INTERVIEW
SECRETARY OF MOCS ON NEPALI TRADE

FEATURE
NEPAL AND THE WTO

SPECIAL
MAPS
MEDICINAL AROMATIC PLANTS & ESSENTIAL OILS
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EDITOR’S NOTE

Philipp Kruschel, head of WTO/EIF-SP, welcomes all interested readers to NEPALTRADE, explains its goals and gives an insight on what it’s all about.

Supporting Nepal’s Implementation of its WTO Commitments and the Enhanced Integrated Framework (WTO/EIF-SP) - a rather convoluted project name that implies a very straightforward project goal: to support Nepal in increasingly reaping the benefits of its WTO membership as well as the EIF. Deutsche Gesellschaft fuer Internationale Zusammenarbeit (GIZ), GmbH has been working with the Ministry of Commerce and Supplies as well as other partners on the implementation of a range of activities under this project, all of which will be showcased at www.nepaltrade.org.

Today we are pleased to present to you the newest result of our efforts in this format: The first issue of Nepaltrade magazine. This magazine has taken the Nepal Trade Integration Strategy (NTIS) as a starting point and attempts to look into its implications for the 19 different products and services covered in the strategy. For a start, this inaugural issue will cover Medicinal and Aromatic Plants and Essential Oils (MAPs) giving a brief insight into this commodity. We will also provide readers with basic information on national trade politics combined with links for further information and downloads.

This magazine will serve as an easy-to-access tool for grasping structures and processes which may sometimes sound complex at first. We hope that our issue will live up to your - the reader’s - expectations.

Your comments and suggestions on how to further improve both the structure and content of the magazine would be highly appreciated. But for now: happy and insightful reading!
The World Trade Organization (WTO) is an organization that intends to supervise and liberalize international trade which was officially commenced in 1995, with Headquarter in Geneva, Switzerland. It deals with trade regulations between member countries. The WTO provides a framework for negotiating and formalizing trade agreements, and a dispute resolution process aimed at enforcing participants’ obedience to WTO agreements which were signed and ratified by their governments. Subsequently, majority of WTO’s current work comes from the 1986-94 negotiations called the Uruguay Round and the earlier negotiations under the General Agreement on Tariffs and Trade (GATT). The organization is currently hosting new negotiation called “Doha Development Agenda” which started in 2001. The negotiations have helped to liberalize trade especially for countries that faced trade barriers. The WTO is not a development or a financing agency; however the expertise and advocacy role of WTO in trade makes it important in trade related capacity building.

Currently, the WTO has 153 members including 30 observers, who are seeking membership to the WTO. The Ministerial Conference, meets every two years, is the governing body of WTO also appoints director-general. The General Council implements the conference’s policy decisions and is responsible for day-to-day administration.

Nepal accepted the terms and conditions of membership set out in the Accession Protocol on 24th March which was approved by the Ministerial Conference on 11 September 2003 and signed by Nepal subject to ratification. Nepal became the 147th member of the WTO on 23 April 2004. It is the first LDC to join the WTO through the full working party negotiation process.
The Enhanced Integrated Framework (EIF) is a multi-donor programme supporting the Least Developed Countries (LDCs) to be more active players in the global trading system by helping them tackle supply-side constraints to trade. Officially set up in 1997 at the WTO as the Integrated Framework (IF), it was subsequently reviewed in 2005 to make it broader and known as the Enhanced Integrated Framework. In line with the Brussels Programme of Action, significant work has been undertaken to create a more results-focused, accountable and responsive programme. The EIF has been established with the aim of trade mainstreaming, delivering trade-related technical assistance and capacity building to trade. EIF is an Aid for Trade partnership in action for the LDCs. The programme works towards the goal of promoting economic growth and sustainable development and helping to lift more people out of poverty. The programme is currently helping 47 LDCs worldwide, supported by a multi-donor trust fund, the EIF Trust Fund, contributed by donors. A funding target of US$250 million was set in the high-level pledging event in 2007 for next five years, likewise, extra contributions are still being sought. Nepal joined the Integrated Framework (IF), the predecessor program of EIF, in 2002. The Secretary, Ministry of Commerce and Supplies, constitutes the EIF focal point, and is supported in his work by national EIF implementation arrangements. In line with these arrangements, Nepal has done a diagnostic study of trade competitiveness (Nepal Trade Integration Strategy 2010) and identified 19 products with export potential. Meanwhile, Nepal is working to design appropriate policies, consistent with the action matrices, to promote the identified products.

WHAT IS THE EIF?

The Enhanced Integrated Framework (EIF) improves the role of the Least Developed Countries within the WTO, setting goals for a better future. By Rup Kumar BK
Mr. Rana took office as the Secretary of MoCs on May 18th, 2011, after working as the Secretary in the Ministry of Youth and Sports before that.

Asked on NTIS, Mr. Rana informed us that the government has aligned the objectives and actions of the NTIS in a recently introduced Three Year Development Plan (2011-2013) as well as in the annual programmes of the Government of Nepal. A detailed analysis identified exportable products out of which 19 sectors were prioritized for export promotion in this phase. Mr Rana believes that the NTIS is a unique shared strategy to steer the efforts of the government, the private sector, development partners, and other stakeholders to develop an “inclusive” trade sector.

**NTIS provides immense opportunities for Nepal**

Mr Rana says that NTIS, being a cross cutting overall strategy for trade and trade related issues, provides immense opportunities for Nepal to develop. It aims to achieve inclusive export-led growth so that poverty can be alleviated as soon as possible. The strategy covers aspects like Trade Related Intellectual Property Rights (TRIPS), Technical Barriers to Trade (TBT), Custom procedures, Sanitary and Phytosanitary measures (SPS), etc. NTIS includes a detailed action matrix in order to ensure a successful implementation, pursuing to strengthen four strategic objectives: trade negotiations; the domestic technical capacity to overcome non-tariff barriers (NTBs) and other business environment supportive institutions; the export capacity of inclusive export potential...
goods and services, and the GoN’s capacity to coordinate Trade-Related technical assistance (TRTA) and Aid-for-Trade to implement the NTIS. “However, identification and selection alone cannot meet our objectives”. An environment has to be created in the country to develop these products in a manner suitable for ensuring sustainable trade. Therefore in the coming months, the NTIS has to be made more active and there is still a lot of work to do in some specific interventions. “The timely implementation of those actions will add to the promotion”.

