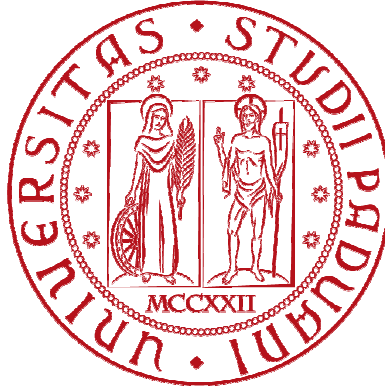


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Course:  
International Development and Cooperation

The potentials, the limits and the challenges for the Fair Trade in Nepal:  
an overview of the perception by the members of the Fair Trade Group  
Nepal

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## Abstract

In Nepal the Fair Trade movement is in progression and the number of organizations adopting Fair Trade principles is increasing. On the one hand, new development opportunities are defined, on the other hand a critical analysis of the state-of-the art of the Fair Trade in the country is necessary to face the present problems and the challenges that will be decisive in the next future.

This research aims at contribute to an analysis and description of the state of the Fair Trade in Nepal, focusing on the potentials and the limits that the Fair Trade is facing at local level and the challenges for the future according to the member organizations of the Fair Trade Group Nepal, analyzing their perception and opinion, and additionally, is focusing also on the perception of Fair Trade by the producers at grass-roots level.

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## Abbreviations and acronyms

ACP	Association of Craft Producers
BCP	Bhaktapur Craft Paper
EFTA	European Fair Trade Association
EU	European Union
FHAN	Federation of Handicraft Association of Nepal
FLO	Fairtrade Labelling Organization
FTAO	Fair Trade Advocacy Office
FTFI	Fair Trade Forum India
FTG	Nepal Fair Trade Group Nepal
GPI	Get Paper Industries
HDI	Human Development Index
ILO	International Labour Organization
IMO	Institute of Marketology
KTE	Kanchenjunga Tea Estate
KTS	Kumbeshwar Technical School
LDC	Least Developed Country
NAP	Network of Asian Producers
NEWS!	Network of European Worldshops
NGCC	Nepal Girl Care Centre
NGO	Non-Governmental Organization
NLN	Nepal Leprosy Network
NTFP	Non-timber Forest Product
SAFTA	South Asia Free Trade Area
SFTMS	Sustainable Fair Trade Management System
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Program
UNICEF	United Nations Children Found
WFTO	World Fair Trade Organization
WSDP	Women's Skills Development Project



# 1. Introduction

In its sixty years of history Fair Trade has become a global and ever-growing movement around the world. In addition Fair Trade has become also an important driver of poverty reduction and sustainable development. However, the recent expansion of Fair Trade into new types of commodities, product regions, and retail venues is raising important new challenges (Reynolds, 2009). These challenges, in the global changing scenario and the global economic crisis, are, like never before so important and decisive for the movement.

In Nepal the Fair Trade movement has a relatively recent history: just from the early 90's some organizations have become active to provide support to economically marginalized but skillful producers, establishing in 1993 the Fair Trade Group Nepal (FTG Nepal). FTG Nepal is today a network of 17 producer organizations involving the handicraft sector, which mission is to *"promote Fair Trade and provide support to like-minded organizations that contribute to sustainable livelihoods at grass-roots/local level"* (FTG Nepal, 2008).

The FTG Nepal is in progression and the number of organizations adopting Fair Trade principles is increasing, its members group together thousands of marginalized and unprivileged producers across the country, giving them market access and several facilities, despite the country is still deeply affected by poverty, the political situation is unstable, and there are strong barriers to the economic and social development.

The present research is focusing on the members organization of the FTG Nepal, and it aims at contribute to an analysis and description of the state-of-the-art of Fair Trade in Nepal, giving voice from the point of view of the Nepalese organizations and producers.

In particular, the main purposes of the research are to provide a brief overview of the FTG Nepal member organizations' profiles and the state of Fair Trade in the country, analyze the perception of the potentials, limits and challenges that the Fair Trade in Nepal is facing, according to responsible of the FTG Nepal member organizations, and the perception of the Fair Trade by the producers at grass-roots level.



## 1.1 Objectives of the thesis

The overall and specific objectives of the thesis are the following:

### *Overall objective:*

The objective of the research is to examine and describe the state of Fair Trade in Nepal, focusing on the perception of the potentials, the limits and the challenges by the members of the Fair Trade Group of Nepal.

### *Specific Objectives:*

1. Examine the state and the profile of the Fair Trade Group Nepal member organizations;
2. Identify the potentials, the limits and the challenges that Fair Trade is facing in Nepal by means of the analysis of their perception by the member organizations of the Fair Trade Group of Nepal;
3. Examine the perception of Fair Trade impact by the producers/artisans at grass-roots level.

## 1.2 Structure of the thesis

In order to better understand the logical framework of the thesis, this paragraph aims to briefly explain how the work itself is structured. The thesis is developed into four main parts.

In the first part (theoretical background – Chapter 2) the concept of Fair Trade is defined and its characteristics introduced. A first section is dedicated to show the key actors of the Fair Trade movement at global level, focusing on the World Fair Trade Organization (WFTO) and Fairtrade Labelling Organization (FLO). Moreover, a second section is dedicated to the other certifications schemes and initiatives involving Fair Trade, such as those launched by the private certification agencies and the Fair Trade purchasing policies. In the last section the Fair Trade within the Asian region and in Nepal, focusing on the FTG Nepal, are presented.

In the second part (context analysis – Chapter 3) a brief overview of the country is provided, in particular the general characteristics, and the political, economic and social situation.

In the third part (Chapter 4) the approach as well as the materials and methods used during the research are presented.

In the last part (Chapter 5), the results of the research are shown. Referred to the three specific objectives: firstly, an overview of the FTG Nepal member organizations visited and the profile of the single organizations is presented, secondly the analysis of the potentials and limits according to the members visited are reported, and finally the perception of Fair Trade by the producers/artisans at grass-roots level is described.

## 2. Theoretical Background

### 2.1 Definition and characteristics of Fair Trade

Fair Trade (or Fairtrade<sup>1</sup>), fundamentally, is a response to the failure of conventional trade to deliver sustainable livelihoods and development opportunities to people in the poorest countries of the world. Poverty and hardship limit people's choices while market forces tend to further marginalize and exclude them (FLO and WFTO, 2009).

For example, people with a low standard of living are often not able to obtain a loan to start their own business, making it impossible for them to escape the poverty they are facing, and even when these people are able to start a small coffee or banana holding it is hard for them to influence, or compete against the erratic and wildly fluctuating prices on the global markets (DAWS, 2011).

The Fair Trade movement believes that trade can be a fundamental driver of poverty reduction and greater sustainable development if it is managed for that purpose, with greater equity and transparency than is currently the norm. Already in 1960s Developing countries were addressing political forum such as at the United Nations Conference on Trade and Development (UNCTAD) in Delhi in 1968 to communicate the message "*Trade not Aid*", a message that put the emphasis on the establishment of equitable trade relations with the South, instead of seeing the North appropriate all the benefits and only return a small part of these benefits in form of development aid.

The Fair Trade movement believes that the marginalized and disadvantaged people can develop the capacity to take more control over their work and their lives if they are better organized, resourced and supported, and can secure access to mainstream markets under fair trading conditions (FLO and WFTO, 2009).

Over its history of more than 60 years (Box 1) there have been many different definition of Fair Trade. Currently, the most widely recognized definition is the one agreed by an informal network of the four main Fair Trade organizations, known by the initials as FINE<sup>2</sup>:

*"Fair Trade is a trading partnership, based on dialogue, transparency and respect that seeks greater equity in international trade. It contributes to sustainable development by offering better trading conditions to, and securing the rights of, marginalized producers and workers – especially in the South."*

---

<sup>1</sup> The term Fairtrade is used to denote the product certification scheme operated by FLO

<sup>2</sup> FINE: Fairtrade Labelling Organization (FLO), World Fair Trade Organization (WFTO), Network of European Worldshops (NEWS!) and European Fair Trade Association (EFTA)

*Fair Trade organizations, backed by consumers, are engaged actively in supporting producers, awareness raising and in campaigning for changes in the rules and practice of conventional international trade.*

*Fair Trade's strategic intent is:*

- *deliberately to work with marginalized producers and workers in order to help them move from a position of vulnerability to security and economic self-sufficiency;*
- *to empower producers and workers as stakeholders in their own organizations;*
- *to actively play a wider role in the global arena to achieve greater equity in international trade" (FINE, 2001).*

In 2009 the two main Fair Trade organizations, the Fairtrade Labelling Organization (FLO) and the World Fair Trade Organization (WFTO) adopted the Charter of Fair Trade Principles, which provides a single international reference point for Fair Trade through a concise explanation of Fair Trade principles and the

two main routes by which they are implemented. It is also intended to set the foundations for future dialogue and co-operation among Fair Trade Organizations – and between those organizations and other actors (FLO and WFTO, 2009).

The principles explained in the charter are the following:

- *Market access for marginalized producers*

Many producers are excluded from mainstream and added-value markets, or only access them via lengthy and inefficient trading chains. Fair Trade helps producers realize the social benefits to their communities of traditional forms of production.

By promoting these values (that are not generally recognized in conventional markets) it enables buyers to trade with producers who would otherwise be excluded from these markets. It also helps shorten trade chains so that producers receive more from the final selling price of their goods than is the norm in conventional trade via multiple intermediaries;

- *Sustainable and equitable trading relationships*

The economic basis of transactions within Fair Trade relationships takes account of all costs of production, both direct and indirect, including the safeguarding of natural resources and meeting

Future investment needs. Trading terms offered by Fair Trade buyers enable producers and workers to maintain a sustainable livelihood; that is one that not only meets day-to-day needs for economic, social and environmental well-being but that also enables conditions in the future.

Prices and payment terms are determined by assessment of these factors rather than just reference to current market conditions. There is a commitment to a long-term trading

partnership that enables both sides to co-operate through information sharing and planning, and the importance of these factors in ensuring decent working conditions is recognised;

- *Capacity building and empowerment*

Fair Trade relationships assist producer organizations to understand more about market conditions and trends and to develop knowledge, skills and resources to exert more control and influence over their lives;

- *Consumer awareness raising and advocacy*

Fair Trade relationships provide the basis for connecting producers with consumers and for informing consumers of the need for social justice and the opportunities for change. Consumer support enables Fair Trade Organization to be advocates and campaigners for wider reform of international trading rules, to achieve the ultimate goal of a just and equitable global trading system;

- *Fair Trade as a “Social contract”*

Application of these core principles depends on a commitment to a long-term trading partnership with producers based on dialogue, transparency and respect. Fair Trade transactions exist within an implicit “social contract” in which buyers agree to do more than is expected by the conventional market, such as paying fair prices, providing pre-finance and offering support for capacity building. In return for this, producers use the benefits of Fair Trade to improve their social and economic conditions, especially among the most disadvantaged members of their organization. In this way, Fair Trade is not charity but a partnership for change and development through trade.

Fair Trade also adheres to standards (such as ILO conventions) that have been widely – but not necessarily universally – adopted in national legal systems as well as through voluntary codes of conduct by companies. However, branches of these principles are commonplace in the developing world, and even in the most developed countries, ensuring compliance remains a major challenge. The Fair Trade approach to this problem is based on its developmental objectives and recognizes that exploitation is a symptom of poverty and inequality rather than the cause (FLO and WFTO, 2009).

The Fair Trade movement is formed by several types of actors and organizations, which can be divided into five main categories: producers, associations, networks, lobbying organizations, and importers and retailers. These categories are briefly described hereafter (DAWS, 2011):

- *The Producer* is considered a person or a company supplying product that adheres to the standards of Fair Trade. There is a wide range of producers supplying Fair Trade products, ranging from the artisans to organizations with factories that employ several hundred people.

- The *associations* are organizations which main goal is to advocate and promote the Fair Trade movement. They each do so in different ways, for example by fostering and promoting the concept and/or through the creation of standards.  
The largest Fair Trade associations are the Fairtrade Labelling Organization (FLO) and the European Fair Trade Association (EFTA).
- The *networks* are a collection of Fair Trade organizations that are strongly interconnected. A network represents the interests of its members; provide support, opportunities, information, a common meeting ground and access to the market.  
The largest international network is the World Fair Trade Organization (WFTO) (see pag 9), a network at European level is the Network of European Worldshops (NEWS!).
- The *Lobbying organizations* are organizations which attempt to persuade the state to change their point of view in favor of a certain cause. Lobbying organizations, representing civil society, are trying to persuade the state to deregulate the market. An example of a lobbying organization within Fair Trade movement is the Fair Trade Advocacy Office (FTAO).
- The *importers and the retailers* category included also the conventional retailers as supermarkets that sells in some way Fair Trade products.

Other initiatives can be identified in the Fair Trade movement, for example the cooperation initiatives between Fair Trade actors such as the informal network FINE.

The two organizations that currently are leading in the Fair Trade movement are the WFTO and the FLO, which reflect the two main certification schemes and approaches to Fair Trade.

WFTO operates the integrated supply chain route, whereby the products are imported and/or distributed by organization that have Fair Trade at the core of their mission and activities, using it as development tools to support disadvantaged producers and to reduce poverty and combine their marketing with awareness-raising campaigning.

FLO, instead, has introduced the product certification route whereby producers complying with international standards are certified indicating that they have been produced, traded processed and packaged in accordance with the specific requirements of those international standards (WFTO and FLO 2009).

The Fairtrade product certification, which means that the Fairtrade logo can be used on the products, has helped Fairtrade to take place in mainstream market, in supermarket chains and in fast-food chains. This growth of the interest in Fair Trade has opened in recent years a debate between the two main different Fair Trade approaches, on the one side the FLO and its product certification and mark, and on the other side WFTO and the organizations certification.

This latter, which has been always selling Fair Trade products through the Worldshops or Fair Trade shops, is critical on the inclusion of Fair Trade in the mainstream market. This big

retailers want Fair Trade product because there is awareness and request by the consumers, and on the one hand this is positive because Fair Trade producers get chance to enter in a larger market, but on the other hand the smaller producers have no chance to supply those large buyers, because supermarkets prefer to deal with one or few producer able to supply larger quantities of various products. FLO instead has accepted the deal with the mainstream market actors, focusing on the importance of entering this market to broaden the market opportunities for the producers and strengthen the influence on international trade (Leonardi, 2009).

### **BOX 1: Brief history of the Fair Trade movement**

There are so many stories about the history of Fair Trade. Some people say that the Americans were first with Ten Thousand Villages (formerly Self Help Crafts) who began buying needlework from Puerto Rico in 1946, and SERRV who began to trade with poor communities in the South in the late 1940s.

The earliest traces of Fair Trade in Europe date from the late 1950s when Oxfam UK started to sell crafts made by Chinese refugees in Oxfam shops and in 1964 they created the first Fair Trade Organization (FTO).

World shops (or Fair Trade shops) have played a crucial role in the Fair Trade movement. They constitute not only points of sales but are also very active in campaigning and awareness-raising.

During the 1960s and 1970s, Non-Governmental Organizations (NGOs) and socially motivated individuals in many countries in Asia, Africa and Latin America perceived the need for fair marketing organizations which would provide advice, assistance and support to disadvantaged producers.

At the beginning, FTO traded mostly with handicraft producers but a decisive step was in 1973, when Fair Trade organizations in Netherlands started to import the first Fair Trade coffee from cooperatives of small farmers in Guatemala. Now, more than 30 years later, Fair Trade coffee has become a concept and after coffee, the food range was expanded and now it includes products like tea, cocoa, sugar, wine, fruit juices, nuts, spices, rice, etc. Food products enable Fair Trade Organizations to open new market channels, such as institutional market, supermarkets and bio shops.

From the mid 70s, the Fair Trade Organizations worldwide began to meet informally every couple of years in conference. By the mid 80s there was a desire to come together more formally and the end of the decade saw the foundation of the European Fair Trade Association (EFTA) in 1987 and the International Fair Trade Association (IFAT) in 1989.

In 1988, the *Max Havelaar* label was established in The Netherlands and in the ensuing years, similar non-profit Fair Trade labelling organizations were set up in other European countries and in North America. In 1997, the worldwide association, Fairtrade Labelling International, was created. FLO is now responsible for setting international Fairtrade standards, for certifying production and auditing trade according to these standards and for the labelling of products. Fair Trade labelling indeed has helped Fair Trade to go into mainstream business.

Parallel to the development of the labelling for products, IFAT has developed a monitoring system for Fair Trade Organization to strengthen the credibility of these organizations towards political decision-makers, mainstream business and consumers. The IFAT launched the Fair Trade Organization mark in 2004 and in 2009 has changed its name in World Fair Trade Organization (WFTO).

During its history of over 60 years, Fair Trade has developed into a widespread movement with recognition on a political and mainstream business level, more professional in its awareness-raising and advocacy work; it produces well researched documents, attractive campaign materials and public events; their products are sold in thousands of Worldshops or Fair Trade shops, supermarkets and many other sales points in the North and, increasingly, in sales outlets in the Southern hemisphere (EFTA, 2006).

## 2.2 The key Fair Trade Actors

In this section the key Fair Trade actors are presented: i) World Fair Trade Organization (WFTO); ii) Fairtrade Labelling Organization (FLO); iii) European Fair Trade Association (EFTA); iv) Network of European Worldshops (NEWS!); v) FINE.

### *i) World Fair Trade Organization (WFTO)*



Figure 1: WFTO Logo

(Source: [www.wfto.org](http://www.wfto.org))

The WFTO<sup>3</sup> is an independent, nongovernmental and not-for profit organization founded in 1989. It is the global representative body of Fair Trade Organizations that are following the principles stated in Box 2. Currently it has 472 member organizations in 74 countries across Africa, Asia, Europe, Latin America, North America and Pacific Rim.

The membership is very diverse, ranging from small producer organizations to large co-operatives and from one person importers to retailers with turnover of several million Euros.

The mission of the WFTO is *“to enable producers to improve their livelihoods and communities through Fair Trade. WFTO will be the global network and advocate for Fair Trade, ensuring producers voices are heard. The interests of producers, especially small farmers and artisans, should be the main focus in all the policies, governance, structures and decision making within the WFTO”*.

WFTO structure is composed by (WFTO, 2012):

- *WFTO Global office* based in the Netherlands;
- *The Board of Directors*, elected by the membership and is responsible for developing and implementing the plans agreed by the membership;
- *WFTO Regional offices*: Cooperation for Fair Trade in Africa (COFTA), WFTO-Asia, WFTO-Europe, WFTO Latin America (WFTO-LA) and WFTO Pacific.

WFTO certifies organizations according to the 10 standards (see Box 2). The traditional (or integrated) certification *iter* is where goods are produced, imported and distributed by specialized Fair Trade organization who have Fair Trade at the core of their mission and activities.

