

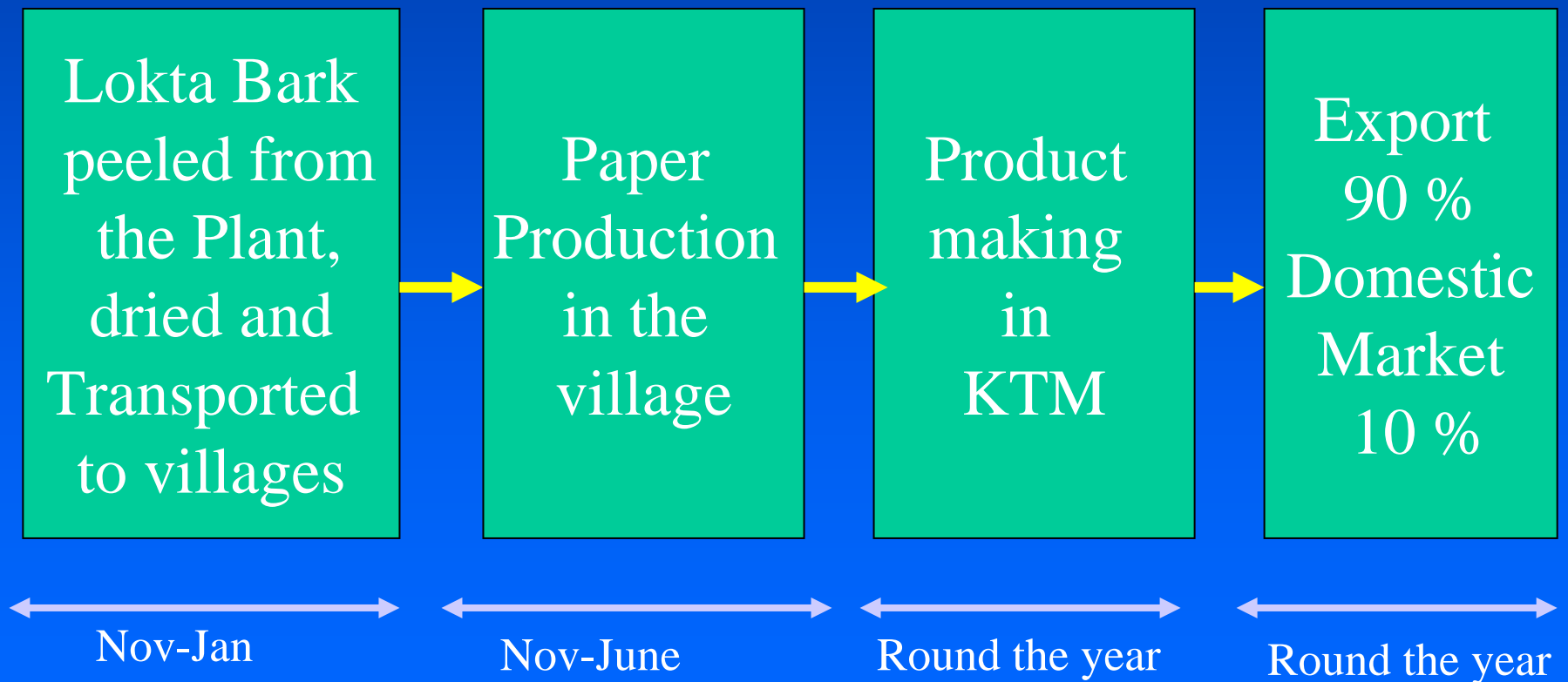
Sub-sector - Handmade Paper

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24 June 2004

Overview of sub-sector

- Raw material: Lokta (Daphne Papyracea)
- Grows in the forest at the altitude of 6,500-10,000ft.
- Available in 52 districts, current production in 32 districts
- Lokta takes 8-10 years to regenerate
- Total estimated Lokta resource 110,181 MT of raw lokta
- Current annual utilization of resource: 8,000-10,000 MT

How this sub-sector works?