**Poverty impact through backward and forward linkages to the grass roots level**

The Secretary maintains that there are different levels of backward and forward linkages which have to be focused on to ensure poverty reduction. He firmly believes that support must go to the grassroots level, i.e. the enterprise and farm levels so that the producers and growers can obtain the benefits. He explains that the products for the NTIS have been analysed extensively with regards to their potential for development along the value chain and their linkages with poverty alleviation. The socio-economic impact of each product has been taken into consideration, such as the number of people being employed, gender issues, environmental impacts, energy and water intensity, and others. Hence, provided that there is a good means to ensure the flow of benefits from exporters to farmers and low skilled employees, Mr Rana is convinced that the ultimate beneficiaries will be the poor.

**Private sector and the NTIS**

For implementing the NTIS, the MoCs focuses on the partnership with trade-focused development agencies, business associations and traders. According to Mr. Rana, the private sector plays a very important role in trade and export and hence in the implementation of the NTIS itself. He notes that there have been interactions only at the policy level with the private sector. Therefore, a mechanism has to be developed that will strengthen capacities at the micro level in order to ensure backward linkages. He also emphasizes that the private sector should not show strong inclinations towards short term “Rent-Seeking” investments - but rather prioritize investments in highly productive forward and backward linkage generating sectors. He also says that “the private sector should put efforts towards strengthening their product associations. There has to be an equal understanding and a good communication flow on all issues amongst all levels of people within that particular sector and with the Government. Once we overcome this gap, we can move ahead smoothly.” He further adds, “immediate attention should be given for the increase and promotion of products and services that could be important from the trade perspective”. He advocates that the private sector should also own the NTIS - they are the ones who are majorly responsible for trade growth, while the Government is there to support them.

Mr Rana reasons that the involvement of Trade Related Technical Assistance (TRTAs) is crucial for the success of NTIS. “Currently, most of our products are facing barriers – tariff as well as non-tariff - in international markets.” Therefore, Nepal as a Least Developed Country (LDC) would like to see easy market access for its products in the international market. Similarly, one would need to strengthen the supply capacities. This is where developing trade capacity and the role of Nepal’s development partners comes in. He also stresses the need for result-oriented interventions. The Development partners need to focus on the capacity building of the private sector, value chain development and the coordination of efforts of all stakeholders with the common goal to develop Nepal.

**Way Forward**

Mr. Rana further explains that the GoN, with the support of business community and development partners, initiated some
good interventions during the first year of NTIS implementation. The focus now needs to be on specific products identified in the NTIS, policy interventions for target products, Technical Barriers to Trade (TBT), trade facilitation, strengthening of trade support institutions, resource mobilization, awareness at the grass roots level, branding Nepal, and monitoring and evaluation of the NTIS related activities, among others. While implementing such activities, a balanced approach should be followed including both technical as well as financial cooperation by development partners. The focus on the investment side should be on infrastructure and installing lab facilities with trade relevance.

As part of making the NTIS implementation transparent, he says that information regarding the progress of the NTIS can be found on the MoCS website. However, he adds that the website might not always be a good medium to reach the entire target group. Efforts on sensitising the mass should be made by use of more user friendly media like television, newspapers and radio. MoCS is conducting this with the support from the GIZ WTO/EIF support programme. Mr Rana modestly opines that although other countries such as Cambodia and Bangladesh are ahead in mobilization of Aid for Trade (AfT), Nepal has achieved a huge success in the implementation of the NTIS. However, he acknowledges that in order to become a potential role model for other countries, the country as a whole has to make even further progress and he seeks active participation from the private sector and the donor community in this matter. “Being a cross sectorial issue, trade cannot operate in isolation. Therefore, unless we develop our agriculture, forest, manufacturing and service, trade activities cannot be expanded. The NTIS is designed specifically to cater to these issues. Thus a proper implementation of NTIS will ultimately lead to the improvement in the macro economic situation of the country” he says. To ensure all of this, the GoN is currently in the early planning stages to set up a separate basket fund in line with the idea of a Sector Wide Approach (SWAp). In this fund, money will be injected from various sources including the government and donors. The implementation would be insured by respective agencies from the public and private sector. In order to develop a sound system, a task force has been set-up to design the potential modalities.

Finally, Mr Rana concluded with optimism that the next five years would show great opportunities for trade within and from Nepal. However, a vibrant Nepalese trade sector would still be a high hanging fruit that remains a distant dream.

MORE INFO
http://www.mocs.gov.np
http://eifnepal.mocs.gov.np
In June 2010, the Ministry of Commerce and Supplies (MoCS) introduced the Nepal Trade Integration Strategy (NTIS). The document contains an action matrix defining more than 250 cross cutting and sector specific actions for the successful implementation of the NTIS. To coordinate this, MoCS and GIZ are jointly setting up a web-based communication platform called NepalTrade.org - to improve the efficiency and the matrix will show the real-time status of NTIS implementation and Nepal’s WTO commitments.

In order to achieve this goal, the GoN requested all development partners and stakeholders in Nepal for their cooperation. The Government of Germany as part of its EIF Donor Facilitator role in Nepal, revitalized the Aid for Trade Donor Group, consisting of the major development partners as well as representatives of the GoN.

