NTFP Project
"Supporting the sustainable use of Non-Timber Forest Products"

Consultant's Report 1/98

Case study on constraints in marketing of
Non-Timber Forest Products
in Champasak Province, Lao PDR

by

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1. Introduction

This report is the output of a brief case study on constraints in marketing of Non-Timber Forest Products (NTFPs) in the Lao PDR. It is part of an ongoing marketing systems analysis undertaken by the NTFP Project. The NTFP Project is executed by the International Union for the Conservation of Nature (IUCN) and the Department of Forestry (DoF) of the Government of Lao PDR. It is financed by the Royal Netherlands Government.

The goal of the IUCN NTFP Project is to conserve forest biodiversity by promoting sustainable economic exploitation of NTFPs at the community and provincial level. The project has been charged with collecting information and developing policy advice to the Lao government to achieve sustainable management of its NTFP resources. A start has been made in analysing the existing marketing systems, but data are difficult to obtain. In particular, data on the role and effect of existing government regulations are few and confusing. The present study was commissioned to document some of the problems.

A short field study was undertaken from March 11 to March 31, 1998, in Champasak province and Vientiane. The team consisted of Nick Enfield (linguistics/anthropology, University of Melbourne), short-term consultant for IUCN, and Vongvilay Vongkhamsao and Bandith Ramangkoun (NTFP Information Centre; CARE Austria/Department of Forestry, Ministry of Agriculture and Forestry). On the field trip out of Pakse, the team was accompanied by Mr. Inpong from IUCN Champasak (Provincial Forestry Section). In Mounlapamok District, the team was also accompanied by Mr. Sifong, Mounlapamok District Forestry official. (The people consulted in this study may be found in Attachment 11.1). The input of Joost Foppes at every stage of this study is gratefully acknowledged. Helpful comments were provided on a first draft by Khamphay Manivong, Andrew Ingles, Sounthone Ketphanh, Rachel Dechaineaux, Jenne De Beer, Bert-Jan Ottens.

Two overarching themes emerge from amongst the problems encountered in this study. The first is the problem of management - there is a lack of consistency in the dissemination and application of rules and regulations concerning NTFP trade. The second is the problem of equity - villagers are disadvantaged in the overall system of NTFP trade management, through lack of information, and systematic exclusion from higher levels of the NTFP trade management process. The summary findings and recommendations below deal with aspects of these in more detail.

2. Objectives of the study

The aim of this case study was to identify key constraints in the marketing of NTFP's, in order to provide IUCN with information relevant to its ongoing project planning, and to its policy advice for the government of the Lao PDR. This included the following tasks:

1. to test a method of research involving simple interview techniques to gather information on all levels and steps of the marketing system;

2. to investigate the current situation of trade in a particular area (Mounlapamok District), with reference to particular NTFPs (yang oil, bong bark, rattan);

3. to identify the role of government regulations, in the particular case examined, and perceptions of these regulations by stakeholders;
4. to identify specific constraints on marketing of NTFPs in the particular case examined, and possible
general implications;

5. to make recommendations for action based on the findings of (1-4).

3 Background information on the study

3.1 Location of the study

The study focussed on Mounlapamok District, the Southernmost District of Champasak Province on the
Western bank of the Mekong River, bordering Cambodia to the South, and Thailand to the West. Data was
collected at two villages in Mounlapamok District, namely Huay Xai and Tha Hin, as well as at the Provincial
Centre of Pakse, the District Centre of Mounlapamok, the border points at Hang Khamao (Laos-Cambodia)
and Vang Tao/Song Mek (Laos-Thailand) and various points along the road from Pakse to the Cambodian
border at Vern Kham.

3.2 The NTFPs examined

Yang oil, rattan, and bong bark were selected as key products for the study, since the trade of all three has
seen important changes over recent years. Specifically, quotas for the current year have not been issued.
Rattan resources in Champasak are depleted. Yang oil is now only officially collected from Cambodia. Bong
bark has not been commercially harvested since a very intensive harvest in 1997.

3.2.1 Yang oil (nam man nyang)

Yang oil is the oleoresin from the Yang tree (Dipterocarpus alatus), derived by boring a wide hole in the base of
the tree, in which a small fire is lit for a few minutes, producing flow of the liquid resin. It is put into containers,
usually 200-litre barrels (known locally as foui), for sale and transportation. The oil is straining to remove impure
residue (known as khi-le), which is mixed with sawdust, and wrapped in leaves, producing kabong torches for
lighting. The strained yang oil is exported for use in high-quality varnishes, and in perfume production (Foppes
and Sounthone 1997). (See photographs 1-4, Attachment 11.3)

At the time of the study, there was no quota for yang oil in Champasak (although there apparently remains a
fairly abundant supply), and there was a significant import quota from Cambodia. In previous years, however,
there was a very sharp rise in the export of yang oil out of Laos:

Table 1. Exports of yang oil from Champasak Province, 1994-1996.

<table>
<thead>
<tr>
<th>Year</th>
<th>1994</th>
<th>1995</th>
<th>1996</th>
</tr>
</thead>
<tbody>
<tr>
<td>Volume (litres)</td>
<td>149,840</td>
<td>214,500</td>
<td>693,400</td>
</tr>
<tr>
<td>Price (Kip)</td>
<td>166</td>
<td>237</td>
<td>337</td>
</tr>
<tr>
<td>Price (US$)</td>
<td>0.23</td>
<td>0.31</td>
<td>0.36</td>
</tr>
<tr>
<td>Value (US$)</td>
<td>34,463</td>
<td>66,495</td>
<td>249,624</td>
</tr>
</tbody>
</table>

Nb. 1. Average exchange rates of US$/Kip were 1/720 in 1994, 1/760 in 1995, and 1/930 in 1996.
Nb. 2. All yang oil exported in 1996 and after was officially imported from Cambodia.

It is also notable that the amount of yang oil residue (khi-le) exported after filtering was less than 3% of the
volume of yang oil (i.e. 3,800 litres) in 1994, while in 1996 it had jumped to over 60% (i.e. 423,400 litres).
These are rather unusual figures, given that khi-le accounts for approximately one third the volume of raw yang
oil (Foppes & Thongphoune 1996).

3.2.2 Rattan (vai)

Rattan (Calamus spp.) is used for various handicrafts including furniture, and household items such as
baskets. (See photographs 5-7, Attachment 11.3) In the forests of the areas the team visited, there was little or
no vai tabong (the largest variety in the area), and a diminishing but still significant amount of vai savang (up to
10mm in diameter) and vai haang nuu (up to 5mm in diameter). At the time of the study, the Lao government
had issued no quota for collection of rattan in Champasak, and there was a significant import quota from
Cambodia.

3.2.3 Bong bark (*peuak bong*)

The bark of the bong tree (*Notaphoebe umbelliflora*) is used in production of incense sticks. It is harvested by cutting down the whole tree, which is said to re-grow in around five years (Foppes and Ketphanh 1997). At the time of the study, there was no regular quota for bong bark in Champasak, and there was a significant import quota from Cambodia. (There is officially approved collection of bong bark from the forest areas which are soon to be flooded under the Huay Ho and Se Pian/Se Nam Noy hydropower dam projects in Paksong District). In the previous two years, however, there had been a more than twofold increase in harvesting and trade.

Table 2. Exports of bong bark from Champasak Province, 1994-1996.

<table>
<thead>
<tr>
<th>Year</th>
<th>1995</th>
<th>1996</th>
<th>1997</th>
</tr>
</thead>
<tbody>
<tr>
<td>Volume (kgs)</td>
<td>8000</td>
<td>8050</td>
<td>17,000</td>
</tr>
<tr>
<td>Price (Kip)</td>
<td>76</td>
<td>130</td>
<td>100</td>
</tr>
<tr>
<td>Price (US$)</td>
<td>0.10</td>
<td>0.14</td>
<td>0.10</td>
</tr>
<tr>
<td>Value (US$)</td>
<td>800</td>
<td>1127</td>
<td>1700</td>
</tr>
</tbody>
</table>

3.3 The present management system concerning NTFP trade

3.3.1 Stakeholders in the system of NTFP trade

a. NTFP collectors (villagers).

b. A range of different individuals and private groups, including buyers (middle-people), employers and employees of factories and distribution companies, and others involved in the system of trade.

c. A range of different levels of government administration, differentiated both vertically (i.e. between Central, Provincial, District, and Village administration) and horizontally (i.e. between different bodies such as Forestry, Commerce, Finance).