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<sup>3</sup> WFTO is also known by the name International Fair Trade Association (IFAT).



The members of the WFTO sell their products through the so called Worldshops or Fair Trade Shops, but more recently their products started to be sold also within the mainstream retailers. WFTO is primarily focused on handicrafts although, they have agro-food producer's members too. Fair Trade shops can show their social performances by using the logo for promotional activities while they are not allowed to use on-product label, as result WFTO logo has limited value in mainstream market compared to FLO (FLO and WFTO, 2009).

The WFTO Logo in fact, is not a product label, it is only meant for organizations that demonstrate a 100% commitment to Fair Trade in all their business activities (WFTO, 2012).

WFTO is not doing certification, it doesn't have an independent certification agency as FLO-CERT for FLO (see pag 13), but since 2002, in order to build trust with the public, they have created a three-step Fair Trade monitoring process, in consist of:

- *Self-Assessment against the Standards for Fair Trade Organizations:*  
Every two years WFTO members thoroughly assess their performance against WFTO standards. They consult all of their stakeholders in this assessment, set themselves targets for improvement and share their progress with WFTO;
- *Peer review between trading partners:*  
Every two years, members share their Self-Assessment reports with their trading partners for their review;
- *External verification:*  
Each year a percentage of IFAT members, chosen at random, have their Self-Assessment process verified by an independent external inspector (IFAT, 2008).

An organization that has succeeded this monitoring system is registered and entitled to use the WFTO Logo. This process is obviously less expensive than the one provided by FLO-CERT (IFAT, 2008 - cit in Legare, 2009).

From 2009 WFTO has started to develop an independent third-party certification label, the Sustainable Fair Trade Management System (SFTMS). SFTMS is designed to be *"the new worldwide Standard for the independent certification of organizations which demonstrate Fair Trade Business practices. SFTMS is a dynamic and integrated approach for the certification of production, trading and communications. This new worldwide standard framework complements the existing Fair Trade product labelling approaches"* (WFTO, 2010).

To date, the SFTMS is in its third draft, when completed, it will provide certification for organizations that practice Fair Trade in all their activities, especially those involved in complex artisan activities not catered for the FLO label (ITC, 2011).

## BOX 2: WFTO Fair Trade Principles

WFTO prescribes 10 Principles that Fair Trade Organizations must follow in their day-to-day work and carries out monitoring to ensure these principles are upheld (Detailed in Annex 1).

Principle 1 - *Creating opportunities for economically disadvantaged producers;*

Principle 2 - *Transparency and accountability to all stakeholders;*

Principle 3 – *Fair Trade practices that consider social, economic and environmental well-being of producers and workers;*

Principle 4 – *Payment of a fair price to producers;*

Principle 5 – *Work environmentally free of child and forced labour;*

Principle 6 – *Principles of non-discrimination, gender equity and freedom of association are upheld;*

Principle 7 – *Working conditions of producers are safe and healthy;*

Principle 8 – *Capacity-building takes place to help producers improve their management skills, production capabilities and access to markets;*

Principle 9 – *promotion of Fair Trade*

Principle 10 – *Ensuring production processes minimize environmental impact (WFTO, 2012)*

## ii) Fairtrade Labelling Organization (FLO)



Figure 2: FLO Logo

(Source: [www.fairtrade.net](http://www.fairtrade.net))

Fairtrade Labelling Organization (FLO)<sup>4</sup>, also called Fairtrade International, is a non-profit, multi-stakeholder organization of 25 members established in 1997 and based in Bonn, Germany. FLO coordinates Fairtrade labelling at international level, set the Fairtrade standards, promote Fairtrade products, and provide support for the producers, cooperatives and traders.

FLO mission is “to connect disadvantaged producers and consumers, promote fairer trading conditions and empower producers to combat poverty, strengthen their position and take more control over their lives” (FLO, 2012).

The value of Fairtrade retails sales worldwide reached 3.4€ billion in 2009, with 827 Fairtrade certified farmer and workers representing over 1 million producers and workers (FLO, 2011).

Their members consist of 19 Labelling initiatives, 3 producer networks, 2 marketing organizations and one associate member:

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<sup>4</sup> The term “Fairtrade” is used to denote the product certification scheme operated by FLO

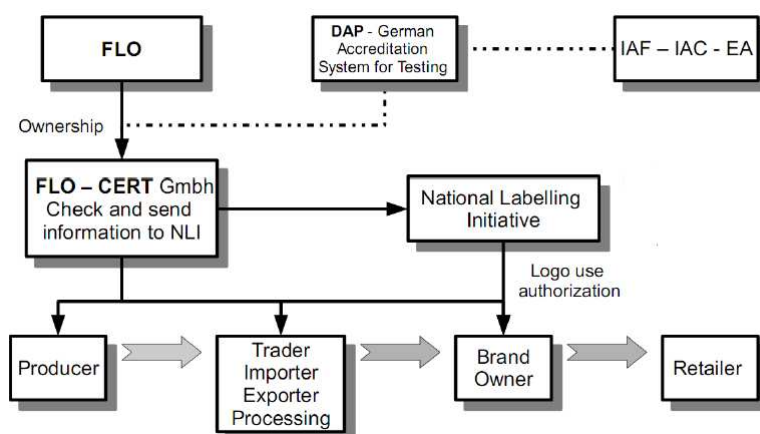
- *Producer network*: associations that Fairtrade certified producers group may join. There are currently three networks represent producers in Latin America and the Caribbean, Africa and Asia;
- *Labelling initiatives*: national organizations that promote Fairtrade in their country and license companies to use the Fairtrade mark on products. There are currently 19 Labelling initiatives in 23 countries in Europe, North America, Japan, Australia and New Zealand;
- *Fairtrade marketing organizations*: organizations that market and promote Fairtrade in their country, similar to labelling initiatives. There are currently two Fairtrade marketing organizations, in South Africa and Czech Republic;
- *FLO-CERT*: established in 2004, is an independent certification company, owned by FLO, which inspects producers and traders to ensure they comply with Fairtrade standards (FLO, 2012).

FLO is about market Fair Trade products through Fairtrade labelling and certification, whereby products complying with international standards are certified indicating that they have been produced, traded processed and packaged in accordance with the specific requirements of those international standards (FLO, 2009).

FLO is currently the most popular on the agro-food sector, covering a wide range of agriculture, composite and manufactured goods including: bananas, cocoa, coffee, cotton, flowers, fresh fruit, honey, juices, rive, spice and herbs, sport balls, sugar, tea, wine and composite products (FLO, 2012).

The importers and the traders can be traditional commercial companies, and the distribution channels can be regular retail outlets.

Figure 3: FLO's certification system



Source: Leonardi, 2009

The Fairtrade standards are a set of minimum standards for socially responsible production and trade, and for support the development of disadvantaged small-scale farmers and plantation workers. Fairtrade- standards relate to the three areas of sustainable development: social development, economic development and environmental development.

The key objectives of the standards are:

- ensure that producers receive prices that cover their average costs of sustainable production;
- provide an additional Fairtrade Premium which can be invested in projects that enhance social, economic and environmental development;
- enable pre-financing for producers who require it;
- facilitate long-term trading partnerships and enable greater producer control over the trading process;
- set clear minimum and progressive criteria to ensure that the conditions of production and trade of all Fairtrade certified products are socially, economically fair and environmentally responsible.

FLO distinguish between core requirements - which producers must meet to be certified and development requirements that encourage producers to continuously improve and to invest in the development of their organization and workers.

Fairtrade standards need to be met by producers and their organizations (Generic Producer Standards and Product Specific Standards) and by the traders who deal with Fairtrade products (Trade Standards and Product Specific Standards).

The two main types of producers organizations that Fairtrade works with are small farmers' organizations, commercial farms and other companies that permanently employ hired labour. FLO has developed distinct generic standards for each group that relate to their different ownership structures and other characteristics, the small farmers' organization might comply with the "Generic standard for the small Farmers' organization", the organizations which hire workers might comply with the "Generic standards for hired labor" (FLO, 2012).

As well as the generic standards, producers must also meet product standards. Each product has a specific standard with different criteria about price, variety, type and quality.

Whilst FLO sets the standards and works with producers to help them meet them, FLO-Cert, an independent certification body, regularly inspects and certifies producers against these standards.

FLO-Cert is an independent organization established in 2004 by FLO. FLO-Cert does all the processes to assess if the Fairtrade applicants are in compliance with the Fairtrade standards, and from 2007 it is accredited by International Standard Organization (ISO) 65 that means that:

- a quality management system has been implemented;
- the processes are transparent;
- Flo-Cert is independent in making certification decisions;
- the certificates issued can be trusted by the market;
- Flo-Cert is controlled by and independent 3<sup>rd</sup> party organization to ensure that it continues in following the rules of ISO 65.

The model used by FLO-Cert includes the audit of the producer organization itself as well as a random check of the representative samples of individual farmers. After the audit, a report is sent to FLO-Cert for evaluation, where the decision to certify is taken by an independent certification committee. Annual inspections are a help however, to ensure that companies continue to trade in a fair manner (FLO-Cert, 2012).

### *iii) European Fair Trade Association (EFTA)*

The European Fair Trade Association (EFTA) is an association of ten Fair Trade importers in nine European countries. EFTA was established informally in 1987 by some of the oldest and largest Fair Trade importers. It gained formal status in 1990 and is based in the Netherlands.

The aim of EFTA is to support its member organizations in their work and to encourage them to cooperate and coordinate. It facilitates the exchange information and networking, it creates conditions for labour division and it identifies and develops joint projects (EFTA, 2012).

Through a small advocacy office in Brussels, EFTA has raised the profile significantly of Fair Trade with the European institutions. The European Parliament, in fact, recognized in 2006 the importance of Fair Trade's goals in a resolution, stating that "*Fair Trade has two inseparable objectives: to provide opportunities to development for small-scale producers and workers in developing countries and to influence the international trading system and private companies towards becoming more conducive to sustainable development*" (European Parliament, 2006).

### *iv) Network of European Worldshops (NEWS!)*

The Network of European Worldshops (NEWS!) is a network of national Worldshops associations in Europe established in 1994. The network consists of 15 national Worldshops associations in 13 countries and in total represents 2500 Worldshops.

The Focus of NEWS! is maximizing the campaigning voice of the shops and their customers. (NEWS, 2012)

#### v) *FINE*

FINE is an informal network of the four key Fair Trade networking organization FLO, WFTO, NEWS! and EFTA established to build relationships and common approaches. The key success so far is the FINE definition of Fair Trade that was agreed by all the participants in 1999 and revisited in 2001 as well as the creation of an environment based on trust and cooperation between the Fair Trade networking organizations (DAWS, 2011).

Since 2004 the FINE initiative have run the Fair Trade Advocacy Office (FTAO), with the task of coordinating the advocacy activities of FLO, WFTO, EFTA and NEWS!, monitoring International trade flows and development policies, and ensuring a constant dialogue between Fair Trade movement and political decision-makers, especially at European level. FTAO mission is *“to speak out of Fair Trade and trade justice with the aim to improve the livelihoods of marginalized producers and workers, especially in the South”* (FTAO, 2011).

## 2.3 Other types of Fair Trade initiatives and certifications

There are in addition some other initiatives and certification schemes involving the Fair Trade movement. One type regards private certification agencies such as Ecocert and the Institute of Marketology (IMO), which since few years have started to offer also Fair Trade certification besides other certifications like the organic one. Another type regards the buyers and retailers enterprises like Alter Eco which have developed their own certification process about Fair Trade. Finally it is worthwhile mentioning growing, purchasing policies enhanced by companies as for example The Body Shop in Europe and Aveda in the USA which regards Fair Trade. They are briefly described in the following.

### *i) Private Certification agencies: Ecocert and IMO*

There are also some private certification agencies in the world that offer the Fair Trade certification, in this section two examples are briefly presented.

An example is Ecocert, which is a private certification agency based in France and founded in 1991. This organization certifies organic producers in more than 80 countries outside European Union (EU) on all continents and since 2007, has started certifying Fair Trade products. Ecocert can offer organic certification and Fair Trade, both, at the same time along with Hazard Analysis Critical Control Point (HACCP) certification and other kinds of quality standards as ISO (Ecocert, 2012)

Another example is the Institute of Marketology (IMO), which is one of the first international agencies for inspection, certification and quality assurance of eco-friendly products. It is based in Switzerland and they certify in more than 90 countries. They are specialized in organic certification and they are also offering- various kinds of certifications in sustainable forestry like FSC and PEFC and quality management as GLOBALGAP. They certify Fair Trade since 2006 through the program “Fair for Life” (IMO, 2012).

The advantages of this kind of certifications are firstly that usually have no limitation of products, secondly that they offer various kind of certification at the same time, and finally that the price of the products is fixed case-by-case according to the size of the enterprise.

The disadvantages of these organizations are that usually they are well-known in the countries where they are based, France in the case of Ecocert, Switzerland in the case of IMO, but they are not well known internationally as FLO. Additionally, sometimes these certifications are not recognized by FLO and other Fair Trade buyers. For example FLO members such as Transfair Canada and Max Havelaar don't recognize the label of Ecocert, although they respect the FINE declaration.

## *ii) Fair Trade enterprise certification: Alter Eco*

Important Fair Trade buyers have also grown since the Fair Trade movement have started, Alter Eco is an example of buyer which has developed its own Fair Trade certification process.

Alter Eco started as a No-profit organization and it opened its first small store in Paris, France in 1999 selling Fair Trade handicrafts and some food products. In the following years it became a Corporation, it launched a full range of Fair Trade products and it became international in 2005. Now it has retail shops in France, USA, Brazil, Japan, Australia and Morocco, and it has 56 products which come from 25 cooperatives in 19 countries in the South, certified by Alter Eco's own process (Alter Eco, 2012).

## *iii) Fair Trade purchasing policies: the Body Shop and Aveda*

There are examples of companies, especially in the cosmetic sector, which have developed Fair Trade purchasing policies.

These ones are for example *Aveda* in USA and *The Body Shop* in Europe. They respect some principles same as the Fair Trade ones, when they buy from Southern countries.

Aveda purchase their products according to the Coalition for Environmentally Responsible Economies (CIRES), which have a lot of common principles with the Fair Trade ones (Aveda, 2012).

The Body Shop has been exploiting the idea of Fair Trade since 1980s as an essential part of its business philosophy. It has a special program named Community Trade that ensures a Fair Trade price and various benefits to producers, the goal is to “*help create livelihoods, and explore trade-based approaches to supporting sustainable development by sourcing ingredients and accessories direct from socially and economically marginalized producer communities*” (Body Shop, 2012). In Nepal The Body Shop is linked to the Fair Trade cooperative Get Paper Industries (GPI) (See pag 45).

These companies don't have a real certification process but they have purchasing policies same as the Fair Trade, and are offering interesting market opportunities. For example, in Nepal, the Fair Trade cooperative Get Paper Industries is supported by a campaign called “The Body Shop Fair Trade communities”.



## 2.4 Fair Trade in Asia

The information about the Fair Trade in the Asian region are not as many as for Africa of Latin America.

The Fair Trade movement in Asia has started to grow parallel to high growth of the Chinese and Indian economies, which both have a high influence in the entire region. The rapid economic growth of these countries accompanied by a lack of concern for poor people has encouraged the growth of the Fair Trade movement too.

Currently the expansion of Fair Trade in Asia is going fast, thanks to the creation of networking, supporting and lobbying organizations at local and regional level, and also to a more and more important local market sustained by the growing Asian middle class.

Limits at the development of the Fair Trade movement in Asia are the still high political instability of many countries and the high competition with the private business, especially Chinese.

The Fair Trade movement in the Asian region is dominated by two main network organizations, WFTO-ASIA and Network of Asian Producers (NAP). The first one is a regional network of WFTO, the second one of FLO.

### *i) WFTO-Asia*

WFTO-ASIA is a consortium of producers and marketing and development organization in the Asia Pacific region, as regional chapter of WFTO, WFTO-ASIA provides impoverished food and craft producers, from all over Asia, greater access to regional and interregional export markets (WFTO-Asia, 2012).

WFTO-Asia comprises more than 130 Fair Trade Organizations from the poorest part of the continent – South and South-East Asia across 16 developing countries: Bangladesh, China, Cambodia, India, Indonesia, Japan, Korea, Laos, Nepal, Pakistan, Palestinian Authority, Philippines, Sri Lanka, Thailand, Timor Leste and Vietnam. Members include producers and producers organizations, retailers, business development service providers, advocacy group, NGOs and Fair Trade country-networks (DAWS, 2011).

### *ii) Network of Asian Producers (NAP)*

The NAP is part of FLO. IT is the representative body of farmers, workers and other organizations belonging to Fairtrade Certified Producers Organizations in Asia.

NAP's mission is *"to be an organ of representation, coordination, exchange and collaboration for the empowerment of small-scale farmers' and farm workers' organizations from Asia within the framework of Fairtrade Certification"* (NAP, 2012). NAP now has 96 member producer organizations in 12 countries: Bangladesh, China, Fiji, India, Indonesia, Laos, Pakistan, Papua New Guinea, Philippines, Sri Lanka, Thailand and Vietnam.

## 2.5 Fair Trade in Nepal

The development of the Fair Trade movement in Nepal is strictly connected to the development of the handicraft sector and the tourism.

Handicraft is an integral part of Nepal's cultural heritage. The production of handicraft products as an economic activity began only in the 1960s, closely connected with the development of tourism in Nepal, after the country opened its doors to the outside world. Firsts were the people from India visiting Nepal to buy handicraft products, and then the Nepal's producers to go to India to sell their products - then, resurgence in demand for hand-made products in foreign markets has led a revival in the production of handicrafts. The economic returns in this business have also enabled the survival of entrepreneurs throughout the country and today handicraft made by artisans living in remote areas has also become popular and are in demand among foreigners as well as among the Nepalese themselves.

Internationally, the handicraft is defined as a "*commercial activity based on the craftsmanship of artisans. Moreover, handicraft can be considered as an industry using manual skills and expression of creativity*" (Sashi and Kachhipati, 1999).

In Nepal there is no standard definition of handicraft and there are no distinctions between handicraft and industry.

In the development of handicraft as an economic activity, an important role was played by the Handicraft Association of Nepal (FHAN)<sup>5</sup>. FHAN is the representative national body of handicraft producers, exporter and retailer established in 1972.

Non Governmental Organizations (NGOs) emerged in large numbers in different sectors in the late 1980s in Nepal, and the Government and international development agencies have made increasing use of them for collective projects implementation, delivery of skill trainings, production and marketing.

In the early 1990s some organizations became active to provide support to economically marginalized producers. These organizations were mainly trying to create market opportunities of the culturally rich products produced by economically poor producers.