The coordination of the defined actions and tasks is a crucial factor for the next three to five years. While the presentation of the NTIS constitutes a success in itself, the new challenge is to successfully implement the document. In order to get the latest updates, users log-in to find an overview of the status of all actions. In addition, they can update relevant information and address such as division of labour, potential cooperations and harmonization issues with their counterparts.

The tool is the first of its kind among all 47 LDCs participating in the EIF, combining elements of social media with the coordination of an economic development processes. The platform will include a knowledge base for all relevant documents related to NTIS and WTO. In a second step, a public website will be launched to extend the knowledge base to an online dictionary and any other trade-related information.

Nepaltrade.org will combine tradition and craftsmanship “Made in Nepal” with a state-of-the-art communication strategy. MoCS and GIZ have also developed a corporate design and logo as a first step in creating a common brand for Nepali products.

MORE INFO
http://nepaltrade.org
Due to its climatic conditions and many isolated topographical locations, Nepal has a tremendous biodiversity and hosts around 7,000 species of plants. About 1,800 species are currently in use for the production of Ayurvedic, Unani, and Siddha medicinal products as well as for essential oils, cosmetics, aromatic foods, and perfumes. There is a surging global market and growing consumers’ preferences for natural food and natural health care and herbal products.

In the three years between 2005 and 2008 the world market for traded medicinal herbs grew at a compound average growth rate (CAGR) of more than 13%. In 2008 the export volume for medicinal herbs in value terms exceeded the amount of US$ 1.5bn. Similarly, the value of traded essential oils grew in the same period on average 17% each year and reached more than US$2bn by 2008. USA, France and Germany are the European markets with the highest growth rates for MAPs and Vietnam, Singapore and Japan are the key growth areas in Asia.

So far, Nepal has only had a very small share of the global export market for medicinal herbs and essential oils – for medicinal herbs it was 0.19% in 2008 according to the data available. They are mainly exported to India, with significant informal exports and Hong Kong being the only other noteworthy destination. For essential oils Nepal’s share of the world market was even lower – only 0.05% of globally exported essential oils are of Nepali origin. They are mainly exported to the EU (71%), India (11%), and the USA (10%). In Dollar terms Nepal exported medicinal herbs in the value of almost US$3m in 2008 and essential oils with a total value of almost US$1m. Even though starting from a very low level, the compound annual growth rate for essential oils was – at 36% – quite impressive. According to Mr. Pankaj Das, official at the Department of Plant Resources, “the export growth of essential oils in 2010 was only second to steel products”.

Based on estimates, the potential of Nepal’s medicinal herbs and essential oils is far from being adequately exploited. According to the Department of Forestry, annually about 50,000 MT of MAPs could be harvested if collectors would make full use the permits that have been issued. However, currently only 20-30% of this amount is actually being collected, processed, and traded.

Given the vast unused potential in Nepal’s MAPs sector and the low level of infrastructure and technology used, there is ample room for investment in the coming decade. For instance, the processing of MAPs is limited to distilling essential oils. Therefore, more than 90% of the collected crude herbs are exported to India (e.g. Dabur and Patanjali) without prior processing. Establishing processing...
units in Nepal would allow actors in the value chain to add further activities to their portfolio and to generate additional revenues. This would also allow the development of further value added products. As of today, essential oils that are exported to overseas markets are often used to manufacture cosmetics, perfumes, and pharmaceutical products. The local production of such items for export is very limited. According to the NTIS, the domestic production of MAPs and related products is not even sufficient to match domestic demand. Currently, there are some 20 herbs being used for essential oils and only 11 of which are cultivated under contract farming systems and through community forest users groups (CFUGs).

“At present cultivation is limited to few species for Essential Oils, like Chamomile, and Mentha Arvensis”, said Parikshit Khemka, CEO of Natural Resources Industries. He added, “that there are many potential crops with strong demand, e.g. Rauvolfia Serpentine, Spikenard or Valerian”. Thus it is feasible to assume that investments in commercial farming, processing and production could yield significant returns for investors who do not shy away from the existing informal costs that occur in this industry.

POVERTY REDUCTION

The MAPs sector has the potential to reduce poverty in Nepal’s poorest regions. By Thomas Probst.

Medicinal and Aromatic Plants (MAPs) predominantly grow in Nepal’s hilly and mountainous areas. They are mostly collected in the wild by non-commercial farmers and landless people to generate supplementary income. This source of additional income for the normally vulnerable groups has the potential to improve livelihoods in otherwise highly impoverished regions. Often it is a challenge for the local farmers to achieve acceptable yields from lands that are difficult to cultivate and which do not allow for agricultural activities on a commercial scale. Moreover, these regions suffer from significant emigration which further increases the workload for those (mainly women) who stay back and are dependent on agriculture.

Therefore, it does not come as a surprise, that despite a significant decline in the overall poverty rate that Nepal saw between FY95/96 and FY03/04, a significant gap still remains between rural and urban areas according to a World Bank report. Whereas the level of urban poverty has been somewhere around 10%, rural poverty – particularly in the hill and mountain belts – has hovered around 35% in the past years (see map with Human Poverty Index above). However, these poverty stricken areas are where most of the valuable and exportable Medicinal and Aromatic Plants grow - like Anthopogon, Wintergreen and Juniper.