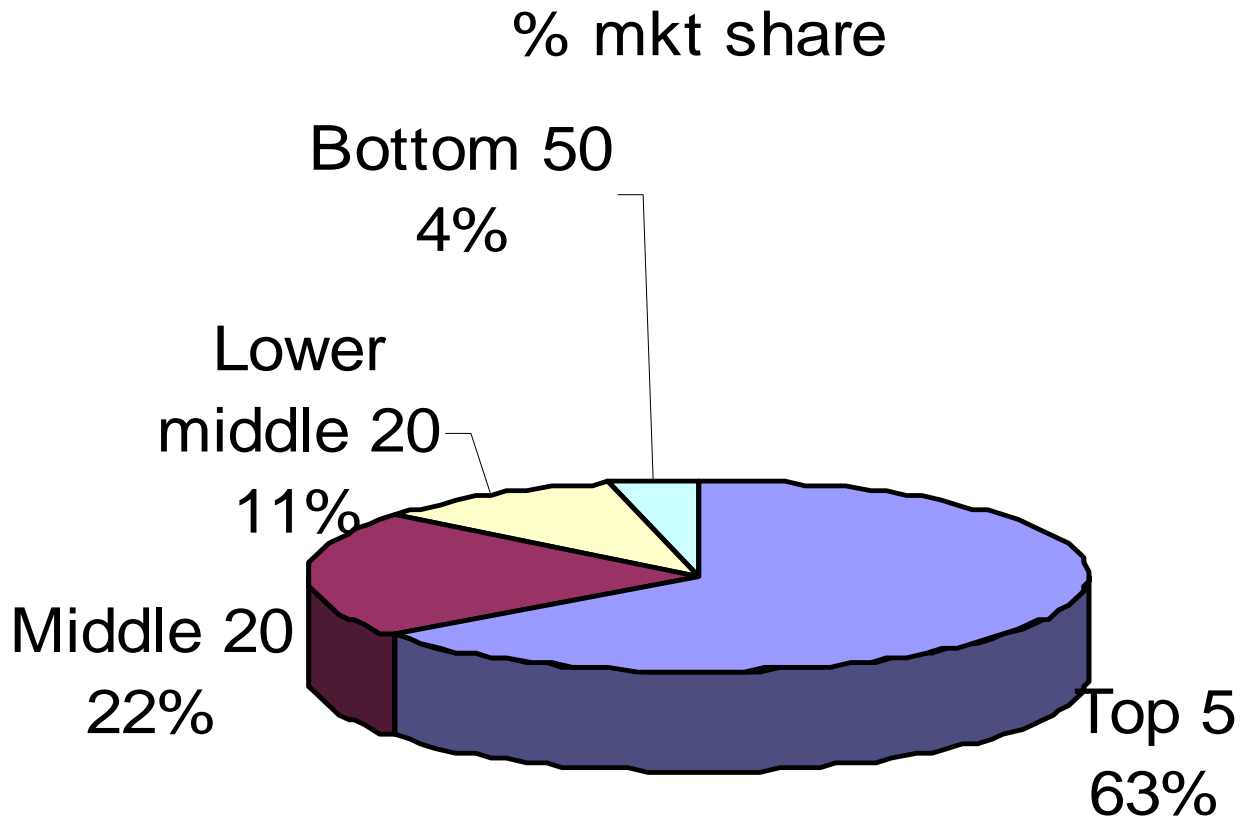
Paper Making

- Major Districts: Ilam, Taplejung, Sankhuwasava, Ramechhap, Dolakha, Sindhupalchowk, Solukhumbu, Baglung, Parbat, Myagdi, Jajarkot, Rukum etc.
- Total no. of registered units 313
- Currently in operation about 170
- Employment generated: 4,155 families (about 30,000 persons) (*Dongol*)
- Women employment 80 % (*Dongol*)
- *Investment per enterprise Rs. 30,000-200,000*