3.3.2 The system of NTFP marketing

The NTFP marketing system is complex. The intricacies are difficult to understand, due to interaction of many factors. Firstly, there is a marketing chain, along which the product itself travels, passing from hand to hand at each point of exchange.

![Figure 2. NTFP marketing chain](image)

The system of NTFP marketing also must involve interaction from managing bodies at various levels of government, in the process of issuing quotas, and in the management and monitoring of trade. These bodies generally do not come into direct contact with the NTFPs and so are not part of "the chain" as such. They are, however, crucial in the marketing system. The following diagram shows the points of contact between various bodies in the system of NTFP marketing management:
It became clear during the course of this study that the views from various points in this system are very different. The only stakeholder who is likely to be directly involved in every step and level in the system is the buyer/company, i.e. the person who is granted the quota. The role of this person is pivotal in the overall system, relatively privileged within the system, and perhaps the least understood among all of those involved.

3.3.3 Laws and regulations governing NTFP trade

The most important legislation pertaining to the trade of NTFPs is the current Forestry Law (GoL 1996). In general, the regulations in this document relate almost exclusively to timber, and those articles which relate directly to NTFPs are fairly vague. Secondly, of direct relevance to the trade of NTFPs are regulations concerning commerce and taxation. Specific taxes on import and/or export of NTFPs are specified for particular products by the Ministry of Commerce. Thirdly, there are a number of special decrees which relate specifically to the collection and trade of certain NTFPS. (See documents in Attachment 11.4) However, in general these documents are difficult to obtain, and their understanding or interpretation is not always consistent at 0 levels of the trade system. In some cases the regulations are either unclear or widely open to individual interpretation, and this is particularly obvious with respect to giving exceptions to general regulations (see §6.4 below). This seems in part to be due to the fact that the laws and regulations are disseminated top-down through the government system via seminars, and the actual documents concerned are often not available to government workers (or are not utilised) for reference in any case. The team had very little success in obtaining documents from government officials at all levels.

4. Research methods

It was the intention of this study to employ informal interview techniques, essentially compatible with methods developed in RRA/PRA research (see for example RECOFTC 1997). Important aspects of these methods are:

1. researchers must be open to allow the interview to explore tangents & peripheral issues, yet while keeping the investigation focused - this means that the interview elicits answers to pre-formulated questions, as well as eliciting views and information which had not been foreseen;

2. the method is time-consuming and requires a patient and positive approach, and sensitivity to the tempo of the interviewees;

3. a "listen and learn" approach is absolutely essential - interviewees know things that the interviewers do not;

4. an initial phase of "rapport building" is crucial in creating a suitable level of informality and relaxation for the interview to proceed comfortably and fruitfully.

4.1 Findings on methods

In general, the methods were very productive. The open-ended nature of the interviewing elicited a lot of data the team had not foreseen. Unplanned questions commonly arose, and led to new findings. Results were especially good where good rapport with interviewees already existed. This included cases in which interviewees were personally known to one or more of the team. Some of the most helpful and forthcoming interviewees had previously worked with or been taught by members of the team. Rapport was also notably good when Lao team members were interacting with interviewees of the same ethnolinguistic background.
The full potential of these research techniques was not met in this study, however, due essentially to lack of preparation and lack of experience among members of the team. There had not been time for training on methods before the team went to the field, A specific shortcoming was lowered attention to the methods (specifically the phases of "rapport-building", and the principle "listen and learn") when interacting with minorities.

5. Findings on current NTFP trade in Champasak

5.1 Bong bark

The NTFP Project witnessed large-scale harvesting of bong bark in 1997, when Mr. Daokit of the Bolisat Songseum Kasikam Company exported some 17 tons from Champasak Province (Joost Foppes, personal communication). The same trader had apparently done a similar trade at the Nakai Plateau the year before. However, during our visit, villagers did not report any trade in bong bark. The team was shown bong trees in the forest around Huay Xai village, and villagers explained that since no buyers had approached the village (i.e. there was no quota), there was no collection. Villagers did not seem especially concerned that there was no market for bong bark, due in particular to very poor buying price (100 Kip per kilogram).

5.1.1 Case of confusion at the CBS incense factory

The team visited the CBS incense stick factory in Pakse, with the aim to investigate the use of bong bark in the production of incense sticks. The men we spoke to were all of Vietnamese origin, and spoke Vietnamese amongst themselves. The team was shown steps in the process of manufacture, part of which involved spreading a powder mixture out in the sun for drying (see Photograph 8, Attachment 11.3). Before we had even begun the interview, one company spokesperson told us that the powder only contained wood that had already fallen from trees. When we first asked about the use of bong bark in making the incense sticks, there was disagreement and confusion amongst workers as to whether bong bark was actually used or not. In the end, the main spokesperson told us that no bong bark was used at all, and the only product of Lao origin they used was sawdust from timber mills. Rapport building during this interview was unsuccessful, possibly due to discomfort created by a combination of cultural and political factors between the team and the interviewees.

5.1.2 Lack of knowledge about the sustainability of bong bark harvesting

Officials at the Champasak Province Forestry Section explained that the ban on collection of bong bark in Champasak was due essentially to the fact that collection involves cutting down the tree. While it is known that the trees re-grow quite quickly (within 4-5 years to harvestable size), little is known about the sustainability of this method. For example, it is unknown how many times the process can be repeated. Similarly, it is unknown whether or not the quality of the product changes or decreases with each cut and re-growth. The attitude of one provincial official was that quotas for the collection of bong bark cannot be given until research has been done on the nature of extraction of bong bark, its sustainability, and its ecological effect. While villagers seem to think that the collection of bong bark is sustainable, they do not engage in collection of the product, due to (a) no traditional requirement for the product themselves, and (b) poor prices.

5.2 Rattan

Rattan is becoming more scarce in the forests of Champasak. Lighter varieties vai savang and vai hang nou are certainly found, although in diminishing quantities. Village collectors at Tha Hin report that in recent times they have had to go further to find rattan, to the extent that now they must stay away from the village overnight when collecting. The large diameter vai tabong, required by large furniture makers such as the Nyou Hong Huat Company (see §5.2.3, below), is not found in harvestable quantities in Champasak Province at all.

5.2.1 Rattan harvesting by villagers in Mounlapamok District

Despite the lack of a quota for rattan in Champasak, villagers in Mounlapamok District harvest two lighter varieties of rattan both for subsistence and for sale. In the villages we visited, rattan was used for a range of purposes, including various handicrafts, as well as simple household requirements, such as tying things together, hanging things up, etc. The villagers of Tha Hin sell small quantities of vai hang nou to the traders at the local commercial centre of Hang Khamao (some 30 km down the Se Lamphao river). Markets in all areas we visited had small ties of vai hang nou on sale (price around 500 Kip). The collection and trade of small quantities of vai hang nou is very clearly a case of "traditional usage" of an NTFP. The economic necessity of this trade is revealed by the fact that villagers at Tha Hin accept rice more often than money in exchange for their produce.
Unofficial trade in the medium-sized rattan *vai savang* is on a larger scale and more organised. *Vai savang* is sold in *thaat*, bundles of 20 lengths, about 4 metres long, folded over in half. The price direct from village collectors is 45-100 Kip per length (900-2000 Kip per *thaat*). In Pakse, the price for one *thaat* is around 120 Kip per length (2400 Kip per *thaat*). There is a rather healthy cottage industry which relies on a constant supply of *vai savang* collected from within Champasak Province. The next section describes this case.