This said, activities in MAPs - as for example technical assistance provided by International Development Enterprises (IDE) or ICIMOD’s activities on the MAPs value chain in the Eastern Himalaya – have the potential to reduce rural poverty. As part of the Nepal Trade Integration Strategy (NTIS) implementation, a number of potential additional interventions were laid out in an action plan that was developed by the Project Advisory Group of the GIZ WTO/EIF Support Programme for MAPs and Essential Oils. Among

MORE INFO

http://www.jaban.com.np
http://www.icimod.org

Graphic: UN Nepal
the proposed measures that have poverty reducing impact are such that increase the productivity of the sector, e.g. through improved harvesting methods that reduce wastage. Other measures aim at improving the quality of the end products, e.g. through the introduction of organic certificates or improved distillation technology at the local level. Poverty impact study for the MAPs and Essential Oils sector

To provide an in-depth analysis on the relevance of MAPs and Essential Oils for poverty reduction, a so called Poverty Impact Assessment (PIA) was conducted by specialists from MoCS and GIZ under the lead of Dr. Thomas Jenisch (a German PIA consultant) in June 2011. The preliminary results of the study show that specifically measures which tackle productivity and quality issues at the level of collectors and cooperatives can contribute significantly to further improving the livelihoods of households active in this sector. Activities that aim to integrate Nepal better in the international market may have a smaller direct impact on smallholders and landless in the hills and mountains. Nevertheless, these activities are highly relevant if Nepal is to seize the opportunities arising from growing world markets for MAPs and Essential Oil products (see separate article on business opportunities). Through improved negotiation skills and the linking of producers with traders it will be possible to better integrate collectors, cooperatives and community forest user groups in this value chain, thereby reaching out to a large number of people who may benefit from this growing, high-value, low-volume niche market that offers further income opportunities to groups who normally would be excluded from international trade.

MORE INFO
http://www.oecd.org/document/63/0,3746,en_2649_34621_40333529_1_1_1_1,00.html
http://www.icimod.org
http://www.oecd.org/dac/poverty

BIOFACH TRADE FAIR

BIOFACH is the trade fair for organic products worldwide. Last year, four Nepali companies presented their products successfully in Germany. By Himadri Palikhe.

Every year in February, BioFach - “Where Organic People meet” - provides a unique platform in Nuremberg to market organic products from all over the world to international consumers and traders alike. The GIZ Capacity Building for Biotrade (CBBT) project supported four Nepali companies – Himalayan Biotrade Pvt. Ltd., Khaptar Aroma Pvt. Ltd., Shambhala Herbals Pvt. Ltd. and Natural Resources Industries Pvt. Ltd. to participate in this trade fair in February 2011. Followed by two studies conducted in the Medicinal and Aromatic Plants (MAPs) sector, a stakeholder-based process led to the decision that the project should support
companies to develop market linkages through the fair. For this, GIZ introduced a cost sharing scheme with considerable contributions from participating companies as well as the Trade and Export Promotion Centre (TEPC). As part of the preparation for the fair, the companies were supported with three modules of trainings on proper harvesting, quality processing and trade fair participation. Additionally, a joint marketing strategy consisting of a joint label that would represent the essential oils of Nepal, a joint brochure and a video documentary were developed. The companies received individual support with regard to quality testing and certification of their products in the run-up of BioFach as well as after their return to Nepal.

In cooperation with the Swiss Import Promotion (SIPPO), consultancy services were provided to the companies during the BioFach, supporting them in creating successful business partnerships with renowned international buyers of organic essential oils. In the four days that they spend in Nuremberg, the four companies made a total of 172 valuable business contacts, on which they are currently working hard to turn them into concrete orders. Commenting on their participation in Biofach, Mr. Khilendra Gurung from Himalayan Biotrade Pvt. Ltd. said, “BioFach created an opportunity for us to exhibit community produced wild crafted organic essential oils of Nepal. Fruitful discussions have been made with existing buyers for further buying agreement and to diversify our product line.” Mr Gurung further added that potential buyers were testing and analysing the essential oils samples provided to them for their products. He is very optimistic about expanding the markets for community produced essential oils with new buyers in the near future and on a long term basis. Likewise, Mr. Parikshit Khemka from Natural Resources said, “Our participation helped us understand the requirement of Organic Markets and SIPPO, and other co-exhibitors like Peru, gave us innovative ideas to improve the presentation of our products.”

Realizing the importance and relevance of developing market linkages for organic products of Nepal, the government of Nepal, represented by Ministry of Commerce and Supplies, has shown keen interest in continuing their participation in this trade fair. Mr. Ramesh Kumar Shrestha, Executive Director of TEPC said, “Participation in BioFach was indeed a great opportunity for Nepal to market its organic products in the European market. We would like to continue our participation in this fair not only focusing on MAPs and Essential oils, but also other organic products of Nepal like tea and coffee.” Nepal’s participation in BioFach 2011 was a small step towards establishing a long-term success story through the marketing of Nepalese organic products at the global level.

**MORE INFO**

http://www.includenepal.org/biotrade.php
Established in 1994, the Shambhala Herbals and Aromatic Industry is a private company which has been certified by the National Association of Sustainable Agriculture Australia (NASAA) for organic production of herbs and essential oils in Nepal. The company is mainly involved in processing oils from wild aromatic plants from the mountains of the country. In addition, it also does organic farming of conventional oil plants such as lemongrass, citronella, palmarosa, chamomile, French basil and holy basil.

Besides exporting crude herbs to renowned manufacturers in Europe and North America, the company also markets products of its collaborating producers who produce under its supervision in the plains and mountains of the country. In addition, it also does organic farming of conventional oil plants such as lemongrass, citronella, palmarosa, chamomile, French basil and holy basil. Clients in the domestic market are wholesalers and manufacturers of cosmetic and other herbal-based products. International clients comprise of wholesalers, flavour and fragrance industries and retailers in the US, UK, Italy and France.

Natural Resource Industries (NRI) was established in 1990 with the main goal to promote Nepal as one of the prominent sources of essential oils in the international market. The main activities of the company are the production of essential oils, ayurvedic medicines and natural cosmetics; cultivation of medicinal and aromatic plants; and trade and sustainable use of non-timber forest products (herbs, wild honey and Himalayan morel mushroom). NRI is an independent organization and works for promoting organic essential oils and herbs by providing value added herbal based products and formulations as per customers’ demand and quality. The company is certified by the National Association of Sustainable Agriculture Australia (NASAA). NRI started its business initially with exports to a few companies in Europe and the USA, and has been able to successfully expand its export business since then. Its major export markets are in Germany, France, Australia and China.