Many NGOs took micro-enterprises as an entry point for other development activities: Nepal Charkha Prachanah Gandhi Smarch Mahaguthi (NCPGSM), Association for Craft Producers (ACP), Women's Skills Development Project (WSDP), Himalayan Leather Handicrafts (HLH), Manushi, Kumbeshwar Technical School (KTS), Janakpur Women Development Centre (JWDC), Bhaktapur Craft Printers (BCP) and WEAN are among the notable examples of NGOs in the field, many of them, already working in the Fair Trade market.

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<sup>5</sup> Originally, the name of the association was Handicraft Association of Nepal (HAN).

Oxfam began to facilitate a dialogue between these NGOs focused in similar issues but competitors, and these organizations started working together in 1993 as Fair Trade Group of Nepal (FTGN).

FTGN was initially an informal network of 7 NGOs operating in the field, and was formally established and registered under WFTO in 1996. (Sashi and Kachhipati, 1999).

#### *i) Fair Trade Group Nepal (FTG Nepal)*



Figure 4: FTG Nepal logo

(Source: fairtradegrouppnepal.org)

It was formally registered as an NGO in 1996 and in 1997 the FTG Nepal secretariat was established.

FTG Nepal is a member of WFTO, Country Coordinator of WFTO country members in Nepal, and founder member of WFTO-Asia.

The FTG Nepal mission is *“to promote Fair Trade and provide support to members and like-minded organizations contributing towards sustainable livelihood at grass-roots/local level through Fair Trade focused enterprises”* (FTG Nepal, 2012).

FTG Nepal aims to develop constructive collaboration among the Fair Trade organizations to influence policy makers to adopt Fair Trade friendly policies and to promote Fair Trade practices in Nepal. Further, it aims to strengthen the networks and solidarity at national, regional and international level to advocate Fair Trade movement. It is also a platform where the members discuss their common problems, issues and share the ideas and information with each other.

The members of FTG Nepal are providing business support services to their producers in terms of operating fund for production, small-scale investment, design inputs, training and access to the local and international market. In addition, these organizations are also providing social services such as education to the producers' children, treatment and rehabilitation to leprosy affected people, orphanage for street children and orphan girls etc. By raising self-reliance among marginalized people these members are encouraging indigenous skills based enterprise in handicraft, food and non-timber forest products.

At present, more than 7000 unprivileged producers and 35000 producers are directly and indirectly benefiting through its members (FTG Nepal, 2012).

The objectives of the FTG Nepal are:

- To advocate and lobby formulation and implementation of Fair Trade Policies and Laws in Nepal;
- To increase membership and outreach;
- To enhance the capacity of member organizations of FTG Nepal;
- To further strengthen the unity among the members and to capitalize their existing resources;
- To promote FTG Nepal as BDS resource centre;
- To design and implement projects contributing for the livelihood enhancement of low income groups of people;
- To institutionalize FTG Nepal as a leading institution to promote Fair Trade through organization development;
- To develop, design and implement Fair Trade monitoring mechanism
- To facilitate Fair Trade market expansion
- To expand and strengthen national, regional and international network;
- To promote Fair Trade movement at national and international level;

There are five focus areas and activities:

1. Promotion of Fair Trade: FTG Nepal promotes the Fair Trade concept as such and advocates the broad based issues within it such as child labour, gender equity, business transparency etc. Under this focus area, FTG Nepal conducts programs of awareness raising and orientation on Fair Trade and lobby, advocacy and networking;
2. Capacity Building: Capacity enhancement of members and like minded non member business support organizations, enterprises and producers are done by FTG Nepal through extensive and intensive service delivery. The modalities of service delivery vary from one target group to another;
3. FTG Nepal provides membership to the organizations fulfilling its membership criteria. We monitor our members whether they have fulfilled FTG Nepal code of conduct or not by regular monitoring activities. We follow the monitoring mechanism developed by World Fair Trade Organization (WFTO) and apply the same mechanism to monitor our members;
4. Research and Development: FTG Nepal conducts market research, action research, policy research and study/assessment on the areas that has relation with Fair Trade sector;
5. Partnership Projects with organizations at local, regional and international level (FTG Nepal, 2012).

**BOX 3: WFTO Global Conference 2009 in Kathmandu, Nepal**

WFTO 10<sup>th</sup> Global Conference took place in Kathmandu, Nepal in May 2009. The Biennial Conference, under the theme – WFTO: The Voice of Fair Trade - was organized and hosted by Fair Trade Group Nepal (FTG Nepal) and it was an important event for the organizations and people involved in the Fair Trade in Nepal and in the Asian neighboring countries. At the conference there were 230 participants, representing 109 member organizations of the WFTO and non-member organizations, including representatives from the International Labour Organization (ILO), FLO and many others.

All throughout the conference, the panels focused on the challenges that Fair Trade Organizations and WFTO are facing, in times of economic and environmental crisis, with detailed discussion on sustainable business models, advocacy, re-branding, SFTMS, cultural identity and the challenges of climate change and best environmental practices in Fair Trade (WFTO, 2009).

Table 1: FTG Nepal member organizations

<b>Organizations</b>	<b>Locations</b>
Association For Craft Producers	Kathmandu
Janakpur Women's Development Centre	Janakpur, Dhanusha
Kumbeshwar Technical School	Kumbeshwar, Lalitpur, Kathmandu
Mahaguthi Craft with a Conscience	Kopundole, Lalitpur, Kathmandu
Manushi	Kathmandu
Sana Hastakala	Kopundole, Lalitpur, Kathmandu
Women's Skills Development Organization	Pokhara
New SADLE	Kapan, Kathmandu
Nepal Leprosy Trust	Khulmatar, Lalitpur, Kathmandu
Women Development Service Centre	Janakpur
CHILDREN-Nepal	Pokhara
Nepal Girls Care Centre	Kathmandu
Bhaktapur Craft Paper Ltd.	Bhaktapur
Get Paper Industries	Bansbari, Kathmandu
Folk Nepal	Kathmandu
Hatale Udyiog Pvt. Ltd.	Kathmandu
WEAN Multipurpose Cooperative Ltd.	Patan Dhoka, Lalitpur, Kathmandu

Source: FTG Nepal, 2012

## *ii) The Federation of Handicraft Associations of Nepal (FHAN)*

The Federation of Handicraft Associations of Nepal (FHAN) was established in 1972 to enhance and promote handicraft trade and industry. It is a service oriented non-profit organization of private sector business and artisans community. It helps its members to improve their productivity, explore markets and introduce them to the international arena. It also works as liaison between its members, the Government and the NGOs. The aims and objective of FHAN are: to work toward steady growth of handicraft trade and industry, to encourage Nepalese artisans to adopt handicraft production as their profession by preserving Nepalese cultural heritage, to strive towards enhancing the quality of handicraft goods & its productivity, to provide pragmatic suggestions and advice to the government and its related agencies to formulate policies and programs for the betterment of handicraft trade and industry, and finally to popularize and promote handicraft product (FHAN, 2012).

Members of FHAN are also the Fair Trade Group Nepal and many of its members organizations, and other associations which are indirectly involved in Fair Trade as the Nepal Ceramic Association and the Nepal Handmade Paper Association.

### 3. Context Analysis

#### 3.1 Nepal Country Overview



Figure 5: Map of Nepal

Source: [www.ezmapfinder.com](http://www.ezmapfinder.com)

Nepal, officially Federal Democratic Republic of Nepal, is a landlocked country in the eastern Himalayas, in South Asia, extending over an area of 147,181 square kilometers. The country is bordered by the Tibet region of China in the North and by India in the East, West and South.

Due to its difficult geography and tormented history, socioeconomic progress has not been rapid and Nepal remains a Least Development Country (LDC)<sup>6</sup> and is the poorest country in South Asia (EC, 2007).

Geographically Nepal is divided in three regions: the grassland region in the south called *Terai*, the hilly belt in the middle of the country called *middle-hills* and finally the *Himalaya* region in the North, the highest mountain range in the world.

The capital is Kathmandu, located at the core of the Kathmandu Valley, in the middle of the country, standing at an elevation of 1400m above sea level. Kathmandu, with approximately 1.2 million inhabitants is the largest city in the country and the core of the economic activities of Nepal. Other important cities are Pokhara, Lalitpur, Biratnagar, Janakpur and Dharan.

Nepal is officially organized in five development regions (DRs): The Eastern Region, Central Region, Western Region, Mid-Western Region and Far-Western Region. Regions are then divided into Zones, Districts and Villages Committees.

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<sup>6</sup> According to the United Nations Development Program (UNDP) LDC is the acronym given to a country which exhibits the lowest indicators of socio-economic development with the lowest Human Development Index (HDI) ratings of all countries in the world.



Nepal has a population of approximately 27 millions, most of it is concentrated in the southern area and in the *middle-hills*, where life conditions are easier than in the mountains as regards agriculture opportunities, infrastructural development and economic opportunities (EC, 2007 and 2011).

#### **BOX 4: Key events in the recent history of Nepal**

1996 13 Feb	The Communist Party of Nepal (Maoist) launched the People's war.
2001 1 Jun	King Birendra, Queen Aishwarya and other close relatives were killed.
2001 Nov	A state of emergency was declared after more than 100 people were killed in four days of conflict
2005 1 Feb	Kin Gyanendra dismissed Prime Minister Deruba and his government, declared a state of emergency, and assumed direct power citing the need to defeat Maoist rebels.
2005 Nov	The Maoist rebels and seven political party alliances agreed on a program aimed at restoring democracy.
2006 24 Apr	Kin Gyanendra agreed to reinstate parliament following a 19-day violent strikes and protest against direct royal rule. Koirala was appointed Prime Minister.
2006 21 Nov	The government and Maoists signed the comprehensive Peace Accord (CPA), declaring a formal end to a 10-year rebel insurgency, and transforming the Nepali state.
2007 Jan	Maoist leaders were elected to parliament under the terms of the Interim Constitution of 2007. Violent ethnic protests demanding regional autonomy erupted in the Southeast part of Nepal.
2007 Apr	Former Maoist rebels joined the interim government thereby moving into the political mainstream.
2007 May	Election for a Constituent Assembly was postponed to November 2007 and again shifted to April 2008.
2007 Oct	United Nation Secretary-General Ban Ki-moon urged Nepal's parties to resolve their differences to save the peace process
2008 10 Apr	A Constituent Assembly election was held throughout the country.
2008 28 May	The first meeting of the Constituent Assembly was held, it formally abolished the monarchy and proclaimed Nepal a republic as stated in the Interim Constitution of 2007.
2008 15 Aug	A Government under Maoist Leadership was formed.
2009 May	Prime Minister Prachanda resigns in a row with President Yadav. Maoists leave the government after other parties oppose integration of former rebel fighters into national army.
2010 May	Governing coalition and Maoist opposition agree to extend deadline for drafting the new constitution to May 2011.
2011 Jan	UN peace monitoring mission ends.
2011	Feb Khenal elected premier, ending a seven months stalemate during which Nepal had no effective government
2011 May	Constituent Assembly fails to meet 28 May deadline for drawing up new constitution.
2011 Aug	Prime Minister Khenal resigns after government fails to reach compromise agreement with opposition on shape of new constitution and fate of former Maoist fighters (UNDP, 2011; Bbc news, 2012).

## 3.2 Political situation

Since 1990, Nepal's democracy has been fragile: feudal structures and a powerful monarch persisted, and only an elite enjoyed socio-economic prosperity. The erosion of public trust in the political system provided fertile ground for a Maoist-led guerrilla struggle in the countryside.

The Comprehensive Peace Agreement (CPA) was signed in November 2006 – ending a decade-long conflict with more than 14000 victims. The election of the Constituent Assembly followed, in April 2008, and the declaration of Federal Democratic Republic of Nepal on 28 May 2008, abolished 240 years of monarchy (See Box 5).

Successive governments have attempted to bring about changes. They have held forums and meetings to discuss strategies with development partners, aimed at building an inclusive and just society, ending impunity, ensuring respect for human rights and developing a solid and vibrant democracy. However, although the successive coalition governments have continued to declare their commitment to implementing the CPA provisions, the peace process has not really moved forward since November 2006 (Bbc news, 2012).

The process of political change in Nepal is complex. Ten years of armed conflict combined with a period of autocratic rule has left the country's institutions weak and subject to political pressure. Entrenched impunity continues to be the key obstacle to reforming government institutions, particularly local governance bodies, law and order enforcement bodies and criminal justice. Recent failures to reform the police have led to a public security crisis that has contributed to the general deterioration of human rights and the proliferation of criminal gangs.

The capacity to face these decisive decisions about the future of Nepal can only come from an informed understanding of the available institutional choices and processes, their applicability and implications. It is important that political parties, Maoists, civil society, government and NGOs remain committed to the democratic process over the long term. The Maoists must demonstrate their ability to become a political actor that respects multi-party, parliamentary democracy in line with their pledges (EC, 2007 and 2011).

## 3.3 Economic situation

The Nepalese economy is one South Asia's most open and trade-dependent economies. The share of trade in GDP and in world exports has almost doubled over the last two decades. The share of agriculture has dropped from 60 to 40% and the share of industry has increased from 13 to 21%. Despite these achievements, Nepal is still one of the poorest countries in the world

and the poorest country in South Asia due to its difficult topography, its poor infrastructure and its landlocked location.

Sustained growth has not materialized as expected and it will be difficult to achieve higher growth in the next few years, as the political situation is still too unstable to allow business to flourish. Furthermore, the economy is still affected by an unreliable power system, a lack of law and order, and an opaque regulatory framework (EC, 2007 and 2011).

Without remittances, the Nepalese economy would have been in a disastrous situation. In 2007, the country received a staggering US \$ 1.6 billion, excluding remittances from India; if estimated inflows from India are included, the total would represent 25 percent of Nepal's Gross Domestic Products (GDP).

Economic growth is mainly driven by non-agricultural sectors which account for the major share of GDP – 31 percent. However, agriculture still plays a critical role, as more than 75 percent of the population is directly involved in agricultural activities.

In the non-agriculture subsectors, the GDP shares of financial and real estate, construction, restaurant and hotels, transportation and communications, and manufacturing have remained unchanged over the past five years.

Water and hydropower are Nepal's most important natural resources. These are about 45000 km of rivers and streams and an estimated power potential of 83000 megawatts, of which 50 percent is economically viable, however, only 0.5 percent has so far been exploited.

With the restoration of peace and democracy, Indian investors have recently floated proposals to build hydropower plants in Nepal. At present, only 40 percent of Nepalese households have access to electricity and Nepal's power costs are among the highest in South Asia.

The industry sector is driven by the production of goods for export markets mainly in the US, Germany and India, such as garments, carpets, textiles, food items and chemicals. Tourism is a key economic sector for Nepal and probably will be the fastest-growing sector in the years to come.

The European Union (EU) is the second largest exporter to Nepal (12.4%) followed by USA (11.8) and China. India is Nepal's largest trading partner, absorbing over 66 percent of the country's exports. Imports from India accounted for nearly 60 percent of total imports in 2008. Nepal is a member of the World Trade Organization (WTO), Bay of Bengal Initiative for Multi-Sectorial Technical and Economic Co-operation (BIMSTEC) and South Asia Free Trade Area (SAFTA).

The main exports from Nepal are manufactures, which account for 70.2 percent of total export, followed by agricultural goods at 20.8 percent and chemicals and drugs at 8.6 percent.

On the import side, manufactures account for 33.3 percent of Nepal's total imports, machinery and transport equipment for 16.6 percent, petroleum products for 16.1 percent, agricultural

products for 13.8 percent, chemicals and drugs for 11.5 percent, and mining products for 6.8 percent. The main import countries are India, China, EU and USA.

Among the most critical development failures are the exclusion of caste and ethnic groups and certain regions (Mid- and Far- Western hills and the *Terai*) from the benefits of growth and human development. Moreover, a lack of control and accountability has led to serious problems of corruption and abuses, and external assistance still plays a critical role in Nepal's development strategy (EC, 2007 and 2011).

### 3.4 Social situation

Although Nepal is one of the poorest countries in South Asia, progress on a number of social indicators has been impressive, in spite of the conflict. Nepal's HDI rank dropped to 156 (out of 187 countries) in 2008 from 142 (out of 177) in 2007 (See pag 30).

According to the 2008 Economic Survey of the Ministry of Finance, 24 percent of the population lives below the poverty line (one dollar a day).

Despite the conflict, the social sector (education and health) has performed reasonably well. Access to education and health services has improved substantially. Net school enrolment rates reached 93.7 percent in 2009. In the health sector, the maternal mortality ratio decreased to 281 per 100.000 live births in 2006 from 539 in 1996.

Social inclusion has recently emerged as a core challenge to Nepal's development agenda.

It is critical to recognize that, economic growth notwithstanding, the country has increasingly developed into an unequal society in which *Brahmins*, *Chethris* and *Newars* and most people living in the Kathmandu valley have prospered while many other communities, such as the *Baisya*, *Yadav*, *Dalits*, indigenous *Janjati*, etc. and people living in remote districts have not. Exclusion results in poverty, unequal distribution of resources and development initiatives, and the inability of certain communities or geographical areas to participate in socio-economic and political development processes (EC, 2007 and 2011).

### *i) Human Development Index (HDI)*

The rank of Nepal's Human Development index (HDI)<sup>7</sup> in the Human Development Report (HDR) 2011, published by the United Nations Development Program (UNDP) is 156 out of 187 countries and territories. Nepal's HDI value for 2011 is 0.458, positioning the country in the low human development category (UNDP, 2011).

Table 2: Nepal's HDI components trends from 1980 to 2011

	Life expectancy at birth	Expected years of schooling	Means years of Schooling	GNI per capita (2005 PPP\$)	HDI Value
1980	48.2	5.6	0.6	587	0.242
1985	51.1	5.6	1.2	647	0.285
1990	54.0	7.3	2.0	740	0.340
1995	57.5	8.0	2.2	804	0.366
2000	61.6	8.8	2.4	915	0.398
2005	65.6	8.8	2.7	960	0.424
2010	68.5	8.8	3.2	1121	0.455
2011	68.8	8.8	3.2	1160	0.458

Source: UNDP, 2011

Table 3: Nepal and South Asia's HDI trend from 1980 to 2011 Source: UNDP, 2011

Year	1980	1985	1990	1995	2000	2005	2006	2007	2008	2009	2010	2011
Nepal	0,242	0,285	0,340	0,366	0,398	0,424	0,432	0,437	0,443	0,449	0,455	0,458
South Asia	0,356	0,389	0,418	0,444	0,468	0,510	0,518	0,527	0,532	0,538	0,545	0,548

Source: UNDP, 2011

Between 1980 and 2011, Nepal's HDI value increased from 0.242 to 0.458, an increase of 89% or average annual increase of about 2.1%. The rank of Nepal's HDI for 2010 based on data available in 2011 and methods used in 2011 is 156 out of 187 countries. In the 2010 HDR, Nepal was ranked 138 out of 169 countries. However, it is misleading to compare values and rankings with those of previously published reports, because the underlying data and methods have changed, as well as the number of countries included in the HDI.