5.2.2 Case of Rattan handicrafts at Sanam Xay Village, Km. 3, Pakse

Residents of Sanam Xay Village, Kilometre 3, Pakse, are involved in a vibrant cottage industry using rattan collected in Champasak, producing rattan handicrafts which are sold at the Lao-Thai border at Vang Tao/Song Mek. The team visited the village briefly, and discussed the rattan trade with about a dozen different women who were engaged in making the handicrafts at the time. (See Photograph 7, Attachment 11.3)

The village is mostly made up of army personnel and their families. The village head, who was out when the team visited, introduced the skills of making a whole range of rattan handicrafts, including baskets of various sizes and types, and especially *phaa-khao* (a kind of raised tray on which a meal is set, and around which Lao people sit, on the floor, to eat together; see Photograph 6, Attachment 11.3). The craft has proved popular and profitable for villagers, and clearly constitutes their major source of income.

Rattan comes to the village from the highway South of Pakse. Often, it is traders from the South who bring the rattan, in bundles, directly to Sanam Xay. They buy direct from villages in Southern districts such as Pathumphone, Soukhouma, and Mounlapamok for around 80 Kip per length, and sell to Sanam Xay villagers for around 120 Kip per length. (Tha Hin villagers told us that they sell rattan for as low as 45 Kip per length.) The trade of large amounts of locally collected rattan is of course illegal in Champasak, and the transport of the produce therefore involves some risk. There are only a few Sanam Xay villagers who go South themselves to buy raw materials.

The team interviewed one woman who regularly went to the South to buy direct from village collectors, and transport the rattan back to Pakse. She said that there was little risk of getting caught, since she was familiar with the officials at various inspection stations along the way, and that she was always able to "sweet-talk" them, or if necessary “keep their mouths shut with money”. The women also reported having got their husbands to transport rattan from the South in military vehicles, which could be well covered up and were unlikely to be checked by inspectors. Occasionally, however, couriers would be caught, in which case the produce would be confiscated by the Provincial Forestry Section, and the offenders would have to pay a fine of twice the market price of their produce before being able to retrieve it. Upon our arrival in Pakse, the team observed a large number of bundles of confiscated *vai savang* stored at the Champasak Forestry Section (See Photograph 13, Attachment 11.3), and the following morning we observed two women loading the produce into the back of a jumbo (a three-wheeled local public transport vehicle). We were unable to talk to them in any detail, but they did confirm that their goods had been seized, and that they had paid a fine for the retrieval. It is unknown whether their produce was destined for Sanam Xay Village, but it is certainly likely.

Villagers at Sanam Xay then process the raw materials, and put aside the finished products (baskets and *phaa-khao*), in bulk to await purchase by traders based at the frontier markets at Vang Tao/Song Mek (See Photograph 6, Attachment 11.3). Border traders come to Sanam Xay, and buy direct from the villagers there, usually just before the weekend, presumably when the cross-border trade is best. The profit margin for the villagers is very good, one woman quoting a weekly income of 100,000 Kip ($40 at the time), very high by Lao standards.

The villagers of Sanam Xay are aware that their NTFP trade activities are technically illegal, but they appeal to the principle of "family economic necessity" in justifying their ongoing activity. People from the village had requested quotas for rattan collection in the past and had been refused. The villagers said that they would be more comfortable if the government would officially allow them to collect, process, and sell rattan, and tax them according to the law. In turning a blind eye to this industry, the government is firstly unable to monitor the nature and extent of the trade, and secondly unable to take an equitable tax from the sale of both raw and processed rattan.

Another important aspect of the Sanam Xay case is that the processing of the raw material into a finished or semi-finished product significantly changes the legal situation with respect to the export of rattan of Lao origin. Once the Sanam Xay villagers have got past the hurdles of getting the unprocessed rattan to their village and processing it, they are no longer subject to the Lao law against the export of unprocessed rattan. (See Document 5, Attachment 11.4)

5.2.3 Case of the Lao rattan company without a quota: Nyou Hong Huat
As already noted, no quota exists for rattan in Champasak, and so officially the collection of rattan for anything other than "traditional purposes" is illegal. There is, however, a massive quota for the import into Laos of Cambodian rattan (5000 tons according to a Pakse trader), which comes in mostly at Hang Khamao and Vern Kham (see Photographs 9-10, Attachment 11.3). This quota was awarded to Kampheng Nakhone Import-Export Company based in Vientiane.

The only company using rattan for large-scale furniture construction in Champasak is the Nyou Hong Huat Processed and Semi-Processed Rattan Factory, managed by Mr. Ma I Hiang and Mr. Paseuth. The company was unable to get any quota at all this year, and company representatives expressed deep frustration at what they perceived to be unfair and improper treatment. According to a company spokesperson, the current quotas for harvesting Lao rattan in the Central and Southern provinces of Bolikhamsay, Khammuan, and Attapeu have all been awarded to Vietnamese companies, who are exporting rattan in unprocessed form, and are "exceeding quotas". The spokesperson argued that to export rattan in raw form is illegal, and that the arrangement was damaging to both the Lao economy and environment. He argued that rattan resources in those areas were being quickly depleted, since the quotas were unsustainably large. He also argued that if the rattan was at least first processed in Laos, this would create greater income for Lao people and the Lao government.

With respect to the purchase of Cambodian rattan, Nyou Hong Huat reported that the government also refused them a Cambodian quota, since the political situation in Cambodia was said to be too unstable for trading to be undertaken. Indeed, Mr. Paseuth expressed a strong preference for doing business in Laos. He had been to Cambodia a number of times in the course of arranging the purchase of rattan, and described the rural Cambodian business world as unstable, unreliable, and unpredictable. Thus, he could understand the government's reasoning in refusing the company's bid, but he could not understand why the Kampheng Nakhone Company in Vientiane had not been refused on the same basis. In the end, Nyou Hong Huat had to buy part of Kampheng Nakhone's quota, in order to maintain a supply for their factory's needs. At present, they obtain rattan from Preah Vihear Province in Cambodia, but would much prefer to have a quota for Lao rattan.

5.3 Yang oil

As in the case of rattan, there is no quota in Champasak for the extraction of yang oil. There is, however, major official import of yang oil by Lao companies from Cambodia. The team visited a processing plant at Vern Kham, where we saw the process of straining the oil, and manufacturing kabong torches from the residue (see Photographs 3, 4, 11, Attachment 11.3). These torches sell for 5 00 Kip per bundle, of ten, for which the worker receives 150 Kip, or 15 Kip per torch - that is, the worker earns one dollar for every 170 torches produced.

5.3.1 Sustainability of yang oil harvesting

Apparently, the government considers the practice of burning holes in yang trees to be too destructive, by damaging the tree and/or possibly sparking forest fires. The extraction of yang oil for trade has thus been banned altogether in Laos. However, almost everybody who the team talked to in Champasak about this issue did not agree with the reasoning behind the government's policy in this case. One senior official at the Champasak Province Forestry Section offered the following arguments in favour of yang oil quotas in Champasak:

a. There is a good supply of yang oil in Champasak, and trade would bring income to villagers (through sales), and to the state (through taxes and other service charges). (As it is now, the import of yang oil from Cambodia does indeed bring tax to the government, but does not provide Lao villagers with any income.)

b. Extraction of yang oil does not shorten the life of the tree, and is sustainable for over 70 years. If there were a quota for yang oil, villagers would have an incentive to preserve the yang trees as an ongoing source of income, and would not, for example, be tempted to (or allow someone else to) cut them down for illegal sale of their timber.

