

The Future of The LEAPSS Project

AN EVALUATION OF THE LAO ECONOMIC ACCELERATION PROGRAM

FOR THE SILK SECTOR (LEAPSS) in Xieng Khouang and Hua Phan

June 2004

Recommendations for Enhancing Sustainability of Project Interventions

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SUMMARY AND RECOMMENDATIONS FOR NEW WORK STRATEGIES FOR PHASE 3

This report evaluates Phase 1 and 2 (2001-2004) the LEAPSS village silk production project in Xieng Khouang and Huaphan supported by the Consortium in Lao PDR and makes recommendations to enhance system sustainability in Phase 3 (2004-2006) and after 2006 when the project will finish. The report was compiled by a team of three over a two to three week period in May and June 2004.

Silk is clearly an excellent cultural and commercial option for villagers especially in areas with difficult physical access to markets. Working with PAFO, DAFO and LWU the project has done very well in boosting Lao silk production in response to a widely expressed desire from urban weavers and exporters for increased supply. Yarn quality has also increased. Over four years 900 families in two provinces have been helped to increase silk production for sale and home weaving through the supply of improved material inputs and technical and some social training. We witnessed this in a sample of seven villages.

The main weaknesses in the project seem to be a new imbalance in mulberry and silkworm eggs supply, limited development of reeling and limited emphasis on developing production groups for cooperation and specialization and ultimately inter-village cooperation leading to cluster, district or provincial networks. A sense of the need for individual, family and wider collective effort is evident in the villages, but there is little evidence of the awareness of the benefits to be derived from inter-village interaction.

The project may be helping a little too much with material resources and action, at the village and wider levels, obtaining relatively rapid short term progress while somewhat sacrificing the development of social self-reliance. Some of the action and resource assistance being offered eg with marketing, would best be replaced by training and other learning support where possible. All LEAPSS professional staff should be capable of offering learning support to government and villagers. Broad learning, including that in technical, marketing, financial and social areas, is the basis of self-reliance and thus sustainability of village progress. When advice and training is offered it should take the form of dialogue and facilitation as far as possible.

Increased facilitation of silk producer cooperation is recommended. This can lead to several organizational stages and steps that can be considered as options in that the project can plan to reach a certain stage by 2006. Group development is best done in one or two pilot villages in each province before expansion. One option is to focus on the village groups as the largest organizational level and train such groups to deal directly with the Vientiane market. Another is to foster this connection to Vientiane from the cluster or district level and later from the provincial level. This step by step progression is supported by the team. A sub-option involves a high degree of focus on selected village clusters and their later linking at the provincial level. All these options involve cooperation between villagers as a strong basis for entry into the market, and especially for direct contact with Vientiane weaving and exporting enterprises. Cooperation should eventually lead to a cooperative enterprise with producer shareholdings and control, very preferably supported by new legislation.

Subsidies not efficiently supporting rural capacity should be phased out. The project should reduce its attempt to cover large numbers of villages and wide areas and focus more on expertise and potential leadership in limited carefully chosen areas in order to try to guarantee sustainable progress in these areas at least. The uncertainties in biophysical and socio-economic methodology can be partly overcome by a greater research orientation, comparing biophysical or socio-economic methods by trying them in different villages. Post 2006 other villagers could learn from example and possibly training by village and cluster centres of new expertise.

More cooperation and specialization in silk technology is suggested for all levels based on learning support. Most importantly assistance should be given for local variety breeding centres to be run by village specialists and improved reeling in each village to raise the number of silk worms and the quality of silk respectively. This can be tried in pilot villages.

General Analysis and Learning,

- The project should be seen more in terms of process and systems research, biophysical and socio-economic, rather than only extension. Several pilot villages can be used to test and compare several new ideas.
- Where possible greater emphasis should be put on learning support rather than resource support and action.
- More learning support should be directed at socio-economic understanding of the silk sub-sector.
- Sustainability can be raised by introducing savings and loan groups to silk villages.
- Technical-environmental and socio-economic issues should always be seen as linked.
- A course is required on marketing, financial systems and relevant law for a wide range of government staff. This should include a discussion of motivation.
- The project should produce an annually updated project progress report or at least an annual report.

Silk Quantity, Quality and Type, and Textiles

- * The project should focus on the traditional silk variety for which breeding by the farmers is manageable without reliance on outside resources. Although hybrids have high yield potentials they are not available on an as needed basis for producers, and availability would require extensive resources.
- * After pilot trials a group breeding centre should be established in each village and technical and management training should be provided to the responsible persons assigned by each group.
- * The existing silk worm egg breeding centre at Xamneua must be maintained to produce eggs to supply new project villages.
- * Intensive technical training on silk worm breeding should be provided to the provincial staff. Support should be offered to the provincial staff to train district staff.
- * The following production management areas should be strengthened: group production planning, improved reeling equipment, sericulture expertise at the provincial level and new specifications of yarn which will allow faster reeling.
- * The project should promote both reeling methods that create different types (not qualities) of yarn.
- * Standard silk yarn samples and prototypes of improved machines including reeling machines, rewinding machines and twisting machines should be supported to increase yarn quality
- * Some effort should be put into teaching selected interested village groups textile designs with high international appeal.

Rural Organization Development

- Two senior rural organizational development facilitators should be hired, or several equivalents trained.
- Increased emphasis should be put on the strengthening of village groups for cooperative production.
- Progressively assistance should be provided to facilitate the linking of some village groups at least in some areas to other villages in the same cluster mainly for the purpose of joint marketing but also for enhanced learning support from the project, mutual technical assistance, specialization and some standardization.

- A small number of new villages should be introduced to the project to help socially link a selection of existing clusters. This should be done after some experience with strengthening cluster solidarity.
- Training should be provided to say two new villages, perhaps between clusters, to set up S&L groups, as an intervention step directly following dialogue, survey and analysis in each village.
- When two or more village clusters in a province have achieved a significant degree of cooperation they should be assisted to link together at the provincial level, at least in incipient form, before the project closes.
- If organizational development finishes at the village level more people will be involved in marketing learning and decision making. Communication and financial management is easier. If villagers join in a cluster or provincial network competition between producers is reduced and bargaining power grows, marketing costs are more widely shared and it is quicker to accumulate the required value to justify distant marketing, standardization becomes possible and useful, more buyers can be contacted, more ideas on new products and markets are better conveyed back to the producers. Better leadership should be possible from the best of village leadership.
- At a certain collective price of products to sell and under conditions in which the villagers feel unsure of the marketing process and no project is available to support further learning, it may be worthwhile hiring a full-time staffer to assist.
- For full cooperative must have and work under state sanctioned rules, and it must obtain funds or capital, either by investment in the form of shares, by borrowing, or perhaps partly through grants/donations. Investment in a multi-member organization requires a legal status to give confidence to the investors and lenders that the funds will be used honestly. The present legislation for companies- limited allows a maximum of 20 shareholders, so new law is required whether that extends the company numbers or is preferably a new law on cooperatives. The project and its supporters should consider ways of expediting new law.

Marketing

- Further training in marketing should be offered possibly both in village to the village group and to the group leaders for all villages in a cluster at a more advanced level. Marketing role playing may be worthwhile.
- The project should consider advising a Lao organization, probably LHA, to fund and run a handicraft fair in the each the two provinces consecutively, but should not offer major funding itself.
- Silk producer groups should be encouraged to sell their products collectively and directly to the end users to support quality improvement and new designs as well as to increase bargaining power.
- Village groups or perhaps clusters should be trained in collective silk and textile marketing in Vientiane. Training cluster representatives with short courses and study tours to Vientiane may be more cost-effective. It may not be possible to establish regular relationships between producers and buyers until consistent standards and schedules are achieved.
- Potential silk and silk products special in each village and village cluster should be identified, in terms of diversified product ranges in raw silk yarn, including twisted silk yarn, different types of silk threads and different types of textiles according to the market demand.
- The LHA could consider developing a multi-label system for silk and textiles.

Gender

- Whenever possible gender issues should be integrated in training courses to maintain gender sensitivities in future project activities, especially where more roles are to be played at village level.

- The LWU should be supported to conduct a study to make sure that intensive silk production will not overburden women in Tai villages and to further gender issues related to silk in non-Tai villages where high sexual inequality is traditional.

Age

- Most women in the project seem to be middle aged. If more young members do not eventually become involved the skill will die out, and the sub-sector will decline.

Other Links to Government

- ⇒ Discussions should be held with government to develop links or harmonisation between the Phase 3 strategy and their Post-project strategies that will be based on low budgets.
- ⇒ Two government staffers should be trained for each position with the project.
- ⇒ Several government staffers should be trained in market systems and the role that government can play in facilitating efficient market operations in the expectation that it will receive feedback in the form of taxes from profitable businesses including cooperatives

INTRODUCTION

A consultant team was contracted to prepare an evaluation for the Lao Economic Acceleration Program for the Silk Sector (LEAPSS) operating in Xieng Khouang and Huaphan provinces in northern Lao PDR. The project is now approaching the end of its existing plan and budget on 30 September 2004. The team was asked to focus on options and recommendations for a following and final two years to promote sustainability.

The team consisted of a core of three consultants: a team leader, a silk specialist and a marketing specialist, with major contributions from two Consortium staffers, with other contributions from two central government staff and many government and project staff in the provinces, and of course the villagers interviewed.

Three Phases

The Lao Economic Acceleration Program for the Silk Sector (LEAPSS) is implemented by the Consortium of World Education and World Learning in the Lao PDR; under a cooperative agreement (number 442-A-00-99-00051-00) with USAID. The time frame for the original agreement ran from October 1st, 1999 to September 31st 2002. A two year extension was granted in October 2002 to bring the Project completion date to September 31st, 2004. USAID has agreed in principal to fund an additional two years of the project activities (Phase 3) until late 2006.

Phase	Starting Date	Finishing Date
1	1 October 1999	31 September 2002
2	1 October 2002	31 September 2004
3	1 October 2004	31 September 2006

Brief History

Field implementation of LEAPSS began in late 2000, with the selection of 12 target villages in 6 districts in Xieng Khouang and Huaphan provinces in northern Laos. In 2002, the number of target villages doubled while the number of ethnic groups represented among the beneficiaries also expanded greatly. The most recent expansion took place in 2003 with the addition of 16 new villages to the Project. LEAPSS is now working with 874 families in 40 villages of the two target provinces.

Key Issues for the Evaluation

The purpose of the evaluation is to:

“formulate a set of recommendations that will lead to greater sustainability of LEAPSS Project interventions, on way to the close out of the USAID-funded portion of activities in late 2006”

Specifically, the Evaluation Team was asked to:

- Ø Review progress made in achieving the five intermediate results;
- Ø Conduct a participatory evaluation of Project impact at the village level;
- Ø Assess options for promoting sustainability of silk sub-sector development, focusing on the role of the private sector;

- Ø Study the regulatory framework that governs the establishment and running of private businesses, associations, and cooperatives in Laos; and,
- Ø Prepare a set of recommendations that will form the basis for a work plan during the upcoming close out phase of the Project.

The Team was asked to spend most of its time to developing a strategy and making recommendations for enhancing sustainability of Project interventions prior to the close out of Project activities.

A summary set of possible strategies that would lead to improving the sustainability of the project after USAID withdraws funding for LEAPSS at the end of 2006 was provided by the Consortium (see Appendices).

LEAPSS is said to be working towards developing strong, functional farmers groups for all of the 40 target villages in the Project. These groups or, a network of these groups, were considered to be ‘the principal component of a strategy’ for promoting sustainability for LEAPSS. This reflects Intermediate Result 3 and its recommended extension (see below).

The impact at the village level is reflected in many aspects of this evaluation.

Why Silk is an Excellent Option for Rural Development especially in Mountainous Provinces of the Lao PDR

Silk has the following advantages over many alternative rural commercial activities as follows:

1. Silk production and weaving has a very long history in the Lao PDR.
2. Mulberry can be harvested and silk worms raised for much of the year
3. The main labour intensive activity is done indoors and can thus be easily done in spare time, including the evening, especially when there is electricity
4. Most of the adult members of the family can contribute. The men tend to do the outdoor work and women indoors.
5. The silk is very long lasting, losing no value over time if kept well, although cocoons must be reeled within about 5 days. Once reeled it can be kept and accumulated for sale at opportune times either as silk or cloth
6. Silk has a high price to weight ratio and is non-breakable meaning that it can be transported long distances to market over very poor tracks or roads
7. It is amenable to a wide variety of local and foreign tastes through changing texture and design.
8. The foreign market for certain textures and designs is huge.

However consideration should be given to focusing support in areas where silk’s competitive advantage is greatest.

The Silk and Silk Product Survey in 2000 showed the significant opportunity to increase national silk production. The table below shows that 3 tons more of Lao silk yarn is needed in the market. However, many users of non-Lao silk want to substitute Lao silk for non-Lao silk if it is available. Thus Lao silk could replace non-Lao silk by at least about 115 kg./ year.

Production and Sales of Silk Yarn in Lao P.D.R

Production, Sales and Imports of Silk Yarn	Weight (tonnes per year)
Lao silk yarn produced in LEAPSS areas 2003	1.07
Assumed sales of silk yarn from LEAPSS areas	0.55
Total Lao silk yarn produced in Lao PDR	8.8
Assumed Total Lao silk yarn sold in Lao PDR	4.4
Non-Lao silk yarn imported	115

About half of the silk produced it is estimated is sold and half is used for village weaving.

The Potential for Lao silk to replace imported silk is unknown but is probably substantial, based on stated desire for Lao silk by major urban weaving enterprises.

Villages and Enterprises Visited by the Team

The team interviewed leaders of many urban silk enterprises, one rural enterprise and visited seven villages as shown below.

Xieng Khouang

Paek District Ban Mouan

Khune District Ban Nasi

Kham District Ban Xaam, Ban Tha

Huaphan

Xieng Kho District: Ban Bao

Sop Bao District: Ban Nalok

Hua Phon District: Ban Tham

Project Goal

As set forth in the original LEAPSS Project document, the overall goal of the Project states that:

Existing enterprises and micro-enterprises engaged in the production, processing and marketing of silk in Laos increase their volume and profitability. In addition, new private silk sector enterprises and micro-enterprises are established, placed on a growth trajectory and made profitable.

Summary Progress So Far on Five Intermediate Results (Objectives)

In support of the overall goal the project works to address five intermediate results. These intermediate results were initially proposed by USAID in the 1999 project document, and were updated to reflect additional project work/interventions in the 2002 extension proposal.

The project has made major strides in the achievement of three of the intermediate program results, especially given the small budget of about USD 1,000,000 per phase. It should be emphasised that the project is highly cost-effective.

Summary progress with respect to the intermediate results is shown below. This reflects the planned order in which activities have taken place. Some time is available in Phase 2 and all of Phase 3 for a focus on activities 2 and 3. It is recommended that Result 3 be extended to networks in clusters of villagers and indeed perhaps the two target provinces.

Intermediate Program Objectives

Summary Results

1: <u>Strengthened institutional capacity of local and national authorities</u> to support private silk sector activities.	<i>Good progress in the technical aspects but limited in the socio-economic areas</i>
2: Better access to local and international silk and handicraft <u>markets</u> for silk producers.	<i>Good but variable progress for local markets. Minor progress for international markets</i>
3: Enhanced <u>coordination and cooperation</u> among silk production groups (farmer groups).	<i>Some progress. Small groups organized for extension. Production groups started.</i>
4: Increased role of <u>women</u> as decision makers at all levels of the silk sector.	<i>Good progress. Women are almost equally involved as decision makers, but study is needed on selected issues.</i>
5: Improved <u>quality and yield</u> of cocoons and silk yarn produced by farmers.	<i>Good progress on yield, and some on quality.</i>

PROJECT DEVELOPMENT 2001 - 2004

LEAPSS, which began in 2001, has been involved with about 900 families in 40 villages in two provinces, 20 in Xieng Khouang and 20 in Hua Phan, only a few of which have easy access to the provincial town. 12 of these have been involved for three years, nine for two years and 19 for only one year.

Hua Phan is the main traditional silk producing area of Laos; so many LEAPSS villages formerly produced silk using traditional techniques. A Consortium study here shows a significant correlation between silk production and average family income in project villages. It is significant that Hua Phan is highly mountainous with the silk production villages located on narrow stream flats and undulating land, and sometimes based on mulberry production on nearby steep land. The provinces access to Vientiane markets is difficult. Silk production and weaving is a suitable option for commercial production on these isolated areas as the land area required to grow mulberries to make one kilogram of silk and weave 20 metres of cloth is only a few hundred square metres and the end product has a relatively high value / weight ratio.

The villages tend to form clusters but at very variable travel times up to about seven hours from the provincial town.

Three main ethnic groups, all from the Lao Lum or Tai -Kadai: Phouan, Red Tai, Black Tai, and minor ethnic groups are involved. Among the smaller Lao Lum groups three White Tai, one Pheung one Pheung-Yeuang, one each Ja, Mouay and Khmu (Mon-Khmer or Lao Theung group) three Hmong villages (Hmong-Mien language group or Lao Sung).

The project has been helping with raising mainly the quantity of silk produced. This has been done by promoting production at five stages, the first of which is run by the government in each district (DAFO):

1. mulberry nurseries
2. mulberry production,
3. silk worm raising (cocoon production)
4. post-cocoon processing
5. marketing

Emphasis has so far been placed on the first four processes. Village men take responsibility for mulberry growing and women carryout the other three stages. Women thus do most of the work.

LEAPSS has provided extensive training for government personnel in stages 1, 2, 3 and 4 which has contributed significantly to Intermediate Results 1 and 5. PAFO and DAFO with the LWU with the help of training by the project have been providing extension support to the villages for these same stages. Groups have been developed within each village to facilitate project intervention and some mutual help and cooperation including trading. There has been almost no contact between villages.

Project villages are now producing 10-20 kilograms of silk per village (1.38 kg per household). About half of the silk produced now is sold and half is used for weaving in the village but this varies a lot from village to village. Some women prefer to weave which they see as a ‘spare time’ activity that does not compete with other livelihood activities. But with more intensive production, responsibility for most of the stages of silk and cloth production, and probably trading, could be over-burdening these women.

EVALUATION: THE FIVE INTERMEDIATE RESULTS

Result 1. Strengthening Institutional Capacity

The objective is strengthened institutional capacity of local and national authorities to support private silk sector activities.

The government splits responsibility for the silk sub-sector officially into four as follows:

Activity	Agency	Work So Far
1. Mulberry growing up to post-cocoon processing	Agriculture and Forestry	Good progress
2. Weaving	Lao Women’s Union	Mainly gender
3. Garment making	Industry and Handicrafts	None
4. Marketing	Trade and Commerce	None

Main Components of Institutional Capacity

Component	Comments on Project Contribution
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1. Access to material resources (or funds)	Only equipment will last post-project
2. Staff numbers, sex (gender) and ethnicity	Probably little impact, except gender. Ethnicity, especially language needs consideration
3. Information, knowledge, learning	Mainly technical
4. Motivation	Through leadership, training and resources. Possibly temporary.

The table below summarizes the training undertaken and apparent weaknesses

<i>Main Topics in Which Government Staff Have been Trained</i>	<i>Method</i>
Mulberry culture	Short-training, on-the-job-training and study tours
Sericulture	
Post-cocoon processing	
Extension	
<i>Weaknesses</i>	<i>Weaknesses</i>
Too little specialized training to build specialization at the provincial level and then at lower levels including the village.	No component on how to learn in a group to increase the sustainability of learning.
Perhaps insufficient training for all staff and leading villagers on how to teach	
Some exposure training on marketing but requires more.	
<i>Topics for the Future</i>	
Socio-economics topics	
Textile design	

It is recommended that *at least two government staff* at any one level and place should be trained in each skill to ensure continuing organizational capacity when one staffer is away, redeployed or resigns.

The Sericulture Research Centre (SRC) has been offered training equipment, sericulture manual production and a new entry drive. Suggestions include further sericulture manual production, anti-biotics, 'egg sheets' and positions for two staff at the next sericulture course in Thailand.

Desire for Training at Provincial Level - related to Needs

17 government staff were interviewed in Xieng Khouang to obtain desire for training based on a brainstormed list.

<i>Topic</i>	<i>Number Selectin g</i>	<i>Comment</i>
Silk production	0	Already trained

Computing	3	
Marketing	9	Suitably high
Silk worm egg production	4	Note specialization
Natural dyeing	5	Note specialization
Administration	2	
Teaching methods	3	Significant
Community development	1	
Weaving	1	
Textile design	0	May not know potential
Accounting	6	Suitably high.

Some senior staff expressed support for training for all involved in *general work processes* such a communication, planning, analysis and presentation. General business or entrepreneurship and microfinance training should also be considered.

This is just the beginning of a ‘training needs analysis’ or better a ‘learning needs and desires analysis’. Learning is more than training and staff desire is important in motivation.

Such courses must be related to villager needs and desires and the project goals, strategies and problems, etc.

Helping and Helping to Learn

But how can the help best be targeted to rapidly facilitate the growth of rural technical and socio-economic capacity, the basis of sustainable development. Assisting villagers to learn how to do it themselves is almost always preferable to doing it for them even if this takes a much longer time.

The key is not just training but a wider concept, *learning support* which includes within it *how to learn* the basis of independence.

Training Villagers

Leaders that learn with Khommaly do not always disseminate knowledge effectively: eg Ban Mouang and Ban Nasi . Perhaps those villagers that are trained in technical areas should also be trained in teaching methods including some on-the-job training. On a number of occasions in interviews the members did not seem to be aware of what was taught or shown to their representatives. This also illustrates the value of in-village training for all members. In the case of marketing in-village training for all should probably be supplemented by higher level courses for all group leaders together at the cluster level, and later study tours to Vientiane.

Savings and Loans Groups

S&L groups will increase the self-sufficiency and sustainability of village commercial activity. Revolving funds tend to have a short life-time. S&L groups should be the first step in microfinance development. S&L group development should be an early step in any one village, aimed at a village wide group based on about four days of in-village training for all those interested. This urgently requires legislation to fully legitimize the S&L groups. Xieng Khouang LWU has already set up S&L groups. The alternative is to register the S&L groups with up to 20 members as companies.

Minorities

Districts should be encouraged to employ minority women staff where the project is working in minority villages, especially where few women speak Lao. Nam Saat has started this approach in selected districts nationally.

Government Role in the Market

Several senior provincial government staffers should be trained in market and financial systems including the legal framework required and the role that government can play in facilitating efficient operations in the expectation that it will receive feedback in the form of taxes from profitable businesses including cooperatives, which should include village savings and loans groups. Motivation for all people in the system should be fully covered. After piloting such a course others could be asked to co-sponsor it and make it a regular occurrence being offered to further staff in the provinces and Vientiane.

Result 2: Marketing

Silk is sold to Vientiane and Luang Phabang weaving companies directly and at trade fairs sometimes with the Consortium's assistance, to villagers who are going to Vientiane for other reasons, and to independent traders who visit the village. Silk is also sold to some traders in Provincial towns and sometimes to Hmong villagers that send it to relatives overseas. Village weavers may become 'collectors' or traders.