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<sup>7</sup> The Human Development Index (HDI) is a summary measure for assessing long-term progress in three basic dimensions of human development:

- A long and healthy life, measured by life expectancy;
- Access to knowledge, measured by mean years of adult education, which is the average number of years of education received in a life-time by people aged 25 years and older, and the expected years of schooling for children of school-entrance age;
- Decent standard of living, measured by Gross National Income (GNI) per capita expressed in constant 2005 PPP\$ (UNDP, 2011).

Table 2 reviews Nepal's progress in each of the HDI indicators. Between 1980 and 2011, Nepal's life expectancy at birth increased by 20.6 years, mean years of schooling increased by 2.6 years and expected years of schooling increased by 3.2 years. Nepal's GNI per capita increased by about 98.0 per cent between 1980 and 2011. Nepal's 2011 HDI of 0.458 is above the average of 0.456 for countries in the low human development group and below the average of 0.548 for countries in South Asia (see Table 3 and Figure 6) (UNDP, 2011).

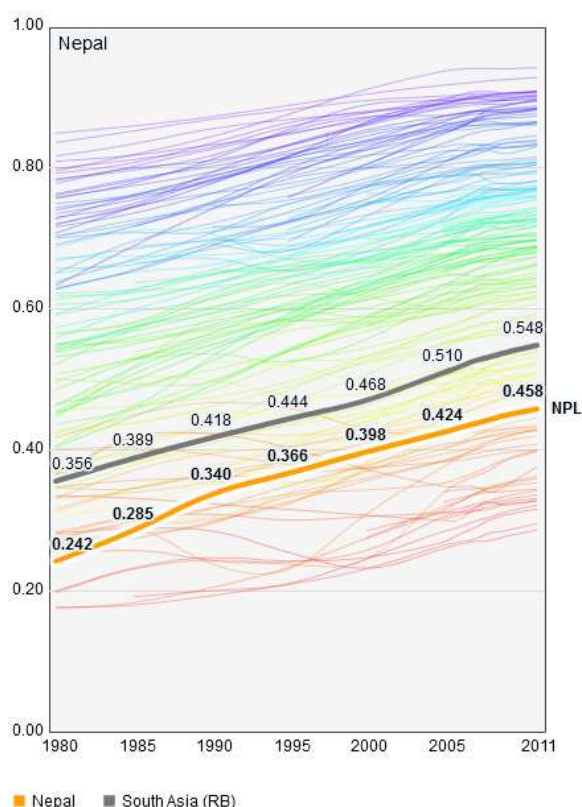


Figure 6: Nepal and South Asia's HDI trend from 1980 to 2011

## 4. Materials and methods

This research is the result of an internship with the Italian NGO Incontro Fra I Popoli<sup>8</sup> (IFP). IFP has started to work in Nepal in 2007 with a local partner association, Women for Human Rights (WHR), working for the human rights and the social empowerment of the single women (widows) across Nepal.

The present research was carried out because of the interest of IFP, which is also partner of the Italian Worldshops cooperative *Stella del Sud*, in exploring and strengthen the knowledge about the Fair Trade in Nepal.

### 4.1 Research approach

The research activities can be divided in two phases:

The first phase took place in Italy during the month of October 2011. During this period, basic information about the objectives of the thesis have been collected from various books, reports, articles, web search, and in addition from the contact with Italian organizations involved in the Fair Trade such as *CTM Altromercato*<sup>9</sup> and *Angoli di Mondo*<sup>10</sup>.

Additionally, all the Nepalese organizations which are part of the network were contacted. The contacts of the Fair Trade producer organizations in Nepal were collected first from the FTG Nepal website and then all the listed organizations were directly contacted through mail and phone.

The second phase took place in Nepal approximately from November 2011 to the beginning of February 2012. First of all, the local staff of the FTG Nepal has been met in order to get the essential information about the Fair Trade panorama in Nepal and the FTG Nepal network, and finally planning all the visits and the activities with the FTG Nepal member organizations during the stay. Eleven FTG Nepal member organizations plus other stakeholders were selected in order to be interviewed and collect those necessarily data and information to reach the objectives of the research (Table 4).

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<sup>8</sup> Incontro Fra i Popoli (IFP) is an Italian NGO founded in 1990 and based in Padova (PD). IFP works in various sectors such as cooperation, human rights, education and sustainable tourism. It works in Italy and in East-Europe, Africa and South Asia supporting local partner associations.

<sup>9</sup> The *consorzio* CTM Altromercato is an organization established in 1988, leading actor of the Fair Trade in Italy. It is made up of 125 members (Associations, cooperatives and social enterprises) which operates about 300 Worldshops and Fair Trade shops.

<sup>10</sup> Angoli di Mondo is an organization based in Padua, Italy. It works in the fields of Fair Trade and international cooperation.

In the approximately three months of stay in Nepal the activities have been carried out at different levels:

- Firstly, visits, meetings and interviews to the responsible of FTG Nepal member organizations was done in order to collect data which were considered to be functional to reach the 1<sup>st</sup> and 2<sup>nd</sup> objectives (see Table 4 and Annex 5 for details);
- Secondly, visits, interviews and focus groups (where possible) to the producers groups and production centers was done in order to reach the 3<sup>rd</sup> objective (see table 5);
- Finally, in order to get a variety of other point of views on Fair Trade, visits and consultations has been done with other stakeholders such as: Fair Trade showrooms, conventional touristic handicraft shops, Handicraft exhibitions.

Table 4: List of organizations visited and their location

Organization	Location
FTG Nepal	Lalitpur, Kathmandu
Association for Craft Producers (ACP)	Kathmandu
ACP's felt producer group	Kathmandu
Kumbeshwar Technical School (KTS)	Lalitpur, Kathmandu
Mahaguthi Craft with a conscience	Lalitpur, Kathmandu
Manushi Craft & Arts	Kathmandu
Sana Hastakala	Lalitpur, Kathmandu
Women's Skills Development Organization (WSDP)	Pokhara
New SADLE	Kapan, Kathmandu
Children-Nepal	Pokhara
Nepal Girls Care Center (NGCC)	Kathmandu
Bhaktapur Craft Paper Ltd.	Bhaktapur
Get Paper Industries	Bansbari, Kathmandu
THIMI Ceramics	Thimi

Source: Own elaboration



## 4.2 Data Collection and Analysis

The data and information collection approach is mainly qualitative-based in the present research.

Regarding the single specific objectives the following methodologies were adopted during the research:

In particular, as regards the 1<sup>st</sup> specific objective - *examine the profile of the Fair Trade Group Nepal member organizations* - these instruments have been used:

- Literature review from books, reports and thesis related to the research topic;
- Collection of secondary information from various articles and web search to complete the necessary information.

As regards the 2<sup>nd</sup> specific objective - *identify the potentials, the limits and the challenges that Fair Trade in Nepal is facing and examine the perception of them by the member organizations of the Fair Trade Group of Nepal* - three instruments have been used:

- Visits to the FTG member organizations, offices and production centers;
- Semi-structured interviews with the responsible of the FTG Nepal member organizations: executive directors, chairpersons and officers from the managerial area. The semi-structured interview guidelines (See Annex 6) were prepared to know the opinion about potentials, limits and challenges that the Fair Trade in Nepal is facing by the FTG Nepal member responsible. The interviews were done face to face and the questions have always been open-ended;
- Collection of secondary information from reports, articles published by organizations, and web consultation of the organizations' websites.

Regarding to the third and last specific objective - *examine the perception of Fair Trade impact by the producers/artisans at grass-roots level* -

- Visits at the production centers and producers groups;
- Semi-structured interview and *focus group* (where possible) to artisans and workers (see Annex 6). Due to the various circumstances faced during the visits (limited time, busy work, language), the semi-structured interview resulted the most suitable instrument.

### *Data analysis*

The qualitative data has been analyzed and elaborated mainly in form of description and graphical categorization.

## 4.3 Limitations

The activities planned at the beginning have been partially modified because of specific circumstances and some limits faced during the stay. The two main limits had been:

- The limited time available of the local staff of the FTG Nepal member organizations to follow the researcher to visit the producers group;
- The language barrier because most of the producers spoke only Nepali, so during the interviews and the focus groups, a translator was always needed.

In general, this research takes into consideration only a part of the Nepalese Fair Trade, useful will be broaden this research to the other members of the FTG Nepal and also to the organizations which operates independently (for example: Himalayan Bio Trade); moreover, it is just an overview of several aspects. A detailed analysis of the aspects mentioned in this research would be interesting.

## 5. Results

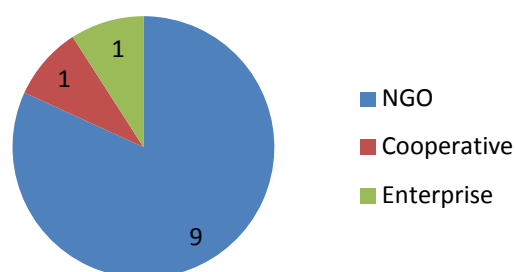
### 5.1 Overview of the FTG Nepal members

In this section, the main characteristics of the FTG Nepal member organizations visited are presented: i) the constitution; ii) the target group iii) the structure; iv) the size; v) the markets vi) the products).

#### *i) Constitution*

The FTG Nepal member organizations visited (are mainly Non Governmental Organizations (NGOs), except two members. The organizations constituted as NGOs are: Association for Craft Producers (ACP), Kumbeshwar Technical School (KTS), Mahaguthi, Manushi, Sana Hastakala, New SADLE, CHILDREN-Nepal, Women Skill's Development Project (WSDP) and Nepal Girl Care Centre (NGCC); The two exceptions are Get Paper Industry (GPI), which is constituted as a cooperative, and Bhaktapur Craft Paper Ltd. (BCP), which is constituted as an enterprise (Figure 7).

Figure 7: Constitution of the FTG Nepal member organizations



Source: Own elaboration

#### *ii) Target groups*

The target groups of all the FTG member organizations are the marginalized and disadvantaged producers, in particular women. The members then, are usually focused on specific target groups like women, leprosy affected people, disable people, orphans, or underprivileged ethnic groups.

There are two kinds of organizations in the Nepalese Fair Trade. One for example, KTS and Children-Nepal, which are focused on specific social projects, and produce handicraft as source of income, and the other one where the organizations operates as a kind of middle-man between the marginalized producers and the consumers, giving them a market access and several kinds of facilities.

### *iii) Structure*

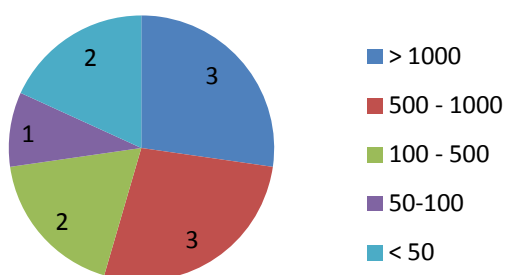
The structure of the organizations is generally composed by a unit that provides services and facilities to the producers, a unit involved in sales, quality, export of the products and finally a production centre unit, where parts of the producers are involved. Usually, in this production centers units are concentrate on just a few production processes (for example tailoring unit), or only on a few stages of the production process (for example preparation of the raw material, design preparation, and quality check).

The other producers work at home or in producer groups.

### *iv) Size*

As regards the number of producers, there are wide differences among the FTG Nepal member organizations: three organizations have more than 1000 artisans, three organizations have between 500 and 1000 artisans, two organizations have between 100 and 500 artisans, one has 50 to 100 artisans and finally two organizations less than 50 artisans (see Figure 8).

Figure 8: Size of the FTG Nepal members visited (number of producers)

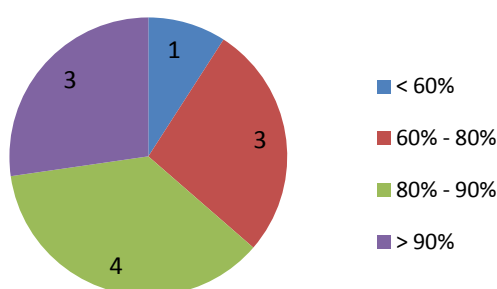


Source: Own elaboration

## v) Markets

In terms of market, the organizations visited are mainly export-based: three organizations exports more than 90% of the production, four organizations export between 80 and 90%, three organizations between 60 – 80%, and just one organization exports less than 70% (see figure 9).

Figure 9: Percentage of export



Source: Own elaboration

The main export markets are Europe, North America, Australia, Japan and Korea.

The local market in Nepal is limited, although in the last few years, an increase has been seen. There are Six FTG Nepal members showrooms in Kathmandu, one belonging to ACP under the name Dhukuti, 2 belonging to Mahaguthi, one belonging to Sana Hastakala, one belonging to KTS, and finally one belonging to GPI and named The Paper Park, in addition WSDP owns two showrooms in Pokhara.

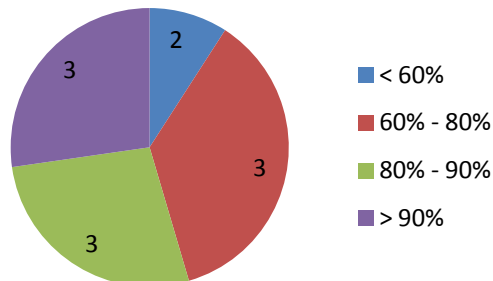
Currently, there are no data available about customers profile but, although the largest customers remain tourists and expatriate people, four organizations out of six have seen in recent years a growing number of Nepalese people buying Fair Trade product. On the average, is estimated that 60% of the customers are tourists people, 20% are expatriate people and 20% are Nepalese people.

Although Fair Trade products remain non affordable for the majority of the Nepalese people, the high and rich part of the society has started to be interested in Fair Trade. In this sense fundamental has been the awareness raising campaigns of the FTG Nepal and the various handicraft exhibitions where FTG Nepal members have participated.

As regards the sales in the Fair Trade market channel or in the mainstream market, the scenario results quite diversified: three organizations sell more than 90% of its production through the Fair Trade channel, three organizations sells between 80 and 90%, four

organizations between 60 and 80% and finally one organization sells less than 60% in the Fair Trade market channel (see Figure 10).

Figure 10: Percentage of production sold in the Fair Trade market



Source: Own elaboration

FTG Nepal members have good experience in doing business also in the mainstream market. Six organizations out of the 11 visited are generally interested in exploring more and more the mainstream market, the reasons are:

- to expand the production and being able to support more marginalized producers;
- to learn and adopt a commercial mentality in handicraft production;
- to diversify the business, because they can't depend exclusively on the Fair Trade market, which is quite limited for handicraft production;

The two main limits of the mainstream market for the Fair Trade Nepalese organizations are the supplied quantities, because all the organizations are small to medium size and can't go to the mass production. And the second one is that commercial buyers are not flexible as Fair Trade buyers (for example in delivery time and pricing) because they don't know about the situation in which the Nepalese organizations are working.

Fair Trade channel is fundamental for the organizations, especially because the Fair Trade buyers are more flexible, they know the difficult situation in which the producers organizations work, and additionally Fair Trade buyers are supportive, give a surplus value to the products, and ensure a safe market to the producers.

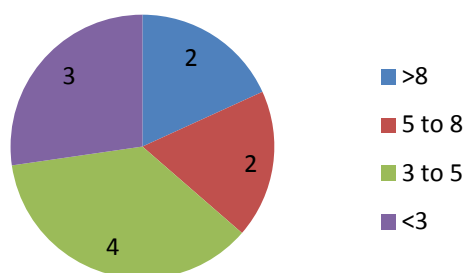
Otherwise, as said before, some members consider the Fair Trade market quite limitative, especially concerning handicraft products.

## vi) Products

Concerning the products the FTG Nepal visited organizations are generally all involved in handicraft production, although the development of a Fair Trade agro-food sector is currently a central theme (see BOX 6).

The handicraft product lines produced by the members of the FTG Nepal are a dozen. Almost the totally of the organizations produce more than one product line: two organizations produce more than eight product lines, two organizations produce between five and eight products lines, four organizations produce from three to five product lines and finally three organization are involved in the production of less than three products (see Figure 11).

Figure 11: Number of organizations referred to the number of product lines



Source: Own elaboration

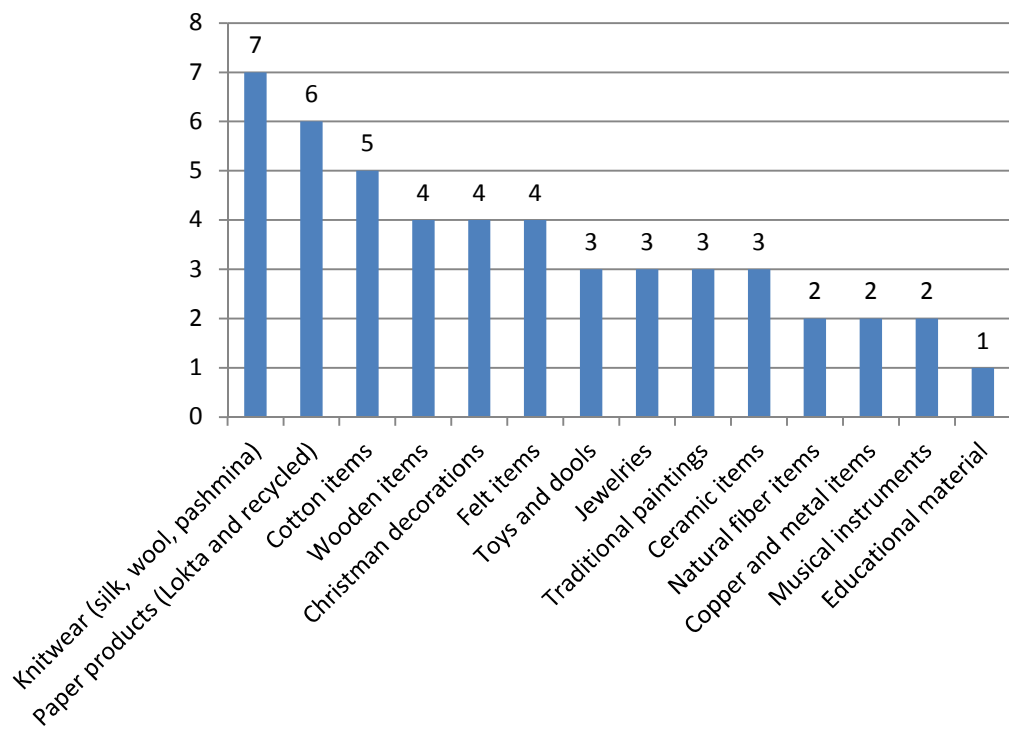
Many organizations are involved in producing the same kind of product line, although the techniques and the design used are different for all the organizations. As a results, despite the differences seen among the members, the production range is homogeneous in the Nepalese Fair Trade.