Many others offered the same or similar arguments. It is unclear whether or not these arguments reached the central government during the consideration of yang oil quotas for Champasak during 1997-98. A senior Mounlapamok Forestry official considered that the government's decision may be due to a national policy based on the "bad practices of collectors in Northern Laos". (This is a somewhat misguided analysis, since as Sounthone Ketphanh pointed out, in personal communication, Dipterocarpus alatus are not found in the North of Laos.) Few villagers we spoke to had any idea why there was no quota for yang oil this year, given that they consider that extraction is non-destructive, and also that the supply is abundant.
5.3.2 Case of Lao yang oil coming under Cambodian quotas

The price for Cambodian yang oil is significantly cheaper than that of Lao yang oil. As a senior official in Mounlapamok District Forestry pointed out, it is impossible to tell the difference between yang oil of Lao and of Cambodian origin (and the same goes for rattan). It is therefore tempting for a trader to collect yang oil from villagers on both sides of the border, and bring the whole amount through an official border crossing such as Hang Khamao, declaring it as being entirely of Cambodian origin. (This is an officially acknowledged scenario, see Document 1, Attachment 11.4)

Cambodian raw yang oil now sells for 30,000 Kip per barrel, while the latest Lao price was 48,000 Kip per barrel. Villagers in both Huay Xay and Tha Hin confirmed that they had been approached this year to supply yang oil at the Cambodian price, and both refused on the basis that the price was simply too low to cover their labour costs. They claimed that other villages, for example in Soukhouma District, have agreed to supply for this low price.

Three days after the team's visit to Tha Hin Village (see Photograph 12, Attachment 11.3), it emerged in an interview with a Forestry Inspection official at the turnoff to Khong Island from the main highway, that there had just been a seizure of some 20 barrels (4 tons) of Lao yang oil at Tha Hin. It is likely in this case that Tha Hin villagers were supplying a trader with yang oil which would officially end up being "exported" into Laos under a Cambodian quota.

5.3.3 Case of small-time yang oil trade across the Thai-Lao border at Song Mek

There is apparently a steady flow of yang oil in small quantities across the Thai-Lao border at Vang Tao/Song Mek. Forestry Resources Inspection officials report a daily crossing of carts filled with small containers of yang oil, which they estimate to amount to over a ton each week. The situation is similar to the case of the Sanam Xay Village rattan trade, in that people are beginning to push the limit of what can be allowed under the "traditional usage" and/or "economic necessity" exceptions (see §6.4, below). It differs, however, in that the source of the product is much more disparate, and there is no processing or collective organisation prior to sale. Of course, given that the Lao frontier is the point of sale, the sale is not deemed "export" anyway. Exceptions are routinely made in this case, and no taxes are collected (see §6.4.1 below for further comment).

6. Findings on regulations of NTFP trade

6.1 Quotas

The quota system is a crucial aspect of the trade system of NTFPs in Laos. The team looked at the key issues of how the quotas are decided upon, which criteria are used in making decisions, and how quotas are applied and publicised in the trade/marketing system.

6.1.1 The system

The process of granting quotas runs theoretically as follows. A company or individual who is interested in trading NTFPs makes a bid to the provincial administration (including at least Forestry and Commerce). The bidder requests approval to buy a specific amount, which they themselves decide upon, taking into account how much of the resource they think is available, and how much of the resource they expect to process and/or trade. The provincial administration then puts the request to the central government. Theoretically, a process of resource assessment then takes place. This is supposed to refer to information on the location and abundance of the resource, as well as information about extraction methods, prices, and so on. The assessment process supposedly sees Provincial officials gathering information at the village level, including first-hand estimation of forest resources. Quotas are then given not just for provinces as a whole, but for specific areas, even specifying villages. The government may also take into consideration the record of the company in question, among other variables.

Once they have a quota, the companies or individual traders then (often informally) contract villagers to fulfil it. The produce is received, and transported, either for direct sale elsewhere (perhaps exporting it), or for processing of some kind before resale. At each point of sale, and at various places of transportation, declaration/inspection, export, and/or resale, the trader may pay various taxes and/or service charges, according to relevant regulations of Forestry, Commerce, and Finance.

We were aware that there were possible discrepancies between the theory and practice of quota-setting, and so tried to investigate how exactly the process had taken place in the cases we examined. We found that the practice of setting quotas for NTFP extraction and trade does not match with this description, in a number of
ways. Importantly, people at different points in the system gave different versions of the quota-setting process.

The present study found that the greatest problems in need of further investigation with respect to the quota-setting process are the following:

1. Villagers are not consulted in the quota-setting process.

2. It does not appear that any appeal process is available to stakeholders who are unsatisfied with quota-setting decisions.

3. First-hand NTFP resource assessment does not take place, due in part to lack of resources available for the fieldwork involved, and also to lack of methods for reliably assessing the NTFP resource base.

4. Certain aspects of the quota-setting process are closed, especially higher-level processes, such as the negotiations between government and companies, and the final decision-making process at the central government level. The team was unable to ascertain who exactly is involved in the crucial decision-making, and what criteria are decisive.

5. The closed nature of the higher decision-making means that there is no way of checking the extent to which arguments regarding conservation and sustainability of NTFP use are taken into account.

6. The central government relies on a good deal of unconfirmed information provided by the Provincial government. Claims of resource availability are simply taken on word.

Following sections provide supporting discussion on these points.

6.1.2 Criteria

6.1.2.1 Estimation of location and availability of the resource

The present study was given inconsistent accounts of how information on location and availability of NTFP resources is obtained. One central government official claimed that assessment of resources is done first-hand, in the forest, with the direct involvement of both the District and the Village, and possibly the Province. However, Champasak Province Forestry officials, and Mounlapamok District officials (from both Forestry and Commerce) reported that estimations of available NTFP resources are made at District level or above, purely with reference "pre-existing local knowledge". Many considered that this "common knowledge" did not need to be directly estimated or checked, or supported by data gathered for the specific purpose of quota assessments. Villagers in Tha Hin and Huay Xai reported that they had never been approached to comment on or participate in assessment of NTFP resources for purposes of quota setting (see §6.1.3.1, below). A spokesperson at the Department of Forestry in Vientiane commented that the central government took the Provincial government on its word in these matters, without being able to verify the information or check on sources. The main limitation is said to be funds.

This situation would allow for manipulation and opportunism on the part of a number of higher-level stakeholders. While assessments of NTFP resources are officially supposed to take place, this has not happened in practice in the cases considered in this study. If estimations of resource bases are purely taken by word, and not supported by any hard data, they are therefore not accountable. This creates potential for unwitting official approval of unsustainable harvesting activities, and is even more suspicious given that the companies themselves may be the ones supplying the "common knowledge" about location and availability of resources.

Another serious constraint in the assessment of available NTFP resources is the lack of reliable methods for doing it. According to a number of people we spoke to, NTFP resources are "too hard" to estimate. While indeed it may be difficult, it is surely not impossible, and it would seem to be an important goal for the NTFP trade management system to be actively engaged in developing reliable methods for assessment of available NTFP resources.

6.1.2.2 Assessment of bidders

Some of the cases we examined (see §5.2.3, above) suggested that there were inconsistencies in the way different bidders were assessed in the quota-setting process. The team found it difficult to get clear data on the question of whether or not there are specific criteria upon which companies bidding for quotas are assessed.
Until we are able to easily get information on these matters, there is no way of knowing whether or not the higher-level process of quota-awarding is done in a principled and equitable way or not.

6.1.3 Who is involved in decision making

6.1.3.1 Villagers' non-involvement in the quota-setting process

There seems to be little awareness among villagers of any process of quota-setting, or of official announcements by the government of the issuing of quotas. Villagers of Huay Xai and Tha Hin equated the existence of a quota with the arrival of a buyer placing an order in the village for a particular NTFP, perhaps in a certain quantity. They knew that there was no quota this year because they were doing no major trade. **Villagers did not consider that they had been in any way a part of the process of establishing quotas, and they had no idea about the mechanism of deciding on quotas, nor on the criteria for their approval or not. Indeed it seems that little power is in the hands of villagers in the present system, despite the fact that they play such a fundamental role.**

6.1.3.2 Negotiation between government and bidders

It appears that real decision-making in quota-setting lies in negotiations between higher levels of government and buyers/companies. As already mentioned, the fact that information about mechanisms of this part of the process is hard to obtain, means that we are unable to comment on the equity or principled nature of the process. As it is, the parties involved are not accountable.

6.1.4 How quotas are issued and information about quotas is disseminated

The study was given inconsistent reports concerning the dissemination of information about existing quotas. Some claimed that official government announcements of quotas were publicly made, or at least distributed to all levels of government administration concerned (province, district, village). However, very few people could produce any hard documentation concerning quotas.