Several trade fairs have been organized by the project with PAFO and DAFO with the aim of bringing villagers, traders and urban weavers and exporters together and sell silk and cloth. Handicraft Sales and Exhibition organized in Vientiane Capital and in the two provinces have been an obvious success which enables silk producers to become more aware of the silk sub-sector market. This is an encouraging activity for all stakeholders in the sub-sector. The exhibition is supported by LEAPSS in collaboration with concerned government agencies at local and central level. However, there is room for improvement to ensure optimal impact of the exhibition and post-project sustainability

- Handicraft sales and exhibition should include local handicraft enterprises who could be potential trading partners of villages.
- Introduce marketing training as part of future capacity building plan of the project.
- The project should attempt to maximize the Lao Handicraft Association's responsibility for future fairs.

The fairs have been highly appreciated, but costs and benefits should be compared with other ways of achieving the same end. For example, taking elected village leaders from all villages in a cluster, each with a large bag of samples, to Vientiane on an introduction and study tour. In future one or more Lao organizations should take nearly all responsibility for trade fairs.

The recent quarterly project's plan activities such as training on natural dye and construction of dye hut and marketing training are planned for the coming quarter.

- It will be important in the future to identify potential silk and silk products of individual village, cluster of villages, in terms of diversified product ranges such as raw silk yarn, twisted silk yarn, different grades of silk threads and different types of textile handicraft items according to needs of handicraft enterprise customers.

Silk Price

Price varies with silk type and over time. In 2004 the price for coarse silk has risen from 100,000 to 120,000 kip. Ban Tham group can sell at 130,000 kip per kilogram, and if twisted already using an old machine at

150,000 kip per kilogram. These are high prices that the project should try to help duplicate by training in other villages. At Ban Saam with one 1 kilogram of silk that would sell for 120,000 kip they can weave 18 metres of 35 cm cloth with 0.1 kg left over. This can be sold for about 150,000 kip, giving an extra 'labour return' of 30,000 kip per kilogram. This was adequate motivation for the women weavers interviewed.

Many villages hope to sell cooperatively in Vientiane. They feel the need to accumulate about 40 or 50 kg to justify it. A round trip bus fare to Vientiane is 74,000 kip x 2 from Ban Saam, Kham District, for example. By selling in Vientiane about 10,000 kip is added to the price. 50 kilograms would add 500,000 kip. From this must be subtracted the return bus fare of say 150,000 and accommodation if no relatives or friends live there and the increased price of food over that in the village. It obviously best to go if having another reason to go and if one can stay with relatives. A key problem is that most are unable to wait to accumulate this much silk before selling. Clearly a village cluster would enable much faster accumulation of a large weight. Loans from a savings and loans group would help the poorer villagers wait.

Some training in marketing would be an advantage to explain the prices of different types of silk, ways of making higher price silk, and cloth and the range of outlets available in Vientiane.

Summary of marketing chains in Xieng Khouang and Huaphan

Description	Xieng Khouang	Huaphan
Volume of silk produced (2003)	73 Kg	200 Kg
Volume preserved village's weaving	Approx. 30%	Approx. 70%
Silk products consumers/buyers	Own consumption Local end-users Handicraft retailers	Own consumption Handicraft retailers
Products types	Pae Va, Shaw, Cloth, Scarf	Pae Va, Xin, Tin Xin Cloth, Table cloth, Wall hanging, Scarf
Volume sold	Approx. 70%	Approx. 30%
Immediate silk collectors	LEAPSS Villagers Middlepersons from outside of the village	LEAPSS Villagers (buyers) Middlepersons from outside of the village
Type of silk worms	Hybrid and Traditional	Hybrid and Traditional
Silk worms rearing cycle	3 to 7	3 to 7
Silk yarn classifications and selling prices per Kg	<u>Mai Luam</u> Grade 1: finer 130,000 to 140,000 Kip Grade 1: fine 120,000 Kip Grade 2: medium 100,000 Kip Grade 3: corse 80,000 Kip <u>Mai Ngot</u> Finest 150,000 Kip	<u>Mai Luam</u> Grade 1: finer 130,000 to 140,000 Kip Grade 1: fine 120,000 Kip Grade 2: medium 100,000 Kip Grade 3: corse 80,000 Kip <u>Mai Ngot</u> Finest 150,000 Kip <u>Mai Mon Nam</u> 140,000 Kip
Village and market relations	Contacts with existing local handicraft group/handicraft enterprise Contacts with handicraft enterprise in Vientiane Capital	Contacts with traders of handicraft textiles in the market Contacts with handicraft enterprise in Vientiane Capital

Result 3. Coordination and Cooperation in Farmer Groups

In developing villager groups, a process oriented approach rather than an activity based approach should be used. A facilitator should support continuous learning through workshops and field advice. A new position of Senior Organization Development Facilitator should be added to the project team in each province, or several staff members should be thoroughly trained.

The project has so far developed 'silk extension groups' and has started forming new silk production groups. The groups by what ever name should be taken to a deeper level of cooperation involving aspects of production including marketing. Rather than working at the same time with a large number of villages as seems to have been the case so far it could be better start with a pilot village (or perhaps two) *per* district or perhaps cluster to develop the producer groups. Expansion to neighboring villages should only be undertaken when the first village is successful.

In each province, 2 project staff, 2 provincial staff and 2 district staff should be intensively involved in group development at the pilot stage.

Collective action including production planning, distribution of project support, silk yarn quality improvement by training and facilitation of the use of new equipment, solving production problems and marketing should be brought to the groups.

The village-based organization is a very important foundation for forming organizations at higher levels.

When a group in each village is well organized, replication of group development process can be carried out in the neighboring villages. Experienced farmers from the pilot village can help as facilitators to organize groups in the new villages.

To increase marketing cooperation among silk producers, networking of village clusters in each province should be facilitated. An independent self-financed organization owned and controlled by villagers could develop possibly hiring management staff with cooperative marketing as the main aim.

Result 4: Gender

Gender is well integrated into the project. Given the fact that ethnic composition of the target villages tends to be uniform, with most belonging to the Tai-Kadai (Lao Lum) where gender has not seemed to be a major concern. Division of labour can be seen among husband, wife and children within a household. The proportion of females playing roles as project's coordinator and head of the silk production group is about equal to males. Women are taking part equitably in decision making in sericulture planning. However in the few Mon-Khmer (Lao Theung) and Hmong-Mien villagers sexual inequality is strong. The gender component should be increased.

Village men take responsibility for mulberry growing and women carryout the other three stages from silkworm rearing to weaving. Women thus do most of the work. A study should be done to make sure that intensive silk production is not over-burdening women.

Whenever possible gender issues should be integrated in training courses. This is to maintain and strengthen gender sensitivity integrated in future project activities, partly because more roles are required at the village level.

Result 5. Silk Quantity and Quality

Silk worm variety

The project should focus on the traditional variety for which breeding by the farmers is manageable without reliance on outside resources. A group breeding centre should be established in the villages and technical and management training should be provided to the responsible persons assigned by group. The village breeding centre should help to organize a production plan in the villages.

The existing silk worm egg breeding centre at Xamneua must be maintained to produce eggs to supply new villages. The project should work closely with the province in the *near future* in preparing budget and personnel for this centre. Intensive technical training on silk worm breeding should be provided to the provincial staff.

Production capacity

In year 2003 silk yarn production in the project areas was 1,080 kilograms, giving an average of 1.38 kilograms/household. However, 50% of silk yarn was kept for weaving in the village. Strengthening of production management will help boost production. The areas to be strengthened are group production planning, improved reeling equipment, sericulture expertise at the provincial level and new specifications of yarn which allows faster reeling.

Silk Yarn Types

There are two reeling methods which create different types of silk yarn namely mixed or coarse silk (Mai Leum) medium silk (Mai Preuk Nok) and fine silk (Mai Yod). Supplying several types of silk yarn supports a wider range of fabric design which provides uniqueness and competitiveness to Lao silk. Some urban weavers do not regard fine silk as superior to coarse silk. The project therefore should promote both reeling methods.

Quality Improvement

The quality of raw silk is still a big issue in the project. Even though it has shown improvement most silk yarn produced in the project area has not yet met the basic quality standards desired by the urban weavers. In most cases, yarn has to be reprocessed into a standard form prior to weaving. This creates additional time-cost for the weaver. The extra cost of yarn twisting for example is 30,000-40,000 kip/ kilogram. Poor quality silk yarn reduces fabric quality.

The project has provided training in silk yarn reeling and construction of improved reeling equipment but awareness of quality improvement has still not grown much among the producers. Promotion of collective marketing will support quality improvement. Silk producer groups should be encouraged to sell their products directly to the end users. Direct feedback from the users will be a catalyst for production and quality improvement. Standard silk yarn samples and prototypes of improved machines including reeling machines, rewinding machines and twisting machines.

Miscellaneous

Mulberry Land

Mulberries are planted usually on sloping land or along stream flats. Along the Ma river there is a significant strip of apparently highly fertile moderately sloping land used for terraced wet rice and occasional mulberry plantation. A small number of villages have established their own nurseries. This should be encouraged.

Land allocation progress is variable from village to village. It may be better to have formal government survey and agreement to reduce the chance of future disputes. Women now have the equal right to sign land use certificates. Villages choose previously shifting cultivation land, cutting and burning regrowth to plant on slopes. Allocation should include a plantation zone for all residents on the slopes nearest the village. Ban Saam had a problem with grass on steep land that was overcome by intercropping with peanuts. Ban Bao and possibly other villages nearby have arranged for a special fenced area for large livestock raising.

Given the small area mulberry covers it would seem highly appropriate for UXO survey and removal to precede planting.

Socio-economic Status

The 30 families in Ban Nalok are all considered middle level. The reason that the poorest are not involved here might be investigated by the project. Is this typical?

Village Groups

Ban Nasi in Xieng Khwang seems to have a special problem with the leader of the group. The consortium should study this issue in the village as a whole and either help solve it or abandon the village.

Silk Worm Nets

Since an accident in one village no one uses pyrethrin for bed nets. Perhaps cooperation is needed with the Health staff to reintroduce pyrethrin for bed nets to that village.

Credit for Fencing Wire

Vigilance is required on repayments, as village revolving funds rarely last more than a few years. As mentioned some villages have a special livestock area, substantially reducing the need for mulberry fencing. This should be investigated further.

Ethnicity

Variable reactions were expressed on the possibility of working with other ethnic groups for trading. Some say they can work with all. Others say only with our ethnic group. Ban Bao is an important opportunity to introduce (presumably reintroduce) the Khamu in this region to silk and weaving. Other Mon-Khmer groups as well as Khamu could be brought on exposure and then training tours.

Age Cohorts

There is a tendency for silk group membership to be 'middle aged'. Is there a way of interesting the youth in weaving? This will be important for sustainability.

Textile Design

At Ban Nalok those interviewed expressed a strong interest in learning about designs for the foreign market. As a first step could they be lent a book with modern designs to see what they make of it?

Village Cluster Networks

In general it can be said that very little interaction is taking place between villages in the project. Most villagers interviewed said they knew no one in the other villages. This is an area where the project will have to put in a major effort.

One amusing case is that of Ban Tham in which the villagers thought that the project wished to protect its ideas and so they did not try to spread them to other villages. On knowing that this was not the case they expressed willingness to train others.

THE FUTURE

The 'evaluation' team has been asked to propose and evaluate several institutional options for the LEAPSS project after USAID withdraws assistance in October 2006, and methods of preparing for those options in the last two years of the project. Technical options should also be considered.

A Clarification of Terms From Subsistence to the Market

The subsistence peasant households who sell a few products in the market are still part of the rural subsistence sector. Sales of silk now in LEAPSS typically reach on average about 2.3 US cents per day per household. They might be considered part of a mixed subsistence-commercial sector when their cash income generation approaches the value of subsistence production. They are thus not usefully labelled micro-enterprises yet. The project is helping develop cash income generation in the subsistence sector. When real cooperation develops supporting production, the cooperative unit could be called a micro-enterprise.

The 'Lao' Label

Several 'standard' labels for a certification system would assist development of the silk sub-sector:

1. 'Lao Silk' that primarily means biology and natural dyes. This could be used for the biologically Lao silk and for textiles with largely foreign inspired designs.
2. 'Lao Handicraft' that means woven at the traditional loom (or equivalent for other handicrafts) using essentially traditional patterns, but any type of silk. A product could bear both labels 1 and 2 or a combined one
3. 'Lao Silk Handicraft' if it fulfils both criteria.
4. 'Lao Made' would be used for factory products.

It is presumably better to have several terms based on clearly defined criteria rather than disagreement over the meaning of 'Lao Silk'. Even the above list of types does not really describe every possibility. The next step is to develop a strategy that will enable labelling to benefit all levels in the silk sub-sector. Shops must have accurate labels on products with explanatory information on the label or in a pamphlet. The LHA must lead here.

From Group through Cluster Network to Provincial then National Networks

Useful interaction could take place over time by cooperation

- in strengthened village production groups
- between village groups in clusters and then
- in wider provincial 'networks', then eventually
- national networks.

The Reasons for Working Together

The team sees some sort of cooperative structure under village leadership preferably backed up by appropriate law and legal procedure as the best option for long-term village prosperity in the mountainous areas.

Groups and networks could develop for

- mutual help/ advice
- exchange of materials,
- joint production,
- discuss and possibly agree on specialization,
- some standardization
- inter-group training
- joint contact with outside groups for training and other cooperation.
- Joint marketing

Pilot villages, Pilot Clusters

The village-based organization is a very important foundation for creating organizations involving several villages. The first and possibly the most important step is the formation and strengthening of production groups in each village, starting with pilot .

But the first pilot villages must be chosen in carefully chosen clusters. Because the Project villages lie in clusters initial networks in these clusters would be most feasible. If the project decides to support cluster and provincial networks the clusters that will be supported first with a view to joining them at the provincial level must be chosen at this stage. These might be called pilot clusters.

Almost all existing clusters lie in one district. Clusters could expand to include non-project villages and the project could introduce new villages between some clusters especially in Xieng Khouang to help link them socially. *This is a much more useful form of project expansion than just taking on one new district.*

Technical and organizational effort must be linked well. Cooperation over silk will spread to other activities.

Stages, Steps and Processes

The past and future potential can be described in stages and steps or processes that may occur at the same time or at least overlapping in time in different places.

The stages will develop at different rates in different places, may not all take place in any one village or cluster, and may take place in different orders or with other characteristics.

New Staff or Training

A facilitator should support continuous learning through workshops and field advice. A new position of Senior Organization Development Facilitator should be added to the project team in each province. If such people cannot be recruited it is suggested that selected staff should be sent for intensive training. A manual on this topic is needed.

Four stages and more than 20 steps are suggested below many of which could be facilitated by Phase 3 of the project. This is one possible scenario.

Likely Steps in Intra-village Cooperation

1. Intra-village groups formed to facilitate extension (Phase 1 and 2) also for mutual help (advice) and material exchange or gifts.
2. Groups begin to trade as a group in an ad hoc way (Phase 1 and 2)
3. Cooperative production groups for silk worm breeding, worm raising, post-cocoon processing.
4. Where there are multiple intra-village groups they may remain for specialization as sub-groups and join to form one village group that can interact with other villages.

Developing Village-based Organizations

In developing villager groups, a process oriented approach rather than an activity based approach should be used. The 'extension groups' should be taken to a deeper level of cooperation involving aspects of production including marketing, starting with a pilot village (or two) per district or possibly per province. After staff have more experience and improved facilitation skills from working in the pilot village, and the process is more or less successful the group development process can be replicated in other villages. One pilot village per district or perhaps cluster is recommended unless the project plans to test two methods (sub-methods) simultaneously. In each province, 2 project staff, 2 provincial staff and 2 district staff from DAFO and LWU should be intensively involved in group development at the pilot stage.

Since the number of silk farmers in each village is not great, one group per village is more reasonable. Existing small groups in each village can still be maintained but only for facilitating technology transfer or very intensive technical follow-up of the extension workers, and possibly specialization.

Collective action including production planning, distribution of project support, silk yarn quality improvement by training and facilitation of the use of new equipment, solving production problems and marketing should be brought to the groups at the village level.

The village-based organization is a very important foundation for forming organizations at higher levels. The key to success of the group development process is continuity. This means that the facilitators have to invest a lot of time and effort to work with the farmers regularly.

The process of developing farmer groups should proceed just as with a larger project with preparation, planning, implementation and evaluation.

Learning Support for Village Group Development

The senior Rural OD specialist or equivalent should offer learning support to the other relevant staff. A workshop should be organized before implementing each major step. Working methodologies, tools and materials to be used in that step are explained to staff. A field work plan is prepared by each staffer. Follow-up workshops are also organized for summarizing lessons learnt from the previous step, evaluating staff satisfaction, incomplete activities. Methods and a schedule for the next step Documentation of all methodologies, tools and techniques can form the basis of a manual progressively written. Field supervision should be offered as well.

Forming Clusters

Village clusters exist physically due to village selection by the government and project. Following the strengthening of village production groups they should be helped to cooperate within these clusters.

If organizational development finishes at the village level more people will be involved in marketing learning and decision making. Communication and financial management is easier.

If villagers join in a cluster or later, a provincial network certain advantages can be expected if the organization is well run

- competition between producers is reduced and bargaining power grows,
- marketing costs are more widely shared
- it is quicker to accumulate the required value to justify distant marketing,
- standardization becomes possible and useful,
- more buyers can be contacted,
- more ideas on new products and markets are better conveyed back to the producers.

Interaction Distance

Divergent views are held on the likely distance and conditions that villagers would travel to interact with other villages. A typical view is as follows:

- 2 kilometres to 5 kilometres as a one day round bicycle trip

- through 10 kilometres by bus to
- more than 30 kilometres if training was on offer in a village.

Social factors important in forming cluster solidarity

The project should start to foster cluster networks involving village groups when the groups show a moderate degree of cohesive action. Factors that will affect the development of cluster networks include the following:

- Village group development
- Ethnicity and relationships
- Enthusiasm for the new enterprise
- Existing village leadership

New Project Villages

Project clusters now have 2 to 11 villages but these could grow in the next two years by the addition of new villages to strengthen clusters internally. Many villages are said to want to join so adding such villages may not be difficult and could be easier than for the original villages. Cluster cooperation will probably be easiest when they lie close by along an all weather road to the district centre.

Savings and loans groups

Savings and loans groups could be set up in new villages. S&L groups will increase the self-sufficiency and sustainability of village commercial activity. This should be the first step in microfinance development. S&L group development should be an early step in any one village, aimed at a village wide group which can be established with four days of training. Such villages could be chosen within clusters or between clusters to facilitate cooperation.

Developing village clusters

When groups in each village are well organized, replication of the group development process can be facilitated in the neighbouring villages. Experienced farmers from the pilot village can help as facilitators to organize groups in the new villages. Clusters will help villagers exchange knowledge, arrange some specialization, broaden marketing cooperation and other activities. Clusters could have a committee formed from members from each village, meeting periodically in a central village or the district town.

Possible Steps in the Development of Cluster Networks

1. The project facilitates informal links between villages.
2. The project facilitates group interaction to discuss cooperation.
3. Village groups begin to exchange ideas and materials
4. A cluster committee is formed from people elected at the village level.
5. The project might offer training in leadership, management and marketing for the committee
6. Clusters begin to trade cooperatively, at first in an ad hoc way.
7. Clusters begin to expand to non-project villages nearby
8. Clusters eventually include nearly all non-project villages in the district during the next stage. Some believe the development of cooperation may end here.

The project could start new villages between clusters during this stage in order to link them more easily. Training for cluster committees could be done together for the potentially linking clusters so starting to create a provincial network.

Provincial Networks

Establishing the Provincial Network Organization

When at least two clusters, which were hopefully identified well before this stage, have developed a degree of solidarity, have formed elected committees, and are cooperating for at least one significant activity, it suggested that initial steps be taken to bring the clusters together at the provincial level. This will hopefully be possible before the project closes in September 2006. Such an incipient network organization could consolidate itself afterwards if it was lucky enough to have good leadership.

Given good leadership provincial networks will further support those advantages that were listed above under cluster formation. An independent self-financed organization owned and controlled by silk producers could develop possibly hiring management staff with cooperative marketing as the main aim. At a certain collective price of products to sell and under conditions in which the villagers feel unsure of the marketing process and no project is available to support further learning, it may be worthwhile hiring a full-time staffer to assist.

Project clusters could be helped to grow in the next two years by the addition of new villages between clusters to help join clusters and increase interaction. This is probably more important than strengthening clusters as the distance between clusters tends to be significant compared with the distance between villagers inside clusters. In Xieng Khouang more opportunities exist to support new villages between clusters.

Possible Steps in Inter-Cluster/District Cooperation leading to Provincial Networks

1. Inter-cluster cooperation begins for exchange of ideas and materials
2. The cluster committees meet to discuss the degree of formality of the next steps.
3. Inter-cluster cooperation begins for inter-cluster training
4. Inter-cluster trading cooperation begins, at first ad hoc.
5. Cluster groups form an informal cooperative raising share capital
6. The clusters together acquire a room and storage cupboard they can use in the provincial town.
7. Clusters hire a person to manage the cooperative when they have a total production that can justify it, perhaps about 100 kilograms of silk per month.
8. The provincial network advertises seeking new cluster members
9. The network sends volunteers to other village clusters to support cluster networks and eventual joining to the provincial network
10. Non-producer shareholders involved in the sector are accepted as non-voting shareholders to boost total capital.
11. Further people are hired.
12. The network is registered as a cooperative under new legislation
13. Gradually the network becomes province wide.

Government Laws and Regulations on Businesses

For cooperation to progress the organization must have rules, preferably sanctioned by the state, and it must obtain funds or capital, either by investment in the form of shares, by borrowing, or perhaps partly through grants/donations. Investments by individuals or other organizations might be of equal or unequal value, by the silk and textile producers equal, and outsiders unequal, or other combination. Investment in a multi-member organization requires a legal status to give confidence to the investors that the funds will be used honestly. Usually bank loans require collateral which also implies a legal status for the borrowing organization. However some banks lend to small groups, using joint group responsibility as a guarantee instead of collateral. Could an informal cooperative borrow on this basis?

At the moment no legislation supports the formation of full cooperatives. Before such legislation is passed it may be possible to form a cooperative under company law, slightly modified. Lao law refers to two types of companies that can have more than two shareholders.

In a Company Limited

- shareholders cannot exceed 20 (a limitation for a rural cooperative involving small shareholders)
- the minimum registered capital is 5 million kip (possibly within the capacity of a provincial organization)
- a manager must be appointed but is guided by company regulations (laws and bylaws) and a general meeting of shareholders.

In a Public Company

- the minimum registered capital is 50 million kip (surely beyond a beginning rural cooperative)
- shareholdings can be transferred, a difficulty for cooperatives.

It may be easiest to create a new type of Company Limited with the possibility of more than 20 shareholders. But completely new legislation on cooperatives that is simple and clear is far preferable.

By late 2005 a workshop should be held with senior government staff that includes scenarios of the workings of a new silk producers cooperative and proposed new legislation or regulations on cooperatives

Beyond the Province

As the provincial cooperatives strengthen they will discuss cooperation. This may lead to the following steps:

1. Hua Phan and Xieng Khouang cooperate to open a shop in Vientiane,
2. The organizations begins to make international contacts through the shop
3. It attends its first international trade fair.
4. Silk garment making begins
5. The cooperative begins selling internationally
6. Networks in other provinces start to form and join the Cooperative now known as the Lao National Silk Cooperative

Conclusion

LEAPSS will be able to help at least the early stages of this development. The villagers will need support from government during and especially after Phase 3.