Three organizations have agreed that this creates a competitive situation, which is used to be a healthy competition among the members, but there are situations of unfair competition also among Fair Trade members.

Seven organizations are involved in knitwear (silk, wool, pashmina) production, six organizations in paper products production (Lokta<sup>11</sup> paper or recycled paper), five organizations in cotton items production, four organizations are involved in Christmas decoration items production (from different materials), and the same number of organizations is also involved in felt items, and toys and dolls production. The number of organizations involved in jewelries, traditional painting and ceramic items production is three, the organizations producing natural fibers items, copper and metal items, and musical instruments are two and finally just one in educational material production (see Figure 12).

<sup>11</sup> Lokta, botanically known as *Daphne cannabina* or *Daphne papyracea* is a bush which grows in the Himalayan region at 2000 to 3000 m, it has the characteristic of re-growing again and again after pruning. The bark of Lokta provides the fiber from which paper is made

Figure 12: Number of organizations referred to the product lines



Source: Own elaboration

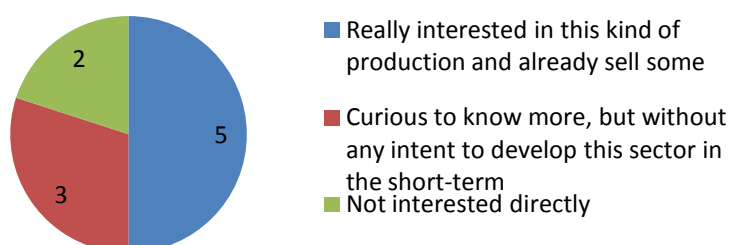


### BOX 5: Potential Fair Trade agro-food products in Nepal

Agro-food products include all agriculture products such as tea, coffee, honey and spices; textiles such as cotton and silk are also included because they come from agriculture, and also Non-Timber Forest Products (NTFPs) are considered because farmers cultivate and harvest these products.

The sales of agro-food products by the FTG Nepal members are very low, the organizations took into consideration in this research can be separated in three groups. A first group includes Mahaguthi, KTS, Manushi, New SADLE, Sana Hastakala and WSDP. These organizations are really interested in this kind of products and already sell some. The second group includes CHILDREN-Nepal, ACP and NGCC which are curious to know more, but without any intention to develop this sector in the short term. Finally the third group includes GPI and BCP which are not interested directly in this sector.

Figure 13: Interest in Fair Trade agro-food products



Source: Own elaboration

The products that are currently sold by the members are the green tea of Kanchenjunga Tea Estate (KTE) and soap nut, and the ones that are sold in the local market includes spices (chili, ginger, cinnamon), masala and herbal tea, pickles, mint, jam and essential oils.

The experience of selling and exporting agro-food products is quite new for the majority of the FTG Nepal members, but most of the organizations have shown interest in these kind of products.

The limits to develop the agro-food sector according to the members are:

- Technology;
- Management and human resources;
- Capital;
- Competition;
- Quality standards.

To develop the agro-food sector FTG Nepal members need to develop projects in various fields for the next years, additionally FTG Nepal has developed an expertise useful to help the handicraft producers which can be easily applicable in the agro-food sector too (Legare, 2009).

## 5.2 Profile of the FTG Nepal member organizations

In this section, the FTG Nepal member organizations visited will be briefly presented one by one, focusing on the establishment, the mission, the number of producers and staff involved, the product lines, the markets and the facilities.

### *Association for Craft Producers (ACP)*

ACP is a leading non-profit Fair Trade NGO established in 1984 and aimed to demonstrate that it was possible to build a commercially, viable, competitive, labour-intensive craft organization, based on sound social ethical principles that would create sustainable local jobs, primarily for women (Biggs and Lewis, 2009). The goal of ACP is to establish – *a permanent system of management that provides regular design, market and technical services to low-income craft producers that results in a regular adequate wages to supplement family income and improve the overall standard of living.* (ACP, 2012)

ACP is a founder member of the FTG Nepal, a member of WFTO and WFTO-Asia, and is also one of the five SFTMS pilot projects in Nepal.

They employ more than 1200 artisans in 15 districts of Nepal, 90% of whom are women, and 60 full time staff. The offices and the production centre complex are in Kalimati, Kathmandu.

The central production centre works as a facilitation centre for raw material preparation, design development and finishing of craft. 70 artisans are working there. Additionally, ACP owns a big showroom in Kopundole, Kathmandu, named “Dhukuti” where ACP products and also products from other organizations are sold.

The products range includes: cotton textiles, felt items, ceramic items, copper products, bags, leather products, toys and dolls, knitwear and carpentry items.

ACP market is mainly export-based, in fact 70% of the sales come from export and 30% is sold in the local market, in particular through the showroom and the contracts with hotels, restaurants and institutions. Of the exported 70%, a 60% is sold in the Fair Trade channel and a 40% is sold in the conventional market.

### *Kumbeshwar Technical School (KTS)*

KTS was established in 1983 by its founder member Siddhi Bahadur Khadgi as an educational and vocational institute catering the needs of low-income families. In 1984, it opened a primary school and introduced a carpet weaving training program for adults. Then, in 1985 it started to

conduct carpet weaving trainings and the year after it established hand knitting and furniture making trainings.

Now it employs 500 direct producers in five districts of Nepal and 56 full time staff. They are running a primary school, a nursery, an orphanage house, a day-care centre and several training programs, providing job opportunities for graduates who enable the organization to be self-sustaining through the sale of KTS products.

KTS is member of WFTO, WFTO-Asia and FTG Nepal, and is also one of the five SFTMS pilot projects in Nepal.

The products are: wool, silk, pashmina and cotton knitwear, hand woven, woolen carpets and wooden furniture. KTS is self-sustained for 90%, and they receive support for 10% from private people and friends, to run the high costly school and orphanage house. Almost the total of the production is exported, just a one or two percent is sold through the KTS showroom in Lalitpur.

The exported production is sold mainly in the Fair Trade channel but there are some initiatives with companies as People Tree and Top Shop, which are buying products from KTS as a result of Fair Trade purchasing policy.

KTS collaborates and organizes trainings and exchanges also with the Women Rehabilitation Centre, based in Mumbai and Kolkata, India.

### *Mahaguthi Craft with a Conscience*

Mahaguthi Craft with a Conscience was established in 1984 by Tulshi Mehar Srestha as a non-profit Fair Trade NGO with the mission of – *adhering to the Fair Trade values and principles, proving technical, social and financial services to underprivileged target groups, especially women, and sell their handicraft to domestic and international markets* (Mahaguthi, 2012).

It's a funder member of FTG Nepal, and is also a member of WFTO, WFTO-Asia and FHAN. Additionally is one of the five SFTMS pilot projects in Nepal.

Mahaguthi employs 43 full-time staff and 62 artisans in the central production centre, and it supports more than hundred external groups in 17 districts of Nepal, representing about 1400 producers.

The product range is wide: handloom textiles, handmade paper products, silver jewelries, musical instruments, ceramic items, pashmina, silk knitwear traditional paintings, metal handicraft, gift and accessories. It owns two showrooms in Kopundole and Lazimpat.

With the 40% of its earnings, Mahaguthi now supports the Tulshi Mehar Magila Ashram, a centre for destitute women in Kathmandu.

Mahaguthi market is mainly the export one, and amounts at 80%, but the local market, thanks to the two big showrooms is increasing and now it amounts at 20% of the total sales. Mahaguthi sells its products almost totally in the Fair Trade channel (95%).

## *Get Paper Industries (GPI)*

GPI was established 1985 as a General Paper Industry, using the Lokta plant as raw material.

In 1988 GPI started a relation with The Body Shop (see pag 17) and learned about recycling techniques. Then, GPI became a Fair Trade supplier of The Body Shop and constituted as a paper production cooperative.

Today it employs 90 permanent staff workers and artisans, 60% of which are women and 400 seasonal workers. The products are recycled paper products as greetings cards, bags and notebooks.

It owns a showroom in Thamel, Kathmandu named “The Paper Park”, where two percent of the total production is sold.

98% is exported, 60% goes in the Fair Trade channel and 40% through the conventional market and in particular through The Body Shop.

GPI runs several social programs with General Welfare Prahasthan (GWP), a sister concern of GPI. It carries out different social activities for girls education, AIDS awareness and environmental activities. GPI contributes with 4% of total turnover to GWP.

## *Manushi Craft and Arts*

Manushi was established in 1991 as a non-profit NGO working for economic empowerment of women.

Manushi mission is to – *enhance the social and economic status of women and marginalized people and put them at the forefront of human development, through production and marketing of Fair Trade products, capacity building and community development* (Manushi, 2012).

It employs 21 full staff people, 50 artisans working in the central production centre in Gyaneswahr, Kathmandu and supports over 700 producers in 8 districts of Nepal, 95% of whom are women, giving them market opportunities.

Manushi encourages producers to design for its products traditional, trying to develop the producer groups as micro-small entrepreneurs and involving producers in decision-making and pricing and costing of the products. The products are: handloom textiles and knitwear, natural fiber products, paper products, silver jewelry, pashmina, felt, silk and bamboo products.

Manushi exports 98% of the production, 70% goes in the Fair Trade channel and 30%, trying to expand, in the conventional market. 2% is sold in the local market thanks to the collaboration with other Fair Trade organizations' showrooms.

From 2002, Manushi is also running a Microcredit program, providing loans to poor people and encouraging micro-enterprise development in four districts.

## *Sana Hastakala*

Sana Hastakala (“Small Handicraft” in English) is a non-profit Fair Trade NGO established in 1989 with the technical and financial support of the United Nations Children’s Fund (UNICEF) with the objective to meet the marketing requirements of handicraft producers who are mainly women.

The mission is to – *provide business and community development programs to underprivileged handicraft producers with the aim of uplifting their socio economic condition by selling high quality traditional crafts to national and international markets through Fair Trade practices (Sana Hastakala, 2012).*

It’s a founder member of the FTG Nepal, member of WFTO and WFTO-Asia, FHAN and one of the five SFTMS pilot projects in Nepal.

Sana Hastakala has 80 producer groups representing about 1000 artisans in 23 districts of Nepal as well as 19 full staff employs. Sana Hastakala owns a showroom in Kopundole, Kathmandu.

The products are pashmina, cotton, bags, accessories, traditional paintings, jewelry, paper products, wool, felt, wood carving, metal craft and ceramic items. Sana Hastakala exports 85% of the production, to 30 buyers from 18 countries, the remaining 15% are sold through the showroom in Kopundole. Of the total sales, 60% are in the Fair Trade channel, and 40% in the conventional market, half of this percentage regards private business involved in Fair Trade promotion.

## *Women’s Skills Development Project (WDSP)*

WSDP was established in 1975 as a non-profit NGO and income-generating program for economically disadvantaged, disabled, abused, single and out casted women. It is based in Pokhara and it employs 18 people staff and over 400 producers, whom 150 work in the production centre in Pokhara.

WSDP provides to its producers facilities as skill development trainings, scholarships to producers’ children and aid in case of injuries or sickness.

The product lines are: handbags, decoration items and dolls.

80% of the production is exported, mainly in the Fair Trade channel, and the remaining 20% is sold in local shops in Pokhara, Kathmandu and Sauraha, in the Chitwan National Park.

## *New SADLE*

New SADLE was established in 1997 as non-profit NGO focusing on leprosy, polio and disabled people.

The mission is – *to achieve its sustainability through establishing a reputed sustainable income generating handicraft business in order to rehabilitate and establish the socially discarded and marginalized men and women by providing them social support and employment opportunity (New Sadle, 2012).* It is a member of FTG Nepal, WFTO, WFTO-Asia and Nepal Leprosy Network (NLN).

Products are bed linen, table linen, bags and accessories, traditional paintings, singing bowls, buttons and paper products.

It runs three rehabilitation centers, a school, an old age home, a day-care centre and clinics for their producers, and additionally it provides a providence fund to the producers, school for children, house rent for disable producers and medical facilities.

They employ 100 staff and 550 artisans in different production units in Kathmandu, Pokhara and four other districts of Nepal. 60% of the New SADLE's workers are disabled people.

The market is mainly export based, 85% of the production is exported, almost totally in the Fair Trade channel, the remaining 15% is sold in their small showroom in the complex of Kapan, Kathmandu and in the showrooms of other Fair Trade organizations.

## *CHILDREN-Nepal*

Children Nepal is a social NGO working for the rights and development of children in difficult circumstances, established in 1995 and based in Pokhara. Its mission is – *facilitate processes that empower working children, youth and their families to assume as active and decisive role in solving their own problem by strengthening their life skills, improving their confidence, and utilizing their existing capacity, which will result in the most effective long term improvements in their living conditions (Children-Nepal, 2012).*

In 1999 CHILDREN-Nepal established a handicraft-income generating program called Suryamukhi Handicrafts. Today Suryamukhi Handicrafts employs four staff and 30 artisans, all women, and proving those skills development trainings, education scholarship for children and first aid facilities. They produce stuffed toys, puppets, children clothes, decoration items and accessories.

It is member of FTG Nepal and WFTO. 77% of the production is exported, 88% in the Fair Trade channel and 12% in the conventional market, the remaining 23% is sold in the ACP and FTG Nepal's showroom and to the bookshop chain Pilgrims.

### *Nepal Girl Care Centre (NGCC)*

NGCC was established in 1996 and is an NGO dedicated to help teenage orphans girls.

Since 1998 NGCC has been running a Handicraft Production Centre producing paper items, wooden items and educational material. It employs ten artisans and 13 staff, all women.

At present NGCC, produces especially for UNICEF-Nepal (about 95% of the total production), the remaining 5% is exported to Fair Trade buyers in Europe.

### *Bhaktapur Craft Paper Ltd. (BCP)*

BCP was established in 1981 by UNICEF as a community development project to meet the community development objectives through Lokta paper production. Now it has been turned into a Public Limited Company, it employs 18 staff people and 78 artisans in the production centre based in the Bhaktapur Industrial District and sustaining with 30-40% of the earnings the development of three communities in the mountain areas where the raw material comes from.

They produce handmade paper products, greeting cards, notebooks and gift items.

It is a member of the FTG Nepal and WFTO.

In the last few years BCP has faced an important crisis because of the market demand lack and the end of the UNICEF support, which was buying almost 90% of the production before 2004.

BCP is in the process of developing new design, diversifying the products and strengthening the quality and the efficiency of its production.

In the Table 5 the main characteristics of the FTG Nepal member organizations visited are resumed: the organization's name, the years of creation, the number of staff employed, the number of producers, the percentage of export, and the percentage of production sold in the Fair Trade market.

Table 5: Main characteristics of the FTG Nepal member organizations

<b>Organization's name</b>	<b>Years of creation</b>	<b>Number of staff</b>	<b>Number of producers</b>	<b>% of Export market</b>	<b>% of Fair Trade market</b>
ACP	1984	60	1200 (70) <sup>12</sup>	70%	60%
KTS	1983	56	500	98%	95%
Mahaguthi	1984	43	1400 (62)	80%	95%
Get Paper Industry	1985	90	400	98%	60%
Manushi	1991	21	700 (50)	98%	70%
Sana Hastakala	1989	19	1000	85%	60%
WSDP	1975	18	400 (150)	80%	80%
New-SADLE	1997	100	550	85%	85%
Children-Nepal	1999	4	30	77%	90%
NGCC	1998	3	10	5%	5%
BCP	1981	18	78	60%	80%

Source: Own elaboration

<sup>12</sup> Number of artisans working directly in the central production center.

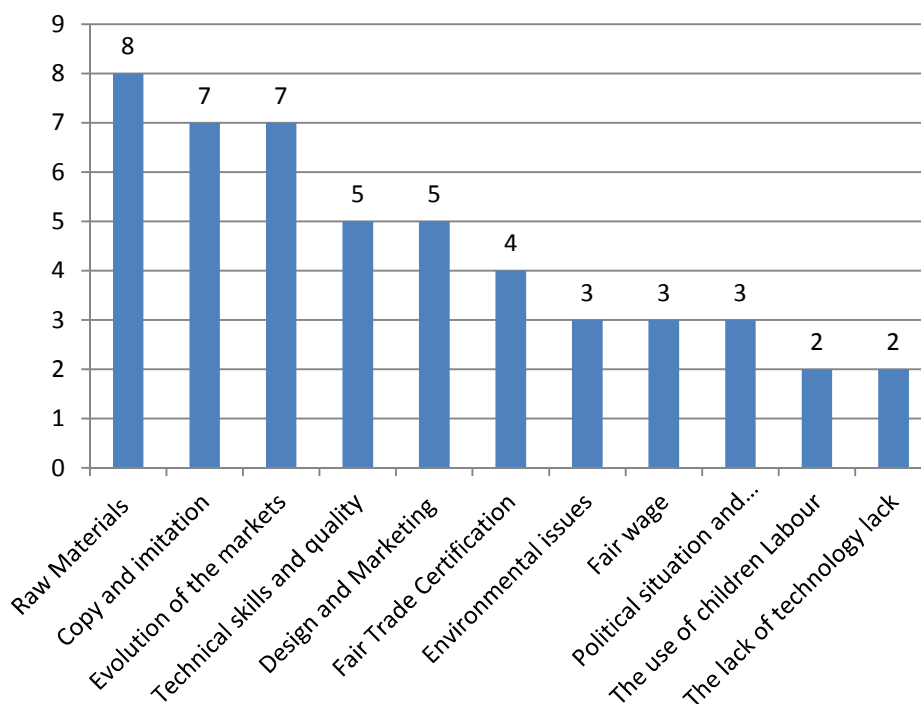


## 5.3 Potentials, limits and challenges according to the FTG Nepal members

In this section the potentials, limits and challenges for the Fair Trade in Nepal according to the FTG Nepal member organizations are described and analyzed, focusing on their point of views on the single aspects.

Based on the interview with the FTG Nepal member organizations' responsible, ten main challenges, which involve limits but also potentials, have been identified. These are: i) Raw materials; ii) Copy, imitation of the products, and the lack of a copyright regime; iii) Adapting to the evolution of the markets; iv) Improve the technical skills of the producers and the quality of the products; v) Investing in design and marketing; vi) Fair Trade certification and the new SFTMS certification; vii) Environmental issues; viii) The Fair wage; ix) Political situation and governance; x) The use of children labour; xi) The lack of technology (See figure 14).

