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SUSTAINABLE BAMBOO & RATTAN SUPPLY CHAIN DEVELOPMENT

PROSPECTS FOR MULTIPLE RURAL DEVELOPMENT OBJECTIVES IN LAO PDR

Forests form a vital ecosystem that provides multiple services. Lao PDR still harbours 9.7 million ha (source FS2020) of natural forest, containing a rich biodiversity. The key riches of the Lao forest are reflected in the high diversity of non-timber forest products (NTFP), which play an important role in the social, cultural and economic livelihoods of rural people. Indeed, NTFP provide 9.2 % of GDP (source J. Foppes 2010). Food from the forest provides a balanced diet containing many nutrients including carbohydrates, important sources of calcium, iron, high quality protein, and vitamins A and C (source Lao NTFP Manual). Natural forests and NTFP add “resilience” to the livelihoods of villagers, who face uncertainty because of fluctuations in the market value of their main produce, and the extreme effects of climatic change. Within this context, SNV, GRET and WWF, in partnership with the National Forestry and Agriculture Institute (NAFRI) and Provincial and District Authorities, support local communities developing the NTFP sector as a vehicle for poverty alleviation and sustainable development. This paper illustrates how NTFPs, in particular bamboo and rattan, contribute to the national socio-economic growth of Lao PDR, especially for the poorest members of society, and provides suggestions on potential measures and themes for further attention and action. Such actions to be implemented in line with the Ministry of Agriculture Strategic Direction 2011- 2015 toward 2020 that propose to continue on sustainable use of forest resources (commercial forests), promote use and development of biodiversity resources, promote individual and community forest product development.

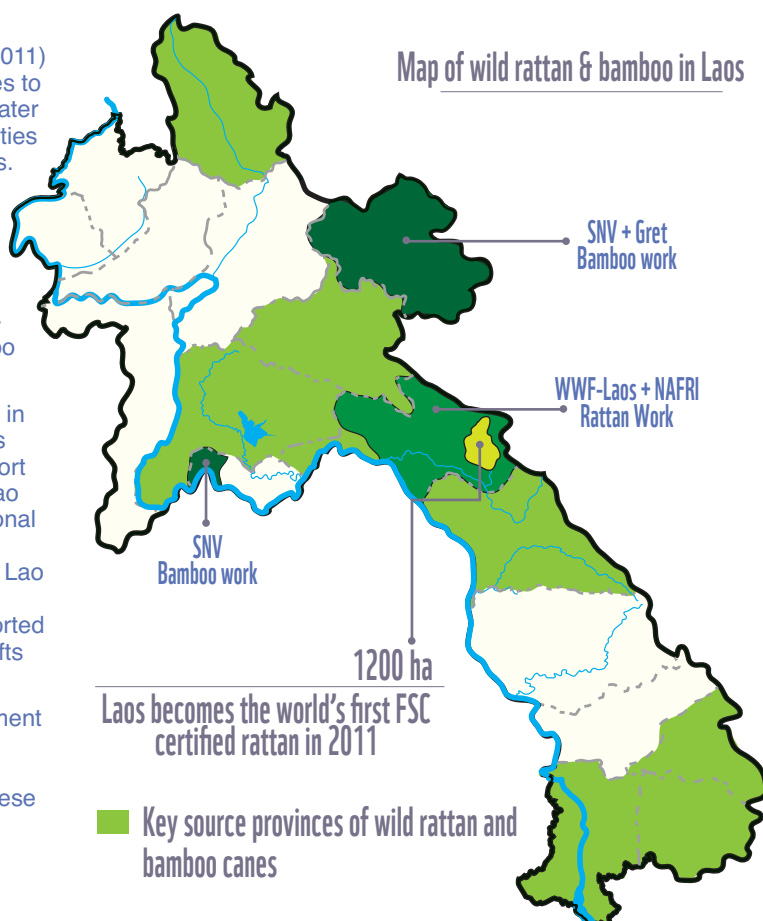
STATUS - what's happening?