Progress will take place at different rates in groups and cluster networks and inter-cluster networks. In some clusters and inter-cluster networks the process may be 'sustainable' while in others it does not develop or falls back after early success.

At least the project should try to begin facilitating the provincial step, as clusters without highly developed leadership may easily stop at the cluster stage without subtle support to link them to other clusters, introduce them to provincial government staff and find them a storage place and meeting room in the province town.

If another post Consortium NGO organization is set up to assist this village networking it probably should be regarded as temporary, only until most of clusters are on a sustainable path.

Village Cluster Focus Sub-Option

In Phase 3 in the next two years it could be best to focus on selected clusters, while continuing slighter support for all villages, because of variation in

- The natural conditions
- The market conditions
- Village capacity and enthusiasm
- Cooperative and supportive attitudes and capacity towards other villages.

This should have government agreement, especially because of limited budget (see below)

The advantage of silk over most other rural production activities of course varies with the alternatives and the location. In Xieng Khouang and especially Hua Phan silk has an especially high competitive advantage where and when:

1. temperatures and soils are appropriate,
2. the villagers are almost universally poor or just above the poverty line, making labour of 'low value'(price),
3. access to Vientiane markets, and a lesser extent Luang Phabang markets, are limited by poor roads, tracks and trader services,
4. access to markets for possible alternative perishable agricultural and processed products with a low price/weight ratio are difficult (see Appendices)

One sub-option for Phase 3 is for the Project to focus on those clusters

1. that most clearly fit the above description of areas with a high competitive advantage but also
2. where villager activities show capacity and enthusiasm for one or more stages of silk production and are
3. where villages are supportive of cooperation with other villagers in the cluster
4. where villagers are willing to support other nearby non-project villages in the future.
5. where clusters are close together and so can cooperate easily.

It may of course be very difficult to find clusters with all these characteristics. The project should survey and choose the most appropriate.

Commercial Training Centre

In each province a well progressed village or cluster might be helped to set up a commercial training centre and/or training operations during 2006. The operations will be the most important. If the government wishes to run commercial extension services it might join with such villages.

Diversity

An ironic note might be made that it could be risky for silk to dominate the commercial activities of a village excessively. Silk is a luxury item and luxuries are notoriously fickle. Business downturns can reduce the market significantly. Village diversity is important.

Government Support and Phase 3 Development

As the governments extension budget is likely to remain small the government, at least in Xieng Khouang, intends to target one village in every five or so in the expectation that any new idea will diffuse out to other nearby villages. The government is also supporting this idea that the first village assisted must positively help others.

It will be useful if this one in five strategy is linked to the post-project preparation by the Project. The Project might try to agree with government as to which village will be targeted so that this village can be the focus of Phase 3 work.

The aim could be to promote an 'expert village' (not a model village) in the expectation that the villagers here will run commercial training programmes in the future. More skilled villagers from other villages could join the training and other learning support. It would be better to develop an inter-village support process over the next two years rather than leave it up to 'diffusion'.

Another alternative would be to suggest to the government that rather than one village in five it should focus on 'one cluster in five' to build an 'expert cluster'.

If the Extension staff are allowed to charge a modest fee per person they could join with the expert villagers.

A Temporary NGO

To set up an independent international NGO to continue supporting the sub-sector after 2006 has been suggested as one option. Firstly, in the history and future of silk development in the Lao PDR there is probably nothing special about the year 2006 as a critical time to establish independence from Foreign aid. If assistance were to continue post 2006 it would benefit the silk sub-sector as long as its brief was independent rural capacity and thus the sustainability of village development.

Any further NGO assistance should probably be seen as temporary at least in Xieng Khouang and Huaphan. There it should gradually withdraw and hand over assets and full responsibility to government. Whether the work starts up in other provinces is largely a separate matter although a national silk cooperative may have already started to include other provinces.

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1. OVERVIEW OF THE SILK SUB-SECTOR IN LAO PDR

It was not until 2002 that the silk-sub sector gained attention from leading organizations attempting to revitalize and promote Lao silk and Lao textiles handicraft as a whole. 2002 is the first year the Ministry of Industry and Handicraft with endorsement of the Ministry of Commerce, National Chamber of Commerce and the Lao Handicraft Group, and Lao Women Union has declared a national day for Lao Handicraft Products on the 5th November each year.

Since then the silk sub-sector have shown greater growth and have better organized themselves at least at the national level. The Lao Handicraft Group's membership of less than 20 under the textile sub-sector in 2001 now has soared to 93 members, which accounted about 50% of the whole 6 sub-sectors. In 2002 The Lao Handicraft Group was renamed the Lao Handicraft Association (LHA) as the members and scopes of work have grown.

A survey of silk and silk products in 2002 indicated consumption of Lao silk yarn in four major provinces (Vientiane Capital, Luang Prabang, Xieng Khouang and Huaphan) was up to approximately 12 tons per year, which accounted for only 12% of the total silk consumed. This means a very high percentage of silk yarn was imported, especially from Vietnam. Xieng Khouang and Huaphan are the two provinces in the North best known and in fact are the biggest silk producing sources, up to 8,726 Kg/year. Vang Vieng district, Had Xay Fong Center and other districts in Savannakhet are also well known for silk.

Indeed, Lao silk yarn is under supplied and when is this coupled with easy import of silk from Vietnam, Thailand and China, Lao silk was put under pressure. However, due to the special characteristics of Lao silk and traditional processing methods Lao silk motif, Lao silk and Lao silk textiles sub-sector has its own niche market, which results in an attractive textile handicraft business especially for export. Most silk enterprises estimate a rising demand for Lao silk (Survey of silk and silk products in 2002).

It is noted from past experience the two main problems with Lao silk are the unreliable and limited supply and unreliable quality of silk yarn, both of which are associated with the low yield of traditional mulberry varieties and techniques used during the processing of cocoons and post cocoons production. Where these problems have been overcome (which is very rare), the price for what is considered high quality silk yarn is often too high for many weavers who then seek alternatives for a cheaper and acceptable substituted silk yarn. In 2002 the price of fine grade of Lao twisted silk rose to 200,000 Kip/Kg while that of Vietnamese silk averaged 160,000 Kip/Kg, while the medium grade of Thai silk was approximately ???? 70,000 Kip/Kg, for example. It is not often that such a fine grade of Lao silk can be procured. Most of the time the silk producers create a raw silk yarn with a coarse to medium grade only, receiving a price sometimes as low as 55,000 Kip/Kg. In 2002 the medium grade is averaged 80,000 Kip/Kg; and the fine grade is averaged 90,000 Kip/Kg. There was very rare case to get a very fine grade charged at 110,000 Kip/Kg. Thus producing silk was not such an attractive occupation for villagers as they were rarely able to produce fine and very fine grade silk yarn.

This year (2004) the price of Vietnamese silk is soaring to a maximum 250,000 Kip/Kg (56% increased compared to in 2002). The Lao silk gets a better price to averagely 120,000 Kip/Kg for a fine grade; there is also a rare case for up to 140,000 Kip/Kg. The increased price of Lao silk is giving more incentive to Lao silk growers. A partial reason for a better price of Lao silk is that there are more weavers buying Vietnamese silk raising its price and in turn the weavers look for local cheaper silks which thus commands a slightly better price compared to the past. The demand for Vietnamese silk in Vietnam must also be rising as more silk textile factories are opened. Lao fine grade is now averaging 120,000 Kip/Kg against 90,000 Kip/Kg in the recent past. It is likely that the production of Lao silk is growing as farmers are attracted by a better silk's price, and handicraft enterprises are finding ways to own mulberry plantations and possibly owning backward and forward integrated production and marketing systems.

In sum, Lao silk yarn has more opportunities to seize its share in the silk-sub sector. It could even add more value to the sector through improving many aspects of the products; seeking its own niches and matching actual desires of customers. A mechanism that is appropriate to enable the marketing chain run for optimal benefits to the silk producers at grass root level is therefore deemed necessary.

Lao Handicraft Association (LHA)

Lao Handicraft Association is a semi-government semi-private organization and is a branch of Lao National Chamber of Commerce established in 1998. Its aim is to unite Lao companies and home-based enterprises in the handicraft sector on the basis of voluntary membership. The main tasks of the association are to preserve and promote the fine traditions of Lao handicraft, to improve their design and quality and to develop products and increase the production for local, regional and international markets.

Textile handicraft is one of the total six sub-sectors under the association umbrella, which accounted for the largest membership, 50% or 93 members, of which two are enterprises in Huaphan and Xieng Khouang (Handicraft Enterprise Promotion Huaphan Province, and Lao Sericulture Company Limited). The association now focuses on boosting export potential of Lao textile handicraft through capacity building especially training and exposure to overseas exhibition and trade fairs for membership.

The LHA is one association receiving high attention and support from government organizations and international agencies. Through a partnership project between HWK-LNCCI the LHA has its own organized sales exhibitions and the promise of a "Design center". Recent projects include ones cooperating with UNIFEM for accelerating women's economic empowerment in the silk sub-sector; with JETRO for the creation of "CHAI LAO" silk label; and with VETSA for standardization of curricular concerning handicraft related vocational skill education. LHA will arrange training in standards with the Department of Handicrafts. The Department of Education wishes to create standards in job skills, curriculums, and products. In textiles many standards are being developed.

The Design Center is to be a training center serving different sectors under the LNCCI membership. The LHA will expand membership (the membership fee is 200,000 Kip/year) to provinces encouraging handicraft farmer groups to have a presence and gain possible benefits from the LHA service including linking producers and buyers. Perhaps village clusters or provincial networks could more realistically join. The organization would have to register with the Commerce Department in the province. LHA has offered to help organizations at the district level. If LHA plans to train villagers with UNIFEM's assistance, it would be good to either link to LEAPSS or learn from its methodology.

There is a possibility that the handicraft enterprises that are members of the LHA would be interested in becoming business agents of the LEAPSS project. The LHA feels that only through private business-like approaches will the sustainable growth of silk sub-sector will be ensured.

2. MARKETING CHAIN OF SILK YARN OF LEAPSS'S TARGET VILLAGES

Marketing Chain in Xieng Khouang

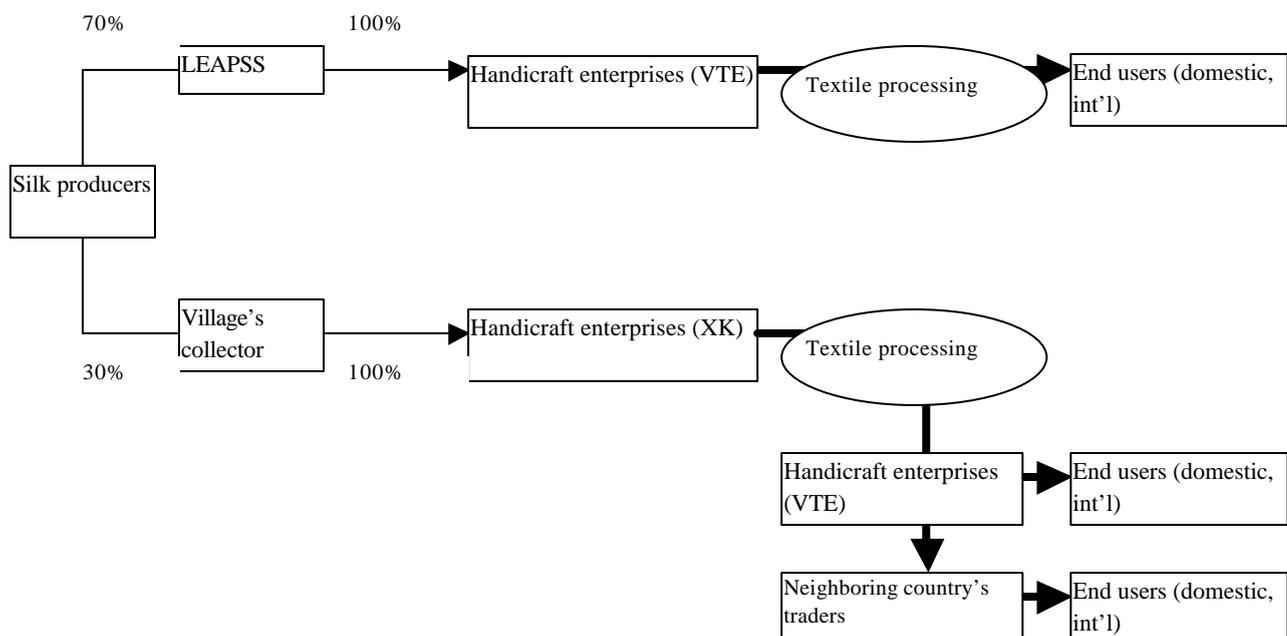
LEAPSS in Xieng Khouang has 20 target villages (9 new villages in 2003) in four districts whose silk yarn productivity amounted to approximately 295 Kg in 2003. There are 4 types of marketing chain identified in the four villages of visit in Xieng Khouang which assumes largely applicable to the other villages.

Type A Marketing

For **type A** of marketing chain the silk yarn produced within the village are collected by a villager (for Mouan village) who has a connection with the Handicraft Promotion Company in town (in fact the person is a sister of the owner of the company and also a wife of the village's headman). The collection as such happens in an informal way in which the collector will buy from the neighbors whenever she knew there are silk yarns available. Payment is immediate cash which the collector received in advance from the Company as working capital for silk collection.

The Handicraft Enterprise (in this case is the Handicraft Promotion Company) processes textile products mainly through individual household's weavers whom will be paid for their wages about 10,000 to 15,000 Kip per day. Small portion of the products are sold locally, while the larger are sold to handicraft outlets in the market of Vientiane Capital. Main customers of the products are wholesalers from Thailand who then sell the products to Thai institution customers and also export to international markets. The products are for example, Pae Va, and different styles of Shawls.

Type A



Certain volume of silk yarns are also collected by LEAPSS project especially prior to the Handicraft Sales and Exhibition through which the villagers will get paid when their products are sold at a price they labeled for different grades of silk yarns. The silk yarns were sold during the exhibition to the handicraft enterprises from Vientiane Capital who then use the local produced silk threads for furthering processing before the textiles woven products are sold to their customers either domestic or international market or both.

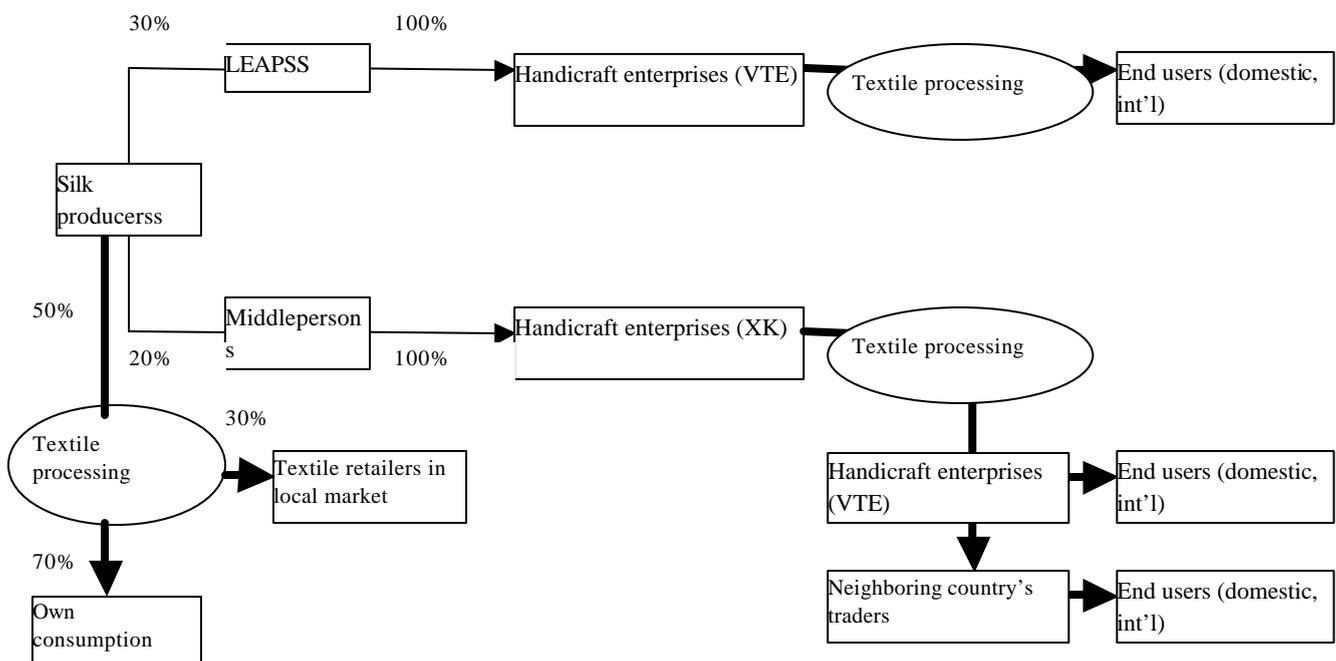
Price. There is no difference in price of silk yarns sold to the village's collector and LEAPSS given the same grade of the silk yarns.

Grade 1: fine	120,000 Kip/Kg
Grade 2: medium	100,000 Kip/Kg
Grade 3: coarse	90,000 Kip/Kg

Possibility for future marketing involvement of the villagers (Type A). The village weavers showed interest in collective selling of silk yarn produced within the village, especially for regular order from wholesalers or handicraft enterprises. Not only the village silk producers who share knowledge about silk production among themselves, they occasionally share with their cousins who raise silk worms too. However, the silk production in the nearby villages is not very obvious. The villagers of this village have frequent access to sub-district market (ThangBeng) but not to Phone Savanh market of Xieng Khouang. The knowledge of how the silk yarn could be marketed is extremely limited.

Type B Marketing

Type B



In **type B** marketing chain, the middlepersons collect silk yarn in addition to LEAPSS's effort prior to the handicraft exhibition. One of the two middlepersons identified in Nasea village is silk trader from Phone Savanh district and another is villager of this village who are not member of LEAPSS's silk production group. About half of the silk volumes produced by the village (Nasea) are kept for households' own textiles woven of which 30% of the products are sold to the local handicraft retailers in local market. It is assumed that the silk yarns once being collected from a number of villages by the middlepersons are then shifted to Handicraft Enterprises (including Handicraft Promotion Company) located in Phone Savanh town.

Price. There is difference in price of silk yarns sold to the middlepersons and LEAPSS given the same grade of the silk yarns.

Finest grade (Mai Ngot):	150,000 Kip/Kg (through LEAPSS)
Grade 1: fine	120,000 Kip/Kg (through LEAPSS), 110,000 Kip/Kg (through middlepersons)
Grade 2: medium	100,000 Kip/Kg (through LEAPSS), 80,000 to 90,000 Kip/Kg (through middlepersons)

In fact, the middlepersons were given cash by the enterprises equivalent to amount of silk yarn the enterprises need at a selling price, for example 120,000 Kip per Kg of fine yarn category. Depending on bargaining skills of the middlepersons who might be able to lower price than the one set by the enterprises, the difference made is a profit to the middlepersons. The villagers often get much lower price than they expected via this channel of trade especially when they are in highly need for cash.

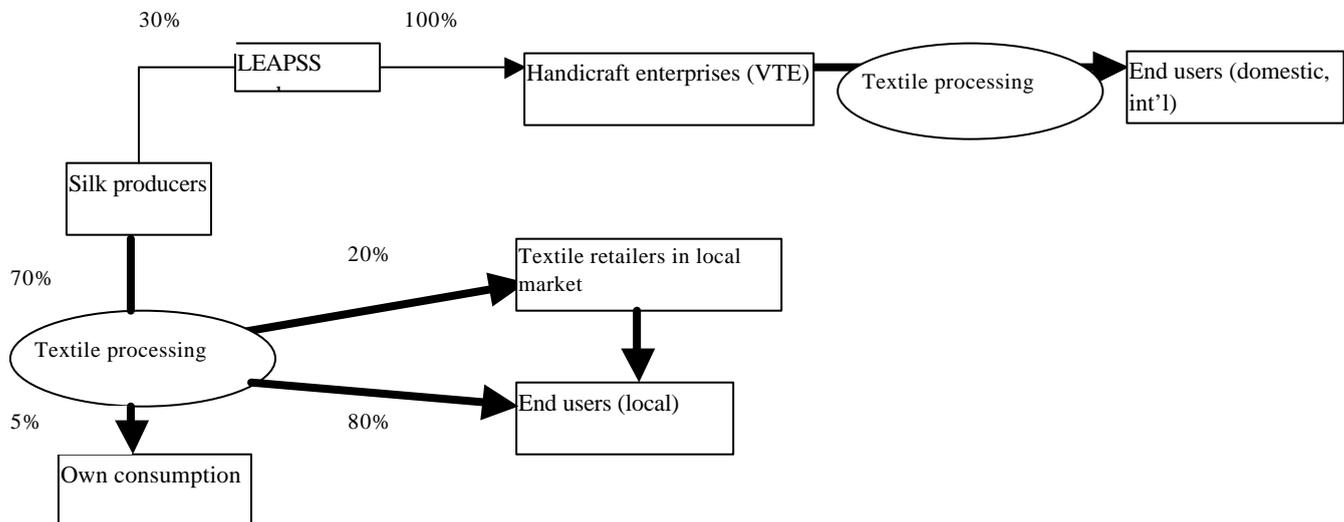
Possibility for future marketing involvement of the villagers (Type B). Almost every household (40 hhs) of Nasea village has tradition of silk and silk textiles production. However, there are actually 8 households under the LEAPSS and approximately 15 not under the project that continue such tradition. In addition, there is one village's silk producer who is also a collector of silk yarn as noted earlier from other villages. Possibility to connect the whole production of the village into one market channel is not foreseen due to there conflict inherent within the village whose villagers come from different villages before consolidating into this one.

Nevertheless, nearby this village there are other three making altogether 39 household silk producers. This makes it possible for future collective marketing effort. There is in fact one of the project's silk producer member expressed interest to take a marketing role with minimum service fees for himself. In addition, sharing of silk-related production task such as silk reeling to other villagers who are free enough at a wage of 15,000 to 20,000 Kip/Kg is likely.

The villagers of this village have frequent access to Phone Savanh market especially to sell woven items and other small agriculture products.

Type C Marketing

Type C



Type C of marketing chain has only LEAPSS project as immediate silk buyer through its marketing effort. The C type applies to the village with intensive textile woven which are in fact not many of them in Xieng Khouang, approximately 3 of the 20 villages have weaving practices along silk production. For Xam village, about 70% of silk yarns produced by the villagers are further processed into a typical product which is “Pae Va”. Majority of the products especially “Pae Va” are sold to especially “Hmong” consumers who frequent buy directly at the village at a price of 8,000 Kip per meter. Silk production of the village is not enough for textile production of the village itself. There are many households who then sell labors to local handicraft enterprises to produce such textiles items as “Cloth” and “Scarf” and “Shawl” using Vietnamese silk and chemical dyes.

Price. The villager gets the same price for the silk yarns with the same grade as the villagers of other LEAPSS’s target villages. The medium to fine grade silk yarn are identified in this village of which the medium one is suitable for “Pae Va” production.