Figure 14: Challenges faced by the FTG Nepal member organizations (n. of organizations)



Source: Own elaboration

## *i) Raw Materials*

The raw materials issue is a central common limit for the FTG Nepal member organizations.

Eight out of 11 organizations consider raw materials as one of the big questions the Fair Trade in Nepal seeks to address. The majority of the organizations have to import most of the raw materials used in their production from India, Australia and New Zealand, especially cotton, silk and wool.

In any case, being Nepal a landlocked country, import and export depends almost totally by India.

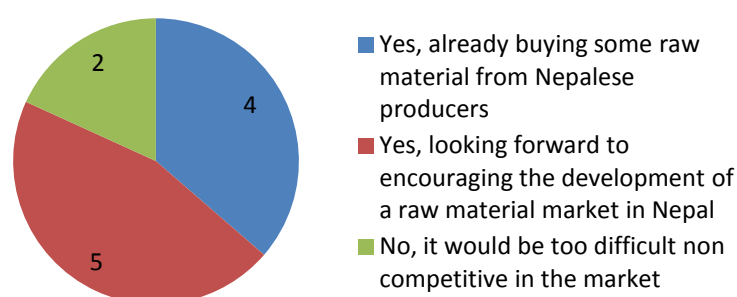
Many organizations mentioned that the Nepalese government is not helping in importing things, the tax regime is disadvantageous and there are no subsidies from the government to Fair Trade business, as it is in many other countries.

The two main problems related to raw materials are:

- The continuously increasing price of the raw material which is reflected in a growing frustration for all the organizations;
- The problem of the traceability of the materials because is difficult to trace all the chain where the material comes from, as result that the final product is not 100% Fair Trade.

The FTG Nepal members were asked if there is an interest in developing a raw material market in Nepal. All the organizations came together to say this is one of the central issues for the future of the Nepalese Fair Trade, but the opinion at the glance are different (See Figure 15).

Figure 15: Interest in developing a raw material market in Nepal



Source: Own elaboration

Nine organizations agree in saying that this challenge is concrete and could be addressed, some of them are already moving in this field (4), encouraging organic cotton, silk and wool production in Nepal or buying alternative raw materials, as for example organic bamboo or hemp fiber, or more recently even banana fiber.

Five organizations are interested in knowing more about this challenge, and finally two organizations, instead, are not interested in developing a raw material market in Nepal because they consider this project too expensive and difficult, and the result will not be competitive in the market.

Some projects are already running in this field, for example there is a partnership between FTG Nepal, Fair Trade Forum India (FTFI) and CTM AltroMercato in Italy in order to develop an Organic Cotton Supply Chain project to contribute to sustainable development in the cotton sector in India and Nepal. The project was launched in April 2010 through workshops and trainings about organic cotton production. Later the project team started visiting producers and also tried to build a network with some of the cotton producer organizations.

The main problems, according to the visited FTG member organizations to develop a raw material market in Nepal are:

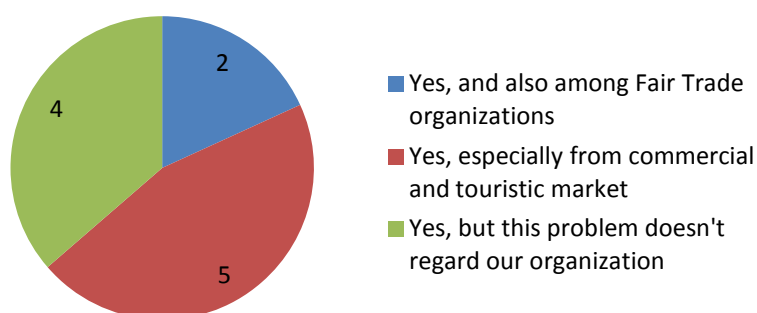
- The lack of technology and technical skills available to the producers to produce a material saleable.
- The capital investment, which is high and the main limit for the organizations, which would like to contribute to these projects.

## *ii) Copy and imitation of the products*

The copy and imitation of the original design and products is commonly practiced in Nepal and represents a serious problem for many organizations.

Seven organizations out of 11 are facing this problem directly (see Figure 16).

Figure 16: Copy and imitation of the products



Source: Own elaboration

Five organizations mentioned that the copy is mainly practiced by the private businesses of the touristic areas of Thamel, Kathmandu and Lakeside, Pokhara because of the attractive design of the handicraft products produced by the FTG Nepal members and their high demand by the tourists.

The products are imitate without design costs and no need to complying with the Fair Trade principles, as results that the cost of the product is less than in Fair Trade showrooms.

Additionally, there are shops in the crowd touristic areas which put the sign “Fair Trade” to induce the tourist to suppose that it’s a Fair Trade shop and there are no checking rules to protect the Fair Trade organizations from this imitation.

These two factors represent a big unfair competition for the FTG Nepal members, and this happens mainly because of the absence of any legislation about this issue, because the existing law is weak and inadequate. Central issue is the copyright regime that in Nepal is not well defined. In 2002 Nepal government enhanced a new copyright legislation, but this law is still inadequate and not respected most of the times.

Many of the visited organizations notice that there is a urgent need of strengthen the copyright regime and a legislation about.

Moreover, two organizations mentioned that, despite the “healthy competition” and collaboration, there are sometimes cases of coping and imitating also among the Fair Trade organizations, and this happens mainly because the product lines are very similar and connected.

Those organizations which don’t face these kind of problems, are organizations that:

- don’t have a local market;
- have very particular products which are difficult to imitate.

### *iii) Markets*

Adapting to the evolution of the markets is a central challenge for the FTG Nepal member organizations.

Seven organizations consider this a crucial issue for the Nepalese Fair Trade.

In these days the Nepalese Fair Trade organizations are facing:

- A drop of the demand of handicraft products due to the economic recession, especially in Europe, which is the second main export market of Nepal;
- A continuously increase of the price of the raw materials and the cost of living in general;
- Additionally, the Fair Trade organizations have to sustain a structure of benefits and facilities to their producers which has to be maintained even if there are no orders.

This situation has made many FTG Nepal members wonder how they can be present and competitive in the market in the future years. These themes are under debate among the FTG Nepal members, and the positive collaboration climate is helping them to propose solutions and projects together.

The main solutions mentioned by the FTG Nepal members to face the market issues are:

- Diversify the production: Six organizations out of 11 mentioned that there is a need to strengthen Fair Trade market but also getting a more commercial mentality to be more competitive in the mainstream market;
- Explore new productions: Seven organizations mentioned as a solution the development of other Fair Trade sectors than agro-food one (see BOX 5);
- Consolidate the local market: three organizations consider local market more and more interesting, so the challenge is to make the local market a stable market for Fair Trade organizations;
- Invest in design and quality: five organizations mentioned that a solution would be to always offer new and attractive products suitable to the different tastes of the consumers.

### *Technical skills and quality*

Another challenge that the Nepalese Fair Trade consider important and seek to address is the improvement of the technical skills of their producers and the quality of the products.

Nepalese organizations can't compete in the market in quantity, productiveness and price, so only the quality and the uniqueness of the Nepalese handicraft could be the major comparative advance for Nepal.

Five organizations out of 11 consider this an important challenge and want to invest more and more in trainings and workshop activities for their producers to improve their technical skills and consequently the quality of the final products.

Some organizations mentioned the fact that Nepalese artisans don't have the quality perception that Western buyers require, and only by improving their knowledge and skills this challenge can be addressed.

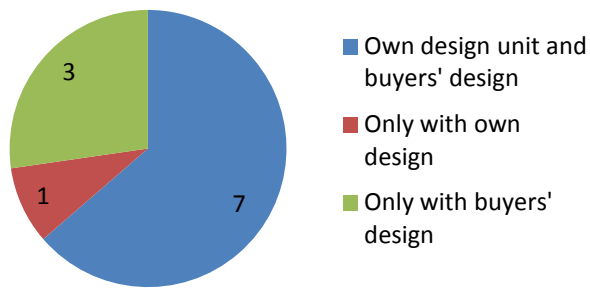
#### *iv) Design and marketing skills*

Design and marketing are two issues in which FTG Nepal members have invested a lot of energies but there is a need of continues improvement in these two aspects to be competitive in the market.

Five organizations mentioned this challenge as fundamental for the Nepalese Fair Trade.

Most of the organizations have a design unit, and work also with design sent by the buyers, one organization works only with their own design, and three organizations work only with buyers' design because they don't have a designer or design unit (see Figure 17).

Figure 17: Design



Source: Own elaboration

FTG member organizations mentioned that there is always a need of western designers and marketing experts helping them in developing and promoting the products (which has to be sold mainly in Western markets).

A fundamental role has to be played by the Fair Trade buyers or supporting organizations, creating opportunities for western designers and marketing experts to go to Nepal to work in this kind of production, because these two professionals play a fundamental role in a market as the handicraft one where FTG Nepal members are working.

#### *v) Certification*

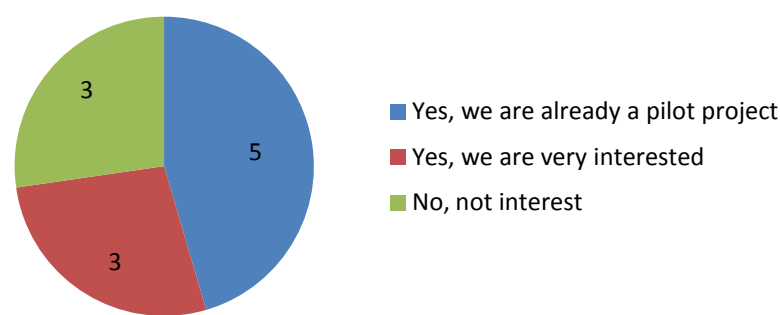
The Fair Trade certification issue involves many FTG member organizations.

The main issue regards the lack of an on-product logo for the FTG member organizations registered under WFTO. Today, the FTG Nepal members' products, have the value of Fair Trade only when they are sold in Worldshops or Fair Trade shops, but when they are not sold there they are not considered as Fair Trade product.

Five organizations seek to have a logo as the FLO's one. Some organizations mentioned that the awareness around Fairtrade FLO logo is high and their products with the FLO logo have an additional value in the market. Almost all the organizations visited consider FLO certification too expensive and not affordable by small-medium scale organizations as the Nepalese are, in addition FLO has less experience in handicraft than WFTO.

Since WFTO has decided to develop a new Fair Trade certification system under the name SFTMS (see pag 10), the interest among the FTG Nepal members is getting higher, because this new certification would provide a on-product logo also to the handicraft produced by them, it would help to reach a new market and have an additional value also in the mainstream market.

Figure 18: Interest in the new SFTMS certification



Source: Own elaboration

Five organizations (ACP, GPI, Mahaguthi, KTS and Sana Hastakala) are currently a SFTMS pilot project, three organizations are very interested in this certification and are looking forward to seeing this certification scheme to be ready, and finally three organizations are not directly interested in this certification (see Figure 18).

*vi) Environmental Issues*

The limit of the environmental issues is one of the problems that seek to be addressed in Nepal. Five organizations out of 11 consider this one an important challenge.

The 10<sup>th</sup> Fair Trade principle (see Annex 1) dictates the respect for the environment by the Fair Trade organizations, this means use of raw materials from sustainably managed resources, use of technology that seek to reduce energy consumption, and minimize the impact of the waste steam on the environment.

FTG Nepal members are generally involved in promoting environmental protection awareness but in practice the condition of the environmental infrastructure in the country is often a limit.

Many organizations are striving to promote the use of sustainable produced/harvested raw materials, and some projects, as seen before, are already running. Additionally FTG Nepal members are using paper bags in their showrooms and are promoting initiatives for waste collection and recycle.

At the end, FTG Nepal members have to face the limits of the little social infrastructure for environment in the country, for example “trash burning” remains a common occurrence and practice, and there is no infrastructure at all to trash collection and recycling, so, there is a need to implement systems at country level to cover these lacks and address these issues.

### *vii) Fair Wage*

The 4<sup>th</sup> principle of WFTO dictates the payment of a fair price to the producers. All the organizations ensure to their producers a wage that respect the minimum wages standard for the Nepalese Government, and are often higher and with several kind of facilities which are not ensured by the Nepalese legislation, but among FTG Nepal members there is a passionate debate about what is a real fair wage considering the growing cost of living and the changes in the life-style.

This is one of the central themes under discussion in the FTG Nepal. Three organizations out of eleven mentioned this as a problem that seeks to be addressed.

Generally, there are no data available to calculate a real fair wage, especially because of the wide differences among the different areas of the country.

Many organizations are trying to adapt their wages in respect of all these issues but a detailed research activity and calculation needs to be established.

### *viii) Political governance*

The difficult political situation in Nepal is not helping the FTG member organizations to follow their missions. Despite the fact that all the organizations agree to say that there is a need of more efficient political governance in the country, only three organizations mentioned the political governance as one of the main limits to the development of the Fair Trade in Nepal.

These issues regards:

- The need of a more efficient and stable political economy and governance;
- The import and export legislation, which is currently unfavorable for the Nepalese organizations;
- The need of Investments in infrastructure to help the business activities in the country, especially in those remote areas where the poorest producers live (for example to resolve the situation of poor conditions of the road or non existence of them).

### *ix) The use of children labour*

As regards Child Labour there is sometimes a gap between the Fair Trade principles that dictates to respect the UN Convention on the rights of the child and the cultural context of Nepal and many other cultures in Asia.

Two organizations mentioned child labour as an issue to resolve.



In Nepal, it is common for children to help supporting their families. For the producers that work at home, as most do, it's common for children to help the mothers in producing handicraft, especially during the school holiday seasons.

Although any form of exploitation is strictly denied by FTG Nepal and its members, this form of child labour is still diffuse in Nepalese handicraft production and for the Fair buyers or responsible ones that come from Western countries, because it's difficult to define if this is exploitation or just a helping hand by the children to their families.

#### *x) The lack of technology*

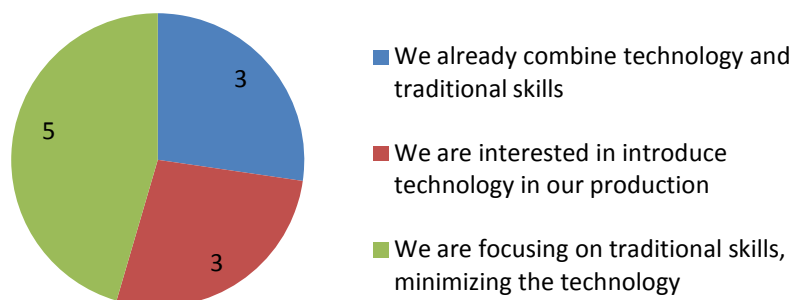
Two organizations mentioned the lack of technology as an important point for Nepalese Fair Trade.

Technology is an important part of the production and has a central role concerning production costs and competitiveness, and to improve quality and product lines.

An example comes from ACP's experience. In its mission, ACP has the idea of keeping together tradition and technology (see pag 43), and with the support from donors, has bought a carding machine for the wool, improving the efficiency of the process and the quality of the finished products. This investment, despite what many people believe, has not taken away jobs from producers, because ACP has employed more people in quality control and in production, and the amount of time to finish the product is shorter. Additionally, thanks to this technology, ACP now is leader in the quality of these kinds of productions.

The two organizations mentioning the technology issue, stressed that investments like the one of ACP have to be done to improve quality and marketability of the products, with positive consequences in all the process and business, but the main limit is the amount of money necessary to buy those machines, which is unaffordable, especially for the smaller organizations.

Figure 19: Technology



Source: Own elaboration

Figure 20 shows the different approach to the technology issues by the FTG members visited: Three organizations are already combining technology and traditional skills, as in the example of ACP, other three organizations mentioned that they are striving to introduce the technology in their production processes, and finally the majority of the organizations that prefer to focus on the traditional skills, minimizing the use of technology.

The idea of using or not using technology depends on the size and the production process of the different organizations. Some of them have production lines which are adaptable to the use of technology, with the opportunity to improve the process and the quality of the products. For other organizations, which have very traditional and hand-based productions, and work with producers in rural areas there is no need to introduce technology.

**BOX 6: CHILDREN-Nepal and WSDP: two organizations located in Pokhara**

CHILDREN-Nepal and WSDP (see pag 46-47) are the only two organizations among the ones visited which are not based in Kathmandu valley, but in Pokhara, the first touristic city, and the second largest one of Nepal, in the Western Development Region.

As said, Nepal is a very poor country also in terms of infrastructure and road connections between the cities, for example Pokhara is 200km far from Kathmandu but due to the conditions of the roads the travel time is on the average 7/8 hours.

According to these two organizations, the disadvantages to be located in Pokhara that create a disparity between them and those organizations based in Kathmandu valley are:

- The distance, which complicates the relay of information;
- The higher cost of living and the additional transportation costs to import and export;
- The fact that some buyers may not want to travel out of Kathmandu to see those organizations.

But there are also some advantages according to them:

- The beauty of the environment which is an attraction for the tourists and also for possible volunteers;
- A strong local network with NGOs and institutions of the region;
- The closeness to the rural areas and a stronger contact with the producers.

## 5.4 The perception of Fair Trade by the producers at grass-roots level

In this section, an overview of the Nepalese Fair Trade workers/artisans will be presented and their perception of working in the Fair Trade, based on interviews and focus groups, will be briefly examined.

As said before, the target groups of the FTG Nepal member organizations are the marginalized and unprivileged producers, especially women.

The Nepalese Fair Trade is mainly women-based, in fact, on the average, 90% of all the producers are women. Then, different organizations have different specific target groups: for example 60% of the producers of New-SADLE are leprosy affected people, polio affected people or disabled people, Manushi is focused on the vulnerable women in the rural areas, and NGCC is focused on orphan girls and women.

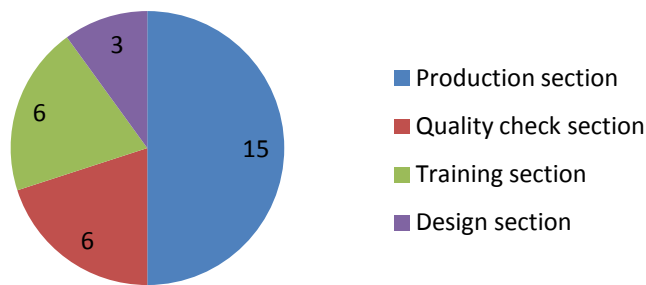
The artisans involved in the Fair Trade are:

- Artisans which work mainly at their home, with systems that connects them to the Fair Trade organization different for every organization.
- Artisans that work in producers groups in the various areas of the country, and are directly connected to a Fair Trade Organization, which provide them, on the one side raw materials, design and trainings, and on the other hand the wages, facilities and support, an example of producer group is the ACP felt group.
- Artisans/producers that work “on contract”, these are producers groups which work as micro-enterprises or small-scale industries like Thimi-Ceramics which adhere to the Fair Trade standards but work independently, selling the finished product to various organizations, including the Fair Trade ones.