6.1.4.1 Lack of quota-related documentation

Not one official in the district centre of Mounlapamok could produce documents concerning quotas when the team requested them. In almost every case, officials below the provincial level learned about quotas not from any government announcement, but directly from the buyer concerned. This would usually happen in the course of the buyer bringing documentation to officials for inspection/approval as the trade was actually being conducted.

In general, it would seem that the provision of information concerning quotas is very restricted, and comes on a strictly need-to-know basis. On the one hand, for example, one senior Forestry Resource Inspection official was able to produce a range of documents detailing specific quotas for this year, including company names, quantities, prices, sources, etc. Indeed, it was his specific duty to check on the movements of all forestry produce northwards from the far South (much of which had crossed the border from Cambodia). One the other hand, a district Commerce officer complained about the fact that he was not privy to documentation of quota agreements, specifically pointing to the fact that he was never informed of prices which the buyer would officially be paying for produce. He understood that pricing was an official part of the quota agreement between companies and central government.

It is perhaps felt that there is no need for a district Commerce Officer (for example) to know such details of quota agreements, since his role is merely to approve documentation of trading activity into and out of his district. However, it was his view that **if people at district level and below were aware of pricing agreements, then there would be a better chance of the villagers getting fair prices at the initial step in the trade chain.** It is significant in this context that it is the **buyer** that informs District Commerce as to the existence of quotas. That is, in the same way that villagers are informed of the existence of a quota by the buyer's turning up in the village, some district officials learn about the government's award of a quota when the buyer arrives on their doorstep with the relevant documentation.

6.1.4.2 Case of the mystery bong bark quota

In a discussion with a Mounlapamok District Commerce official, it emerged from a statement by a district Forestry official that the district had a 6 ton quota the previous year for bong bark. The commerce official expressed some surprise, saying that he had not heard before that such a quota existed. Theoretically, while Forestry is the primary government section involved in the management of quotas for NTFP extraction and
trade, there is nonetheless a crucial involvement on the part of Commerce. Commerce should have been well aware of this quota, even if they had little idea about details. When asked about how he could have not known about the quota, the Commerce officer could only answer that the buyer concerned must have simply bypassed Commerce altogether, liaising exclusively with Forestry. Forestry officials commented that they could not understand how the Commerce official could have been unaware of this quota, but we could find no-one who was directly involved in the management of this particular quota. One Province official suggested that the district commerce official in question was unable to properly comprehend the situation. A District official said it may have been possible that Forestry officials neglected to ensure that the buyer liaise with Commerce. In any case, something went wrong with the procedure.

6.2 Taxation and other fees

This study was unable to pay close attention to the issue of taxes in the trade of NTFPS, but can note a few points. Firstly, taxes as such are mostly paid for import and export, which of course came up in the matters of importing Cambodian NTFPS, and export of NTFPs into Thailand. During the course of the trade process, there are a number of fees which are paid along the way. These include local administrative or service charges, at villages, at inspection stations, and so on. These fees are all paid by the buyer/trader, and this of course feeds into the price mark-up along the chain. The extent to which unofficial fees are paid in the trade of NTFPs is unclear. Buyers certainly reported that they routinely paid minor fees all along the way, and were quite happy to do so.

6.3 Possible abuses of the system, and disciplinary action

The laws covering disciplinary action against breaches of forestry law are contained in Articles 69-73 of the Forestry Law (GoL 1996). No official interviewed in this study cited these sections. Those who were able to quote any regulation at all specified MAF-730, "Agreement of the Minister of Agriculture and Forestry regarding offenders against forestry regulations, October 1991" (see Document 3, Attachment 11.4). Only one official was able to supply the team with a copy of the document. Others either did not have it, or could not find it. Following sections describe levels of disciplinary action.

6.3.1 Educational "seminars"

For first offences causing damage/loss of up to 50,000 Kip the offender is educated as to their wrongdoing. This gives the offender the benefit of the doubt, allowing that they may have been unaware of the regulation or restriction involved. It also serves as a warning.

6.3.2 Fines

For second offences causing damage/loss of up to 50,000 Kip, or for first offences causing damage/loss of 50,000-500,000 Kip, offenders may be fined. The fine is twice the price of the damage/loss, or of the value of the produce collected. The present study found that fines are not made below the provincial level, and officials at district and village level either had no idea how fines were imposed, or they quoted outdated regulations (i.e. MAF-730; Document 3, Attachment 11.4). The team saw no evidence that fines (official or unofficial) were being imposed at the village level. (This is despite the sentiment expressed in Section V of Document 2, Attachment 11.4, in which a District administration gives basic responsibility to Village administration for enforcement of forestry regulations.) The only evidence of opportunistic behaviour in directly receiving & "unofficial fines" from offenders involved the minor payments paid to officials along transport routes for turning a blind eye to the transport of illegally collected produce (e.g. rattan bound for Sanam Xay Village, see §5.2.2, above).

6.3.3 Seizure of produce

Seizure of produce obtained illegally is mentioned in Article 67.4 of the Forestry Law, as a right and responsibility of Forestry inspectors. However, the process and regulations of seizure of produce remain unclear and inconsistent.

In some situations, seized goods are returned to the offender once a fine is paid. The team observed such a case at the Champasak District Forestry Section (see §5.2.2 above). In other cases, seized produce may become state property. It is unclear under what conditions this is so, with some suggesting that this would happen in "more serious" cases.

There is quite a bit of variation in reports as to how seized goods are actually sold, and what happens to the proceeds of the sale. The team got two different versions from a number of people. By the first, the proceeds
are split 50/50, with half going to the state, and half going to those who effected the seizure. By the second version, 70% goes to the state, and only 30% is split between those directly concerned with the seizure. As to how the money is split up, the study heard a range of rather complicated versions, by which the remaining 50% or 30% is split in all sorts of ways, and distributed. For example, one Forestry Resources Inspection official explained that after 70% goes to the national budget, the remaining 30% is split as follows. 50% goes to the budget of the Provincial Forestry Section, 35% goes to those who actually performed the seizure and sold the goods, 10% goes to those who reported the transgression, and 5% goes to legal costs. The team was given at least three different versions of this breakdown. The main conclusion that can be drawn is that there are significant inconsistencies and obscurities among different versions of the story as told by people who presumably should know what exactly the regulations specify. It is still unclear to us whether or not there are distinct regulations concerning the way in which seized goods are sold, and importantly, the way in which the proceeds from such sales are divided.

Also note in this context that it is possible for buyers to get a quota for seized NTFP produce. A senior Province Forestry Section Official reported that there was a quota in Champasak this year for seized mai ketsana (a rare scented wood from the heartwood of Aquilaria crassna).

6.3.3.1 Case of the seized forest flowers

One important example showing lack of clarity in the regulations here emerged in a discussion about trade in forest flowers with Vang Tao/Song Mek Forestry Inspection Station officials. They reported a recent seizure of forest flowers, after which the official concerned had no idea what to do with the seized produce. In the end, the plants were discarded. The official remarked that he was not even aware that seized goods could be sold by the state.

6.4 Exceptions to the law: "traditional usage" and "economic necessity"

Article 30 of the Forestry Law (GoL 1996) embodies the principle that "traditional" or customary" usage of NTFPS, which has been conducted "for a long time", is acceptable as long as it is limited to use in the family and for "other customary uses". This regulation is presumably the inspiration or source for a robust de facto regulation which may be termed "family economic necessity". Exploitation of NTFPs is exempt from regulations when it is motivated by direct economic need, as opposed to conducting business for considerable profit. This differs importantly from the idea of "traditional usage" of NTFPS, in that an activity may be justifiable in terms of "family economic necessity" without ever having been performed traditionally by the people involved. An example would be the cutting of Bong trees for their bark.