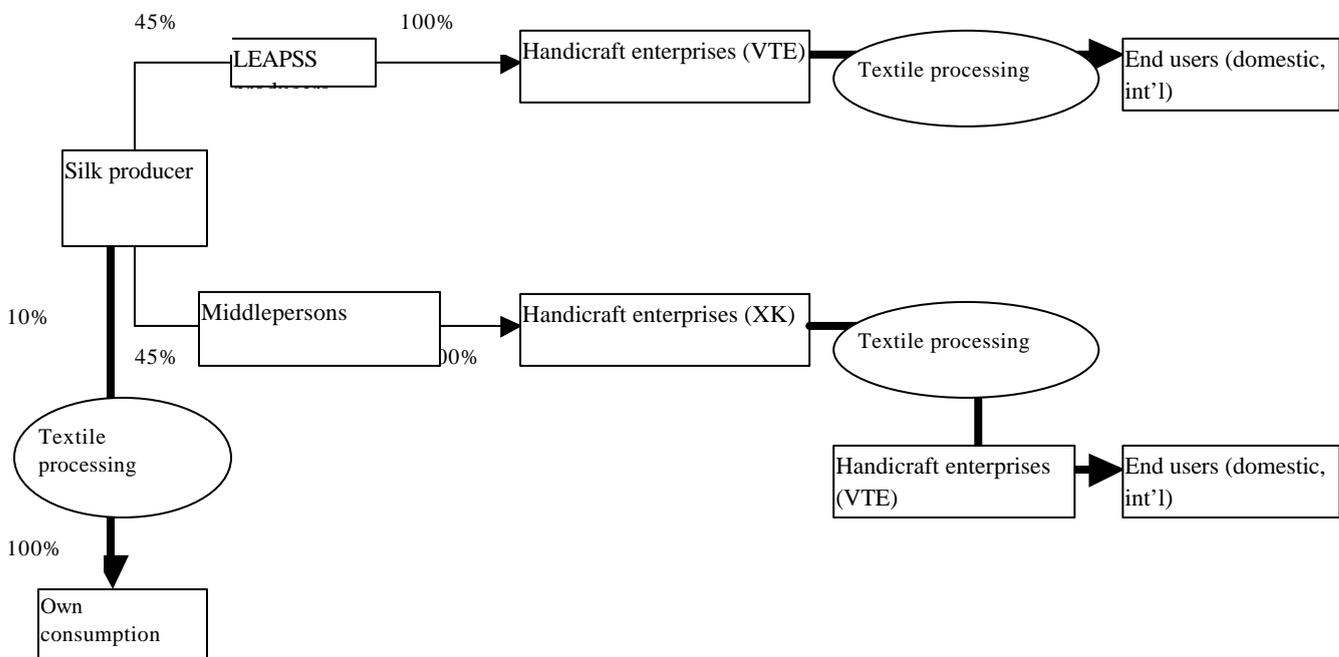
When compared silk yarn and silk products, the latter activity added more value or additional profit of 34,000 Kip to the weaver given the assumption that the customers buy directly at the village (as illustrated below). However, when the transportation cost involved as a fixed cost profits can be made only for sales volume bigger than 20 meters.

Silk product	Silk
Income from selling 20 meters of Pae Va: 20 m X 8,000 Kip/m = 160,000 Kip Silk cost: 0,8 Kg X 120,000 = 96,000 Kip Labor cost (part-time): 3 days X 10,000 Kip/day= 30,000 Kip Total costs: 126,000 Kip Profits or value added 160,000 – 126,000 = 34,000 Kip Transport cost: 35,000 Kip/person (return) Loss: 1,000 Kip	Income from selling 0,8 Kg of silk yarn: 0,8 Kg X 120,000 = 96,000 Kip

Possibility for future marketing involvement of the villagers (Type C) . The villagers of Xam village already have connection for silk products trading with direct consumers and local handicraft enterprises. They have tradition of trading with outsiders also for village-made alcohol product. The villagers showed high interest of engaging in weavings which could also be subcontracted to nearby villages’ weavers if they have enough silk yarns.

Type D Marketing

Type D



Type D of marketing chain is similar to type B which has LEAPSS and middlepersons as immediate silk collectors at about equal quantity. Only small amount of silk yarn is kept for own-made woven products.

The middlepersons identified in village of visit, Tha are from the Handicraft Group, Xieng Kieu village and from other villages.

Price. The villager gets the same price for the silk yarn with the same grade as the other villagers during the Handicraft Sales and Exhibition supported by LEAPSS. The medium to fine grade silk yarn are identified in this village which priced as follows.

Grade 1: fine	120,000 to 130,000 Kip/Kg
Grade 2: medium	100,000 Kip/Kg

Possibility for future marketing involvement of the villagers (Type D). Tha is the village that the first Handicraft Sales and Exhibition organized in Xieng Khouang. The villagers of this village therefore were exposed much more than others resulting to a greater sense to involve in marketing of silk yarns in the future. During the exhibition personal contacts have been made for future silk supply to enterprise in Vientiane Capital at a relatively good price of 130,000 Kip/Kg for fine grade silk yarn with no limited quantity, for example. The village sees this as market opportunity in addition to existing opportunity in local market. The village's project coordinator in particular expressed future marketing plan of the village including collective silk yarn collection with service fees charged to the enterprise buyer; using village revolving fund for the purpose of encouraging weaving activities, for example. There is also possibility to engage silk producers of two other villages nearby, Na Say and Na Xay in collective marketing effort.

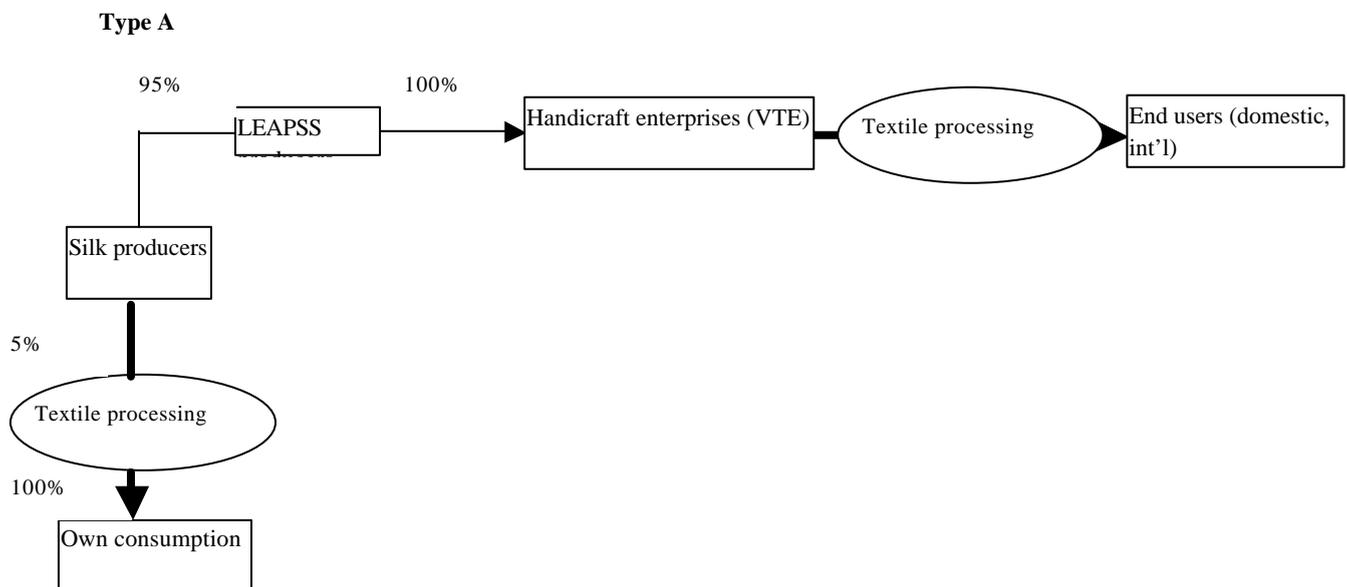
Marketing chain in Huaphan

Type A. This is the simplest channel of silk yarn found in one of the visited village in Xieng Khor district, Bao village, in which the silk yarn produced is collected by LEAPSS especially for the Handicraft Sales and Exhibition in Xam Neua; and little left for household textiles weaving for own use.

Price. There are three slightly different prices of silk yarns the producers received during the Handicraft Sales and Exhibition which reflected three different grades of yarn from the perspective of the buyers.

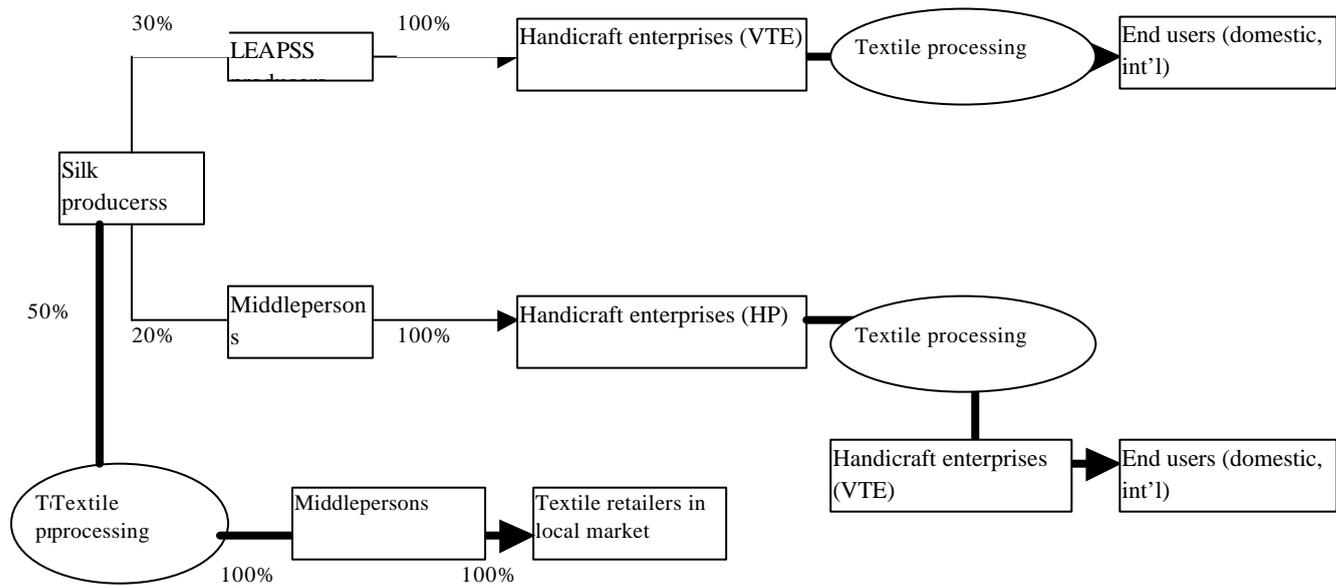
Grade 1: fine 120,000 Kip/Kg
Grade 2: medium 110,000 Kip/Kg
Grade 3: coarse 100,000 Kip/Kg

In addition, the villagers of this village raise “Mon Nam” and sold at a higher price, 140,000 Kip/Kg.



Possibility for future marketing involvement of the villagers. Through the Handicraft Sales and Exhibition in Xam Neua one of the buyers from handicraft enterprises in Vientiane Capital has requested to have silk yarn supplied to the enterprise from this village. The project coordinator from the district’s Lao women Union was the one made verbally agreement with the enterprise for future silk yarn supplies. So far this seems to be the only promising buyer for Bao village’ silk producers, otherwise they have no ideas of secured market for silk yarns.

Type B



This **type B** marketing channel found in Nalok village, Sob Bao district of Huaphan is similar to type B of Xieng Khoung. The silk yarn produced went through (1) LEAPSS for Handicraft Sales and Exhibition, (2) middlepersons for local handicraft enterprises, and (3) households’ textiles production. Nevertheless, the quantity of silk yarn sold out and maintained for processing are about the same 50% to 50%. Almost 100% of textile product is simply “Tin Xin” mixed between silk and cotton. There are at least 4 middlepersons who regularly bought and then resold to retailers in local market of Xam Neua.

Price. The same price ranges from 100,000 to 120,000 Kip/Kg are applied to different grades of silk produced by Sob Bao village. The villagers get the same prices they sold silk to middlepersons and through LEAPSS, 120,000 Kip/Kg is a usual price majority of them received.

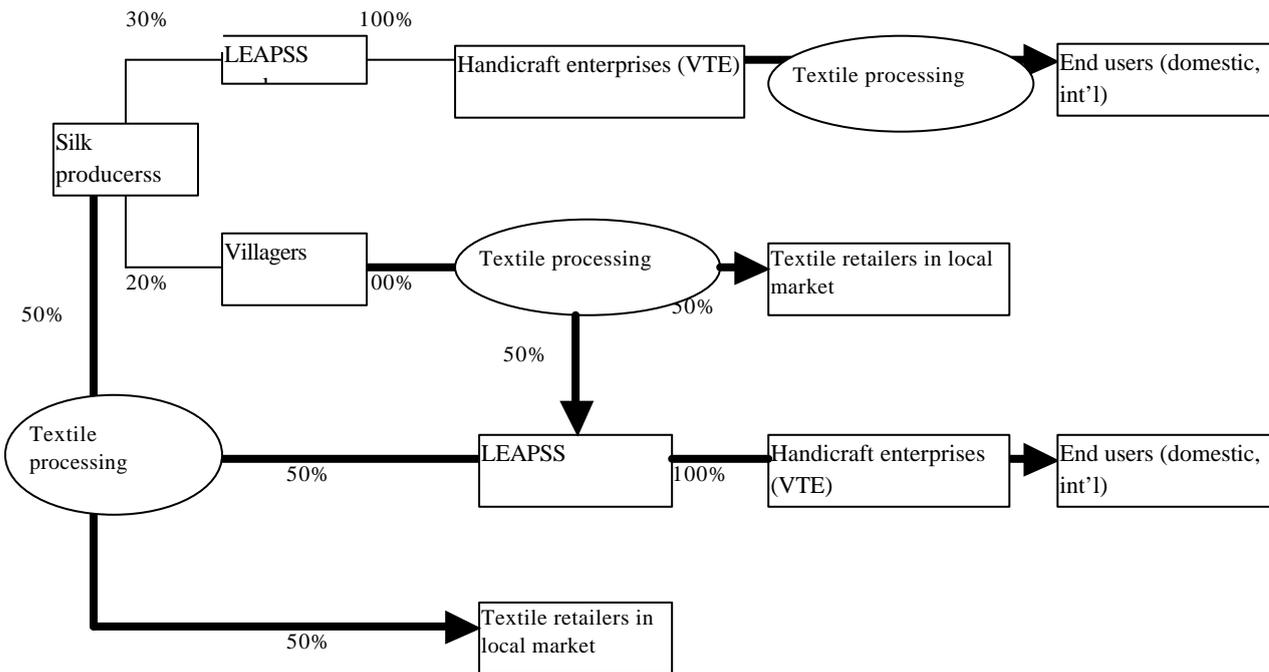
When compared between selling silk yarn and selling processed “Tin Xin” textile product using the silk yarn they produced, the villager will make a loss (not included costs of cotton and chemical dye) of 15,000 Kip/piece as illustrated below:

Tin Xin	
<u>Selling price:</u>	10,000 Kip/piece
<u>Investment cost:</u>	25,000 Kip/piece
Raw materials	
Silk: 0,5 Kg X 100,000 Kip/kg (use the coarse grade) =	5,000 Kip/piece
Cotton and chemical dye: na	
Labour (full time)	
2 days X 10,000 Kip/day (minimum acceptable rate) =	20,000 Kip

Loss: 15,000 Kip/piece

Possibility for future marketing involvement of the villagers. Transportation from the village to markets is convenient (4 times/day). Majority of the villagers seem to have experiences in dealing with middlepersons and market places for also other cash crop they grow like soybeans. They showed interest for possibility to involve more in the marketing chain as for example silk collector and sellers. Xam Neua market is the place they felt they could approach and sell silk yarn in bulk.

Type C



Type C. About 70% of silk produced in Tham village, Xam Neua district go to processing of textiles woven items. This is considered a typical marketing chain of many other villagers under LEAPSS due to long tradition of weaving skills the villagers possess which now turn into a more commercial activity. There are 26 households of the total 43 households that participated in LEAPSS project. The silk produced within the village are sold to one another especially those are good at and fond of weaving. In some cases the weavers engaged in weaving for the same piece of work and share the profits when it is sold. Majority of the textile products sold through the project especially to handicraft enterprises in Vientiane Capital who ordered with certain specification of products such as cloth and Xin with natural dyes.

The villagers themselves also sold the textiles to local market but the products demanded by local market are totally different from what ordered by enterprises in Vientiane. They made from Vietnamese silk, chemical dyed and showy designed. For the villagers, local market is not secured and prices are not as attractive as Vientiane Capital market.

Price. The silk yarn sold at the market prices which are 100,000 Kip to 120,000 Kip for medium and fine grade respectively, and the price is lower for the lesser fine grade.

Possibility for future marketing involvement of the villagers. Participating in Handicraft Sales and Exhibitions organized every year with support of LEAPSS, the villagers are better aware of demand and taste of customers, especially from Vientiane Capital. Currently, the village has its coordinator who on behalf of the village collects textiles products to be sold through LEAPSS's marketing personal to handicraft enterprises in Vientiane Capital. There are two enterprises from Vientiane Capital in fact placed orders of cloth made from Lao silk and natural dyed; and certain designed woven cloth.

Summary of marketing chain in Xieng Khouang and Huaphan

Description	Xieng Khouang	Huaphan
Volume of silk produced (2003)	73 Kg	200 Kg
Volume preserved village's weaving	Approx. 30%	Approx. 70%
Silk products consumers/buyers	Own consumption Local end-users Handicraft retailers	Own consumption Handicraft retailers
Products types	Pae Va, Shaw, Cloth, Scarf	Pae Va, Xin, Tin Xin Cloth, Table cloth, Wall hanging, Scarf
Volume sold	Approx. 70%	Approx. 30%
Immediate silk collectors	LEAPSS Villagers Middlepersons from outside of the village	LEAPSS Villagers (buyers) Middlepersons from outside of the village
Type of silk worms	Hybrid and Traditional	Hybrid and Traditional
Silk worms rearing cycle	3 to 7	3 to 7
Silk yarn classifications and selling prices per Kg	<u>Mai Luam</u> Grade 1: finer 130,000 to 140,000 Kip Grade 1: fine 120,000 Kip Grade 2: medium 100,000 Kip Grade 3: corse 80,000 Kip <u>Mai Ngot</u> Finest 150,000 Kip	<u>Mai Luam</u> Grade 1: finer 130,000 to 140,000 Kip Grade 1: fine 120,000 Kip Grade 2: medium 100,000 Kip Grade 3: corse 80,000 Kip <u>Mai Ngot</u> Finest 150,000 Kip <u>Mai Mon Nam</u> 140,000 Kip
Village and market relations	Contacts with existing local handicraft group/handicraft enterprise Contacts with handicraft enterprise in Vientiane Capital	Contacts with traders of handicraft textiles in the market Contacts with handicraft enterprise in Vientiane Capital

Future Marketing Opportunitites for Four Villages Surveyed

Xieng Khouang

Possibility for future marketing involvement of the villagers (Type A). The village weavers of Muan Village showed interest in collective selling of silk yarn produced within the village, especially for regular order from wholesalers or handicraft enterprises. Not only do the village silk producers share knowledge about silk production among themselves, they occasionally share with their cousins who raise silk worms in other villages too. However, the silk production in the nearby villages is not very obvious. The villagers of this village have frequent access to sub-district market (ThangBeng) but not to Phone Savanh market of Xieng Khouang. The knowledge of how the silk yarn could be marketed is extremely limited.

Possibility for future marketing involvement of the villagers (Type B). Almost every household (40 hhs) of Nasea village has tradition of silk and silk textiles production. However, there are actually 8 households under the LEAPSS and approximately 15 not under the project that continue such tradition. In addition, there is one village's silk producer who is also a collector of silk yarn as noted earlier from other villages. Possibility to connect the whole production of the village into one market channel is not foreseen due to there conflict inherent within the village whose villagers come from different villages before consolidating into this one.

Nevertheless, nearby this village there are other three making altogether 39 household silk producers. This makes it possible for future collective marketing effort. There is in fact one of the project's silk producer member expressed interest to take a marketing role with minimum service fees for himself. In addition, sharing of silk-related production task such as silk reeling to other villagers who are free enough at a wage of 15,000 to 20,000 Kip/Kg is likely.

The villagers of this village have frequent access to Phone Savanh market especially to sell woven items and other small agriculture products.

Possibility for future marketing involvement of the villagers (Type C). The villagers of Xam village already have connection for silk products trading with direct consumers and local handicraft enterprises. They have tradition of trading with outsiders also for village-made alcohol product. The villagers showed high interest of engaging in weavings which could also be subcontracted to nearby villages' weavers if they have enough silk yarns.

Huaphan

Possibility for future marketing involvement of the villagers (Type D). Tha is the village that the first Handicraft Sales and Exhibition organized. The villagers of this village therefore were exposed much more than others resulting in a greater sense to involvement in marketing of silk yarn in the future. During the exhibition personal contacts were made for future silk supply to enterprises in Vientiane Capital at a relatively good price for example of 130,000 Kip/Kg for fine silk yarn with no limit on quantity. The village sees this as market opportunity in addition to the existing opportunity in the local market. The village's project coordinator in particular expressed a future marketing plan for the village including collective silk yarn collection with service fees charged to the enterprise buyer; using the village revolving fund for the

purpose of encouraging weaving activities, for example. There is also the possibility to engage silk producers of two other villages nearby, Na Say and Na Xay in collective marketing effort.