Product Making in KTM

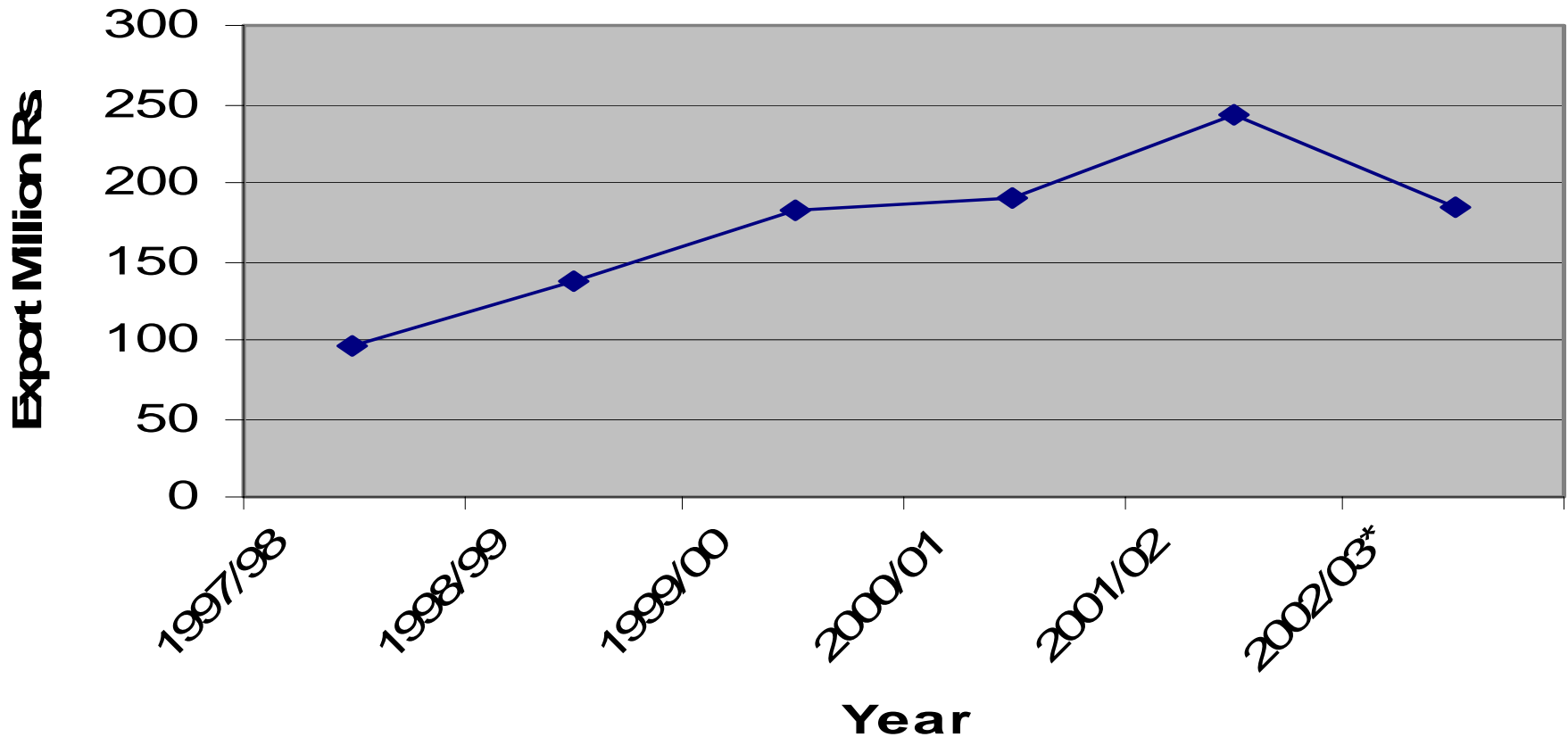
- Total of 100 Product makers
- Survey of 50 industries in KTM valley (In Yr.2000)
 - 72 % were established within last 7 years
 - 26 % Pvt. Ltd., 68 % proprietorship (family business)
 - Reported Net Profit margins 7 –50 %
 - 72 % exported directly
 - Total direct employment 1,774 (60 % female workers)
- Foreign market 90 %, Domestic market 10 %
- Major Product groups: Diary/Note book, Lampshade, Photo albums/frames, colored/plain sheets, Gift Boxes, Bags, Greeting Cards, Wrapping Paper, Decorative Products