The "traditional usage" and "family economic necessity" clauses are very important within the whole question of the regulation and management of trade in NTFPs, since they are so wide open to interpretation. Consider at one extreme the chief of Tha Hin village, who said that he would never fine a villager for a transgression in exploitation of forest resources, since in any case the person would be simply responding to "family economic necessity". Instead, he would educate that person as to why they should not continue the practice, if it is damaging or excessive. Indeed, it emerged later that villagers in the area of Tha Hin had just been apprehended with 4 tons of illicit yang oil. It is purely a matter of interpretation whether this is over the Emit of "family economic necessity" or not, and clearly the interpretation of Tha Hin villagers and Forestry Inspection officials differed in this case.

In allowing for "traditional usage", and small-scale NTFP exploitation and trade activity out of "family economic necessity", the Lao government leaves discretionary power in the hands of individual officials at a number of levels.

6.4.1 Case of the dilemma for Lao border officials at Vang Tao/Song Mek

Both cases described above of cross-border trade in NTFPs at the Lao-Thai border at Vang Tao/Song Mek (rattan and yang oil; §5.2.2, §5.3.3, above) provide a challenge for the inspection officials at the border inspection station there. One official posed the dilemma as follows: "Are we to make exceptions, or are we to act according to our duty?". Officials expressed their frustration at the difficulty of distinguishing between cases of "genuine" economic necessity on the one hand, and excess or opportunism, on the other. In some cases, officials had worked out their own quantitative methods of appraisal. For example, one official said that if a yang oil trader personally carried their product past the inspection station, he would consider this a genuine case of small-time economic necessity. But if he saw a group of traders collectively pushing a stack of yang oil containers on a cart, he would consider this a case of real commerce, which would be illegal.

In any case, the Forestry Resource Inspection officials at Vang Tao/Song Mek have little power to act.
According to them, whenever they apprehend someone who is considered to be pushing the limit, a common response is that they have already paid proper fees at the district centre of Phonethong (on the road between Pakse and the border). The border inspection officials have officially expressed their concern to the Provincial Forestry Section that the situation is a little out of hand, but they are still waiting for a response as to what action to take. In the meantime, there is little they can do. We did not have enough time to investigate this problem in any more detail, but it would be particularly worthwhile to investigate further the situation whereby administrative actions at district level (i.e. authority obtained in Phonethong District) are able to override the provincial, and indeed national, status of the Forestry Resource Inspection station at the border.

6.4.2 Cumulative effect of minor transgressions

The "traditional usage" clause and the de facto exemption based on "family economic necessity" exempt small-scale trade from the regulations by effectively ignoring it. This could unwittingly allow for damaging and/or unsustainable levels of NTFP harvesting. The amount of local usage and small-scale trade is not specifically monitored, and therefore is not measured or accounted for. As population increases, and also as people conduct organised trade under protection of these exceptions (see §5.2.2, §5.3.3, above), the level of extraction and trade may have a greater cumulative effect than is supposed. If the system for management of NTFPs is to properly monitor and manage the sustainable usage of often fragile forest resources, then small-scale usage and trade of NTFPs must be monitored and factored into the overall management and policy on NTFPs, and especially into the regular assessment of resource availability.

7. Other findings

7.1 Conservation awareness

Given the mandate of the IUCN NTFP Project, to support the "sustainable use of NTFPS", it is of concern that conservation was almost never an issue in the interviews and discussions conducted during this case study. A guiding consciousness of conservation is not readily apparent, among villagers as well as those in other levels of the system. It is, however, a crucial part of building a basis for creating a situation in which NTFPs can be used by villagers in a sustainable way. And it is well known that ideas such as "conservation" and "sustainability" can be very hard to translate, and to plant in the collective minds of any group. Consider the Lao terms relating to conservation, such as anoulak, which may refer to the kind of "conservation" achieved by caging a bird. Another term sanguan may refer to preservation, say of a forest area, but for the purpose of exploitation at a later, perhaps more profitable time. Further, while there are a host of problems with the translation of such terms into Lao, it must also be noted that the people interacting directly with the forest in this case study in fact speak languages other than Lao.

A disturbing problem is the very common tendency for forestry officials to support, condone, and/or engage in ecologically dubious activities. During this consultancy, forestry officials were observed purchasing wildlife (including birds, reptiles, and mammals) for food and captivity. This is poor practice in terms of conservation, as well as in terms of the bad example being set by people who in their position should know better.

There is clearly a need to pay attention to raising consciousness of conservation as a guiding principle in management of NTFP marketing. This involves careful attention to finding appropriate ways of talking about the ideas behind conservation, and not simply finding one or two terms in the target language which may be used to routinely translate the English term. If villagers' ways of speaking and thinking about the forest, and about their interaction with NTFPs can be explored, then we may be able to identify pre-existing indigenous concepts which can be used as a basis for building a guiding notion of conservation, helping to both drive and regulate the sustainable use of NTFPS.

7.2 Cambodian quotas in Laos and the principle of conservation

It is unclear to what extent environmental impact of forest exploitation in Cambodia is considered by the Lao government in the process of approving quotas from Cambodia. If government policies concerning harvest and trade of NTFPs are motivated by concerns of sustainability and conservation, then these concerns should presumably not just apply to Laos, but to the regional and global ecology as well. The case of yang oil provides an example of inconsistency, whereby the Lao government is not prepared to approve exploitation in its own territory, on general principle, but actively provides a market for exploitation next door.

7.3 Cross-cultural problems

7.3.1 Cross-cultural communication within the NTFP marketing system
There is great ethnic diversity among the Lao population, which presents yet another challenge to the management of systems which cut across social groups. Negative stereotypes (e.g. "laziness" and "stupidity" of ethnic villagers) can be extremely counter-productive, and may account in part for serious inequities in social management systems. The present study observed cases of this, for example with respect to the rapport between Lao officials and members of the Vietnamese community in Pakse, as well as Khmer villagers in outlying villages of Mouilapamok District.

There needs to be ongoing development of constructive and positive cross-cultural communication, at each point where people of different ethnonuistic backgrounds meet throughout the NTFP marketing system.

7.3.2 Cross-cultural communication in social research and other participatory work

In using participatory techniques, good cross-cultural communication is crucial, both in working productively, and in setting a positive example. In the present study, members of the team found that rapport-building and more relaxed and cordial interview techniques came very naturally when dealing with people of their own ethnonuistic background (Lao Loum). For example, the team's visit to the rattan handicraft village Sanam Xay in urban Pakse was marked by unselfconscious rapport-building which resulted in very open and productive discussion. In other cases, where interviewees were of different ethnonuistic backgrounds, there were certainly what may be termed "cross-cultural communication" problems. In the case of the team's visit to the CBS incense-factory in Pakse (see §5.1.1 above), there was a rather impenetrable tension between the team and the ethnic Vietnamese interviewees. Very little reliable information was obtained. In the case of the two Khmer-speaking villages visited in Mouilapamok District, members of the team were not entirely comfortable with the unfamiliar cultural environment, and were reluctant to engage in rapport-building activities. Thus, while members of the team displayed their capability of working with the techniques in certain contexts, cross-cultural problems proved to be a constraint more generally.

8. Summary of findings on constraints in NTFP trade

1. **Depletion of resources.** Excessive extraction and trade of certain NTFPs (e.g. rattan) can lead to depletion of NTFP resources. This is ecologically damaging, and creates economic uncertainty for villagers.

2. **Poverty of villagers.** The poverty of village people forces them to accept the lowest prices from buyers, and also means that they may be more tempted to engage in illegal and/or unsustainable activities for need of income.

3. **Reduced quotas, reduced income.** The reduction of a quota for NTFP trade results in reduced village income (from sales), reduced state income (from taxes), and may stimulate illegal trade.

4. **Privileged position of buyers, not villagers.** in the trade system of NTFPS, the buyer sets the tempo, and has a privileged position within the system. Villagers have little control, due partly to lack of marketing information, and lack of marketing Organisation. A more equitable system would put more power in the hands of villagers.

5. **Conservation awareness.** There is a low level of consciousness and/or priority of conservation values in the management of trade in NTFPS, at any level.

6. **Cross-cultural communication.** Cross-cultural communication problems contribute both to inequities in the management system, and limitations in participatory research.