3. PROFILES OF EXISTING HANDICRAFT ENTERPRISES

Xieng Khouang

These handicraft enterprises are potential contacts for future LEASPP's silk yarn producers

1. Lao Sericulture Company Limited

<i>Back ground</i>	
<i>Owner:</i>	Mrs. Kommaly and foreign business partner (CAMA craft)
<i>Legal status:</i>	Company (foreign-Lao)
<i>Year of operation:</i>	1985
<i>Year of official establishment:</i>	1993
<i>Location:</i>	Xieng Khouang
<i>Employees:</i>	Up to 50 persons in peak season
<i>Coverage of the villagers:</i>	20 villages in 5 districts of Xieng Khouang, and 20 villages in Huaphan
<i>Inspiration for the establishment of the Company:</i>	The owner had background working in textile industry. She sees setting up the company would help to generate employment and income for women in addition to preserve traditional sericulture and weaving skills of villagers of Xieng Khouang and Huaphan. The company gains strong support from concerned government organizations both at central, provincial, district and village levels. In addition, a husband and families members and foreign business partner give strong support in all aspects to Mrs. Kommaly.
<i>In puts</i>	
<i>Silk worm:</i>	Traditional and hybrid (50%-50%). The company has its own silk warm eggs suppliers in Thailand in addition to Sericulture Center.
<i>Suppliers of silk yarn and means of supplying:</i>	The company and villagers in the target areas. Villagers outside the target areas could also supply to the company if wanted. Some villagers will bring silk yarns or cocoons directly to the company for sales. The head of the target villages will collect from silk producers and bring in bulk to the company.
<i>Volume of silk yarn collected:</i>	2,000 Kg/year of which 75% collected from villagers and 25% produced by the company.
<i>Price/Kg:</i>	Buy from villagers 95,000 to 120,000 Kip/Kg
<i>Volume of silk yarn neede/ year:</i>	Unlimited
<i>Capacity to purchase silk yarn:</i>	The company has high capacity to absorb silk yarn from villagers. It locates certain amount of fund to individual

	target village which is managed by head of the silk producer groups within the village and the head of the village. Operational cost is charged by the person and village in charge which varies depending amount of cocoons or silk yarn collected.
<i>Vegetables dyes:</i>	Local resources using own labor and traditional technique
<i>Products</i>	
<i>Types:</i>	Silk yarn Fabric (cloth)
<i>Price:</i>	silk yarn: 160,000 to 170,000 Kip/Kg (after further processing) and 200,000 Kip/Kg after twisting Fabric: up to 10\$/m ??
<i>Training service:</i>	Based on almost 20 years of experience in sericulture and silk sub-sector, the owner, Mrs. Komaly and a husband have provided technical training concerning cocoons and post cocoons production to villagers under the company's coverage. In addition, many other projects in this field also use training service of the sericulture company. LEAPSS is one among the projects often uses the service.
<i>Production process</i>	
<p>For most cases the company distributes silk worms at the 3rd star to the villagers for rearing. About 20% of them will do silk reeling and sell silk yarn to the company, while 80% sell cocoons to be further processed by the company. The company has recently used machine (2) for cocoon reeling which one machine can replace up to 6 workers doing manually. The machine boosts the company's productivity and reliable silk threads quality. The company also uses its own invented cocoons ovens to keep the cocoons dried so that they can be arranged appropriately for cocoons processing.</p> <p>In the past the company buys fabric made by villages' weavers, but now it relies mainly on its own fabric workshop located in the same area of the company's post cocoons processing. It employs women from nearby villages about 10 to 15 persons for fabric weaving. The products will be sent mainly to its outlets in Vientiane Capital.</p>	
<i>Customers</i>	
<i>Name:</i>	Textile Handicraft outlet "Mulberry", Vientiane Capital Outlets in USA and Australia (under processing) Lao Textiles, Vientiane Capital Peng Mai, Vientiane Capital others (on requested)

Implications for LEAPSS:

- Possibility of supplying silk yarn produced by villagers to the company
- Using technical training service of the company
- Using the company as business agent since the company has experiences about village-based group marketing, technical know how support, and also it is well established for the marketing network at national level

2. Handicraft Group of Xieng Kieu village

Back ground	
<i>Owner:</i>	Mrs. Bounmy
<i>Legal status:</i>	Single proprietorship
<i>Year of operation:</i>	1995
<i>Year of official establishment:</i>	2002
<i>Location:</i>	Xieng Kieu village, Kham district
<i>Number of weavers and looms:</i>	Women within Xieng Kieu and nearby with altogether 27 looms (9 looms are in the workshop of the enterprise)
<i>Inspiration for the establishment of the Handicraft Group:</i>	The owner inherited textiles weaving skills from parents and has used for household income; being head of Lao Women Union at village level created a sense of promoting well being of women; gained strong support from Lao Women Union at central to the grass root levels for the establishment of the enterprise so that to create employment and income generation opportunities for women.
In puts	
<i>Suppliers of silk yarn and means of supplying:</i>	At the moment the husband of the owner collected silk yarn in the villages. Villagers of 4 villages including villages under LEAPSS's coverage: Tha and Nasay whose head of the silk producer groups are interested to collect yarn and supply to the enterprise. 5000 Kip is charged on every one Kg of yarn collected through cash system.
<i>Volume of silk yarn collected:</i>	125 Kg/year (of which approx. 45 Kg from Tha and Nasay)
<i>Price/Kg:</i>	100,000 Kip (grade 1); 120,000 Kip (grade 2); 130,000 Kip (grade 3)
<i>Volume of silk yarn needed per year:</i>	Unlimited
<i>Capacity to purchase silk yarn by cash</i>	50 Kg/mth
<i>Vegetables dyes:</i>	Local resources using own labor and traditional technique
Products	
<i>Types:</i>	Mainly cloth fabric (width 90 cm); plain and simple weaving technique; and natural dye
<i>Production capacity:</i>	Apprx. 100 m/month (under supply)
Production process	
<i>The raw silk will be distributed to villagers for twisting; the owner will do the degumming, and natural dyeing and prepare for warping. Apart from the looms located in the workshop, those at individual households will be in charge by the weavers and the final products, clothes will be submitted to the workshop before the shipment to Lao Cotton Company in Vientiane Capital can be made.</i>	

Customers	
<i>Name:</i>	State Lao Enterprise--Lao Cotton Company. Long term and royal customer with more than 10 years relationship
<i>Demand:</i>	Approx. 1000 m/mth
<i>Price:</i>	45,000 Kip/m
Expenditures	
<i>Twisting yarn:</i>	20,000 Kip/Kg
<i>Weaving labor cost:</i>	6,000 Kip/meter
<i>Transportation to VTE:</i>	not being charged, possibly 10,000 Kip/time
<i>Business tax:</i>	lump sum of 20,000 Kip/mth

Implications for LEAPSS:

- Possibility of supplying silk yarn to the handicraft group; and
- selling cloth produced by the villagers to this enterprise

3. Handicraft Promotion Company

Back ground	
<i>Owner:</i>	Mrs. Amphone
<i>Legal status:</i>	Company
<i>Year of operation:</i>	1998
<i>Year of official establishment:</i>	1998
<i>Location:</i>	Phone Savanh district
<i>Number of weavers and looms:</i>	Women within Phone Savanh and nearby altogether 250 persons
In puts	
<i>Suppliers of silk yarn and means of supplying:</i>	The company imported Vietnamese silk yarns and collected Lao silk through middlepersons.
<i>Volume of silk yarn:</i>	Approx. 500 Kg/mth of Vietnamese silk and 50 Kg/mth of Lao silk (from Long Mo and Tha village, for example)
<i>Price/Kg:</i>	190,000 Kip for Vietnamese silk 125,000 Kip for Lao silk
<i>Volume of Lao silk yarn needed per year:</i>	Unlimited
<i>Dyes:</i>	Chemical dyes
Products	
<i>Types:</i>	Shaws using Vietnamese silk and chemical dyes Pae Va using Lao silk
Production process	
<i>The raw silk and chemical color will be distributed to villagers for weaving. The weavers work for labors approximately 10,000 to 15,000 Kip/day</i>	
Customers	
<i>Name:</i>	Handicraft Enterprises in Vientiane

Implications for LEAPSS:

- Possibility of supplying silk yarn and selling Pae Va woven by the villagers to this Handicraft Company

Huaphan

(potential contacts for future LEASPP's silk yarn producers)

1. Kham Bai, Silk and Textile Handicraft trader, Xam Neua

<i>Back ground</i>	
<i>Owner:</i>	Mrs. Kham Bai
<i>Legal status:</i>	Silk and Textile Handicraft home-based enterprise
<i>Year of operation:</i>	1999
<i>Location:</i>	Xam Neua district, Huaphan
<i>Number of weavers and looms:</i>	Individual households in Xam Neua and districts nearby, up to 50 looms.
<i>In puts</i>	
<i>Suppliers of silk yarn and means of supplying:</i>	Vietnamese traders through Sernla-Nameo border, for example. Collect Lao silk yarn in person and through middlepersons.
<i>Volume of silk yarn:</i>	Approx. 1,000 Kg/year for Vietnamese silk 300 Kg/year
<i>Price/Kg:</i>	250,000 Kip for Vietnamese silk 120,000 Kip for Lao silk not yet twisted and 160,000 Kip for twisted
<i>Volume of silk yarn needed per year:</i>	Unlimited
<i>Capacity to purchase silk yarn</i>	At the moment the enterprise has less capacity in purchasing silk yarn due to working capital problem
<i>Dyes:</i>	Chemical
<i>Products</i>	
<i>Types:</i>	Mainly plate math, traditional motifs and mainly chemical dyes
<i>Production process</i>	
<i>The raw silk and chemical color will be distributed to villagers for weaving. The weavers work for labors approximately 10,000 to 15,000 Kip/day.</i>	
<i>Customers</i>	
<i>Name:</i>	Enterprises in Vientiane Capital
<i>Demand:</i>	Unlimited

Implications for LEAPSS:

- Possibility of supplying silk yarn produced by the village to this home-based enterprise.

1. Thin Thong Textile Handicraft trader, Xam Neua

<i>Back ground</i>	
<i>Owner:</i>	Mrs. Thin Thong
<i>Legal status:</i>	Textile Handicraft home-based enterprise
<i>Year of operation:</i>	1997
<i>Location:</i>	Xam Neua district, Huaphan

<i>Number of weavers and looms:</i>	Individual households in Xam Neua 10 looms, maximum 50 looms
<i>In puts</i>	
<i>Suppliers of silk yarn and means of supplying:</i>	Xam Neua market for Vietnamese silk and Collect Lao silk yarn through middlepersons.
<i>Volume of silk yarn:</i>	Approx. 3,000 Kg/year for Vietnamese silk 500 Kg/year
<i>Price/Kg:</i>	250,000 Kip for Vietnamese silk 120,000 Kip for Lao silk
<i>Volume of Lao silk yarn needed per year:</i>	Unlimited
<i>Capacity to purchase silk yarn by cash:</i>	50 Kg/mth
<i>Dyes:</i>	Chemical
<i>Products</i>	
<i>Types:</i>	Mainly cloth fabric
<i>Price:</i>	45,000 Kip/m (90 cm width) and 50,000 Kip/m (100 cm width)
<i>Production process</i>	
<i>The dyed silk will be distributed to individual household's workshop for weaving. The weavers will send completed clothes to the owner.</i>	
<i>Customers</i>	
<i>Name:</i>	Enterprises in Vientiane Capital (Owned by Mrs. Ammalin)
<i>Demand:</i>	300 m/mth
<i>Expenditures</i>	
<i>Twisting yarn:</i>	20,000 to 30,000 Kip/Kg
<i>Weaving labor cost:</i>	7,000 Kip/meter
<i>Transportation to VTE:</i>	2500 Kip/Kg by air
<i>Business tax:</i>	lump sum of 60,000 Kip/mth

Implications for LEAPSS:

- Possibility of supplying silk yarn produced by the village to this home-based enterprise.

Vientiane Capital

1. Nikone Handicraft Center

Back ground	
<i>Owner:</i>	Mrs. Nikone Nanong
<i>Legal status:</i>	Company
<i>Year of official establishment:</i>	1992
<i>Location:</i>	Chantaboury district, Vientiane Capital
<i>Number of weavers and looms:</i>	Approx. 27 weavers and 50 sub-contractors, including some under LEAPSS's target villages
<i>Inspiration for the establishment of the Handicraft Center:</i>	The owner has many years experience in textile sector especially as designer and consultant. Nikone Handicraft is one of very few textile handicraft enterprises in Lao PDR known for high quality home decoration items among high-end users both domestic and international markets. The owner strongly supports Lao silk-made textile products.
In puts	
<i>Suppliers of silk yarn and means of supplying:</i>	Vietnamese silk traders in the market. Lao silk traders/middlepersons about 50% of silk collected and silk producers about 50%. All silk yarns are delivered directly to the workshop.
<i>Sources of Lao silk yarn:</i>	Huanphan, Xieng Khouang, Luang Namtha, Bolikhamxay and Savannakhet
<i>Volume of silk yarn collected:</i>	Appx. 100 Kg/mth for Mai Luam, and 200 Kg/mth for Mai Ngot 140 Kg/mth for Vietnamese silk
<i>Price/Kg:</i>	120,000 Kip for Mai Luam 160,000 Kip for Mai Ngot
<i>Volume of Lao silk yarn needed and capacity to purchase:</i>	As much as possible to replace imported silk
<i>Dyes:</i>	Natural dyes
Products	
<i>Types:</i>	Home accessory items
Customers	
<i>Name:</i>	High-end users: Expatriates, Diplomats, International markets

Implications for LEAPSS:

- Possibility of supplying silk yarn to Nikone handicraft
- Sub-contracted for fabric weaving according to customers. This way will help to upgrade commercial-based design and motifs of villages' weavers.

2. Taykeo Textile Gallery

Back ground

<i>Owner:</i>	Mrs. Taykeo
<i>Legal status:</i>	Company
<i>Year of operation:</i>	1999????
<i>Location:</i>	Saphanthong Kang Village, Vientiane Capital
<i>Number of weavers and looms:</i>	Approx. 20 looms???? with expansion possibility
<i>Inspiration for the establishment of the Gallery:</i>	Owing to her personal passion of Lao silk antique textiles, the owner started many years ago Lao textile handicraft collection especially of old traditional motifs from different ethnics. She then became traders of the textiles for almost 15 years before ended up with setting her own textile gallery.
<i>In puts</i>	
<i>Suppliers of silk yarn and means of supplying:</i>	There are silk traders about 4 persons regularly approach at the gallery.
<i>Sources of Lao silk yarn:</i>	Huanphan, Xieng Khouang, Bolikhamxay and Savannakhet
<i>Volume of silk yarn collected:</i>	Approx. 40 Kg/mth of which 15%, 5%, and 80% are Vietnamese silk, Thai and Lao silk respectively.
<i>Price/Kg:</i>	120,000 to 130,000 Kip for Mai Luam and 150,000 Kip for Mai Ngot If double-twisted will add another 80,000 Kip/Kg
<i>Volume of Lao silk yarn needed and capacity to purchase:</i>	There is tendency for increasing demand of Lao silk to replace imported silk
<i>Dyes:</i>	Natural dyes
<i>Products</i>	
<i>Types:</i>	Shawl, Scarf, table cloth, Xin, etc...
<i>Customers</i>	
<i>Name:</i>	Medium class users and antique textiles collectors, mainly tourist and overseas friends through worth of mouth.

Implications for LEAPSS:

- Possibility of supplying silk yarn to Taykeo but the volume is small given existing suppliers the enterprise already has.

3. Lao Textile Company

<i>Back ground</i>	
<i>Owner:</i>	Mrs. Carol Cassidy
<i>Legal status:</i>	Company
<i>Year of operation:</i>	1990
<i>Location:</i>	Chanthaboury district, Vientiane Capital
<i>Number of weavers and looms:</i>	Approx. 50 on payroll and 100 sub-contractors
<i>Inspiration for the establishment of the Gallery:</i>	The owner engaged in silk sub-sector as a subject matter of her own interest in Lao PDR for many years ago through actual experiencing and researching at the filed level before setting up the Lao Textile Company. The

	unique selling point of the products of Carol is traditional motif designed on a piece basis for items ranging from household decoration to cloth and souvenirs. The products made serve high-end customers: expatriates, diplomats living in Lao PDR. The biggest market is however her country of origin USA.
<i>Inputs</i>	
<i>Suppliers of silk yarn and means of supplying:</i>	Imported silk yarn traders of about 4 to 5 persons, but are not always reliable. The silk yarns delivered directly to the workshop.
<i>Sources of Lao silk yarn:</i>	Lao Sericulture Company, Xieng Khouang
<i>Volume of silk yarn purchased:</i>	na At the moment 90% of silk used is imported silk.
<i>Price/Kg:</i>	At a market price for imported silk At selling price of Sericulture Company, 170,000 Kip/Kg up to 200,000 Kip/Kg for twisted silk yarn.
<i>Volume of Lao silk yarn needed and capacity to purchase:</i>	1,500 to 2,000 Kg/year.
<i>Dyes:</i>	Chemical
<i>Products</i>	
<i>Types:</i>	Wall hanging, Shawl, Scarf, table cloth, souvenirs, etc...
<i>Customers</i>	
<i>Name:</i>	High-end users: domestic and mainly USA.

Implications for LEAPSS:

- Possibility of supplying silk yarn to Lao Textile Company. Reliable quality and supplies are the keys.

4. DEVELOPMENT STRATEGY OPTIONS

Six possible strategies have been considered by the Consortium.

1. *Group Marketing to Handicraft Businesses*

Promote marketing of Lao silk through direct linkages between “preferred” consumers and village silk production groups. In this case, a “preferred” consumer refers to a handicraft business (often a member of the Lao Handicraft Association) that is dedicated to promoting the development of the Lao silk sub-sector.

2. *Government Support*

Support a government organization (i.e. the Lao Women’ Union) whose mandate would be to assist in the marketing, promotion and development of the Lao silk sub-sector.

3. *Village Network*

Organize a network of village silk production groups that market their products collectively. The members of the network would require some kind of official recognition from the Lao government, and would act similar to a cooperative but without any direct state intervention. The network could also allow for greater specialization (horizontal integration) of some aspects of the silk production process.

4. *NGO leadership*

Set up a small independent international NGO to support marketing activities for silk producers. The core costs of the NGO could be subsidized by one or more small donor organizations, while members would pay a fee or commission to the NGO for various services that would be of benefit to the silk sub-sector and its members.

5. *LHA*

Support the capacity of the Lao Handicraft Association to assist in the marketing, promotion and development of the Lao silk sub-sector on behalf of producers.

6. *The Unassisted Market*

Continue to extend the production and improve the quality of silk yarn to as many target groups as possible. Marketing of silk would rely on the current system of local traders who buy silk directly from the producers.

Ultimately the Project is looking to develop a market driven private sector strategy for sustainability. Local government institutions should play a supporting role where possible

5. PROJECT TARGET VILLAGES

(Date supplied by LEAPSS)

Xieng Khouang Province

District	Suggested Cluster Name	Village	Year started with Project	Ethnic group	Accessibility	Population	Number of beneficiary families	Rating (1-5)	Silk yarn produced in 2003 (kg)
Paek		Mee	2001	Phouan	Good	470	44	4	47.8
		Vieng Khouan	2001	Phouan	Good	595	12	2	7.0
		Mawn	2002	Phouan	Poor	267	27	3	20.1
		Mouan	2002	Phouan	Good	225	18	4	27.0
		Vieng	2003	Pouan	Very good		23	3	0
Khun		Phai	2001	Black Tai	Very good	242	10	1	0
		Na See	2001	Phouan	Very good	208	8	3	22.7
		San Khing	2002	Hmong, Phouan	Very good	418	22	3	19.0
		Xang	2002	Phouan, Black Tai	Very good	385	8	3	7.3
		Kang	2003	Phouan	Good		22	4	0
Kham		Tha	2001	Pheung	Very good	650	49	4	44.4
		Xaam	2001	Black Tai	Very good	562	20	3	21.9
		Na Xai	2002	Pheung, Yeuang	Very poor	240	20	5	47.5
		Khum	2003	Black Tai	Very good	336	8	4	12.4
		Na Sai	2003	Khmu	Very poor		21	3	0
		Phiang Dee	2003	Phouan	Very good		9	3	0

		Sop Thang	2003	Mouay	Good		4	3	10.5
		Phiang Dang	2003	Ja	Good		11	3	6.2
Nong Haet		Kheeo	2003	Hmong	Very good		4	3	0
		Nong Haet Neuah	2003	Hmong	Very good		10	3	0

Huaphan Province

District	Suggested Cluster Name	Village	Year started with Project	Ethnic group	Accessibility	Population	Number of beneficiary families	Rating (1-5)	Silk yarn produced in 2003 (kg)
Xam Neuah		Tham	2001	White Tai	Good		26	4	34.7
		Kor	2001	White Tai	Very good		7	2	11.1
		Kang	2003	White Tai	Good		24	3	1.8
Xam Tai		Hang Long	2001	Red Tai	Poor		40	3	82.4
		Phat Tai	2001	Red Tai	Poor		40	3	105.7
		Phiang Mai	2002	Hmong	Poor		15	4	5.1
		Keuang	2002	Red Tai	Poor		17	4	30.9
		Xieng Dee	2003	Red Tai	Very poor		35	4	19.3
		Tao	2003	Red Tai	Very poor		89	4	123.5
Sop Bao		Sop Hao	2001	Red Tai	Very good		21	3	73.5
		Meuang Home	2001	Red Tai	Very good		15	2	38.0
		Phiang Xai	2002	Red Tai	Very good		18	4	90.8
		Na Lok	2002	Red Tai	Very good		30	5	59.2
		Long	2003	Red Tai	Very good		8	3	15.0
		Talang	2003	Black Tai	Good		16	3	27.1
Xieng Kho		Bao	2003	Red Tai	Poor		23	4	31.7

		Sop Long	2003	Red Tai	Good		16	3	2.5
		Na Meuang	2003	Black Tai	Good		9	3	10.2
		Phiang Nyam	2003	Black Tai	Good		10	3	23.9
		Na Tong	2003	Red Tai	Poor		9	3	14

Ethnicity of the villages needs to checked.

6. EXTENDED COVERAGE OF FIVE INTERMEDIATE RESULTS

The following evaluation is a short one with the primary aim of providing background to the proposals for the next Phase 3 of the project.

The overall impression is of a good project, with a few weaknesses, the solutions to which are mainly already planned for the coming Phase 3. Some alternative ideas are presented here for consideration.

Intermediate Program Results listed above are examined here in more detail.

Intermediate Result 1. Strengthening Government Capacity

Intermediate Result 1: The objective is strengthened institutional capacity of local and national authorities to support private silk sector activities. This has shown *good progress in the technical aspects but limited in the socio-economic areas, primarily because the socio-economic stages of the project are yet to come.*

The government splits responsibility for the silk sub-sector officially into four as follows:

<i>Activity</i>	<i>Agency</i>	<i>Work</i>
1. Mulberry growing up to post-cocoon processing	Agriculture and Forestry	Yes
2. Weaving	Lao Womens Union	Mainly gender
3. Garment making	Industry and Handicrafts	No
4. Marketing	Trade and Commerce	No

LEAPSS has been dealing almost entirely with the first two of these agencies. The project has made major strides in strengthening the capacity of local and national authorities to support village silk sector activity in mulberry growing, silk worm raising and post-cocoon processing. The LWU has been involved in this village work mainly in respect to gender as weaving has not yet been a focus of the project. Should Trade and Commerce be consulted further in the future as the project moves more into marketing?

Government institutional strengthening includes support from the following capacity components:

<i>Component</i>	<i>Project Contribution</i>
1. Access to material resources (or funds)	Equipment only post-project
2. Staff numbers, gender and ethnicity	Probably little impact
3. Information, knowledge, learning	Mainly technical
4. Aims, responsibilities and rights	Some progress
5. Motivation	Through leadership, training and resources

At the Centre

At the national level the Sericulture Research Centre (SRC) at Hadxayfong District, Vientiane has received financial assistance for the purchase of **training equipment** such as video systems and overhead projector, and the publication of a **sericulture manual** for villagers. The Centre's director is expecting support promised for the Centre's very poor entrance drive. He has also been hired to provide training to rural staff and villagers. The director is generally very supportive of the project, noting it has done alot given the budget available.

When asked for suggestions the Director of the SRC mentioned that more copies of the basic sericulture manual for villagers could usefully be produced, that he needs funds for anti-biotics for egg production, 'egg sheets' and their covers, and attendance for two staff at the next sericulture course LEAPSS supports in Thailand. This was supported by a prominent private sector person.

The Provinces

Two people from PAFO in Hua Phan and Xieng Khouang work with the project, one person from each DAFO and one person from PLWU and each DLWU.

In the provinces, provincial and especially district staff have received training in short courses in Xieng Khouang, Vientiane and Thailand, study tours to Thailand, Vietnam and on-the-job-training from consortium staff. The topics have mainly been technical including mulberry, silk worm raising and post-cocoon processing. Little training has yet taken place on socio-economic topics or weaving including design. Training on how to teach seems not to have been strong.