Market Share- Product Manufacturing



Export trend of Handmade paper

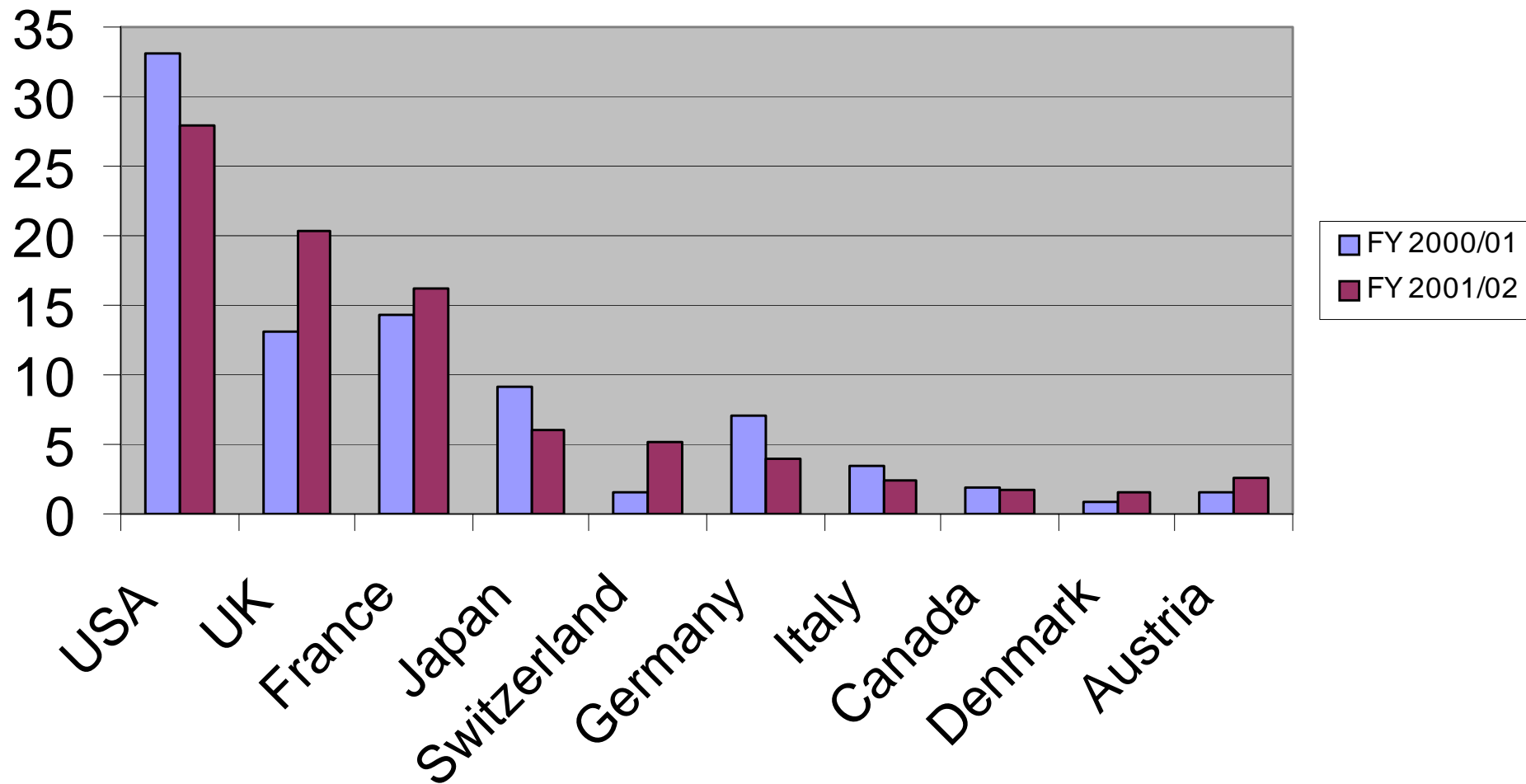
Export in Rs Value (Mln Rs.)