The artisans/workers interviewed represent different typologies of workers from six production center units of the FTG Nepal member organizations: Production section (Artisans and supervisors), quality check section, training section (training teachers) and design section (see Figure 20).

In total 30 people divided in 24 women and six men. The age on the average is 34 years old.

Figure 20: Number of artisans/workers interviewed in different sections

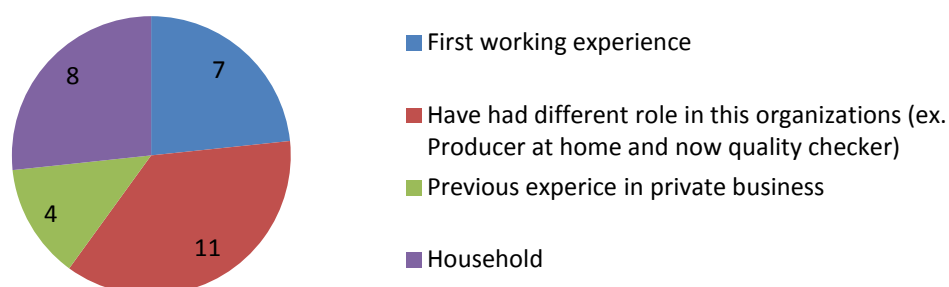


Source: Own elaboration

The experience of the people interviewed is very different:

- Some of them are at their first work, almost the total of the young producers (it is interesting to notice that some of them are students who work for the Fair Trade organization to pay the university fees);
- Others are producers which have been working for the same organization for many years and have changed their role (for example artisans that started as home producers and then now are working in the production centre, or simple artisans who became training teachers);
- Others are artisans that were working previously for local private business, shopkeepers or other industries (mainly at their home).
- Finally, there are many people who were households or unemployed (see Figure 21).

Figure 21: Experience of the artisans/workers interviewed

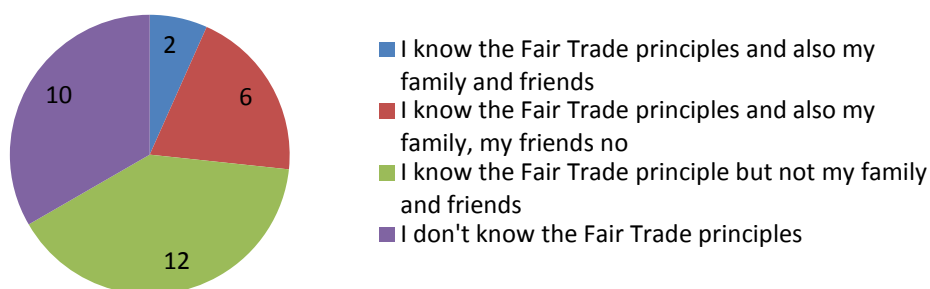


Source: Own elaboration

### *i) Awareness*

A central aspect of the analysis was to evaluate the awareness of the workers/artisans about Fair Trade, and the scenario results variegated (see Figure 22).

Figure 22: Awareness about the Fair Trade principles



Source: Own elaboration

Only two people reported that the Fair Trade principles are known also by his/her family and friends (these are the young students, because the Fair Trade results more known among the younger generations and among the university students), six people reported that the principles are known by his/her family but not among the friends, 12 people, the biggest part know the Fair Trade principles but these are not known among family and friends. Finally ten people didn't show any awareness about the Fair Trade principles.

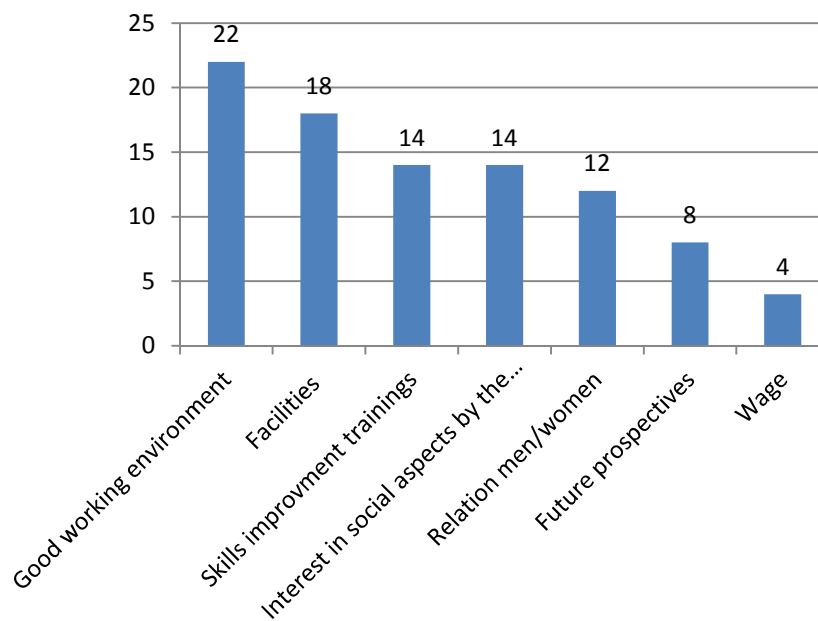
### *ii) Vantages and benefits of working in a Fair Trade organization*

A side from the perception of the Fair Trade, all the workers/artisans mentioned benefits and vantages to work in their organization (even if they don't know specifically about Fair Trade principles).

Based on the interviews the vantages and the benefits that they perceive are(see Figure 23):

- The good working environment and the relationship among the workers;
- The facilities provided, they mentioned with particular interest medical allowance or help and scholarships for their children;
- The opportunity to improve their skills and abilities through trainings and day-to-day work;
- The interest of the organization is a social aspect;
- The equal relations between men and women;
- The future prospective given by the organization and their work;
- The wage

Figure 23: Vantages of Fair Trade according to the artisans/producers interviews



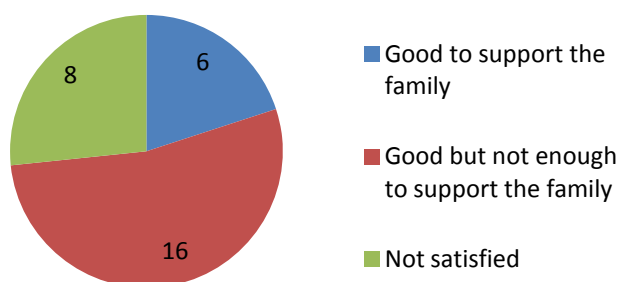
Source: Own elaboration

### iii) Fair wage

The wage is a central aspect of the interest of the workers/artisans.

Only six of all the people interviewed consider their wage enough to support their family and reach an economic independence, eight people are not satisfied with their wages, and in this category there are workers who consider their wage lower than the one of their friends or familiar who works for other organizations or industries, or the people who lives alone and have no support from familiars of friends. Finally the biggest group of the people interviewed (16) consider their wage good, but not enough to support their families without the support of the husband/wife or other familiars.

Figure 24: Satisfaction about the wages



Source: Own elaboration

The response confirm the opinion given by the responsible of some organizations about the difficulty to calculate a real fair wage, which is for the great part of the artisans/workers interviewed good (in line with the governmental minimum wage or higher) but not enough to reach an economic independence and a adequate standard of living.

#### *iv) Fair Trade producer groups: the example of the ACP's felt group*

ACP supports producers who work at their home or in producer groups. The felt group in Dhundgialdda, a suburb on the edge of Kathmandu is one of the five felt groups working for ACP, and is an example of how a producer group works.

The group is managed by a leader who supervises the work, and manages the raw materials supply, the pricing of the product, the salary and the facilities, as a micro-enterprise.

The group leader used to work in the ACP facilities centre, then she asked to work at her home and so the group started to run. Now the group is based in the leader's house, and is composed by 12 artisans, all women from 19 to 50 years.

The artisans are all selected and registered, and receive trainings from ACP, but their work is semi-independent. ACP gives the orders, and when there is the need also the raw material and the design (sometimes is the group leader that buys the raw material).

The raw material (wool) is dried and colored in the ACP facilities centre, sent it to the group and then the finished product is sent back to the ACP for the quality checking and packing.

The group leader receive a fixed price for the products from ACP. This price comprehends: the cost of the raw material (if bought by her), the cost of energy, water and transport, the salary of the artisans and for some facilities and a commission to the leader).

When there are no orders from ACP, the group can work for other private buyers, in this case the production is totally external from ACP.

#### *v) Fair Trade small-scale industries: the case of Thimi-Ceramics*

Thimi-ceramic is a ceramic production registered as a Cottage Industry<sup>13</sup> and based in Thimi-Madhapur, 2km from Kathmandu city.

This industry was established in 1987 by a traditional potter family with the help of the ceramic promotion Nepali-German joint project and the program S.o.s Children. They, provided trainings and materials to start the business in ceramic production.

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<sup>13</sup> The form of the "Cottage Industry" is a typical form for the small-medium scale handicraft industries under the legislation of Nepal

Today, Thimi-ceramics employs 20 artisans, both men and women from different part of Nepal. They produce high quality handmade products with combination of traditional and modern technology, competitive in the export market. At the beginning they were doing business only in the local market, because of the high costs to start the business and the difficulty to export and get in contact with the other countries' buyers. Then, thanks to the support of the exporter organizations in Kathmandu (as Tibetan handicraft and Yak and Yeti Ltd.) they were able to approach the export market. Now they export around 80% of the total production, and the remaining 20% is sold in the Kathmandu local market in handicraft shops and also FTG member showrooms (Sana Hastakala and Mahaguthi).

Thimi-ceramics has always been promoting an ethic approach to their work, and they decided also to comply with the Fair Trade principles to open its market to Fair Trade. The main partner is Sana Hastakala, which provides trainings (for example in work safety and health, and on the respect of the Fair Trade principles), and thanks to Sana Hastakala, Thimi-ceramics hosted a designer from the Italian Fair Trade buyer CTM AltroMercato for two weeks, whom has helped them in designing new and attractive products for the Fair Trade market.

Thimi-ceramics, today is an small-scale industry selling the famous Nepalese ceramic all over the world. The chance to open their market also to the Fair Trade one was a great opportunity for them, according to the two owners. The main reasons are:

- Fair Trade buyers provide to them 50% advance payment;
- Fair Trade organizations provide loans with no interests, for example they recently received a loan from Sana Hastakala to buy raw material;
- Fair Trade organizations as Sana Hastakala help them to export and reach Western markets.
- Fair Trade organizations provide them trainings, and they are mainly interested in the workers safety and facilities and the environmental impact;

Fair Trade according to them, is a great opportunity, but as they are not a Fair Trade organization the reasons are mainly regarding the business. Thimi-Ceramics has improved the sustainability of the production and is always focusing on improving their compliance to the Fair Trade principles, although the process of improving is still long.

Finally, it's interesting to notice that now the products are sold, independently as to Fair Trade buyers as to private business, at the same price, calculated on the basis of a fair wage and sustainability of the materials.



## 6. Conclusions

The Nepalese Fair Trade movement represents certainly an excellence in the economic and social sector of this country, affected by stagnant economy, infrastructural lack and strong barriers to development.

The organizations adopting the principles of Fair Trade have been able in the last two decades, to support thousands of small-scale and marginalized producers all over the country, on the one side giving them opportunities to develop skills and reach acceptable standards of living, especially in the rural areas where life is harder than in the city, and on the other hand reviving and promoting the traditional Nepalese handicraft that today is requested in many countries and competitive in the Western markets.

Despite that, the context of the country and the current situation of the global economy, bring to light that the limits to address, the issues to face, but also the potential to take vantage, for the Nepalese Fair Trade movement are still many. The next few years will be certainly important and decisive for the future of the Fair Trade – not only in Nepal, but also at global level.

In Nepal, a central role is played by the FTG Nepal, which encourages the debate and the sharing among its members and coordinates common initiatives for the development of the Fair Trade movement, that on the one hand is increasing and becoming more efficient, broadening the number of people involved in the Fair Trade benefits, but on the other hand, it is limited because of the saturation of the Fair Trade handicraft market and the global economic crisis.

As seen in the results of the thesis, there are many limitation and also challenges that need to be addressed by the FTG Nepal members, they can be divided in three categories:

- **The limits and the challenges for the Fair Trade at global level, which are reflected into the Nepalese context:**

They regard in particular the evolution of the markets and the Fair Trade certification.

In the Western countries, which are the main export markets for the FTG Nepal members, there is currently a decrease in the consumption of not primarily goods like handicraft products. This fact motivates the FTG Nepal members for example to invest in new production techniques and exploring the agro-food sector, but, although a central role in this issue is played by the FTG Nepal, not all the organizations having resources to invest or enough know-how. Especially for the concern of the potential agro-food sector, the limitations are many, such as capital investments, human resources, production techniques and technology which is lacking in Nepal.

As regards the Fair Trade certification, this issue reflects the current debate among the Fair Trade key actors.

The FTG Nepal members are all certified as “Fair Trade organizations” under WFTO, this means that they don’t have an on-product mark (as FLO), which permits to the products to be sold as Fair Trade not only in the Worldshops but also in conventional shops and chains.

Most of the FTG Nepal members are already exploring the mainstream market, because they consider that the Fair Trade market is limitative and saturate concerning the handicraft products. It is harder for them to compete in the mainstream market rather than in the Fair Trade one (for example concerning quantity, price, delivery time). Without a Fair Trade mark in their product it is difficult to have the additional value that the Fair Trade products usually have on the market.

FLO’s certification results are non affordable for the Nepalese organizations which are all small-medium scale, but there is an high interest about the new SFTMS certification in state of development under WFTO and five organizations are already part of the pilot project.

Being competitive in the mainstream market, carrying the Fair Trade values and exporting the Fair Trade model, and developing a Fair Trade agro-food sector will be the central challenge for the Nepalese Fair Trade movement in the next years, while focusing on the quality of the production considering that it is not possible for them to be competitive in quantity and productivity.

- **The challenges and limits which are specifically regarding the country situation and which most of the FTG Nepal members are facing:**

Firstly, being Nepal a landlocked country, all the commerce depends to the neighboring Indian country, so that there are additional import/export taxes and transportation costs for the Nepalese organizations, and the government is not helping in this field. Also the raw materials have to be imported mainly from India, Australia and New Zealand, adding to the problem of the additional cost the problem of the traceability and the fairness of the chain.

Secondly, the Fair Trade organizations in Nepal are victims of an unfair competition practiced by the conventional businesses of the touristic areas, which imitate and copy their products, and/or sell products as Fair Trade ones when they are not Fair Trade.

Thirdly, there is the issue of the distance from Kathmandu Valley, where most of the economic activities take place, and the remote areas of the country, that creates a disparity that needs to be addressed, especially because mostly of the marginalized producers target group of the Fair Trade lives in those remote areas.

There are also cases where the WFTO principles of Fair Trade don’t fit right in the cultural context of the country, and this happens as seen, in particular for children labour

and quality standards. Then, there are issues such as the environment protection and conservation that are difficult to address in a situation of infrastructural lack as in Nepal. Finally, also the one regarding the fair wage is a central challenge for the Nepalese Fair Trade organizations, it seems difficult to calculate a real fair wage, especially in a country where the differences among the areas are large and the standards and the cost of living are continuously changing.

As seen, the limits and the challenges regarding the whole country are several. Collaborative initiatives, developed by the FTG Nepal members are useful to address some of those challenges, awareness and advocacy campaigns. They are fundamental to put these issues to the government and institutions attention, but other challenges depend strictly on the political economy and situation of the country in general.

- **The limits and challenges regarding the single organizations:**

The main ones mentioned are the limited technical skills of the producers and the quality of the products, the use of technology, the design development, and the marketing and managerial know-how.

A central role and help is provided by the FTG Nepal and the collaboration among the members. Especially for the small-scale organizations, it is still difficult to find the resources to invest in those fields.

To conclude, we can say that firstly, in general the Nepalese Fair Trade has to be able to take vantage of its potentials, in particular the collaborative and sharing climate among the FTG Nepal members, the specialness and the quality of its handicraft and the potentials of the new agro-food products, and the experience of its organizations which are operating well in this difficult context. Nepal has to play a more and more central role as a discussion forum among the members to promote initiatives and face these challenges collaborating each other, and developing projects in collaboration with institution, governmental agencies and NGOs.

Secondly there are many issues that need to be analyzed specifically and discussed among the members and also with those organizations involved in Fair Trade that are not part of the FTG Nepal.

Finally, a critical analysis and debate on what Fair Trade is for them, and what is the way that should be taken in the future years to develop the movement, and contribute to a new and fair market model has to be done. In particular, an equilibrium between business and social mission has to be figured out, avoiding the actual risk of leaving aside the Fair Trade mission being too business-oriented.



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ALTER ECO	<a href="http://www.altereco-usa.com/">www.altereco-usa.com/</a>
BCP	<a href="http://www.bhaktapurcraft.com/">www.bhaktapurcraft.com/</a>
CBS Nepal	<a href="http://www.cbs.gov.np/">www.cbs.gov.np/</a>
CHILDREN-Nepal	<a href="http://www.children-nepal.net.np/suryamukhi/">www.children-nepal.net.np/suryamukhi/</a>
CTM AltroMercato	<a href="http://www.altromercato.it/">www.altromercato.it/</a>
EFTA	<a href="http://www.eftafairtrade.org/">www.eftafairtrade.org/</a>
FHAN	<a href="http://www.nepalhandicraft.org.np/">www.nepalhandicraft.org.np/</a>
FLO	<a href="http://www.fairtrade.net/">www.fairtrade.net/</a>
FLO-Cert	<a href="http://www.flo-cert.net/">www.flo-cert.net/</a>
FTAO	<a href="http://www.fairtrade-advocacy.org/">www.fairtrade-advocacy.org/</a>
FTG Nepal	<a href="http://www.fairtradegrouppnepal.org/">www.fairtradegrouppnepal.org/</a>
GPI	<a href="http://www.gpicoop.org/">www.gpicoop.org/</a>
IMO	<a href="http://www.imo.ch/">www.imo.ch/</a>
MAHAGUTHI	<a href="http://www.mahaguthi.org/">www.mahaguthi.org/</a>
MANUSHI	<a href="http://www.manushinepal.org/">www.manushinepal.org/</a>
NAP	<a href="http://www.fairtradenap.net/">www.fairtradenap.net/</a>
New-SADLE	<a href="http://www.newsadle.org.np/">www.newsadle.org.np/</a>
NEWS!	<a href="http://www.worldshops.org/">www.worldshops.org/</a>
SANA HASTAKALA	<a href="http://www.sanahastakala.com/">www.sanahastakala.com/</a>
THE BODY SHOP	<a href="http://www.thebodyshop-usa.com">www.thebodyshop-usa.com</a>
UNDP	<a href="http://www.unipd.org">www.unipd.org</a> /
WFTO	<a href="http://www.wfto.com/">www.wfto.com/</a>
WFTO-Asia	<a href="http://wfto-asia.com/">wfto-asia.com/</a>
WORLD BANK	<a href="http://worldbank.org/">worldbank.org/</a>
WSDP	<a href="http://www.wsdp.org.np/">www.wsdp.org.np/</a>

## Annex 1: Ten Principles of Fair Trade



### WFTO Ten Principles of Fair Trade

WFTO prescribes 10 Principles that Fair Trade Organizations must follow in their day-to-day work and carries out monitoring to ensure these principles are upheld:

#### *Principle One: Creating Opportunities for Economically Disadvantaged Producers*

Poverty reduction through trade forms a key part of the organization's aims. The organization supports marginalized small producers, whether these are independent family businesses, or grouped in associations or co-operatives. It seeks to enable them to move from income insecurity and poverty to economic self-sufficiency and ownership. The organization has a plan of action to carry this out.