Main Topics in Which Government Staff Have been Trained

Mulberry culture
Sericulture

Method

Short-training, on-the-job-training and study tours

Weaknesses

Too little specialized training to build specialization at the provincial level and then at lower levels including the village

Insufficient training on how to teach at all levels

Little training on socio-economic topics

No training on cloth design

Weaknesses

No component on how to learn in a group

In general government staff and villagers have expressed strong appreciation for LEAPSS. Only a few could articulate useful criticisms. One mentioned the weather! A comment made in some villages was that they had too few worms in comparison with the production of mulberry leaves. Either mulberry production has exceeded expectations or the number of eggs that can be generated by the incubators and in the village is below expectations. It appears that further training is required on planning the egg production process.

One PAFO head expressed the view that LEAPSS was a good project but that action usually lagged behind the plan for several reasons:

1. The project staff are too few for the job

2. The villages are too far away
3. Too often the staff wait for replies from the project Director
4. District government staff wait too much for Consortium staff's decisions
5. Government staff are not fulltime on LEAPSS work.

Too much time is spent travelling at the either end of holidays

When asked for suggestions the Director of the SRC mentioned that an incubator to generate hybrid eggs should be purchased for Xieng Khouang as well as Huaphan. Several Xieng Khouang staff also made this request. Incubators cost USD.....???????

Two District staff interviewd want a repeat of the Sericulture training as well as training in group formation, marketing, accounting and micro-finance

PAFO Chief recommended further training for government staff in technical topics, group formation, management/administration, computing, English and general work processes.

In discussion with senior government staff in the provinces it was suggested that at least *two* government staff at any one level and place should be trained in each skill to ensure continuing organizational capacity when one staffer is away, redeployed or resigns.

Several senior government staff learn and stay in touch with the project through a steering committee in each province and Vientiane???? Several have participated in overseas study tours.

Some expressed support for training for all involved training in general work processes such a communication and planning. Planning and communication need strenghtening according to one PAFO head.

A request was made for assistance with improved realing equipment tht could be fabricated for a market.

District staff have asked for an increase in perdiems that are at present 20,000 kip per day and 40,000 kip for an overnight stay.

A group of mainly female government staff were interviewed in Xieng Khouang with a view to quickly obtaining their preferences for training over the next two years. They were first asked to nominate training topics that made up a list and then to choose two from the list. This exercise followed immediately from a short faciliation by the silk-specialist on the team.

<i>Topic</i>	<i>Number Selectin g</i>
Silk production	0
Computing	3
Marketing	9
Silk worm egg production	4
Natural dyeing	5
Administration	2

Teaching methods	3
Community development	1
Weaving	1
Textile design	0
Accounting	6

They were then asked, given the high numbers choosing marketing and accounting and some interest in administration whether a *combined course on socio-economic topics* covering at least these would be of interest. The answer was very positive. Note that the support for more general training on silk production is very weak, but that special topics are desired. Otherwise teaching methods and computing each received three votes. Textile design drew a surprisingly weak response given that some villagers raised this topic. It may be that provincial staff have had little exposure to the sort of designs that say Lao Textile Company are selling in the USA and thus have no sense of the potential upcountry. Villagers group formation and development was not requested but is now a critical required skill. One person requested community development which includes group formation.

This is just the beginning of a 'training needs analysis' or better a '*learning needs and desires analysis*'. Learning is more than training and staff desire is important in motivation. Such courses must be related to villager needs and desires and the project goals and strategies, and problems.

Presentation by Staff

Use of paper sheets for presentation seems to be known by some, but white boards are not so well known. Project and government staff should be trained in this very useful technique.

Later Consortium staff visiting from Vientiane should bring an overhead projector or LCD with them to use in province to first train the consortium and government staff in presentation and workshop facilitation and for all to make presentations first using MS Word rather than Power point that is not really necessary and tends to lead people to overvalue the special effects.

Helping and Helping to Learn

The future can be divided into two types of endeavour: what the villages could accomplish themselves and how local and more distant townspeople could contribute. Possible approaches range from those in which the villagers are helped continually to those in which they are left to fend for themselves in the market, society and polity. Ultimately the help will decline over time if only because the villagers will become more prosperous and self-sufficient in generating change.

But how can the help best be targeted to rapidly facilitate the growth of technical and socio-economic capacity, the basis of sustainable development. Projects should be careful not to help in ways that create dependency. *Assisting villagers to learn how to do it themselves is almost always preferable to doing it for them even if this takes a much longer time.* The key is not just training but a wider concept, *learning support* which includes within it *how to learn*. The higher levels of the various hierarchies can best be assisted to facilitate village development and thus their own development.

Senior Interaction

The suggestion has arisen through dialogue with a government staffer that it would be appropriate for LEAPSS to ask MAF International Cooperation Office for assistance in approaching Minister Dr. Siene with a view to making a half hour presentation on 'ways of improving the LEAPSS project together'.

Intermediate Result 2. Better access to local and international silk and handicraft markets for silk producers.

Output 1. Silk and silk products made by producers are more appropriate for international markets.

Activities planned	Activities implemented
Activity 1 Facilitate a 3-day training course on the production and use of locally available natural dyes for silk yarn for up to 400 beneficiaries. This training will be conducted by officials from the Lao Women's Union in each target province. A 5-day TOT on natural dyes will also be conducted for the 12 provincial and district trainers through the Nikone Handicraft Center in Vientiane.	Collected information in target villages of Xieng Khouang and Huaphan concerning availability of vegetable dyes and training needs of villagers. Developed demonstration plots for vegetable dyes in Xam Neua district.
Activity 2 Construct "dye huts" in three test villages to promote greater use of natural dyes and facilitate more efficient use of local resources. Dye huts are simply a covered structure with a cement floor and access to water. Filter units will also be tested by the project and built in each dye hut.	Not yet implemented It is expected to have the dye hut completed before the training to be conducted in June to July 2004
Activity 1 Arrange two training courses on marketing and handicrafts development for 32 village and group leaders at the Nikone Handicrafts Center in Vientiane.	Not yet implemented There is one staff from CONSORTIUM participated natural dying technique organized by the Lao Handicraft Association

Output 2. Producers have greater contact with buyers with access to local and international markets for silk and silk products.

Activities planned	Activities implemented
Activity 1 Organize a handicrafts exhibition and trade fair in Vientiane in 2002 and in Xieng Khouang in 2003 for silk and handicraft producers. Forty-eight beneficiaries will attend the event in 2002, and 80 beneficiaries will attend in 2003. Ten provincial officials and 8 representatives from the District Lao Women's Union will attend the event each year.	Participated in the Handicraft Sales and Exhibition in Vientiane Capital in 31 October to 5 November 2004. Two villagers represented individual villages of LEAPSS attended the exhibition. Xieng Khouang sold 178 Kg of silk yarn and other textiles items valued altogether 26 million Kip. Huaphan sold 145 Kg of Lao silk and other handicraft products amounting to 37 million Kip. Internal and external customers ordered Xin products

	<p>from Xamtai and Xiengdy valued 1,6 million Kip.</p> <p>CONSORTIUM together with concerned organizations of Huaphan and Xieng Khouang have organized Handicraft sales and exhibition at Ban Tham, Xamneua district and Ban Tha, Kham district on 26 February and 29 April 2004 respectively. There are 5 handicraft enterprises from Vientiane visited the fair and villages for silk production activities.</p> <p>At least two villagers from each of 40 target villages participated in the exhibition.</p>
<p>Activity 1 Facilitate marketing opportunities for producers and buyers of silk and silk products both locally and internationally, and provide assistance to producers to develop new marketing linkages. The Consortium will continue to be a conduit for enquiries by companies and individuals wishing to purchase Lao silk and silk products. Once contacts have been initiated, the Consortium will coordinate direct linkages between producers and the private sector and also through government agencies such as the Lao Women's Union and the Department of Industry and Handicrafts.</p>	<p>There are trading connection made for example, the enterprises such as Nikone, Chinda were interested and make order followed the fair through CONSORTIUM.</p> <p>In addition, the villagers and the District Lao Women Union have direct connection with handicraft enterprise such as Chinda Handicraft.</p>

Recommendations:

- **Handicraft sales and exhibition should bring in also local handicraft enterprises who could be potential trading partners of villages.**
- **Introduce entrepreneurship training in addition to marketing training as part of future capacity building plan of the project.**
- **Identify potential silk and silk products of individual village, cluster of villages, in terms of diversified product ranges such as raw silk yarn, twisted silk yarn, different grades of silk threads and different types of textile handicraft items according to needs of handicraft enterprise customers.**

Intermediate Result 3. Enhanced Coordination and Cooperation among Silk Production groups (Farmer Groups)

Network organization

With considering small quantity of products in each village, it will not be profitable for the group at the village level to operate collective marketing. Therefore, networking of villages in each province should be established. However, economy of scale to run network organization has to be assessed carefully. For the case of silk yarn marketing only, the minimum quantity of silk should be kg./delivery. For marketing of mixed varieties of products, the minimum sale volume should be..... kip per month. *The Sericulture Farmers Network Organization in the Northeast of Thailand and CamaCraft in Lao P.D.R* is the good examples showing an effort of the small producers to build cooperation among them (see appendix.....). The advantages of network organization are as follows:

- Marketing cost can be shared by many groups.
- Standard price of product and grading system can be agreed among network members.
- Increasing bargaining power with buyers
- Common standard and quality can be controlled.

A. Organization concept

- 1) Independent organization owned by farmers
- 2) Business oriented operation in order to be self-financed organization
- 3) Full time staff working in the organization

B. Organizational set up

The following list of issues needs to be sorted out if the network organization will be established.

- 1) **Legal regulation** (data from MT)
- 2) **Objectives**

This organization should focus mainly on marketing. In solving technical problems, network staff should coordinate with by the Provincial Department of Agriculture.

- 3) **Organizational structure**

The combination of farmer's representatives and 1-2 full time permanent staff is recommended. The farmer's representatives will be formed as a committee which meeting should be made 3-4 times a year. Committee members in each province should be consisted of 1 representative / district.

Permanent staff should be someone who has experience in sericulture and positive attitude to work with the farmers. They also have to be able to travel to the field.

- 4) **Roles and tasks**

Farmers' Broad:

- Set up quality standard and price of silk product
- Monitor and evaluate work of permanent staff
- Mobilize operation fund
- Preparing annual work plan

Permanent staff:

- Coordinate with silk producers in collecting silk products
- Contact buyers
- Trading silk products
- Coordinate with the agency to solve production problems
- Promote quality improvement

- Prepare progress and accounting report to submit to the Farmers' Broad

5) Regulations

- Membership
- Committee
- Permanent staff
- Fund raising
- Use of fund
- Profit sharing
- Use of government facilities

6) Fund

- donation fund
- shares

7) Location

One office for each province is reasonable and more effective. Office building should be located where road and telecommunication is easily access. The existing project office building in each province is ideal one. Network should pay for telephone, electricity and water bills.

8) Capacity building: Training and study trips should be arranged covering following topics

- Farmers' Broad:**
- Planning
 - Team building
 - Financial management

- Permanent Staff:**
- Planing
 - General business administration
 - Marketing
 - Accounting
 - Financial management

Intermediate Result 4. Increased role of women as decision makers at all levels of the silk sector.

Output 1. Women’s concerns and needs are considered during the planning, monitoring and evaluation stages of the project.

Activities planned	Activities implemented
<p>Activity 1 Maintain a project coordination structure that encourages that participation of women as members of the village project committees. This structure requires at least one woman on each two-person village committee. Therefore, at least 40 of the 80 LEAPSS Project Committee members will be women.</p>	<p>There are 40 females represented project coordinator at village level</p>
<p>Activity 2 Use two gender sensitive tools during the PRA and annual monitoring evaluation of all target villages. The project will also conduct separate male and female meetings when conducting project planning sessions with Hmong beneficiaries.</p> <p>Activity 3 Set up training courses so to ensure the maximum participation of women (i.e. most training will occur in the village and when women have the most free time available).</p>	<p>PRA tools with the gender sensitive were used especially for the new villages.</p> <p>During the work plan meeting and other meetings when necessary working groups separated between male and female was used to ensure women participation. Women often have high attendance than men.</p>
<p>Activity 1 Four of the five external consultants engaged by the Project will be women.</p>	<p>So far there are 1 female volunteer and 2 female consultants</p>

Recommendations:

- **Whenever possible gender issues should be integrated in training courses. This is to maintain gender sensitivities integrated into future activities of the project which require more roles to play at village level.**

Intermediate Result 5. Improved Quality and Yield of Cocoons and Silk Yarn Produced by Farmers

The important technical issues that require resolution by the project concern varieties of silkworm, the process of egg production, and reeling and twisting techniques.

Silk worm variety

Three 'varieties' of silkworm are available: traditional Lao, Lao-Lao (Lao) hybrid and Lao-Foreign hybrids. The latter includes several varieties. The Project has promoted mainly traditional variety of silk worms. The silk worm eggs are produced in the village by the farmers throughout the year. However, the project has established a silk worm egg breeding center at Samneua to support traditional and Lao hybrid silk worm eggs to the project farmers. Lao-Foreign varieties are not supported. The parent stocks for Lao hybrid are provided by the Sericulture Center at Hatsaifong District. Technically, maintaining a pure line of parent stocks is complicated, the project therefore has to rely on Hatsaifong Sericulture Center. Egg delivery is handled by the project. Due to limited number of parent stocks, inappropriate climate and the complication of the breeding method, egg production at the project center can be done 3-4 times/year. Silk worm eggs production capacity is about 300 sheets/cycle (20,000 eggs per sheet) which is not enough for farmer demand. Since the mulberry planting schedule of farmers varies from village to village, it is difficult to make the silk worm egg delivery schedule fit with availability of mulberry leaves in every villages.

Recommendations

- 1) Considering the limitation of parent stock and budget, and the complexity of the production technique, the Lao hybrid should *not* be promoted. The project should focus on traditional varieties for which breeding is manageable by the farmers and does not rely on outside resources.
- 2) A group breeding center should be established in each village. Technical and management training should be provided to the responsible persons assigned by group. Without a village breeding center, each family will handle egg breeding by themselves which will make the production cycle vary from family to family. This will limit the quantity and unpredictability of silk yarn making it difficult for collective marketing. If collective marketing is promoted in the group, the production schedule in each village will have to be adjusted and made more uniform.
- 3) The silk worm eggs breeding center at Xamneua have to be maintained for producing eggs to supply to new project villages. However, after the production system is well established in that village, silk worm breeding should be handed over to the farmers group.
- 4) To promote sustainability of the breeding center at Xamneua, the project should hand over responsibility to Huapan province. The project has to work closely with the province in preparing budget and personnel for this center *at the early stage of the extended phase*. Intensive technical training on silk worm breeding should be provided to the provincial staff.

Production capacity

In year 2003, Silk yarn production in the project areas (total of two provinces) was 1,079 Kilograms. The average production is 1.38 Kilograms/household. However, 50% of silk yarn was kept for weaving in the village. Therefore, silk yarn supplied to market is only about 540 Kilogram/year while demand for Lao silk is ??? Tons/year. There is still a huge market demand for Lao silk. The production capacity of project villages is dependent mainly on:

- **Landscape of the project areas:** Low land suitable for mulberry plantation is quite limited resulting to small plot of mulberry allowing for each family. The average size of mulberry plot/household is 500 square meter. However some villagers are using sloping land that is extensive to say the least.
- **Climate:** Six months in a year have suitable climate for silk production. The remaining time of the year is too cold for reproduction of mulberry leaves and silk worm eggs.
- **Equipment:** The reeling stage is a as bottle neck for the silk production process. The fresh cocoons have to be processed before pupae emerge from the cocoon which is normally within 5 days. The quantity of cocoon produced by each family is their reeling capacity. The availability of labor and efficient reeling equipment directly contribute to reeling capacity. Improved reeling equipment including reeling pots, spinning wheels, and rewinding machines are still not widely adopted by the farmers probably due to low farmer determination. Cocoon production therefore is limited.

The montages made from stalk are still used in some villages. This equipment decreases cocoon production and quality . The broken stalk stacked on the cocoon makes reeling more difficult.

- **Availability of silk worm eggs:** If silk worm egg production is counted in the production process, total process will take at least 45 days. This limits number of production cycles. If the farmers group is responsible for egg production and individual family concentrates on silk worm rearing only, number of production cycles per year can be increased.

Recommendations

The limitation on landscape and climate cannot be overcome by the project, but the best locations can be chosen. However in all locations improved production management can help increasing the production capacity of the farmers. Strengthening of production management will include the following activities:

- A. Promoting a group production plan.
- B. Promoting use of improved reeling equipment
- C. Establishing a silk worm egg production center in the village
- D. Hiring and supporting sericulture specialists at the provincial level
 - 1 for cocoon production
 - 1 for cocoon processing and weaving
- E. Providing intensive technical training and producing a technical manual on:
 - silk worm breeding
 - silk worm rearing
 - cocoon processing
 - silk yarn processing

F. Developing new spec of yarn which allows faster reeling.

Many buyers such as Nikone Handicrafts and Lao Textiles are very creative in their fabric design. They therefore are always open for new specifications of yarn . The project should promote a larger size of coarse raw silk (Mai Reum) for example, for which reeling can be done faster than the traditional specifications for which the size of yarn is small. If silk yarn reeling can be done faster, the farmers can increase cocoon production.

Silk Yarn Varieties

Different reeling methods provide different varieties of silk yarn. There are two reeling methods utilized by the farmers in the project areas namely:

Mixed reeling

This method is traditionally performed by majority of northern Lao silk farmers. Under this method the cocoons will be continuously added into a reeling pot until reeling is finished. This method will provide only one kind of silk yarn which has semi-rough (semi-coarse) texture. The thickness of the yarn is dependent on the number of cocoons put in a pot (usually about 80). Natural roughness of the silk yarn helps create a unique texture for the fabric. This kind of yarn is known among silk producers and weavers as “mixed yarn” or “Mai Leum”

Separated reeling

The farmers will first remove the outer part of cocoon which is very rough and then reel the remaining part which is fine. The system will provide 2 kinds of yarn namely rough yarn or “ Mai Peak” and fine yarn or “ Mai Yod” which usually commands the highest price. This method has just been introduced by the project and has not yet been adopted widely by the farmers.

Recommendations

1) Both methods of silk yarn reeling should be promoted in order to provide more varieties of silk yarn to the users. Even though “ Mai Yod” reeled from separated method can usually receive a better price, reeling in the rainy season is very difficult. The mixed reeling is therefore more suitable at this time. Varieties of silk yarn help create a wider range of fabric design which provide uniqueness and competitiveness to Lao silk.

2) Differentiation between types and quality of yarn should be communicated to users carefully. Mai Reum should not be considered lower quality than Mai Yod. They just have different characteristics.. In many cases, plain fabric woven from Mai Reum or Mai Yod has the same price. So there are no reasons to give much lower price to Mai Reum as long as Mai Reum has met the basic standards .

Quality Improvement

Traditionally silk yarn was produced for household consumption. The technical standard was not taken in account seriously. If silk production is promoted for modern markets, technical standards are needed. The basic silk yarn standards required by most commercial weavers are:

1) evenness, strength, and cleanliness.

- 2) standard of skein, including:
 - weight of skein
 - skein diameter
 - no. of dividing spots on each skein
 - diamond cross

- 3) yarn twisting

Yarn twisting is still not widely performed among the project farmers except for those who use their own yarn for weaving. The weavers have to pay 30,000-40,000 kip extra for yarn twisting which is normally done manually. A twisting machine is only available at the Sericulture Research Center at Hatxaifong in Vientiane where the capacity is still low due to limited personnel skills and budget. To speed up the twisting process, diamond cross and a standard size of skein must be prepared.

Fiber standards help minimize defect in the fabric and a standard skein size helps the yarn processing during the twisting and weaving stages go faster thus reducing labor costs. Twisted yarn can be processed more easily especially in the warping step. According to the basic standards described above, only the strength of yarn has met the standards. The project has provided training on silk yarn reeling and construction of improved reeling equipments but awareness and understanding of quality improvement is still weak among the farmers. Most of the silk yarn produced in the project areas therefore still has not met the basic standards.

Recommendations

- 1) Promote collective marketing

Silk producers group should be encouraged to sell their products directly to the end users. Direct feedback from the users will be a catalyst for production and quality improvement.

- 2) Providing standard silk yarn samples: silk yarn on black card, complete skein of yarn

- 3) Promoting usage of improved equipments

The prototype of the following machines should be provided to each village for reproduction.

- reeling equipment: spinning wheel, winding wheel, reeling pot
- rewinding machine which can create diamond cross and standard size of the skein .
- twisting machine

Bolikhamxay Handicraft Promotion Enterprise.,LTD has developed several impressive models of the manual cocoon and yarn processing machines. It is recommended that close cooperation between the project and the company should be made.

Miscellaneous topics

District and Village Choice

Districts have been chosen by the province. The District recommends several villages from which the Consortium surveys and chooses. The villages are mainly chosen due to poverty and villager interest in the project. Other appropriate criteria could be physical conditions, alternative production activities already developed, and a degree of 'plantation/orchard' and sloping land allocation

Mulberry Land

Mulberries are planted usually on sloping land or along stream flats. Villages choose previously shifting cultivation land, cutting and burning regrowth to plant on slopes.

Land allocation progress is variable from village to village. This ranges from just drawing up village boundaries and forest areas to boundaries plus lists of owners' names, through to detailed plot allocations. When detailed allocation has not been done by the government the villages allocate plots themselves. It may be better to have formal government survey and agreement. This should be discussed.

There seemed to be some agreement in Ban Bao, Xieng Kho District that if the sloping land near the village was allocated to one household that still all mulberry planters could be allocated a plot in that area if the flatter land for mulberry ran out. There is a very important principle here, that those wishing to practice permanent or sedentary agriculture on steep slopes should be able to plant near the village. The land allocation process should facilitate this.

Ban Bao and possibly other villages nearby have arranged for a special fenced area for large livestock raising, thus eliminating the need for fencing around mulberry and other crop areas. This is an important idea from Vietnam that should be much more widespread. Livestock owners, not cultivators, should be responsible for the damage livestock can do to crops.

Acid soil is a major problem in much of Laos. Although the mulberry variety chosen, Buriram 60 from Thailand, does well under the conditions it is susceptible to disease. Huaphan is said to have better soil with a higher pH and more organic matter in the soil and thus better mulberry. This may be referring to the strip along the Ma river where there is a significant strip of moderately sloping land used for terraced wet rice and occasional mulberry plantation. Most of Huaphan is however mountainous and steep. Kham District in eastern Xieng Khouang has a large alluvial plain area, while the central plateau area around Phonesavan formed from volcanic rock and sandy alluvials hosts the Lao Sericulture Company indicating adequate conditions at least.

Ban Saam had a problem with grass that was overcome by intercropping with peanuts.

The project has spent some???......USD on UXO detection and removal. Some believe this is a critical activity prior to planting mulberry to save limbs and lives, but some see production and income as more important as only some areas are affected. Given the small area mulberry covers it would seem highly appropriate for UXO survey and removal to precede planting.

A small number of villages have established their own nurseries. This should be encouraged.

Socio-economic Strata

Along the Ma River in 1985 when the cooperatives were abandoned, a system of rotating rice land was adopted by the villagers. Every 3 years they move their rice land keeping the same area that has been allocated according to household size and energy. Thus rice allocation and plantation allocation creates little inequality but livestock ownership is quite variable being a marker of socio-economic levels in the village. The 30 families in the LEAPSS project are all considered middle level. The reason that the poorest are not involved might be investigated by the project..