*Data for 02/03 For the first 9 months only

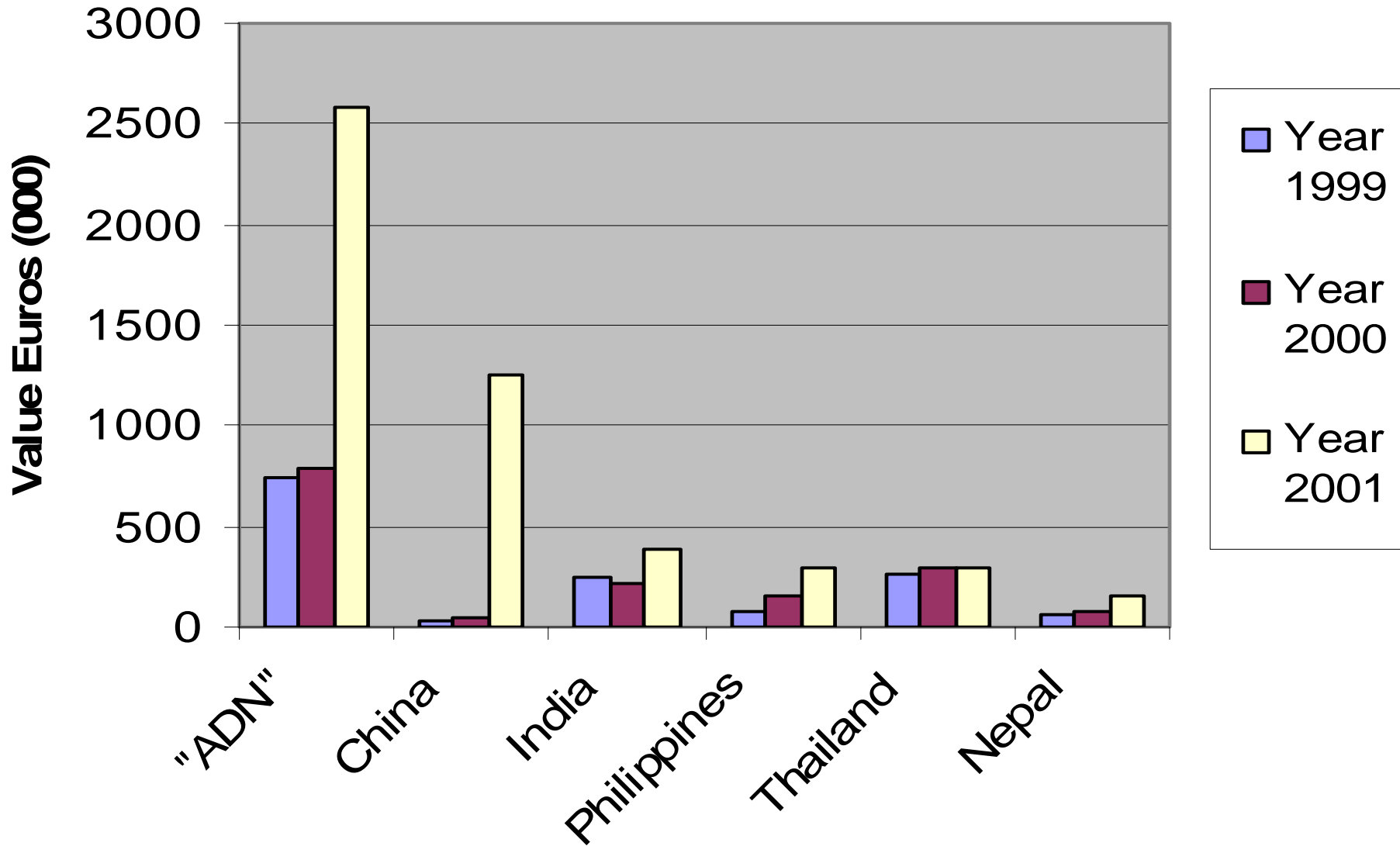
•Average annual growth rate: 6.8 %

% share of total Handmade paper export country wise



Source: Handicraft Association Nepal

International Competitors



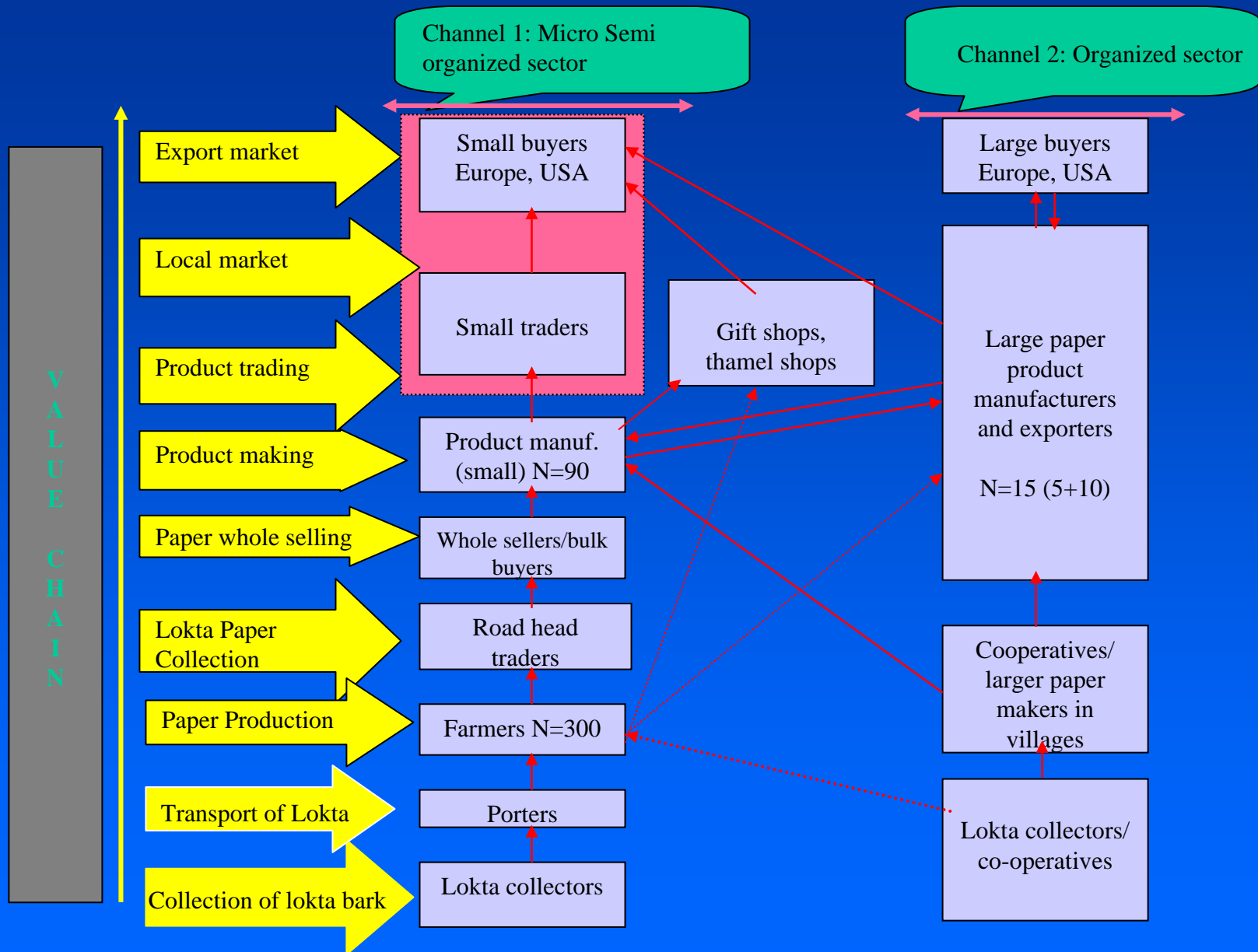
Source: CBI market survey, 2003

Important Stakeholders

BMOs/Govt. Institutions/Related Projects

- Handmade Paper Association
 - Handicraft Association of Nepal
 - District Paper Makers Associations
 - Department of Forest Research and Survey
 - Department of Cottage Industries
 - Community Forestry Projects
-
- Donors directly involved
 - CBI (in export promotion till the end of Dec. 2004)