Khaptar Aroma Industries, a private company established in 1994 is devoted to manufacturing essential oils and herbal products. It is certified by Lacom, an institute for food quality and by Organic Food, Germany. Among its products are zanthoxylum oil, citronella oil, sugnadha kokila oil and others. Currently operational in Godhavari and Gorkha, the company has plans to expand to Chautara as well. Of recent, the company is coming up with high quality products for sale in markets outside Nepal.

MORE INFO
http://www.shambhala.com.np
http://www.himalayanbiotrade.com/
http://www.msinp.com
http://www.khaptarherbs.com
http://www.includenepal.org/biotrade.php
INTERVIEW WITH MAP PRODUCERS

NEPALTRADE traveled to Dolakha interviewing MAP producers at the grassroots level on their work with the cooperative. By Jannu Chudal Sherpa.

Medicinal and Aromatic Plants (MAPs) and Essential Oils play an important role in the Nepali economy. The harvesting of herbs and plants has been practiced in Nepal from time memorable. With high potential for export to different regions in the world, the MAPs sector is growing at a remarkable pace. It is the rural population who is involved in the cultivation of these plants, thus helping them to supplement their source of income.

Substantial amounts of MAPs production are found mostly in rural areas of Nepal, such as Rukum, Darchula, Humla, Gorkha, Dolakha. Dolakha district, (elevation 762-7183 metres) as an example is rich in plant diversity – due to a wide range of geographical and climatic conditions. We were able to interview harvesters in Dolakha on their work for the MAPs cooperatives and the impact on their life conditions.

How has your life changed since your work in the cooperative?
In our village, all people at working age are members of cooperatives and we all collect wild wintergreen in the area. The price per kilogram is fixed beforehand each year, so if we manage to pick enough plants, we know how much money we will get for them. Because Wintergreen grows in the wild, we don’t need land to cultivate, which raises the cost-benefit ratio. Anyway, we only have a
steady income during the warmer time of the year – as in the winters we cannot harvest due to snow and cold weather.

According to the Federation of Community Forest Users, Nepal (FECOFUN), 30-40% of the income benefit goes to the poorest. Is this true?
Yes, the poorest are provided with monetary support by the cooperative every two years. In 2010, seven families received NRS 10,000 per household for two years, with which they could buy cattle or do other substantive business.

Do you have ideas for improvement?
The cooperative is negotiating for higher prices to be paid to the producers. This would help us raise some saving for times of worse or no income. Also, we still need to grow our food and do the house chores. If there was better payment, we could share the tasks and harvesting between the members of the household.
Picking wintergreen is not our main source of income – it is a great addition, but it also takes much time and effort. Right now we are having problems with our distillation unit, which is not working properly due to heating and cooling too fast. If the machine was working properly, we would have a better income – but we can’t afford to buy a new one. In the end we do not benefit as much as we could.

More than 40 different kinds of medicinal plants can be found in Dolakha, with great potential for further exploitation. According to Mr. Ram Krishna Oli, executive member of the Deudhunga Multipurpose Cooperative (DMC), Taxus Baccata could reap a benefit of approximately NRS 500,000 in 5 years if 1,000 trees were planted on a 5 hectare plot and NRS 1,000,000 from the sixth year. However, the benefits are earned only in the long run, so the poor people, who do not have extra money to invest for 5 years, do not get to reap these benefits, unless financed by the Government or the donor community. MAPs and essential oils are highly profitable and have the potential to generate more income than regular agriculture, but the poor depend on help like micro-loans and higher payments.

THE PROJECT ADVISORY GROUP (PAG)

Get insights on all organisations involved in advising the Nepal Trade Integration Strategy and its implementation. By Himadri Palikhe and Vidha Pradhan.

The Nepal Trade Integration Strategy (NTIS) 2010 is a central building block in the Government of Nepal’s efforts to mainstream the trade in the national agenda. One of the activities identified by the NTIS in its Action Matrix under Objective 3 is, “formulation of individual sector strategies and supportive policies for the 19 export potentials, as needed”. The project “Supporting the Implementation of Nepal’s WTO commitments and the Enhanced Integrated Framework” (WTO(EIF-SP) jointly implemented by GIZ and MOCS (April 2010 - December 2012) is supporting this activity as part of its project output. Given the limitation in terms of time and budget, for the purpose of implementing this output, two value chains - Medicinal Aromatic Plants and Silver Jewellery - were jointly selected.

To ensure the proper preparation of the sector wide action plan in the MAPs sector including all the relevant stakeholders, a Project Advisory Group (PAG) for MAPs was formed after the initial stakeholder meeting held on April 1st, 2011.

The mandate of the PAG is to:
- identify the main issues and concerns for the value chain MAPs based on lessons learnt from PAG members
- provide guidance on what specific activities should be implemented and how the outcome of the project should be integrated into polices and national negotiating positions (Action Plan)
- coordinate the activities of all stakeholders in the value chain in line with the Nepal Trade Integration Strategy (NTIS)
- support the implementation of the MAPs sector Action Plan developed Monitor and evaluate the implementation of the Action Plan Formulate and communicate joint positions of the MAPs sector.
In the first PAG meeting (on April 1, 2011), key challenges in the MAPs value chain were identified. As discussed by the PAG, unavailability of raw material, difficulty and expensive organic certification, absence of registered trademark of MAPs in Nepal, poor laboratory facility, lack of quality assurance, Research and Development (R&D) were the key challenges. To get a more realistic picture of challenges inherent in the sector, it was decided to commission a study to SAWTEE on the Value Chain.