Training

Adequate technical training has been provided for villages visited and probably for all 40 project villages. Some would like more technical training but clearly they have already gained a lot from the process. Some prefer Khommaly's (Lao Sericulture Company) trainers, but preferably in the village for several days at a time. Leaders that learn with Khommaly do not always disseminate knowledge effectively: eg Ban Mouang and Ban Nasi. Perhaps those villagers that are trained in technical areas should also be trained in teaching methods including some on-the-job training. More socio-economic training is to come. At Ban Nalok they want a study tour for two and teaching in village.

Village Groups

One to three groups have been formed per village, but no training seems to have taken place on group formation and maintenance.

Ban Nasi in Xieng Khwang seems to have a special problem with the leader of the group. The consortium should study this issue in the village as a whole and either help solve it or abandon the village.

About 20% of villages have a new style group aimed at group cooperation in village production and marketing.

Extension

An extension staffer from the Consortium and two government staff were interviewed. A District Implementation Team (DIT) consists of one LEAPSS staffer and one Government staffer from the province and two from the district, one from the DAFO and one from LWU. The number of government staff should preferably be doubled in order to cover resignations and reallocation of staff.

Staff spend about 14 days per month in the villages. They visit the village in a group of four including government staff. The first training offered the villagers on mulberry is for one day followed by one hour follow up per village. They guide the planting of two plots comparing traditional methods and improved methods of growing mulberry.

In almost all villages the government has constructed 'media centres' that are really small meeting areas consisting of a roof, benches around the edge and a cement floor. The idea of progressively sticking up visual material and notices is not well developed. It seems possible that these centres might be more fully used if they were called village meeting rooms or similar and a formal village notice board was set up inside.

Silk Worm Nets

The project has taught the villages that they must not use pyrethrine on the silkworm nets but in one village they did use it by mistake and the worms died. Now no one uses pyrethrine for bed nets. Perhaps cooperation is needed with the Health staff to reintroduce pyrethrine for bed nets to that village.

Credit for Fencing Wire

Barbed wire was given to the villagers on the understanding that they would repay the cost into a silk group revolving fund. About 30 percent totalling about USD 12,600 has now been repayed. Vigilance is required, as revolving funds rarely last more than a few years. The option of a savings and loans fund is discussed elsewhere in this report.

The revolving fund demands a very low but rising annual interest rate of 2%, 3% etc if the funds are not repayed. The returns are banked in town.

Some villages along the Ma River have a special livestock area, substantially reducing the need for mulberry fencing. This should be investigated further.

Gender

Among the people interviewed in small groups of about 7 or 8 the women were as vocal as the men, probably more so. There was no evidence of deference to men's opinion. In one case we discussed the sex make up of two members that might be sent on marketing training. The women strongly voiced the opinion that two women should be chosen for marketing training as only they understood silk. The men did not disagree.

It has been claimed that the balance of men's and women's work has improved, but decision making still tends to be with men according to one staffer. However if silk production becomes dominant in the village and men only take responsibility for mulberry growing, womens' burden may become unbearable. This issue needs analysis and discussion.

Women now at least have the equal right to sign land use certificates.

Further study is need of women's and men's job burden in non-Tai villages.

Ethnicity

Variable reactions were expressed on the possibility of working with other ethnic groups for trading. Some say they can work with all. Others, eg Thai Dam in Ban Saam, say only with our ethnic group.

Ban Bao in Xieng Kho District is an interesting case in that it is 40 percent Khamu (Mon-Khmer group) but only two Khamu households are producing silk in the project. The Khamu households migrated into the village in 1997 from a site 4 kilometres away in the hills. Previously in cultural memory they had practiced only basketry. The other Khamu households are taking a 'wait and see' attitude before joining silk making. This is an important opportunity to introduce (presumably reintroduce) the Khamu in this region to silk and weaving. Once a number of families have become established other Mon-Khmer groups as well as Khamu could be brought on exposure and then training tours.

Age Cohorts

There is a tendency for silk group membership to be 'middle aged', roughly between 35 and 50. For youth it was suggested that silk involves too many steps. The young may be seeking work in the towns. The old are presumably losing energy and enthusiasm for new ideas. Is there a way of interesting the youth in weaving?

Textile Design

Foreign fashion demand is increasingly influencing design. It is possible that local knowledge of traditional village designs will be substantially reduced over the coming decades. About two to four designs more or less unique to a family are handed down from mother to daughter. Boys and men are not invited to participate! Families in which the women are related tend to have similar designs. One village told us that families could copy another family's design if it was in high demand.

At Ban Nalok those interviewed expressed a strong interest in learning about designs for the foreign market. Could they be lent a book with modern designs to see what they make of it?

Specialization

Specialization has the advantage that it may allow economies of scale, and the opportunity for those with special skills to practice that activity. This is likely to happen gradually but the project is stimulating it. Specialization has the disadvantage that one activity may not be as interesting and satisfying as several. One of the pleasures of village life is the diversity of activities, especially with the season. Once specialization is introduced it may be difficult to revert to the old diversity.

Marketing

Silk is sold to Vientiane and Luang Phabang weaving companies directly and at trade fairs sometimes with the Consortium's assistance, to villagers who are going to Vientiane for other reasons, and to independent traders who visit the village. Silk is also sold to some traders in Provincial towns and sometimes to Hmong villagers that send it to relatives overseas. Village weavers may become 'collectors' or traders.

LEAPSS sells about 15 - 80 percent of the silk produced in project villages, with different sources giving different figures. They sometimes get specific orders for the villagers. About 10- 45 percent is sold to female traders and about 40 percent is sold to/by adhoc traders, ie anyone who happens to go to Phonesavan or Vientiane. In some villages 10-20% is used for weaving. The LSC may buy at a 'provincial price' rather than a Vientiane price.

Ban Tham group expressed satisfaction that now they do not have to buy Vietnamese silk at the market that was 200,000 to 250,000 kip per kilogram. Now they can sell at 130,000 kip per kilogram, and if twisted already using an old machine at 150,000 kip per kilogram. These are high prices that the project should try to help duplicate by training in other villages.

Price varies with silk type and over time. In 2004 the price for coarse silk has risen from 100,000 to 120,000 kip. National origin is a major indicator of price with Vietnamese silk reaching 250,000 kip per kilogram as noted above.

Many groups already sell cooperatively in the provincial capitals.

At Ban Saam 35cm x 1 m plain cloth sells for 8000 kip. With one 1 kilogram of silk that would sell for 120,000 kip they can weave 18 metres of 35 cm cloth with 0.1 kg left over. This can be sold for about 150,000 kip, giving a 'labour return' of 30,000 kip per kilogram. They sell the cloth mainly to local Hmong who send it to relatives abroad. Each family has 3 or 4 patterns for the bottom strip of a sin. This is can be sold at a higher price than the plain cloth.

Village Selling in Vientiane

Many villages hope to sell cooperatively in Vientiane. They need to accumulate about 40 or 50 kg to justify it. A round trip bus fair to Vientiane is 74,000 kip x 2 from Ban Saam, Kham District, for example. By selling in Vientiane about 10,000 kip is added to the price. 50 kilograms would add 500,000 kip. From this must be subtracted the return bus fare of say 150,000 and accomodation if no relatives or friends live there and the increased price of food over that in the village. It obviously best to go if having another reason to go and if one can stay with relatives. A key problem is that most are unable to wait to accumulate this much silk before selling. Clearly a village cluster would enable much faster accumulation of a large weight. Loans from a savings and loans group would help the poorer villagers wait.

Some villages complained in general that they have many things to sell but no market. A degree of village or cluster specialization is required to attract the traders. Some villagers mentioned that they do not know where to get seedlings for fruit trees. There is much to do.

Ban Nalok villagers in Sop Bao District told us that 500 pieces of 1.8 x 0.456 metres of traditional pattern selling locally for 20,000 kip each, totalling 10 million kip, would be needed to justify regular trips to Vientiane. The return bus fare is about 300,000 kip, so they are overrating the number required. 20 peieces would cover the bus fare and some accomodation. They weave about 80 -90 pieces a year at the moment.

Ban Tham in Huaphan has been particularly progressive as a cooperative trader. In the first three years they together sold silk and cloth worth 243,000 kip, 8,150,000 kip and 9,720,000 kip. The first year it was sold in Xam Neua and after that in Vientiane. In the fourth year they sold silk and cloth for 6,711,000 kip at their own village fair. They also won a prize for worth 2,500, 000 kip.

But some training in marketing would be an advantage to explain the prices of different types of silk, and cloth and the range of outlets available in Vientiane.

Silk Fair

Several trade fairs have been organized by the project with PAFO and DAFO with the aim of bringing villagers, traders and urban weavers and exporters together and sell silk and cloth. They have been held in

villages, provincial centres and Vientiane. The fairs have been highly appreciated, but costs and benefits should be compared with other ways of achieving the same end.

Future

One staffer suggested that the villagers should sell cocoons to an urban organization with an incubator who would produce silk worm eggs and sell them back to the villagers. The government will own the incubator in Huaphan after 2006 but could rent it out to an entrepreneur. This person may make a contract with the villagers that they will sell the silk back to them. But this would be a monopoly that could distort the market

Other Requests

All villages have other wants apart from silk. These include more convenient water supply, better or closer health services, an access bridge, better roads, electricity. To what extent this assistance could be more important to the villagers than silk is not known, but it is a question that should be asked in the initial survey. If for example people are dying widely of an easily avoidable disease, assistance with silk production would seem to be a perverse initial intervention. Villagers who were asked if they had major problems generally replied in the negative but a disease resulting in a low life expectancy is not generally seen as a problem. Malaria however seems to be much reduced by the use of bed nets treated with pyrethrine.

Village Cluster Networks

Ban Tha and Ban Xam have formed a Network in Xieng Khwang according to staff. Ban Tha (and 2 other villages) is producing the raw silk. Ban Xam and Ban Sin Kaew (not in project) are processing the silk and weaving.

Four Red Thai villages in Sop Baw District lie on the same road. 1 and 4 have less paddy and so more silk production. However Ban Na Lok villagers told us that they have no contact with other project villages. Ban Mouan in Xieng Khouang also said they do not know other villages in the Project but are keen to exchange experiences.

Some from villages close by ask for cuttings from relatives.

At Ban Bao villagers said they would rather contact other villagers in the town rather than going to their village.

Ban Na Lok villagers said they could bicycle 10 km but go by bus for longer trips.

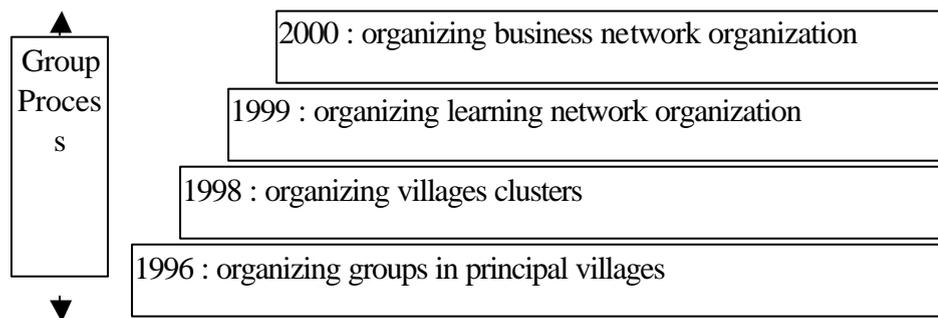
In general it can be said that very little interaction is taking place between villages in the project. Most villagers interviewed even said they knew no one in the other villages. This is an area where the project will have to put in a major effort. It might be best to introduce the villages to each other in an informal way first by perhaps organizing something like a football competition or whatever the villagers chose.

One staffer suggested that the clusters might have the capacity to hire someone after five years. This could be realistic, but will vary from cluster to cluster.

One amusing case is that of Ban Tham in which the villagers thought that the project wished to protect its ideas and so they did not try to spread them to other villages. On knowing that this was not the case they expressed willingness to train others.

7. SERICULTURE FARMERS NETWORK ORGANIZATION IN THE NORTHEAST OF THAILAND (SILK NET)

1. Development of Silk Net



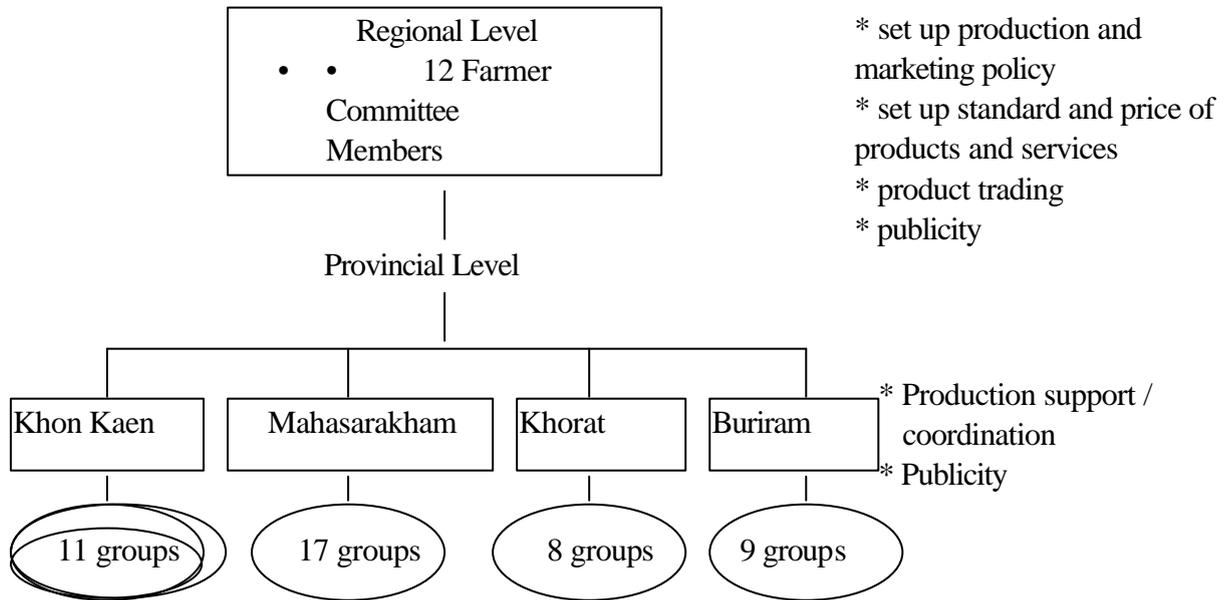
2. Objectives

- 2.1. To increase the efficiency of the groups who are network members.
- 2.2. To serve as centre linking and promoting fair trade between producers and buyers of silk products
- 2.3. To serve as the development and coordination centre for silk production, linking the groups with each other and with government agencies and private companies
- 2.4. To preserve and develop the particular character of Thai silk

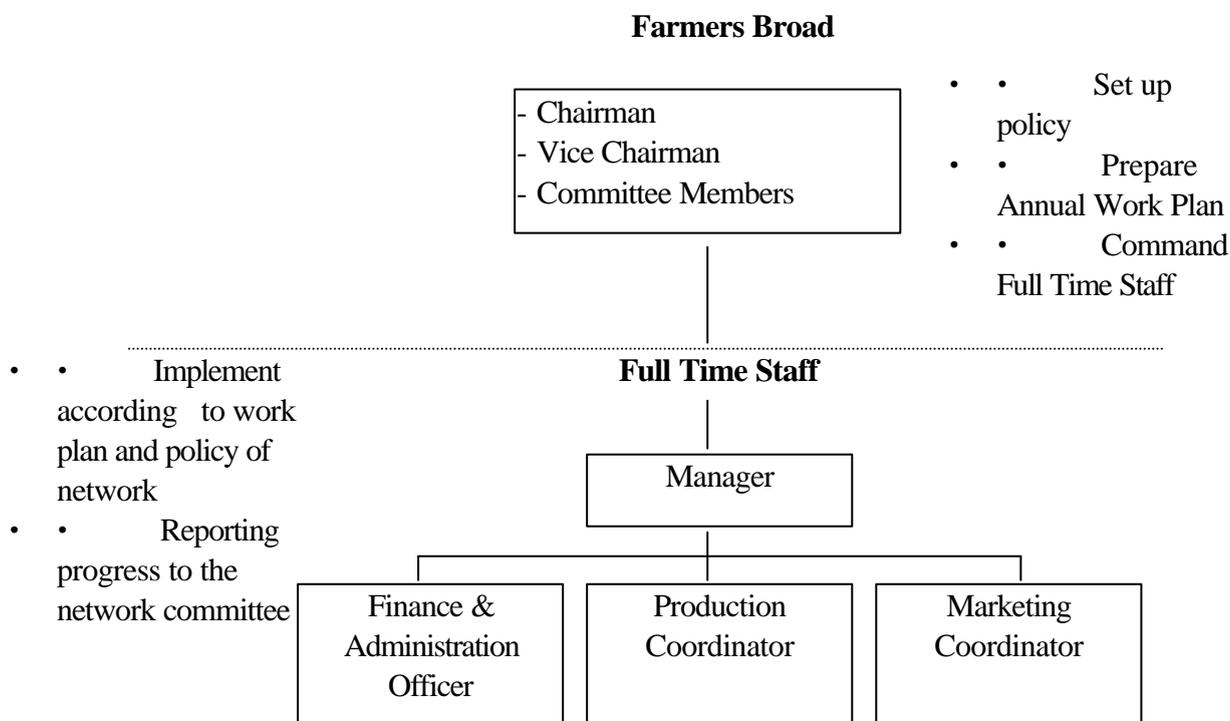
3. Members

Items	Khon Kaen	Maharakham	Khorat	Burirum	Total
no. of groups	11	17	8	9	45
no. of villages	61	48	46	61	216
no. of member	1,954	2,209	2,106	1,718	7,987

4. Network at different levels



5. Organizational Structure of Regional Network



6. Financial Support

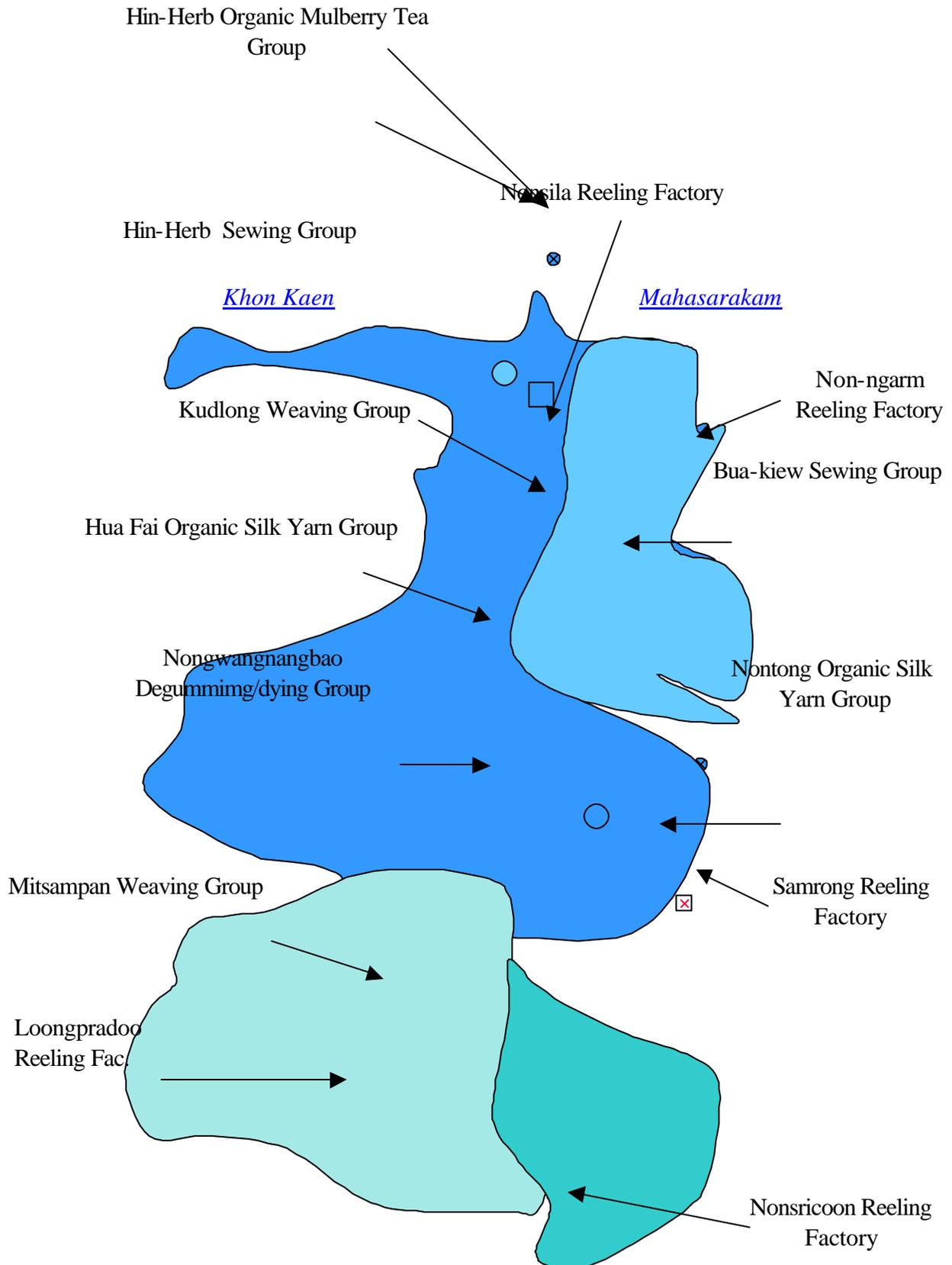
6.1 Donation fund from members

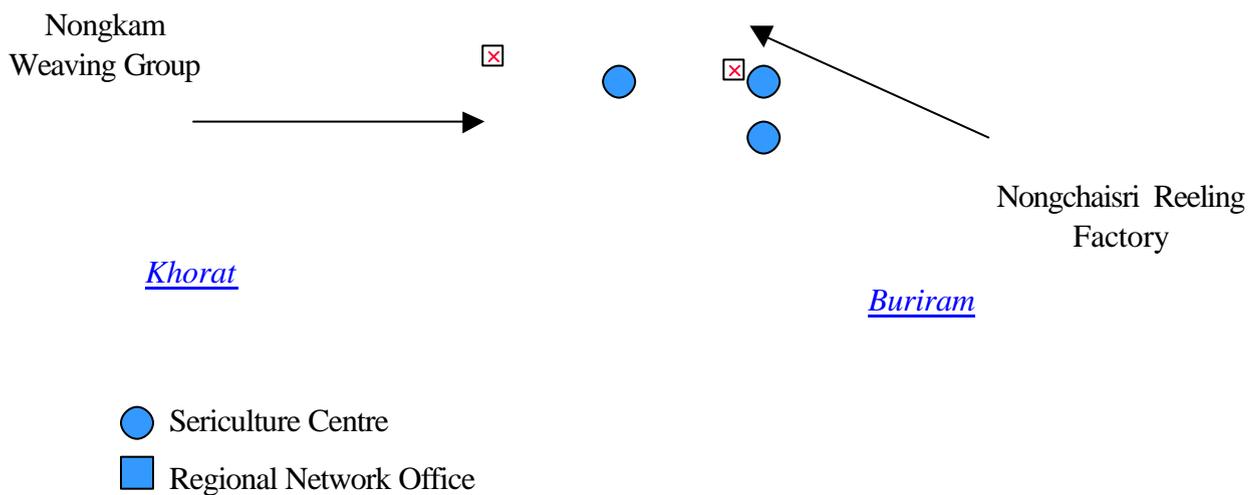
Each member had donated 50 baht. 25 baht was kept at the provincial network as management fund. Another 25 baht was used at the regional network for setting up office and business operation.