Sub-Sector Map-Handmade paper



Key Constraints

A: Paper Making

- Raw Material Supply
 - Scarcity of Lokta in the easily accessible areas due to reckless cutting (high cost of production)
 - Undersized Lokta (low yield and poor quality)
 - Illegal collection of Lokta (poor monitoring of national forest)
- Production related
 - Lack of skilled/trained paper makers (seasonal production)
 - No incentive to workers to produce quality (Piece rate system)
 - Lack of product diversity (std. 20"x30" paper)

Constraints contd. Paper Making

- Lack of enterprise management skills
 - Farmers turned paper makers: lack basic skills of enterprise management
- Marketing related constraints
 - Poor packaging of paper – damage, defects
 - Lack of marketing and negotiation skills
 - Lack of organized market of paper
- Policy/regulation related constraints
 - Delayed licensing of Lokta (Sept. instead of Dec/Jan)
 - Poor database of Lokta reserves and weak supervision of Lokta cutting
 - Multiple taxes
 - Ban on Caustic Soda in many areas by the army

Key Constraint

B: Product Making

■ Technology and Production

- *“.....The equipment used is so modest, that it is still unbelievable, that such (appreciable) quality can be achieved, with these equipments” Marcus Muller Swiss Consultant*
- Lack of quality raw material (paper) in bulk quantity
- Lack of good local designers
- Copying of designs
- Inefficient Production system (Low productivity)
- Poor networking among small and large producers
- High labor turnover

Key Constraint

contd. Product Making

■ Marketing

- Lack of International Mkt. information
- Lack of appropriate promotional materials
(firm specific as well as sub-sector level)
- Severe competition from foreign suppliers in the international market: China, India, Indonesia, Thailand etc.- high quality high price
- Too much dependence on one/few buyer
- Difficulty in winning the trust of the buyer
- Lack of IT skills in marketing
- Unhealthy competition resulting in lower quality and price war among manufacturers

Key constraints – Product Making

- **Policy/External Constraints**

- Absence of intellectual property rights
- Lack of Product Standardization

Opportunities in the sub-sector

- Local R/M, Local labor, local technology (opportunity to increase income in both rural and urban areas)
- Uniqueness of Lokta Paper (strength, elegance)
- Scope to expand the product range (high value products)
- High market expansion potential (can go to every developed country)
- Only 10 % of the resource has been tapped so far
- Wide geographical base of Lokta R/M (risks due to conflict can be minimized)
- BMO is small but has enthusiastic and committed executives (HANDPAS)

Competitive Strategy

■ Product

- Improve quality of paper production in villages
- Work in collaboration with CFPs and HMG to implement sustainable lokta mgmt plan (pilot scale)
- Improve product designs, production technology and new product development
- Focus on high value products

■ Price

- Create a brand image of Nepalese Paper (Lokta Paper)
- Give more emphasize to high value products

Contd. Competitive strategies

- Promotion
 - Increase the export volume (new markets, increased share in existing markets)
 - Create local demand for Lokta paper products
- Others
 - Separate interventions for smaller and larger product makers focusing their specific needs

Priority Intervention (3 year duration)

Paper makers:

- Improve the quality of paper production
 - Train paper makers
 - Production manual
 - product/process standards
- Collaboration activities with CFP's for sustainable lokta management (pilot basis)

Contd. Priority activities

Product makers

- Strengthen capacity of "HANDPASS"
 - To improve its advocacy function
 - To increase its membership base
 - To increase its service delivery function (public good)
- International promotion
 - Buyer/seller meeting
 - Publicity materials
 - Promotional fairs
 - Market research/information- new potential markets
- Creation of local demand
 - Products for local market

Priority activities contd.

Contd. Product makers

- Strategic marketing plans to individual enterprises (through private consultants)
- Product design training, design competition, (creativity, innovation)
- Demonstration of new production tools (to enhance productivity)
- TQM, ISO 9000 (Quality, efficiency)