Bamboo resources earn Lao PDR an estimated US\$4 million (2011) from 1.5 million hectares of natural bamboo. Bamboo contributes to forest ecosystems: its root system maintains soil stability and water absorption in the uplands, while its carbon sequestration properties make it one of the better options for mitigating carbon emissions. Bamboo is an abundant NTFP that is accessible to most Lao people. It is used daily as a material in house building and the production of handicrafts, furniture, chopsticks and incense sticks, and bamboo shoots are a common foodstuff. It also serves as a timber substitute, and there is an emerging market for bamboo flooring, panels and non-traditional furniture. Neighbouring Vietnam, China and Thailand are in need of Lao bamboo resources.

Rattan resources are valued at US\$2.5 million (2011). It is used in popular handicrafts and furniture, with canes from mature plants being woven into many products that are in demand for the export market, while young rattan shoots are a traditional part of the Lao diet. Lao PDR has 14 commercial rattan species, and an additional 12 species are viable for economic development. There are 50 species of bamboo in Lao PDR, and 30 are commercially used. Lao PDR exports mainly raw rattan resources to countries including China, Thailand, Vietnam and Singapore. Bamboo is often exported to Thailand and Vietnam as semi-processed products, handicrafts and utensils.

Both the Seventh Five-Year National Socio-Economic Development Plan (2011-2015) and the National Forestry Strategy by 2020 recognise the importance of the contribution of NTFP towards sound advances in socio-economic development. In line with these programmes, the European Union co-funds pilot projects for sustainable development in the bamboo and rattan sector in several Lao provinces that aim to alleviate poverty and bring sustainable socio-economic development.

Map of wild rattan & bamboo in Laos



OPPORTUNITIES

SUSTAINABLE FOREST MANAGEMENT ENHANCEMENT

Rattan species need to grow in natural forests, so managing rattan resources sustainably contributes to the overall sustainability of the natural forest ecosystem (source WWF, 2012). Community-based rattan resource management approaches can be cost-effective and reliable. In the communities supported by WWF, GRET and SNV, farmers have demonstrated their willingness and skill in the sustainable management of natural bamboo and rattan resources. Strengthening this approach is in line with the Government policy of reaching 70% of forest cover by 2020.

CONTRIBUTION TO POVERTY ALLEVIATION AND THE LOCAL AND NATIONAL ECONOMIES

It has been proven that trade-oriented management of sustainable rattan and bamboo forests can provide alternative incomes for rural communities. It is estimated that the total annual value of NTFP at national level is US\$510 million (source J. Foppes, 2010). WWF valued NTFP collection in one village in Bolikhamxay Province at US\$16,540 per year, representing an annual revenue of US\$254 per family. In 2011, income from bamboo products for each of the 1,402 families in SNV and GRET intervention areas in Vientiane and Houaphanh provinces amounted to US\$204, totalling US\$286,008. These revenues contribute 40% of rural family cash income, and make the population less susceptible to the effects of market fluctuations and climate change.



INTEREST IN AND ACCESS TO INTERNATIONAL NICHE MARKETS

Lao PDR is the first country in the world to harvest FSC (Forest Stewardship Council) certified rattan from natural forests. With its handicraft skills, low labour costs and natural resource availability, Lao PDR can supply niche markets, and develop a competitive industry at scale. Lao PDR has sufficient rattan resources within its 9.7 million hectares of natural forest to satisfy the high demand for sustainable, FSC-certified rattan from the European market (from retailers and manufacturers including COOP, IKEA and Carrefour). Prices for FSC-certified rattan products in the European market can be 20% to 30% higher than those charged in the national and regional market. Within this context, WWF facilitated market links with Swiss buyers in 2011 for FSC-certified rattan products made in Bolikhamxay Province, which increased monthly family incomes by US\$60 to US\$80. These market links will continue in 2012/2013.

COMMUNITY EMPOWERMENT AND NETWORK DEVELOPMENT

SNV is supporting the emergence of a national bamboo trade network that aims to improve access to larger and new bamboo markets through increased volume and effective practices between producers and traders. In collaboration with GRET (Houaphan Province), supply chains are managed by rural communities through improved land use planning, natural forest management and plantation practices. In Sangthong district (Vientiane Capital), five bamboo producing communities earn an important part of their income from bamboo, and have obtained Communal Land Titles [totalling 2,200 ha] with the intention of further investing in and managing bamboo forests.