7. **Unmonitored "traditional" and small-scale usage.** To ignore "traditional usage" of NTFPs and related small-scale trade ignores a potentially significant accumulated ecological effect, and means that monitoring is not done.

8. **"Family economic necessity"** is an important unofficial or de facto basis for exemption from regulation under forestry law.

9. **Lack of scientific evidence on sustainable harvesting of particular NTFPS.** Authorities may withhold quotas, due to insufficient knowledge of effects of harvesting. Lack of resource assessment techniques prevents authorities from satisfactorily monitoring sources.
10. **Lack of satisfactory mechanisms for monitoring NTFP resource base.** There are no clear criteria or methods for monitoring the NTFP resource base. Little if any first-hand monitoring of NTFP resources is done.

11. **Closed process of higher-level decision making (within government).** Without open access to higher-level mechanisms of decision-making, it is impossible to monitor higher level abuses (i.e. nobody is accountable). Reasons for decisions are not understood at lower levels, and villagers especially are excluded from decision-making. Documentation for reference concerning rules and regulations is mostly unavailable.

12. **Inconsistency of application of regulations.** Due to inconsistent knowledge of regulations, and lack of hard up-to-date documentation for reference, the rules and regulations are not consistently known and/or applied. Dissemination via seminars alone allows for a “Chinese whispers” effect.

**9. Recommendations**

**9.1 Further research**

- Test and develop methods for monitoring trade in NTFPs (including covert trade), for use by forestry officers as well as village collectors.

- Test and develop methods for reliable first-hand assessment of NTFP resources.

- Conduct research into the sustainability and ecological effect of extraction of NTFPS, prioritising those NTFPs for which there is a healthy market.

- Conduct research into methods for cultivating NTFPS, prioritising those NTFPs facing depletion.

- Conduct research into methods of processing NTFPs before sale, so as to minimise waste of resources, and maximise profits.

- Research the nature and level of “traditional usage” of NTFPS, with the aim of developing a clear system of monitoring.

- Conduct an ethnolinguistic study into indigenous conservation values, results of which can be used at all levels in promotion of conservation as a guiding notion in management of NTFP marketing.

**9.2 Training**

- Develop an ongoing training program (including training of trainers) for forestry officers in participatory research techniques and cross-cultural communication.

- Develop training to raise awareness of the responsibility of all stakeholders to prioritise conservation in order for NTFP trade to be sustainable.

- Provide training programs in market Organisation for villagers, including the establishment of collectives and organised associations, aimed at empowering villagers in the marketing process and the management of NTFP trade.

**9.3 Policy and institutional change**

- Specific regulations for the management of NTFP harvesting and trade should be developed.

- Quota system should be revised:

  a. should be based on first-hand estimates of NTFP resources and sustainable harvesting regimes.

  b. should encourage organised groups of village collectors practising sustainable harvesting methods to apply directly for quotas. This would reduce the privileged status of buyers in the marketing system.
• A marketing information dissemination system should be developed, including distribution of a regular 
NTFP trade newsletter.

• Information concerning regulations and processes of management should be made more widely 
available to implementing officers and stakeholders, on principle of the value of distributing information, 
and counter-productivity of withholding it.

• Up-to-date written documentation concerning management of NTFP trade, including regulations, and 
quota-setting decisions should be made available in full to all concerned, for reference purposes.

• The principles of sustainability and conservation should be prioritised in Lao government policy 
concerning NTFP extraction and trade.

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Market system analysis and development: an approach to planning sustainable tree and forest 

11. Attachments

11.1 Timetable of the study: sites visited and people interviewed

Wednesday March 11 - Saturday March 14

Vientiane, developing plan for fieldwork, organizing travel, collecting documents pertaining to the 
study Meeting with NIC officials, and IUCN officials in planning and organizing. 12 March, 
interviews( Bounyong at NIC.

Sunday March 15

Travel Vientiane-Pakse

Monday March 16

AM - Forestry Section, Pakse: Saw IUCN officials, Joost, Sunthone, and others in the IUCN 
project: prepared travel documents, and arranged travel; met and spoke to Mr. Bounxay, head of 
Champasak Forestry Section; interviewed Mr. Soupany, Deputy Head of Champasak Forestry 
Section

PM - Forestry Section, Pakse: Interviewed Mr. Vixay, Chief of Administration of forestry 
regulations, Forestry Section. Pakse town: with Mr. Vixay, to the CBS Factory, interviewed 
Messrs. Hung and Thang, manufacturers of incense; with Mr. Vixay, to the Nyou Hong Huat 
processed and semi-processed Rattan Factory, interviewed Mr. Paseuth, a rattan trader.
Tuesday March 17

AM - Forestry Section, Pakse: Preparations for departure to Mounlapamok District. Forestry Inspection Station, Kilometre 4, Pakse: interviewed Mr. Bounxai, chief Inspector at the Station.

PM - travel to Mounlapamok District, arrived 4pm. Mounlapamok District: Arranged travel with Mounlapamok District officials; met IUCN officials (Joost, etc) and district forestry officials

Wednesday March 18

AM - Mounlapamok District: interviewed District Governor; interviewed Chief of District Forestry, Buaphan; travel to Huay Xai village.

PM - Huay Xai village: interviewed village leader Mr. Bua; interviewed former village leader, Mr. Phom; villagers (Messrs. Nhan and Leng) took us to nearby forest to see Bong trees, and Yang Oil extraction sites; afternoon and evening, interviewed a number of villagers around the village. Mostly spoke to men including Messrs. Nhan, Pone, and Leng.

Thursday March 19

AM - travel from Huay Xai to Tha Hin.

PM - Tha Hin village: interviewed village leader Mr. Bualay, and other villagers, including Mrs. Sy and Mrs. Sim. Travel to Mounlapamok district.

Friday March 20 AM

Mounlapamok District: interviewed Mr. Sompong, 1st Deputy Director of Mounlapamok District Commerce; visited Mr. Buaphan, to collect documents; interviewed Mr. Samni, Director of Mounlapamok District Finance. travel to Vern Kham Khong district; visited Soukchay yang oil processing factory at the Vern Kham border police post, interviewed workers making kabong torches; interviewed yang oil processing workers; visited the Mekong river port at Vern Kham; travel to Khong Island.

Saturday March 21

AM - travel to Hang Khamao, Khamao Island, Mounlapamok District: interviewed Mr. Kheuang, yang oil trader; interviewed Mrs. Len, and her younger brother Pheng, traders in bong bark; travel to Lao-Cambodia Forestry Resources Inspection Station at the turn-off to Khong District Centre, interviewed Mr. Sophon, Director of the inspection station. PM - travel to Pakse.

Sunday March 22

work on notes in Pakse.

Monday March 23

AM: team meeting at IUCN; travel to Vang Tao/Song Mek

PM: interview with Mr. Seng Bounpasenth, Head of the Vang Tao Forestry Resources Inspection Station, and Mr. Bounma, official at the station; tour of markets at Song Mek and Vang Tao; return to Pakse.

Tuesday March 24

AM: Interview with Mr. Nouman Thanakone, Head of Commerce Data Section, and Mrs. Somchit, exports official, Champasak Province Commerce Department; interview with Mr. Ma E Sian, Director of the Full Production and Semi Production Rattan Import Export Company, Pakse; interview with Mr. Thongkham, Director of the Pahana Alay Company, Pakse.

PM: Visit to Sanam Xay Village, Km. 3, Pakse, site of Rattan handicrafts industry, interview with
villagers.

Wednesday March 25

travel from Pakse to Vientiane

Thursday March 26 - Wednesday April I

Writing up of draft, presentation of findings.

11.2 TERMS OF REFERENCE

Attached are terms of reference, as supplied upon commencement of the consultancy

Background

Non-Timber Forest Products (NTFP's) are a significant export income career for the Lao PDR. The Lao Government is concerned that increased exploitation will deplete the natural resource base, but lacks an efficient system of controlling the trade in NTFP's to safeguard sustainable harvesting. Moreover, village collectors are faced with unstable demand and very low prices. From the side of traders, there are complaints about arbitrary use of regulations and tax collection by Government Officers. The whole trade system needs more clarity if the Government's objective of sustainable management is to be realised.