#### *Principle Two: Transparency and Accountability*

The organization is transparent in its management and commercial relations. It is accountable to all its stakeholders and respects the sensitivity and confidentiality of commercial information supplied. The organization finds appropriate, participatory ways to involve employees, members and producers in its decision-making processes. It ensures that relevant information is provided to all its trading partners. The communication channels are good and open at all levels of the supply chain.

#### *Principle Three: Fair Trading Practices*

The organization trades with concern for the social, economic and environmental well-being of marginalized small producers and does not maximize profit at their expense. It is responsible and professional in meeting its commitments in a timely manner. Suppliers respect contracts and deliver products on time and to the desired quality and specifications.

Fair Trade buyers, recognizing the financial disadvantages producers and suppliers face, ensure orders are paid on receipt of documents and according to the attached guidelines. An interest free pre-payment of at least 50% is made if requested.



Where southern Fair Trade suppliers receive a pre payment from buyers, they ensure that this payment is passed on to the producers or farmers who make or grow their Fair Trade products.

Buyers consult with suppliers before canceling or rejecting orders. Where orders are cancelled through no fault of producers or suppliers, adequate compensation is guaranteed for work already done.

Suppliers and producers consult with buyers if there is a problem with delivery, and ensure compensation is provided when delivered quantities and qualities do not match those invoiced.

The organization maintains long term relationships based on solidarity, trust and mutual respect that contribute to the promotion and growth of Fair Trade. It maintains effective communication with its trading partners. Parties involved in a trading relationship seek to increase the volume of the trade between them and the value and diversity of their product offer as a means of growing Fair Trade for the producers in order to increase their incomes. The organization works cooperatively with the other Fair Trade Organizations in country and avoids unfair competition. It avoids duplicating the designs or patterns of other organizations without permission.

Fair Trade recognizes, promotes and protects the cultural identity and traditional skills of small producers as reflected in their craft designs, food products and other related services.

#### *Principle Four: Payment of a Fair Price*

A fair price is one that has been mutually agreed by all through dialogue and participation, which provides fair pay to the producers and can also be sustained by the market. Where Fair Trade pricing structures exist, these are used as a minimum. Fair pay means provision of socially acceptable remuneration (in the local context) considered by producers themselves to be fair and which takes into account the principle of equal pay for equal work by women and men. Fair Trade marketing and importing organizations support capacity building as required to producers, to enable them to set a fair price.

#### *Principle Five: Ensuring no Child Labor and Forced Labor*

The organization adheres to the UN Convention on the Rights of the Child, and national / local law on the employment of children. The organization ensures that there is no forced labor in its workforce and / or members or home workers.

Organizations who buy Fair Trade products from producer groups either directly or through intermediaries ensure that no forced labor is used in production and the producer complies with the UN Convention on the Rights of the Child, and national / local law on the employment of children. Any involvement of children in the production of Fair Trade products (including learning a traditional art or craft) is always disclosed and monitored and does not adversely affect the children's well-being, security, educational requirements and need for play.

#### *Principle Six: Commitment to Non Discrimination, Gender Equity and Freedom of Association*

The organization does not discriminate in hiring, remuneration, access to training, promotion, termination or retirement based on race, caste, national origin, religion, disability, gender, sexual orientation, union membership, political affiliation, HIV/Aids status or age. The organization provides opportunities for women and men to develop their skills and actively promotes applications from women for job vacancies and for leadership positions in the organization. The organization takes into account the special health and safety needs of pregnant women and breast-feeding mothers. Women fully participate in decisions concerning the use of benefits accruing from the production process.

The organization respects the right of all employees to form and join trade unions of their choice and to bargain collectively. Where the right to join trade unions and bargain collectively are restricted by law and/or political environment, the organization will enable means of independent and free association and bargaining for employees. The organization ensures that representatives of employees are not subject to discrimination in the workplace.

Organizations working directly with producers ensure that women are always paid for their contribution to the production process, and when women do the same work as men they are paid at the same rates as men. Organizations also seek to ensure that in production situations where women's work is valued less highly than men's work, women's work is re-valued to equalize pay rates and women are allowed to undertake work according to their capacities.

#### *Principle Seven: Ensuring Good Working Conditions*

The organization provides a safe and healthy working environment for employees and / or members. It complies, at a minimum, with national and local laws and ILO conventions on health and safety.

Working hours and conditions for employees and / or members (and any homeworkers) comply with conditions established by national and local laws and ILO conventions.

Fair Trade Organizations are aware of the health and safety conditions in the producer groups they buy from. They seek, on an ongoing basis, to raise awareness of health and safety issues and improve health and safety practices in producer groups.

#### *Principle Eight: Providing Capacity Building*

The organization seeks to increase positive developmental impacts for small, marginalized producers through Fair Trade.

The organization develops the skills and capabilities of its own employees or members. Organizations working directly with small producers develop specific activities to help these producers improve their management skills, production capabilities and access to markets - local / regional / international / Fair Trade and mainstream as appropriate. Organizations which buy Fair Trade products through Fair Trade

intermediaries in the South assist these organizations to develop their capacity to support the marginalized producer groups that they work with.

*Principle Nine: Promoting Fair Trade*

The organization raises awareness of the aim of Fair Trade and of the need for greater justice in world trade through Fair Trade. It advocates for the objectives and activities of Fair Trade according to the scope of the organization. The organization provides its customers with information about itself, the products it markets, and the producer organizations or members that make or harvest the products. Honest advertising and marketing techniques are always used.

*Principle Ten: Respect for the Environment*

Organizations which produce Fair Trade products maximize the use of raw materials from sustainably managed sources in their ranges, buying locally when possible. They use production technologies that seek to reduce energy consumption and where possible use renewable energy technologies that minimize greenhouse gas emissions. They seek to minimize the impact of their waste stream on the environment. Fair Trade agricultural commodity producers minimize their environmental impacts, by using organic or low pesticide use production methods wherever possible.

Buyers and importers of Fair Trade products give priority to buying products made from raw materials that originate from sustainably managed sources, and have the least overall impact on the environment.

All organizations use recycled or easily biodegradable materials for packing to the extent possible, and goods are dispatched by sea wherever possible.

## Annex 2: WFTO Code of practice



### World Fair Trade Organization Code of Practice

WFTO members share the following practices:

#### *1. Commitment to Fair Trade*

To trade with concern for the social, economic and environmental well-being of marginalized producers in developing countries. This means equitable commercial terms, fair wages and fair prices. Unfair trade structures, mechanisms, practices and attitudes will be identified and avoided. To cooperate and not compete. To promote fair trade and social justice in the interest of the producer, and not to maximize profit at the producer's expense.

#### *2. Transparency*

To openly share financial information, management policies, business practices, product sources, production, marketing and development program plans on a regular basis. This enables both members and the public to assess WFTO's, and each organization's social and financial effectiveness. This openness is tempered with respect to sensitive commercial or political information.

#### *3. Ethical Issues*

To reflect in their structures a commitment to justice, fair employment, public accountability and progressive work practices. To seek the greatest possible efficiency at the lowest cost while involving workers in decision-making and management as appropriate to each organization. To aim for adequate income for workers to meet their basic needs, including health care, education and the capacity to save.

#### *4. Working Conditions*

To ensure a safe working environment that satisfied at a minimum all local statutory regulations. To provide the opportunity for all individuals to grow and reach their potential. To ensure that work is carried out under humane working conditions, using appropriate materials and technologies, while following good production and work practices.

### *5. Equal Employment Opportunities*

To oppose discrimination and ensure equality of employment opportunities for both men and women who suffer from the exploitation of their labour and the effects of poverty and racial, cultural or gender bias.

### *6. Concern for People*

To promote development which improves the quality of life and which is sustainable for and responsible to both people and the natural world. There will be no exploitation of child labour. Trading activities should not violate indigenous peoples' claims on land or any resources of vital importance to their way of life.

### *7. Concern for the Environment*

To encourage the trading of goods which are environmentally friendly. To manage resources sustainably and to protect the environment.

### *8. Respect for Producers' Cultural Identity*

To encourage production and development of products based on producers' cultural traditions and natural resources. To promote producers' artistic, technological and organizational knowledge as a way of helping preserve and develop their cultural identity.

### *9. Education and Advocacy*

To promote fair trade by encouraging people to change consumption patterns based on issues of social justice and concern for the environment. To support campaigns or campaign for national and international policies that will improve the living conditions of the poor in developing countries. To increase public and corporate consciousness of alternative trade as an effective means to change unfair international trade structures and attitudes. To increase awareness of cultural and traditional values of the South in order to promote intercultural understanding and respect.

## *Working Relationships*

Organizations participating in Fair Trade shall establish their relationships within a framework of solidarity, trust and mutual respect, avoiding prejudice or harm to their colleagues' images and reputations. These relationships are based on reciprocal benefits and fair exchanges and should be of a nature that extends beyond trading itself. WFTO members and observers agree to negotiate our differences through open and direct dialogue.

### *1. Relationships between Fair Trade Organizations (FTOs) and consumers*

FTOs provide consumers with high-quality, fairly priced products and educate and inform. FTOs recognize that good customer care - including respect for the customer, honest marketing techniques and provision of information - is both an ethical issue and a means of benefiting all parties in the trading cycle. Through consumer feedback FTOs will receive market and product information.

### *2. Relationships between FTOs*

As representatives of the producers, FTOs should make efforts to coordinate their activities and help each other achieve commercial efficiency at the least possible cost in order to open up markets to benefit the producers. Their cooperation and commercial transactions shall be based on a clear and efficient work division according to their different geographical locations and resources.

FTOs cooperate with each other by exchanging information about products and market needs and ways of meeting them, including joint supply and marketing. They seek to avoid both duplication and exclusivity in agreements for marketing and representation. They also aim to cooperate by obtaining

funding for themselves and producer organizations through credits, loans and working capital and optimizing existing resources.

### ***3. Relationships between FTOs and Producer Organizations***

The function of the FTO is to buy and sell and the function of the producer organizations is to produce and sell. Their commercial relationship should be complemented with other actions addressing the overall situation. Market information, product feedback, financial support and other relevant services are available according to members' and observers' capability. Taking into account the skills and resources of producers, FTOs and producer organizations seek to improve the quality, acceptability and range of their product offerings. Both FTOs and producer organizations agree to be responsible and professional in meeting their commitments in a timely manner.

### ***4. Relationships between Producer Organizations***

Cooperation between producer organizations should be frank, open and based on mutual respect to benefit their members. They avoid competition by not duplicating the designs or patterns of another group without permission. They exchange information, have joint workshops, take collective action and will, where possible, meet to discuss common issues.

*Approved at the 1995 IFAT Conference held in New Windsor, Maryland, USA*

Name of Organisation: \_\_\_\_\_

Date: \_\_\_\_\_

Signature: \_\_\_\_\_

Print Name: \_\_\_\_\_

## Annex 3: FTG Nepal Code of Practice



### Fair Trade Group Nepal Code of Practice

To fulfill the vision of FTG-Nepal it is necessary that its members adopt fair trade practices in their operation. FTG-Nepal has formulated the following code of conduct which should be adopted by its member organizations to ensure basic fair trade practices. FTG-Nepal executive board has full authority to review the compliance of below fair trade code of practices by its members.

1. To conduct business and trade with concern for the social, economic and environmental well-being of producers. To promote fair trade and social justice in the interest of the producer, and not to maximize profit at the producer's expense.
2. Every member should comply with the Fair Wage Standards determined by FTG-Nepal. The members must ensure that there is no discrimination in wages paid to men and women for similar jobs.
3. Members should ensure fair trade practices by fulfilling producers guidelines developed by and revised in appropriate time by FTG-Nepal.
4. Consumers provided with a good quality fairly priced product that allows an acceptable margin of profits to the manufactured and reseller.
5. Self assessment against Fair Trade Standards should be carried out by member organizations in every two years and such assessment should be submitted to FTG Nepal.
6. Members should also openly share annual reports and audit reports to the concerned stakeholders as required.
7. To empower producers by taking participatory approaches in management and building their capacities.
8. To ensure that work is carried out under humane working conditions satisfying at least minimum fair trade standards.
9. Support producers to have access to basic social services such as health, education and savings.

10. To provide opportunities for low income, women, differently-able and minority communities.
11. To completely avoid child labor.
12. To encourage the use of indigenous skill and local raw materials. The cultural and artistic heritage of Nepali crafts be promoted and preserved.
13. To encourage environment friendly production and marketing process. To manage natural resources in a sustainable manner.
14. To aware and educate consumer, policy makers and general public about the principles of Fair Trade. To support campaign, lobbying and advocacy of Fair Trade in national and international level.
15. Member organizations should cooperate with each other by sharing information, knowledge, and taking collective actions for mutual development to enhance solidarity.
16. Members should avoid unhealthy business practices that lead to unfair competition. They should avoid copying design and patterns of another member.



## Annex 4: Research Matrix

Specific objective/research question	Hypothesis	Data required	Data collection method	Data analysis
1. Examine the state and the profile of the Fair Trade Group Nepal member organizations;		1.1 General information about the Fair Trade in Nepal and the FTG Nepal;	1.1.1 From internet, reports, books and articles;	1.1.1 General description;
		1.2 Specific information about the organizations, the products and the markets;	1.2.1 Contact, visits and interviews;	1.2.1 Description + graphic categorization;
2. i) Identify the potentials, the problems and the challenges that Fair Trade in Nepal is facing and examine the perception of them by the member organizations of the Fair Trade Group of Nepal;	2. The problems and the challenges that the FT in Nepal and the single FT organizations are facing are common and are related to the same issues;	2.1 Information about the potentials, problems and challenges;	2.1.1 Reports and articles;	2.1.1 + 2.1.2 Description + graphic categorization;
			2.1.2 Consultations, visits and interviews;	
		2.2 Opinion and perception by the FTG Nepal members;	2.2.1 Reports and articles;	2.2.1 + 2.2.2 Description + analysis of the opinions and perceptions by the producers;
			2.2.2 Consultations, visit and semi-structured interviews;	
3.. Examine the perception of Fair Trade impact by the producers/artisans at grass-roots level.	3. Fair Trade is a tool for the empowerment of the marginalized people + producers at grass-roots level perceive the benefits of the FT in their life;	3.1 Perception of the FT impact by the workers/artisans at grass-roots level;	3.1.1 Contact, visit and interviews/focus group ;	3.1.1 Description + analysis of the perception by the producers at grass-roots level;

## Annex 5: List of organizations visited and activities

Organization	Location	Activities
FTG Nepal	Lalitpur, Kathmandu	- Meeting with business development manager and executive director
Association for Craft Producers	Kathmandu	- Meeting with Executive director + production visit - Felt group visit + Interviews
Kumbeshwar Technical School	Lalitpur, Kathmandu	- Meeting with Founder chairman - Production and School visit + Interviews - Meeting with Founder Chairman
Mahaguthi	Lalitpur, Kathmandu	- Meeting with Procurement manager - Meeting with procurement manager
Manushi	Kathmandu	- Meeting with Executive director
Sana Hastakala	Lalitpur, Kathmandu	- Meeting with Exexutive director - Production centre visit + Interviews
Women's Skills Development Organization	Pokhara	- Meeting with Director + Production centre visit
New SADLE	Kapan, Kathmandu	- Meeting with finance officer and production manager - Production centre visit + interviews - Meeting with Executive director
CHILDREN-Nepal	Pokhara	- Meeting with Production manager and executive director + Production visit - Meeting with Executive director
Nepal Girls Care Centre	Kathmandu	- Meeting with Director and Production centre manager + Produciton centre visit
Bhaktapur Craft Paper Ltd.	Bhaktapur	- Meeting with Executive director and finance officer + Production visit - Production centre visit + interviews
Get Paper Industries	Bansbari, Kathmandu	- Meeting with Executive director - Production centre visit + interviews + School visit
Thimi Ceramics	Thimi	- Meeting with Owner and Manager + Production visit

## Annex 5: Pre-structured interviews

### *Interview guide to the FTG Nepal members' responsible*

1. Personal Information.
2. General information about the organization.
3. How did the organization begin? How has it changed during its history?
4. What is the mission of the organization?
5. What are the main activities carried out of the organization?
6. Which type of products do you produce?
7. Could you tell me about the markets? (Fair Trade/mainstream market, local/export market)
8. Could you tell me about the producers? (Number, location, type of contract, etc)
9. Is there any organization helping you? In which way?
10. What is your impression about the Fair Trade in general and specific in Nepal?
11. In your opinion, how is Fair Trade perceived in Nepal? And in your opinion, are the Fair Trade principles adequate to the cultural context of Nepal?
11. In your opinion, what are the main potentials of your organization? And of the Fair Trade in Nepal in general?
12. What are the main limits that your organization is facing? And the Fair Trade in Nepal in general?
13. What are the main challenges for your organization? How can you rank them? And for the Fair Trade in Nepal in general?

### *Interview guide to the FTG. Nepal members' workers/artisans*

1. Personal information.
2. How did you get involved in this organization and for how long?
3. Before doing Fair Trade work, how was your life?
4. What is your work in this organization?
5. How did you learned to make these things? Have you received trainings?
6. In your opinion, how are the relations between producers and administration in your organization? And the relations between men and women?
7. What is your opinion about Fair Trade? And is Fair Trade perceived among your familiars and friends?
8. Could you tell me about your wage? Does it ensures you an acceptable standard of living?
9. In your opinion, what are the differences between work in a Fair Trade organization and work in a common organization?
10. What are the vantages and positive factor to work in a Fair Trade organization?