So, in the second PAG (on June 23), SAWTEE presented their study “Promoting Exports of Medicinal and Aromatic Plants and Essential Oils from Nepal” which was based on the findings from the NTIS. Based on this sector study, a draft action plan was developed by the PAG, which was divided into three sub-groups. Each group identified priority areas for suitable interventions under three broad topics -

1. **Collection and Cultivation + Processing/Manufacturing**
2. **Environment + R&D + Data Validation + others**
3. **Exports**

The summary of challenges and problems identified under each topic are as follows:

1. **Collection and Cultivation + Processing/Manufacturing**
   - Unsustainable/haphazard collection of MAPs, unavailability of resource inventory, lack of documents and R&D on cultivation of MAPs, lack of awareness of the importance of quality production, inadequate knowledge on post harvesting management, processing, storage and dependence on Indian market for raw materials.

2. **Environment + R&D + Data Validation + others**
   - Lack of sophisticated equipment and trained human resources in labs, collection permit related to IEE/EIA, lack of internationally accredited laboratory and database for Pest Risk Assessment, lack of data validation.

3. **Exports**
   - Transit permit for the products to be exported in Uttar Pradesh and Uttarakhand (India), multiple taxation imposed at regional and district level, hassle in domestic transportation, lack of sustainability/traceability of MAPs, standards and certification, non-tariff barriers (NTBs) market information and market dynamics, intellectual property rights (IPR)

Moving forward, to analyze the poverty impact of the activities identified in this action plan, a Poverty Impact Assessment (PIA) was carried out by a GIZ consultant together with Nepali government and private sector counterparts. The results and recommendations of this assessment were shared on the third PAG meeting (July 6) which led to preparation of an improved poverty sensitive action plan.

In the next PAG meeting (15th and 16th August), proposed activities as drafted in the Action Plan will be further developed into an operational Action Plan. After completion of this process, pilot activities will be carried out by GIZ WTO/EIF-SP and other parties involved will also be encouraged to work on their respective areas.
These Organisations are participating in the PAG:

Agro Enterprise Center (AEC), housed within the Federation of Nepalese Chambers of Commerce and Industry (FNCCI), works in areas of Policy, Advocacy and Value Chain Promotion in an inclusive business approach collaborating with government and donor agencies. They see MAPs promoting as one of the major tools to address poverty.
MORE INFO http://www.aec-fncci.org/

Asia Network for Sustainable Agriculture and Bioresources (ANSAB) implements community based, enterprise oriented solutions that conserve biodiversity and improve the livelihoods of the poorest while bolstering national economic development and addressing climate change.
MORE INFO http://www.ansab.org/

Department of Forest (DoF), working under the Ministry of Forests and Soil Conservation, has the mandate to protect, manage and utilize the country’s forest resources for the conservation of the natural environment and to supply people with forest products.
MORE INFO http://www.dof.gov.np/

Department of Plant Resources (DPR) under the Ministry of Forest and Soil Conservation is conducting and providing services in the field of research and development of plant resources in Nepal. It is a multidisciplinary organization comprising mainly of botanists, chemists and pharmacists.
MORE INFO http://www.dpr.gov.np/

International Centre for Integrated Mountain Development (ICIMOD) is a regional knowledge development and learning center serving the eight regional member countries of the Hindu Kush-Himalayas. It aims to assist mountain people to understand the changes brought by globalization and climate change, adapt to them, and make the most of new opportunities, while addressing upstream-downstream issues.
MORE INFO http://www.icimod.org/

International Development Enterprises Nepal (IDE), an international non-profit organization, is active in the development of vegetable and essential oils value chains. Their main goal is to provide producers/farmers with market access to create income opportunities for poor rural households.
MORE INFO http://www.ideorg.org/

Federation of Community Forest Users Nepal (FECOCUN) is a formal network of Forest User Groups (FUGs) from all over Nepal dedicated to promote and protect users’ rights. Since its inception in July 1995, it has grown into a social movement organization with about 8.5 million people represented all of whom are forest users.
MORE INFO http://www.fecofun.org/home/index.php

Jadibuti Association of Nepal (JABAN) is a traders and exporters/importers association based in Nepalgunj with 1400 members nationwide. Its main objective is to make sustainable use of the country’s resources and provide necessary support to the rural community for producing and marketing quality products.
MORE INFO http://www.jaban.com.np/

Micro-Enterprise Development Programme (MEDEP) is a multi-lateral donor funded poverty reduction initiative supported by the Ministry of Industry (Nepal Government) and the United Nations Development Programme in Nepal since 1998. The programme has been working with poor people, especially women, Indigenous Nationalities, Dalit, Muslim, other Madhesi groups.
MORE INFO http://www.medep.org.np/

Nepal Bureau of Standards and Metrology (NBSM) is active in drafting standards, granting licenses, providing testing facilities, calibration and laboratory accreditation services, information disseminating, training and international relation on Standardization, Metrology and Quality Control, certification and laboratory accreditation.
MORE INFO http://www.nbsm.gov.np/

Nepal Herbs and Herbal Product Association (NEHHPA) is a national level association of producers’ group and community enterprises and aims to act as an apex business forum for herb entrepreneurs to promote sustainable business of Nepalese herbs and herbal products.
No Website

National Association of Village Development Committees in Nepal (NAVIN) is an umbrella organization to represent and provide support to Nepal’s 3915 VDCs (Village Government in Nepal). They lobby/advocate and promote democratic, functioning and inclusive local self-governance system and structure.
MORE INFO http://www.navin.org.np/

Trade and Export Promotion Center (TEPC) has the objective of promoting foreign trade in general and export trade in particular of the country. It advises the GoN in formulating policies, acts as information pool by collecting, disseminating and publishing useful trade-related information, organizing buyers/seller meet, conducting training seminar and workshops and simplifying the procedures relating to export.
MORE INFO http://www.tepc.gov.np/
10 FACTS ON FAIRTRADE

1. The term Fairtrade is used to describe a certification and labelling system to allow consumers to identify goods produced under agreed labour and environmental standards. The term Fair Trade is used to refer to the Fair Trade movement as a whole and can be used to describe both labelled and unlabelled goods and the work of Alternative Trade Organizations (ATOs), Fair Trade federations.