The NTFP project has been charged with collecting information and developing policy advice to the Lao Government to achieve sustainable management of its NTFP resources. A start has been made in analysing the existing marketing systems, but data are difficult to obtain. Especially data on the role and effect of existing Government regulations are few and confusing.

It is therefore proposed that the project will hire a short term consultant to undertake a short-term case study documenting constraints in the marketing of NTFP's, as they are experienced by various stakeholders along the marketing chain. Special attention will be given to the interpretation of Government regulations by various stakeholders and the perceived effects of these regulations on the sustainability of the harvesting of some key NTFP's in one Province. The outcomes of such a case study would enable the project to develop a sound basis for policy advice to the Government of Lao PDR.

This case study should be executed in cooperation with the NTFP Information Centre (DoF/Care Austria). This Centre has a mandate to collect and disseminate information on trade of NTFP's and has considerable experience in collecting this type of information.

Objectives

The objectives of this consultancy are to:

1-To undertake a case study on the constraints in marketing of 3 major NTFP's within Champasak Province: rattan, yang oil and bong bark.

2-To clarify the following issues:

- What are the main constraints perceived by various stakeholders: Collectors, Traders, Government Officials, Exporters.

- What is the present management system concerning NTFP trade. What set of written and unwritten rules, regulations and taxes are applied? How? By whom?

- How is the present management system interpreted by various stakeholders: village collectors, traders, Government officials. Why? What language do they use, what concepts are used?

- What are the different responsibilities between various levels of government in granting export/trade permits, levying taxes, imposing fines etc. How are these tasks and their implementation coordinated between the levels?
- who is formally charged with applying the rules and making decisions?
- how are decisions made and on what criteria are they based?
- what are the incentives and disincentives to adhere to the rules?
- what is the perceived effect of the existing management on the sustainability of harvesting of NTFP’S?

3-To give recommendations for improvements in the present management system and its interaction with stakeholders.

Tasks

(1) Design and test a checklist of key questions and an interview format;

(2) Hold interviews with at least village collectors in at least two villages; with officers of the departments of forestry, tax, trade officers in at least two district as well as on Provincial level in Pakse and on national level in Vientiane; with all levels of traders from village-district-provincial level up to exporting companies in Pakse.

(3) Collect and, Record specific data on:
- Constraints in marketing NTFP's perceived by stakeholders at each level;
- Knowledge of and interpretation by each interviewee of taxes, rules, permits etc.
- Identification of A existing written and de-facto regulations, permits and tax rules actually used by Government offices that actually deal with traders in NTFP'S, especially the Departments of Forestry, Trade and Tax, on village, district, provincial and national level. The mission will collect copies of all documents found and provide a summary translation in English language for each document.
- who in fact takes the decision for each rule, to whom these decision makers themselves are accountable, how these decisions are made known and what type of appeal is possible;
- what criteria are used to decide cases concerning each rule;
- how each rule was made public, to what extent various stakeholders are aware of each rule and how they interpreted each rule;
- known cases of deviations from the rules;
- perceptions to what extent each rule contributes to sustainable harvesting

(4) Cross-checking data from all these sources and creating an outline of written and de facto regulations and taxes, who has the formal, de facto decision making power, who is taught to have the decision making rights, what criteria are used in decision making, types of appeal, how each rule was announced, reported deviations from known regulations, observed effect of the regulation on other observations.

(5) Writing a detailed report on the mission's findings, including recommendations for improved management.

Outputs

A report with findings and recommendations on the following topics

- a brief description of methods used to fulfill the objectives, including those NTFPs analysed, selection of visited sites and people interviewed etc.
- a brief summary of the findings resulting from the consultant's initial interviews and cross-checking of information, illustrating the case from all angles.
- recommendations to remove obstacles in the present management system towards sustainable NTFP
management.

**Timetable**

The mission will spend at least 14 days in the field. The work starts early March 1998 and a first draft of the report will be submitted to the Project no later than 2 April 1998.

Final versions of each report will be provided to the Project no later than 21 days after the Project has provided comments and feedback on each draft, respectively. The Project will provide feedback and comments on draft reports within 14 days of their receipt.

**Facilities to be provided by the Project**

The project will provide:

- Assistance in identification of interview respondents, based on previous data collection;
- Transport and access to field sites, assistance from Champasak field team where required;
- A day subsistence allowance for each day spent in Lao PDR undertaking the tasks of this consultancy, up to a maximum of 20 days, to be paid at the rates shown in Attachment 1. This allowance is intended to cover the costs of food, accommodation and incidentals incurred during the consultancy. These will be paid on an advance/acquittal system, where advances are to be cleared within 30 days of the completion of travel and a completed monthly diary form is provided.
- Office space in Vientiane consisting of a desk and chair for the duration of consultancy.

**Facilities to be provided by the Consultant**

The consultant will provide the required inputs of time, as specified above. The agreement between the Project and the consultant is dependent on the consultant being fit and able to carry out each of the activities described above.

**Professional fees**

The Project agrees to pay the consultant fixed professional fees for the satisfactory completion of all tasks described above. The consultancy can be terminated at any point if the consultant is not performing to the satisfaction of the Project Advisor. If termination is necessary, the consultant will be paid professional fees accrued from the date of commencement to the date of termination.

**Copyright**

The consultant will be engaged on the understanding that all materials produced during the period of the consultancy shall remain the property of IUCN.

The consultant will not publish information about the Project, its activities and impacts without prior approval from the Project.

**Indemnity**

The consultant will be responsible for securing their own insurance against injury, disability and death arising from any activity associated with this consultancy. The consultant agrees to indemnify and keep indemnified the Project and all Project staff against actions and suits pertaining to accident, damage and injury whatsoever.

**11.4 Selected documents obtained during this study**

1-Announcement (Dec 1997) concerning administration of importation of forest products, from Chief of Champassak Agriculture and Forestry to import-export companies. Most articles refer to proper bureaucratic procedures, especially including the increased responsibility of Provincial administration in the overall process. Article 5 is important in the present context. It reads:
Agriculture-forestry offices in provinces bordering on countries which are sources of products to be imported - in particular Mounlapamok and Khong Districts - must pay special attention in monitoring Villagers' extraction and collection of NTFPs in their districts, including Yang oil, khisì, bong bark, and other NTFPS. Beyond proper importation, there may be villagers, or some groups of bad people, taking advantage, and collecting the said NTFPs internally, in order to mix them with the NTFPs which are imported from neighbouring countries. This is illegal, and is damaging to national resources.

2-Announcement (September 1990) to NTFP buyers from Pathumphone District Chief and Pathumphone District Office of Agriculture and Forestry. This document outlines rights and responsibilities of various stakeholders in NTFP trade. Important points about this document are that (a) it underlines the need for buyers to be well-versed with gathering and presenting documentation (thus excluding villagers) (Article I); (b) it puts responsibility on villagers to not engage in "damaging" harvesting practices (Article II); (c) it places responsibility on the village administration to enforce regulations (Article V).

3-Document 730/kp (October 1991), from Minister of Agriculture and Forestry, outlining agreements on penalties against infringements of Forestry Law. (now dealt with in the Forestry Law). This document mostly deals with infringements against regulations concerning timber.

4-Agreement of the Champasak Governor (February 1998), concerning the issuing of quotas for collection and trade of timber and NTFPs in 1997-1998. Points 7 and 8 are important in that they hand over administrative responsibility to Provincial Agriculture and Forestry.

5-Prime Minister's Order 14/psl regarding trade of timber and NTFPs (September 1990). Relevant here is Article 3, which forbids the exportation of rattan in unprocessed or "initially-processed" form. Only "semi-processed" and "processed" rattan may be exported (e.g. as furniture or handicrafts).

6-From Minister of Agriculture and Forestry to Provincial heads of Forestry (January 1994), concerning the definition of various stages of rattan processing ("raw", "initially-processed", "semi-processed"). The document addresses inconsistent interpretations of Prime Minister's Order 14/psl (Attached Document No. 5, above).