CONSTRAINTS AND RECOMMENDATIONS

CONSTRAINTS:

However, forest resources are decreasing quickly because forest is being converted to other uses, such as plantations, cash crops and mining. This hinders production development opportunities and dampens the willingness of the rattan and bamboo industry and communities to invest in developing the sector. Proper land use planning for sustainable investment is lacking, hampering the development of a “win-win” strategy, in which cash crop development and natural forest management are part of the Government diversification strategy to stimulate income generation and sustain natural capital. If farmers are not actively engaged in managing forest resources and are not recognised by the Government as economic actors contributing to local and national economic development, the cultural, socio-economic and natural value of Lao’s forest resources will be lost forever. It is therefore important to turn constraints into constructive action that stimulates investment, growth and a sense of ownership and pride in Lao products and businesses.

RECOMMENDATIONS:

- Organise provincial and national fora and stakeholder workshops to engage Government departments to coordinate at the planning and implementation stages of the Provincial Socio-Economic Development Plan. This will ensure that NTFP resource and production development are taken into account.
- International and local organizations should work together to assist provinces to initiate supportive mechanisms to develop a landscape approach (linked with the Socio-Economic Development Plan), and to stimulate emerging “Lao rattan and bamboo community enterprises/cooperatives or associations” that include:
 - Organise peer-to-peer exchange visits between best practice areas for villagers and district/provincial government staff.
 - Organise regular Learning Alliance fora to stimulate discussion around best practices and challenges at provincial and national level, with the aim of their integration into provincial and district planning.
- Use SNV, GRET and WWF best practices and experience as references for scaling-up successful approaches by the Government and international organisations.
- Raise awareness of the Forestry Strategy 2020, which promotes sustainable NTFP management and production.
- Ensure that NTFP management and production are part of the current revision of the Forestry and Land Law.

CONSTRAINTS:

There is still a lack of knowledge and confidence among stakeholders in relation to the constructive development of the forestry and NTFP sector. At the district level, especially, staff know little about NTFP forest management and trade requirements, and farmers know little about market and trade requirements. SNV, GRET and WWF are developing successful local approaches, including the Sangthong communal land titling process, the sustainable rattan models developed in Bolikhamxay province, and participatory land use planning and community bamboo forest management in Houaphanh.

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The actual quota system for NTFP is not based on the availability of resources in the forest (*Prime Minister Decision 32 states that NTFP and medical plant collection for business must follow management plans and operate under real surveys*), while the process for requesting a quota and obtaining approval is very time-consuming and complex, involving many procedures, documents and governmental departments. This process is not transparently implemented and practices vary between provinces and districts. Therefore, there is little incentive for the private sector to invest in the NTFP sector or to operate in a legal manner.

Exporting processed NTFP products is also an awkward procedure involving a range levies and taxation, making it challenging for Lao businesses to compete with their Vietnamese and Thai peers. Incentives such as tax reductions, and access to soft loans enabling the Lao private sector to invest in Lao PDR are limited and often poorly understood.

RECOMMENDATIONS:

- A review and the establishment of an appropriate incentive system for the private sector are needed to stimulate investment in rattan and bamboo. These incentives could focus on: (i) reducing the number of documents involved in exporting value-added products; and (ii) reducing transport and export taxes in Lao PDR.
- A Government-backed bamboo and rattan network consisting of the private sector and relevant government agencies (including DTPD and SMEPDO), and support for Lao companies to obtain Chain of Custody FSC certification, to help them secure long-term international market demand.
- A simplified pilot Government quota system with quotas only allocated on the basis of the inventory methodology already developed by SNV, GRET and WWF. The same policy should be applied in all provinces.

CONSTRAINTS:

Small and Medium Enterprises (SME) engaged in the rattan and bamboo sector lack business skills and experience. Production quality does not meet international standards and efficiency is low. SMEs are not joined in an association and face difficulties in engaging with the Government in a coordinated way.

RECOMMENDATIONS:

- Strengthening the development of a rattan and bamboo network by setting up a "Dialogue Spaces" forum involving private and government actors (national and provincial level). This forum could be facilitated by a national or international organisation like SNV, GRET, WWF.
- The Lao National Chamber of Commerce and Industry and other relevant departments have the mandate to provide business management training, and expose rattan and bamboo traders and processors to regional and international trade fairs to promote Lao products. The focus should be on "Quality and High Prices" rather than "Quantity and Low Prices".
- Engage the international donor community to continue its support of the development of sustainable supply chains for natural products such as NTFP.

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