2. The World Fair Trade Organization (WFTO) was created in 1989 and is a global association of 324 organizations in over 70 countries.

3. The FTO Mark identifies registered Fair Trade Organizations worldwide and guarantees that standards are being implemented regarding working conditions, wages, child labor and the environment. These standards are verified by self-assessment, mutual reviews and external verification.

4. The Fairtrade scheme has its opponents. The Adam Smith Institute claims that the programme sustains uncompetitive farmers on their land, holding back economic diversification, mechanisation and thus denies future generations the chance of a better life.

5. During 2009, worldwide sales reached 3.45 billion euros, as shown, keeping with the continued increase from previous years’ figures. Despite the worldwide recession in 2009 the growth rate for Fairtrade products kept steady at 15 percent.

6. More than 60% of Fair Trade products are sold in Europe; more than 40% of them are produced in Asia.

7. Fairtrade benefits whole communities by paying a ‘social premium’ on top of the fair price, to invest in schools, clinics and water supplies. Fairtrade also reduces the number of middlemen to broaden the value chain for producers and farmers.

8. Fairtrade products are of high quality, and often organic too.

9. Poverty reduction through trade forms a key part of the WFTO’s aims. The organisation supports marginalised small producers. It seeks to enable them to move from income insecurity and poverty to economic self-sufficiency and ownership. Fairtrade producer groups have also access to pre-finance so they don’t have to take out expensive loans.

10. WFTO seeks to increase positive developmental impacts for small, marginalised producers through capacity Building. Organisations working directly with small producers develop specific activities to help these producers improve their management skills, production capabilities and access to markets.
BioTrade refers to those activities of collection, production, transformation, and commercialization of goods and services derived from native biodiversity under the criteria of environmental, social and economic sustainability.

Since its launch by the United Nations Conference on Trade and Development (UNCTAD) in 1996, the BioTrade Initiative has been promoting sustainable BioTrade in support of the objectives of the Convention on Biological Diversity. The Initiative has developed a unique portfolio of regional and country programmes offering various support mechanisms for local producers in the field of BioTrade.

Since 2003 the BioTrade Initiative has also hosted the BioTrade Facilitation Programme (BTFP) which focuses on enhancing sustainable bio-resources management, product development, value adding processing and marketing. The BTFP complements the UNCTAD BioTrade Initiative activities. It is currently in its second phase (BTFP II) with various partners implementing its objectives.

To guide the work of the UNCTAD BioTrade Initiative and its BioTrade Facilitation Programme (BTFP) in the promotion of trade of and investment in BioTrade products and services, seven principles and criteria have been developed.

1. **Conservation of biodiversity**
   Organizations should maintain biological diversity on all scales (genes, species, and ecosystems).

2. **Sustainable use of biodiversity**
   BioTrade productive activities aim...
to assure the sustainability of both the resource being used and the ecosystem involved. The aim is to ensure that the use of a species or ecosystem is not higher than its regenerative and/or productive capacity. Organizations should define instruments for the application of good management and monitoring practices to guide, design and improve the productive processes used.

3. **Fair and equitable sharing of benefits derived from the use of biodiversity**

This principle responds to a fundamental facet of the conservation and sustainable use of biodiversity under the Convention on Biological Diversity, of which the third objective is the fair and equitable sharing of benefits arising from the use of genetic resources.

Article 15 thus requires access to and the distribution of the benefits related to genetic resources to be based on prior informed consent and mutually agreed terms. When BioTrade activities involve the commercialization of genetic resources, this principle supports these objectives and requirements. Equitable benefit-sharing also arises in the context of the second objective of the Convention: the sustainable use of biodiversity. Benefit-sharing is therefore also important in activities dealing with biological resources, which form the vast majority of BioTrade activities.

4. **Socio-economic sustainability (productive, financial and market management)**

Competitiveness in the field of BioTrade should result in sustainably managed products that can position themselves in specific markets and remain there long enough to generate the expected benefits.

5. **Compliance with national and international regulations**

Compliance with relevant legislation and regulations is fundamental for the legal legitimacy of an organization and its efforts to obtain market access for its products. There are two levels of implementation for this principle:

a) At the international level, where conventions and agreements are, for the most part, guides to principles and good practices. These should be observed and applied wherever possible; and

b) At the regional and national levels, where there are existing regulations to be complied with.

6. **Respect for the rights of actors involved in BioTrade activities**

The generation of social capital is one of the pillars of sustainable development. For this reason, respect for the rights of actors that in one way or another interact with the organization is fundamental.

7. **Clarity about land tenure, use and access to natural resources and knowledge**

Clarity about rights of access is a very important element in the responsible management of an organization. Only then can long-term investments be made or corresponding management measures be implemented to ensure sustainability. At the same time, clarity on this issue means that the responsibilities of each actor in the management of the species can be established.

MORE INFO

http://www.biotrade.org/index.asp

http://www.unep.org/greeneconomy/
"MADE IN NEPAL"

There is a place for Nepali products on the world market - if the products serve the demand. NEPALTRADE explains why. By Nicolas Grupe

When I first read the NTIS strategy before I came to Nepal this spring, I was impressed by the perspective and potential of it. Many of the selected sectors have a long tradition in Nepal and apply as high quality products. To get an impression of the skills of this country and its people, one only has to take a look at the architecture of Nepal’s old town’s historical centers. What’s found here, in urban building and art historical masterpieces, does not need to shy away in comparison to historical sites in Europe or Central Asia. The high density of UNESCO world culture heritage in Nepal reflects an advanced civilization grown over centuries and also the acknowledgement of exceptional craftsmanship. This heritage from the past bares an enormous potential for the future.

