allocation can be formalized by integrating the activity of the Strategy into the programme planning of the institution. While the financial dimension is required, the human resource element is no less important.

FINANCIAL RESOURCE MOBILIZATION FOR IMPLEMENTATION

While resource mobilization is only part of the solution, it plays a crucial and indispensable role in supporting Strategy implementation. An integrated resource mobilization plan should be elaborated as soon as the Strategy is adopted. Resource mobilization involves planning the sequencing of communications with donors, project design, project proposals/applications, and resource collection and management. This should facilitate, leverage and strengthen the impact of diverse sources of finance to support sustainable and inclusive implementation, including national resources, development aid and private investment.

- National resources through direct budget and support programme: The Government will need to validate defined minimum budget support towards the implementation of the Strategy. Such support for the Strategy's activities will demonstrate the Government's commitment to the initiatives.

- Alignment of donors' support and interventions with the Strategy: The sector forum and the authorities will need to capitalize on the significant momentum gained as part of the Strategy design process and leverage it for smooth and efficient implementation. International development agencies can use the Strategy as the logical framework for their programmes, as they will surely benefit from its favourable conditions for operation (i.e. political endorsement, private sector buy-in and improved collaboration with national institutions). The PoA of the Strategy should serve the sector forum as well as national institutions to improve communication and facilitate the negotiation, planning, coordination and evaluation of commitments made in the context of development aid, in particular through the development of programmes and project proposals aligned with the priorities of the Strategy.

- National and foreign investment: The current Strategy design core team is composed of representatives of national institutions, the TSN and the private sector. If the sector forum is created and becomes the coordinating body of the Strategy, the Strategy should benefit from a solid channel of communication capable of conveying reliable information to companies about export-related opportunities in the industry, and in turn capable of communicating to the Government the needs that investors have identified in order to operate successfully. Investment in Nepal could serve as a valuable driver of export development. Even so, it must be targeted at specific prospects in order to benefit the industry's development as detailed in 'the way forward' section of this Strategy.

APPENDIX 1: LIST OF PARTICIPANTS IN THE PUBLIC/ PRIVATE CONSULTATIONS

Nepali Handmade Paper and Paper Products – Kathmandu

	Name of institution	Name
1	Ministry of Commerce, Under Secretary	Ms. Mina Aryal
2	Trade and Export Promotion Centre, Executive Director	Mr. Iswari P. Ghimire
3	Trade and Export Promotion Centre, Navigator	Mr. Bimal Nepal
4	Nepal Handmade Paper Association, President	Mr. Mohan Krishna Manandhar
5	Federation of Handicraft Associations of Nepal, Vice-President	Mr. Hom Nath Upadhaya
6	Nepal Handmade Paper Association, IPP	Mr. Kiran Dangol
7	Nepali Paper Products	Mr. Bishnu Prasad Shrestha
8	Nepal Handmade Paper Association	Mr. Ramesh Lal Shrestha
9	Nepal Handmade Paper Association	Mr. Chhong Nobu Sherpa
10	Nepal Handmade Paper Association	Mr. Junu Joshi
11	Annapurna Lokta Paper, Kaski	Mr. Bibek Gurung
12	Sana Hastakala	Mr. Chandra P. Kachhapati
13	NMB Bank	Mr. Hari K. Rajbhandari
14	UTI Nepal	Mr. Ramesh Malla
15	Nepal Handmade Paper Association	Mr. Angdawa Sherpa
16	Nepal Handmade Paper Association	Mr. Ramesh Sitaula
17	Nepal Handmade Paper Association	Mr. Ram Khatri
18	Civil Bank Ltd	Ms. Nisha K.C.
19	International Trade Centre	Mr. Olivier Marty
20	International Trade Centre	Mr. Murari Prasad Gautam
21	Trade and Export Promotion Centre	Mr. Rajendra Man Singha
22	International Trade Centre	Mr. Samidh Shrestha
23	UTI Nepal	Mr. Dinesh Jashi
24	Mahaguthi	Mr. Mohit Maharjan
25	Himalayan Bio Trade Pvt. Ltd	Ms. Saraswoti Rai Gurung
26	Bagmati Paper Industry	Mr. Satya Lal Shrestha
27	Nepal Handmade Paper Association	Mr. L. G. Sherpa
28	Nepali Kagaj Udyog	Mr. Suraj Shrestha
29	G.P.I. Paper	Mr. Rabindra Shrestha
30	HANDPASS, Consultant	Mr. Suhrid Pd. Chapagain
31	Lokta Paper Craft	Mr. Shiva Subedi
32	Tibetan Handicraft and Paper Pvt. Ltd	Mr. Nimto Sherpa
33	Gate Paper Industries	Mr. Milan Dev Bhattarai

REFERENCES

Afram, Gabi G.; Pero, Angelica Salvi Del (2012). *Nepal's investment climate : leveraging the private sector for job creation and growth*. Directions in development; private sector development. Washington, DC: World Bank. http://documents.worldbank.org/curated/en/343221468157793055/Nepals-investment-climate-leveraging-the-private-sector-for-job-creation-and-growth.

Barber, T. and Krivoshlykova, M. (2006). Global Market Assessment for Handicrafts. *United States Agency for International Development, volume I*, VII.

Biggs, S. and Messerschmidt, D. (2005). Social Responsibility in the Growing Handmade Paper Industry of Nepal. *World Development, Vol. 33, No. 11,* pp. 1821–1843.

Blue, B. (2006). Handicraft Sector Design and Business Development Manual. *International Labour Organization.* P. 61.