In the past ten years, the worldwide demand for handmade or traditional quality products has grown on a high and disproportional scale. Foremost in developed countries in Europe and North America, there is a growing demand for products that have almost disappeared from their own markets. People yearn for delicate, hand-made, traditional and individual products – and people are willing to pay considerably more than for mass production goods.

In the city where I live, Germany’s capital Berlin, many small stores and manufactories have been mushrooming in the past years, targeting their strategies on individual production and sustainable development. First, it was mostly young fashion designers. High priced local or fair traded furniture and bicycles followed. By now, Berlin offers a huge product range of salad bowls, stationary or hand soap, mostly organic, fair-trade, and hand-made. While many of the products are made directly in Berlin individually by the shop owners, there is also a growing market for fair-trade products from abroad.

The first mostly alternative costumers have become more and more mainstream over the years. The trend goes to fewer things of better quality instead of low-quality mass production. Even students and families of lower income decide for organic or fairtrade wherever they can and if they can afford it. One of the most important reasons to buy is the “good feeling” that’s sold along with these products – especially when they are hand-made or processed, organic and/or fair-trade.

While organic, fair-trade and hand-made were niche markets for a small minority of alternative milieus in the beginning, they have become a huge trend in most developed western countries. It is chic and hip to buy and live the former alternative lifestyle, with a good feeling included – and most bigger brands and companies have integrated these kinds of products into their marketing strategies – because the costumers demand it. Small fair trade shops line up with stores of huge brands all over the world’s trend capitals. The stores are modern and chic, the packagings are uniquely designed to fit a contemporary taste. Even stores such as H&M have started to sell fair-trade...
clothes for a higher price, and people buy them. Recently, a store specialized in hand knitted carpets from Bhaktapur opened its doors in one of Berlin’s hippest neighbourhoods, Berlin-Mitte. In the neighbouring Prenzlauer Berg, a shop is successfully specializing in herbs and teas from the Himalayan region. Nevertheless, Nepali products are still highly underrepresented compared to their potential. This might be a shame, but it is also a great opportunity. Especially in the markets for the described target group: Usually educated, middle class individualists, who are curious and cosmopolitan. Keen to consume, opinion leaders with a distinctive sense for brands and their image. With the products they buy, they also want to acquire a clearly defined image for themselves. Products “Made in Nepal” don’t have such an image just yet. To build this image bears a great chance for Nepal and its trade. It’s a unique opportunity – as once built and manifested, it can usually not be dramatically changed again. Enterprises with a serious image problem usually change their name and product radically in order to change the image instead of trying to improve it with enormous and cost-intensive effort. The image of a country cannot be changed like a product. It has to be built carefully and with collective effort. As a pre-stage to this defined image serves the immediate association people connect with a product or brand. Since a vast majority of my acquaintances and friends belong to the targetgroup I described above, I made a poll among 100 of them: What do you associate with products “Made in Nepal?” The results seem to be a perfect base to built upon for a contemporary, profitable image for Nepali products. The majority associates positive attributes with the products and the connected circumstances of production. Surprisingly, most of the respondents have never consciously held a Nepali product in their hands. This implies a positive connotation based on imagination instead of knowledge that is also an expression of a clear interest for a potential product, connected with an affirmative expectation of its quality. With these positive premises, there is a base and opportunity for Nepal to place promising and unique products in the world market, with attributes identified as positive and uniquely Nepali. Determining are mainly two attributes: Products from Nepal potentially successful in international markets have to be traditional and modern at the same time, ideally combining the two concepts in creative ways. There are several best-practice examples in Nepal already: Shree Sai Herbal Industry in Kathmandu for example sell their tea and herbs in high quality packaging made of traditional Lokhta paper. Potential international buyers thus have another reason to buy Shree Sai Herbal instead of other products: they are not only tasteful and of good quality - they also stimulate a visual and haptic demand. Kumbeshwar Technical School (KTS) is a local NGO in Old Patan, combining a fair-trade manufacture mostly employing underprivileged women with a system of childcare and education for the younger generation. Their hand-made carpets represent traditional ornaments as well as modern designs by Nepali and international artists. In addition, they offer the possibility for creative customers to make their own carpet designs. The service is becoming more and more popular in western creative scenes: Chris Haughton, a young designer from Ireland for example, who recently lived in Kathmandu, ordered a number of carpets from his own designs at KTS this spring, selling them on several platforms online. The carpets enjoy a growing popularity due to modern design, traditional hand-made quality, and – maybe most importantly for potential buyers these days – they are produced and sold with a fair-trade certificate. Besides ideas and strategies with a unique potential like these, there needs to be a concentrated and collective campaign to present the potential products, their advantages and unique features compared to mass production. The modern possibilities of the internet and especially web 2.0 give Nepal the tools for a well-organized campaign for their products without the need of enormous financial resources. Of course the world market is packed with incalculable risks – but if approached smartly and with creative, unique ideas in an organized and collective effort, Nepal can and should take increasingly part in it, exporting their skills and tradition.
If you are interested in what’s been discussed in this issue, feel free to get informed about or participate in the following events related to our topics.

*** On August 20th, there will be an Entrepreneurial Training for Women in Lucknow, India. More Info: www.cimap.res.in

*** On September 5-7, the International Conference on Green Economy and Sustainable Mountain Development will take place at ICIMOD in Kathmandu, Nepal. More Info: http://www.icimod.org/gesmd

*** From September 22 - 24, BIOFACH America takes place in Baltimore (Maryland), USA. More Info: http://www.biofach-america.com

*** On November 20 - 23, the International Symposium on MAPs will take place in Antigua, Guatemala. More Info: http://www.imaps2011-peten.org

*** September 25 - 27 are the dates for the Asian Herbal Show in New Delhi, India. More Info: http://www.biztradeshows.com/trade-events/asian-herbal-show.html

*** From November 10 - 12 there will be BIOFACH India in Mumbai, India. More Info: http://www.biofach-india.com