EEC, DFSME, LCCI and FNCSIN (2008). Study on Export Potential Nepal: An Analysis of Selected Sub-Sectors of Nepal. *ECIBON Project, Chapter Five: Three Sub-Sectors that have Good Opportunities for Potential Trade with EU Market.*

European Chemicals Agency. Guidance Documents. Retrieved from https://echa.europa.eu/support/guidance.

Evans, M. (2016). Connected Consumer: Digital Commerce's Impact by Industry. *Euromonitor International*.

FAO of UN (2010). A Rapid Situation Assessment on Agriculture and Migration in Nepal. UN Comples, Pulchowk, Nepal, p. 1.

FAO of the UN (2010). Implications of Climate Change for Agriculture and Food Security and Adaptation Priorities in Nepal. Rome.

FAO of the UN (2010). Integration of Gender in Agriculture: An Analysis of Situation. p. 5; and SOFA Team and Doss C (2011). The Role of Women in Agriculture. *European Spice Association Working Paper No. 11-02, p. 2.* Retrieved from http://www.fao.org/docrep/013/am307e/am307e00.pdf.

FSRO (1984). Preliminary Survey Report of Daphne spp. Vegetation, Forest Survey and Research Office. Kathmandu, Nepal. *Publication no. 41, Department of Forest*.

Giovannucci, Josling, Kerr, O'Connor and Yeung (2009). Guide to Geographical Indications: Linking Products and their Origins. *International Trade Centre*.p. 105.

Government of Nepal (2010). Nepal Trade Integration Strategy 2010. Kathmandu. *Ministry of Commerce and Supplies,* p 66.

Government of Nepal (2007). Medicinal Plants of Nepal. *Department of Plant Resources*, pp. 46 and 239.

Industrial Services Centre and Department of Cottage and Small Industries (1976), Feasibility Study and Quality Improvement of Handmade Paper.

International Trade Centre (2016)(a). Trade Map Database. Retrieved from http://www.trademap.org/Index.aspx.

International Trade Centre (2016)(b). Standards Map. Retrieved from http://www.standardsmap.org/.

International Trade Centre (2016)(c). Market Access Map. Retrieved from http://www.macmap.org/.

International Trade Centre (2015). India's Duty Free Tariff Preference Scheme for Least Developed Countries: A Business Guide.

International Trade Centre (ITC) and Physikalish-Technische Bundesanstalt (PTB) (2011). Export Quality Management:A Guide for Small and Medium-Sized Exporters. *2nd edition,* p. 11.

Photo: ITC consultation with stakeholders

Khadgi N., Shrestha B.B. and Siwakoti M. (2013). Resource Assessment and Habitat analysis of Daphne bholua in Bhujung of Anna purna Conservation Area, Central Nepal, *Research Journal of Agriculture and Forestry Sciences, Vol.1(4),* p.1.

Manandhar, M. (2016). Lokta (Baruwa) Rawmaterial – Nepali Paper-Product Production. *Ban Ko Janakri.*

Ministry of Foreign Affairs,. CBI Product Factsheet Handmade Paper Notebooks in Europe. *CBI Market Information Database*. p. 1.

Ministry of Foreign Affairs (2016). CBI Trends - Home Decoration & Home Textiles in Europe-2016. *CBI Market Intelligence*. pp.2,3.

Ministry of Foreign Affairs (2007). The Gifts and decorative articles market in the EU. *CBI Market Study*. pp. 3, 13.

Nepal Handmade Paper Association (HANDPASS) (2008). Nepal Lokta Quality Paper Production Manual 2065.(In Nepali).

Panday, D. (2012 September 13). Reshaping Youth in Nepali Agriculture. Young Professionals for Agricultural Development. Retrieved from http://www.ypard.net/2012-september-3/reshaping-youth-Nepali-agriculture-0.

Prescott-Allen, R & Prescott-Allen, C (Eds.) (1996). Assessing the Sustainabiliy of Uses of Wild Species – Case Studies and Initial Assessment Procedure. IUCN, Gland, Switzerland, and Cambridge, United Kingdom. P14.

Rai, J.K. and Chapagain, S.P., (2014). Value Chain Analysis of Forest Products in Koshi Hill Districs of Nepal: Challenges and Opportunities for Economic Growth. ForestAction Nepal and RRN, Kathmandu, p186.

SANDEE (2014). Policy Brief, The Impact of Climate Change on Agriculture – A Case Study from Nepal. *Number 79*-14, p.2.

Switch Asia Project/HANDPASS (2010), Sustainable Production of Lokta Handmade Paper Production in Nepal. *Scientific Training Directive*.

The World Bank (2016) Could Trade and FDI be the Key to Unlocking Nepal's Potential? New Report Suggests 'Yes'. *The World Bank*, Retrieved from http://www.worldbank.org/en/news/feature/2016/07/12/could-trade-and-fdi-be-the-key-to-unlocking-nepals-potential.

The World Bank (2016). Nepal Development Update *May 2016 : Remittances at Risk*. World Bank, Kathmandu. Retrieved from, https://openknowledge.worldbank.org/handle/10986/24663 Licence: CC BY 3.0 IGO.

FSC is an independent, non-governmental, not for profit
organization established to promote the responsible management
of the world´s forests.

Printed by ITC Digital Printing Service on FSC paper, which is
environmentally-friendly paper (without chlorine) using vegetable-
based inks. The printed matter is recyclable.

Government of Nepal

International Trade Centre

Street address: 54-56, rue de Montbrillant
1202 Geneva, Switzerland
Postal address: Palais des Nations
1211 Geneva 10, Switzerland
Telephone: +41-22 730 0111
Fax: +41-22 733 4439
E-mail: itcreg@intracen.org
Internet: www.intracen.org