6.2 Shares

Shares had been mobilized in the 2nd year. Maximum share holding/share holder is 25% of the capital to be raised. Total shares mobilized in the 2nd year were 230,000 baht. In the 3rd year another 200,000 baht of shares had been mobilized. The share holders consisted of producer groups, government extension workers working in the network areas, network staff and outsiders. Shares are used for business operation of Silk Net including buying raw materials, lending car, paying for gas, telephone bill, staff salary, traveling cost and office supplies.

7. The Main Production Sites of Silk Net





8. EXTENDED VERSION OF SELECTED ISSUES FOR THE FUTURE

The 'evaluation' team has been asked to propose and evaluate several institutional options for the LEAPSS project after USAID withdraws assistance in October 2006, and methods of preparing for those options in the last two years of the project. Technical options should also be considered.

A Clarification of Terms From Subsistence to the Market

The desire is to move towards involvement of the private sector, but this concept needs clarification. The private sector is usually thought of as private enterprises large or small centred in urban areas and larger enterprises in rural areas involved in markets. Another type of commercial organization often forgotten is the *cooperative*. These include enterprises of very variable sizes ranging up to large banks in Europe.

The term micro-enterprises seems clear in urban areas, but to what extent are rural households included? The subsistence peasant households who sell a few products in the market are not usefully labeled micro-enterprises. They are thus not part of the private market sector but the rural subsistence sector, and given that in the Lao PDR the great majority of peasant households wish to grow rice, vegetables and fruit for subsistence, including local barter and gift giving, it will be a long time before most become farmers in the sense of commercial micro-enterprises selling the main part of their production.

Whether that part of their work that is sold, whether of silk or other products, is usefully called a micro-enterprise must depend on the value of the output. Does silk production and weaving become an enterprise at 1, 10 or 50 metres per month? Or is a better criteria the relative price or time input compared with subsistence activities? Sales of silk now in LEAPSS typically reach about 30 US cents per day per household. So rather than write of enterprise support it would be better to refer to income support for the peasantry or villagers, support for rural or village-based cooperatives and support for urban enterprises and organizations that are supporting the peasantry.

The 'Lao' Label

Because the government and LEAPSS are promoting Lao products, it is assumed here that Lao made silk and Lao woven products are of the greatest interest for the future arrangements. However a number of stakeholders are interested in hybrid silk that to some at least means that the 'Lao Silk' label cannot be used. The team has noticed some difference of opinion between those that focus on biological origin of especially the silk worm to define 'Laoness', take an interest in natural dyes, and others who focus more on the location of fabrication, not only in Laos but in the villages, and the traditional textile designs. These people also wish to focus on the 'hand made' aspect as well as Lao origin. To claim that 'Lao' means just Lao biology seems a limited concept in an 'industry' so full of culture, and promise for rural development. Would it not be possible to develop two or more 'standard' labels to describe different foci in the sub-sector and provide a certification system as follows:

1. 'Lao Silk' that primarily means biology and natural dyes. This could be used for the silk and for textiles with largely foreign inspired designs.
2. 'Lao Handicraft' that means woven at the traditional loom (or equivalent for other handicrafts) using essentially traditional patterns, but any type of silk. A product could bear both labels 1 and 2 or a combined one
3. 'Lao Silk Handicraft'
4. 'Lao Made' would be used for factory products.

This may seem complicated but it is presumably better to have clearly defined criteria than disagreement over the meaning of 'Lao Silk'. Even the above list of types does not really describe every possibility. The term handicraft or village handicraft may have as much selling value as the term 'Lao'. The Lao Handicrafts Association would administer such a system.

The JiLao brand developed with Jica help is being used by LHA

Government Laws and Regulations on Businesses

For cooperation to progress the organization must have rules, preferably sanctioned by the state, and it must obtain funds or capital, either by investment in the form of shares, by borrowing, or perhaps partly through grants/donations. Investments by individuals or other organizations might be of equal or unequal value, by the silk and textile producers equal, and outsiders unequal, or other combination. Investment in a multi-member organization requires a legal status to give confidence to the investors that the funds will be used honestly. Usually bank loans require collateral which also implies a legal status for the borrowing organization.

Business law applies to enterprises with a registered capital of more than 1,000,000 kip.

The government to date has passed laws governing

1. Lao owned business
2. Joint ventures
3. Wholly foreign owned businesses

Lao owned businesses can be set up as sole traders, family businesses and companies There are three forms of company: Partnerships, Company limited and Public company

Shares can be paid in cash or kind. Registration of the enterprise should be made with the sector concerned. Then registration of the revenues must be done with the Finance Department

There are no laws or regulations governing cooperatives, so the only legally possible option for village groups or cluster and wider networks at this time may be to set up a company with Articles of Association indicating special regulations. These might include

- All producers will have equal share capital or share holdings should be within a certain range
- Producer shareholders have equal rights to elect a board
- Non-producers investing will not have rights to elect board members,
- It will also be important that shares cannot be transferred without the approval of the board.

These aims appear to contradict company law so it may not be possible, as all shareholders have rights according to the number of shares held. Considerable dialogue with government will be required, preferably with an outcome of a new cooperative law.

In a Company Limited

- shareholders cannot exceed 20 (a limitation for a rural cooperative)
- the minimum registered capital is 5 million kip,
- A manager must be appointed but is guided by company regulations (laws and bylaws) a general meeting of shareholders.

5 million kip is probably possible for a beginning rural cooperatives involving several villages.

A Public Company

- must be initiated with at least seven shareholders.
- but the minimum registered capital is 50 million kip (surely beyond beginning rural cooperatives)
- Shareholdings can be transferred

It may be easiest to create a new type of Company Limited with the possibility of more than 20 shareholders. There is already a special type of Company Limited with only one person.

The team recommends that as the project moves through Phase 3 and the concept of a cooperative is developing in staff and villagers minds that a scenarios that could include an informal cooperative and new legislation or regulations on cooperatives is presented to senior government staff for discussion.

Assets

The Project MOU states that the project assets, notably the vehicles, buildings and equipment will be handed over to the government at the end of the project. At the present time this is likely to be September 2004. Whether the project will keep the assets if another funder takes over with perhaps a slightly different strategy needs to be clarified.

Villager Cooperation and Leadership

We believe that the villagers can help themselves to progress through intra and inter-village cooperation, both for mutual help for the production steps in each village and in trading. This is already occurring to some extent in some villages in a 'silk producers group'. This depends on a degree of outside leadership to

initiate but it depends on village leadership in the long-term. The best natural leadership must be given support in learning including learning how to continue to learn. The membership can expand in each village.

The villagers in one village might cooperate more by

- Generally exchanging ideas and information
- Organizing training by outsiders perhaps by organizing collection of a participation fee.
- Organizing training by villagers or villagers
- Specialization in mulberry planting, silk worm raising at including at different levels, or aspects of post-cocoon processing.
- Raising the silk worms separately or together in one hut
- Conducting dying in one hut
- Weaving in one building for technical, cultural and social interaction
- Selling together
- Organizing a regular training course in that village or a roving training course.

At Ban Muan they say in four years may save enough to build a joint worm raising hut. But various styles of hut are available at different prices and relative village/outside input ratios.

Useful interaction could take place over time by cooperation between villages in 'networks'. Because the Project villages lie in clusters initial networks in these clusters would be most feasible. Each existing cluster lies in one district. Clusters could expand to include non-project villages either after or before all Project villages are working in a cluster. Expansion to non-Project villages may primarily occur through relatives and friends advising and offering raw materials and equipment leading later to group organized training.

People expressed divergent views on the likely distance and conditions that villagers would travel to interact with other villages. This ranged from 2 kilometers to 5 kilometres as a one day round bicycle trip through 10 kilometres by bus to more than 30 kilometres if training was on offer in a village.

Project clusters now have 2 to 11 Villages but these could grow in the next two years by the addition of new villages between more distant villages to facilitate inter-village cooperation. Many villages are said to want to join so adding such villages may not be difficult and could be easier than for the original villages

Village groups have been established for some time in some villages and can deepen to include more activities. Cooperation between clusters as presently constituted will be more difficult. Cluster cooperation will probably be easiest when they lie close by along an all weather road to the district centre. Ethnicity and enthusiasm for the new enterprise and natural leadership will also be important.

The Townsfolk

Outsiders or townsfolk contribution can be in the form of training and advice (extension) and trading. These two roles may be embodied in one agency or separately. Extension may take place without payment by the villagers (ie subsidized) or as a commercial service, as an exchange. Trading is always an exchange. Those primarily involved in trading may also offer advice, or even training, usually nominally free, in order to promote their trading opportunities.

Alternatives: Stages, Steps and Processes

Traditionally extension is a government activity and trading a private activity, and both are usually done by town organizations, but these distinctions are not necessary. Extension and trading might be carried out by villagers, government might trade and private town people might do training.

To the extent that villagers can cooperate within and across villages they can create mutual advice and training programmes, agree to specialize and trade cooperatively. This would be worthwhile in so far as it increases the efficiency of village production and raises the net price villagers receive for their products.

The team sees some sort of cooperative structure under village leadership backed up by law and legal procedure as the best option for long-term village prosperity in the mountainous areas.

Cooperation between villages will take time to develop. The past and future potential can be described in stages and steps or processes that may occur at the same time or at least overlapping in time. These are hypotheses. The stages will develop at different rates in different places, may not all take place in any one village or cluster, and may take place in different orders or with other characteristics.

The important processes are as follows:

- Increasing mutual help and cooperation within villages
- Increasing mutual help and cooperation between villages
- The addition of new villages filling in within clusters with or without project help
- The addition of new villages between clusters with or without project help
- A cooperative is formed under company law run by villagers
- One or more people are hired by the cooperative

These processes are not meant as steps. Whether all these processes can be facilitated by the Project by September 2006 may depend on a focus on say two clusters per province.

Development Model

A development model could include:

- Support by the project for government
- Integrated project and government support for the villagers that would include
Assistance with group, cluster and network formation
Technical training and other assistance
Marketing, book keeping, microfinance and other socio-economic training
Post project another

Parallel with the development of village groups, cluster networks and provincial networks, town organizations will continue to offer extension and trade. It is probable that post 2006 the government will

1. develop laws and regulations to cover the developments in the silk sub-sector
2. sell mulberry saplings
3. offer extension services, possibly for a small fee

The silk traders will continue to trade in competition with the growing villager capability. LEAPSS 2004-2006 could consider training for these people in village production, but the risk is that this could hinder

cluster development by offering a more efficient trading service. It is perhaps ironic that cluster cooperation depends on a continually weak trading system.

In each province a well progressed cluster might be helped to set up a commercial training centre and training operations. Some favourable consideration should be given to a cluster in a reasonably central location. Access and communication standards could improve over time.

The focus on limited clusters implies that contraction is a possibility. Some villages that have small or unenthusiastic groups or in very small clusters might be completely left out of Phase 3 and if not could easily wither post-project. To have every village a success should not be a objective.

In Xieng Khouang Kham District seems to have a good reputation for both silk and design. Several other districts have a good reputation for silk. Perhaps separate training centres/processes could be set up for these two different stages.

Government Support and Phase 3 Development

Several government agencies will be involved or have expressed an interest in being involved or contributing post 2006:

- Department of Agriculture, Ministry of Agriculture and Forestry
- Vientiane Municipality (This supervises the Sericulture Research Centre along with MAF)
- Department of Handicrafts, Ministry of Industry
- Lao Womens Union

The interest of the Department of Trade and Commerce is not clear.

When the project closes the government will continue to support the villagers in their silk production and weaving activities and sales whichever option the Project chooses. As the governments extension budget is likely to remain small the government, at least in Xieng Khouang, intends to target one village in every five or so in the expectation that any new idea will diffuse out to other nearby villages. It will be targeting all districts rather than any focus on clusters as is put forward as one sub-option here.

It will be useful if this one in five strategy is linked to the post-project preparation by the Project. The Project might try to agree with government as to which village will be targeted so that this village can be the focus of Phase 3 work. The aim could be to promote an 'expert village' (not a model village) that can then systematically offer training courses and other support to the other four villages starting in Phase 3. More skilled villagers from other villages could help offer training and other learning support. It would be better to develop an inter-village support process over the next two years rather than leave it up to 'diffusion'. At any rate the government is also supporting this idea that the first village assisted must help others. Although the support in Phase 3 for the 'expert village' would be clearly a grant, the inter-village support may best have some financial gain to motivate the supporters. Alternatively villagers in the 'expert village' might be asked to take out a loan to pay for Phase 3 training. Many variations are possible.

Another alternative would be to suggest to the government that rather than one village in five it should focus on 'one cluster in five' to build an 'expert village or cluster'.

If the Extension staff are allowed to charge a modest fee per person for a days effort, say 1000 kip per person rising to 1500 kip for an experienced trainer, the range of villages covered could rise markedly as the motivation would be there to travel by bus when fuel budget was limited and walk to a village. This would also prompt the extension staff to put more effort into their preparation so as to attract a large number of villagers to their presentations and demonstrations.

Miscellaneous

Drug control money is available for an expansion in two districts in Hua Phan. This would extend the Lao-American Project

Savings and Loans

In parallel to one or more of the options above is the idea of setting up savings and loans groups, preferably as an initial step in any one village. This would best be done as a village wide group rather than just for the silk group. About four days of training is required for each village group. This would markedly increase the probability of self-sufficiency and sustainability. Mulberry growing and the other steps would follow. All capital investment would thus come from family savings and loans therefrom. As S&L groups developed they could form links in clusters and borrow as groups from the Agricultural Development Bank. This again urgently requires legislation to fully legitimize the S&L groups. Several government staffers expressed an interest in setting up S&L groups. But Xieng Khouang LWU has already done it outside the project. There the option is open to lend funds from one village to another. S&L groups can make a major contribution to independent long-term development. Sufficient stability may be provided by the LWU. The alternative is to register the S&L groups as companies.

9. GUIDELINES FOR VILLAGE GROUP DEVELOPMENT

In the main report we outline a staged process from village groups through cluster networks to provincial networks and eventually beyond. Building village groups is the first and probably the most important stage and as such the guidelines are offered here to help support the process. We recommend that production groups are first built in a pilot village in a carefully chosen cluster in each province. The activities listed here are rough guidelines that should be used flexibly for group activities. Group activities will depend on objectives and other conditions that will vary from group to group. Implementation should not rely on the project resources only but call on the villages to contribute. A previously formed savings and loans group would make this easier.

Step 1 Group Preparation

Expected Outputs

1. Awareness among producers on silk production situation in Lao
2. Clear common interest among silk producers is identified.
3. Awareness among silk producers on important and the main components of group
4. group members
5. group representatives

6. organizational structure

Main Activities

- ◆ Selecting the pilot village in chosen cluster (1day)
- ◆ Organizing silk producers meeting (1day)
- ◆ This meeting will be opened for any silk producers in the village to give them opportunity to learn about the group concept so a decision on joining the group or not will be made . Group representatives will be selected by the farmers.
- ◆ Organizing group representatives meeting (½ day- 1day)
 1. The main common interests agreed from the silk producers meeting will be brought to this meeting in order to convert them into group objectives.
 2. In each objective, measurable indicators will be set up.
 3. Preparing collection of household data
 4. Dividing responsibility among representatives: production, marketing, administration, etc.
- ◆ Organizing group members meeting(½ day)
 5. Reporting results from the previous meeting to all members: group objectives, division of responsibility among the representatives
 6. Dividing members into small groups to allow group representatives to collect household information. This data base will be used for planning and evaluation.
 - 7.

Step 2 Planning

Expected Outputs

1. Main products for collective marketing is identified.
2. Production plan
3. Group work plan
4. Support to group work plan
5. Capital contributions decided

Main Activities

1. Organize group meeting for :

- Selecting village main products: fabric, silk yarn or both
- Plan study of buyers
- Selecting buyers to work with if possible
- Setting product specification as needed by buyers.
- Preparing product samples: yarn skein, fabric catalogue
- Contribution to group capital

2. Visit buyers (1-2 day) if feasible

If possible group representatives should have a chance to visit the customers at their site in order to recheck their existence, location and working conditions and discuss sample products. This will make producers understand conditions of the customers and be able to make their product suit their requirements.

3. Meeting of group representatives to prepare work plan (1-2 days)

In this meeting, all representatives selected at group preparation step will work together to prepare the work plan. The activities included in the group work plan can be as follows:

A. Production

1. organizing field day for : mulberry planting, mulberry pruning, preparing saplings, building rewinding equipment according to priorities.
2. organizing training refreshment at the village level on: silk yarn reeling, yarn skein preparation, degumming&dyeing
3. selling material or equipment : dyes, degumming chemical, reeds
4. requesting for improved equipment : rewinding machine with diamond cross, twisting machine
5. organizing demonstration plot : mulberry pruning

B. Marketing

1. Study production value required to justify distant marketing
2. meeting between group members and buyers to review agreement if feasible.
3. marketing promotion: preparing packaging , tag, label, brochure, group fact sheet
4. product sale: product collection schedule, periodic market.
5. attending sale fairs
6. sale follow-up meetings

C. Organization strengthening

1. regular group meetings e.g. every month or every 1 ½ month
2. annual group meeting
3. training : book keeping, accounting
4. organizing social activities : family day, sport day

4. Meeting to discuss support for group work plan (½ - 1 day)

Since the work plan is prepared by the farmers, the project has to encourage the farmers to implement their work plan as much as possible. Resources requested from the project for plan implementation will be brought to this meeting. The project working group will decide on what can be supported and standard criteria for each type of support.

5. Meeting between project and group representatives (1 day)

The representatives (2persons/group) from every groups implementing the group process will meet with the project staff to discuss support to their work plan implementation. Suggestion for the activities which cannot be supported by the project should be made as well. This meeting will help increase awareness of farmers on the importance of planning and create better understanding between the project and the farmers.

6. Group meeting to prepare implementation plan(½ day)

The representatives will call meeting with all members to report results from meeting with the project. The solutions for the activities which cannot be supported by the project have to be decided. The facilitator should encourage the farmers to continue those activities using their own resources, if possible.

Step 3 Plan Implementation

Expected Outputs

1. Production problems are solved by group
2. Permanent or semi-permanent buyers
3. Increased sale volume
4. Better prices received

Main Activities

Production

In this step, a facilitator will have to help facilitate plan implementation of group. The activities implemented in the field have to follow the group work plan. Production is always handled by the individual farmer. However, the group can provide some assistance to members for example, by arranging a demonstration on the correct method in preparing yarn skein.

Monitoring of silk production should be done every cycle, if possible. The group meeting which will take about ½ day can be a very useful tool to present production data and learn solutions for production problems.

Marketing

The collective marketing process should be implemented step by step. The implementation steps are as follow:

1. A group meeting to set up an internal working system (½ day)

- I. division of work
 - sale representatives
 - grading committee members
 - honorarium for representative
 - rules and regulation for representatives and members
- II. place for collecting and grading products
- III. collecting period
- IV. charge rate

V. contribution to group capital reassessed.

2. Organize training and providing equipment for quality improvement such as:

- 1) product grading
- 2) reeling
- 3) skein preparation
- 4) degumming & dyeing

3. Trial sale (1-3 sales)

At the beginning, a small sale might be made in order that producers and buyers can learn how work together to reduce unexpected mistakes.

4. Full scale collective marketing

After 1-3 trial sales are successful, collective marketing can be fully implemented as planned.

5. Sale follow-up meeting (1/2 day)

After each sale, monitoring should be carried out immediately and the results should be presented to group members in the group meeting.

Organization strengthening

1. Organize social activity

Most of activities under this category might not be related directly to strengthening of silk production. However, they help creating better cooperation, understanding and group spirit among members. Since most of the group activities are run by female farmers, support from their family is very important. Therefore, progress of group should be presented on a special occasion such as a “family day”.

The traditional ceremony such as “ Boon Bapa Smaky” can be applied as “ Bon Bapa Mai “. Instead of donating money, the group can ask for yarn. Part of the proceeds from selling donated yarn might be given to a temple or school and the remaining part can be kept as group capital.

2. Set up book keeping and accounting system

To run the business successfully, each group needs proper financial recording which must be regularly updated. The basic accounts such as revenue and expenses should be prepared and reported in the group meeting regularly. The account books should be open to inspection by all members at these meetings.

Step 4 Evaluation

Expected Outputs

- I. Group self-assessment
- II. External group assessment
- III. Using of assessment results for planning

Main Activities

Self Assessment

After each group has completed all activities in the work plan, the achievement of group objectives will be assessed by group. The objectives themselves should also be reassessed. Since the group objectives and work plan were developed by the farmers, it is not fair if their achievement is only be judged by outsiders. The main objectives to have the farmers conducting self assessment are:

- I. In conducting any evaluation or assessment exercise, logical thinking is required. This exercise therefore will help increase the members' analytical skills.
- II. The farmers will be aware of their own situation.
- III. The assessment results can be used to prepare a work plan and management of the group in the following year. including:
 - revising group objectives. Some objectives which in practice are hardly achieved and not practical can be dropped out. The practical ones will be maintained or modified. New objectives will also be added, if necessary.
 - The indicators used will be revised if they are not measurable or practical.
 - New group activities will be identified.

The assessment results will always be used internally by each group. Comparison should not be made between groups, since they started from the different levels and under different conditions. Helping them be aware of their present situation and how to improve it is the main aim of self assessment.

Assessment of Group by Outsiders

If the Project wants to evaluate its own work on group development, it can of course use its own indicators. To evaluate group progress, the following indicators are recommended:

- A. Organizational set up
 - number of members
 - sex of leaders
 - existance of management structure
 - existance of concrete group objectives
 - existance of rules
 - level of understanding of members on leaders, objectives and rules of group.
- B. Planning ability
 - existance of clear production plan
 - existance of concrete group work plan
 - members understanding of group production plan and activity work plan.
- C. Activity implementation
 - activities implemented as planned
 - participation level of members in group activities
 - resources of group contributing to activity implementation
- D. Resources mobilization
 - capital raised
 - assets acquired
 - use of local knowledge and resources
- E. Conflict and problem management
 - lack of serious conflict

- conflict resolution takes place
- problems solved

F. Networking

- cooperation with neighboring village towards cluster identity
- cooperation with other groups in village
- cooperation with local organizations

10. POSSIBLE ROJECT IMPLEMENTATION FRAMEWORK

Expected Results	Target	Input	
		Project	Government
1. Production Strengthening 1.1 Cocoon production 1.2 Cocoon processing 1.3 Weaving	<ul style="list-style-type: none"> - 40 villages in 2 provinces - 5 provincial staff - 40 village- based silk worm eggs production center - 40 villages in 2 provinces - 2 villages / province 	1. Intensive technical training to government silk specialists on: <ul style="list-style-type: none"> - silk worm breeding - silk worm rearing - cocoon processing - silk yarn processing and weaving 2. Technical manual on: <ul style="list-style-type: none"> - silk worm breeding - silk worm rearing - cocoon processing - silk yarn processing 3. Prototypes of improved equipments for cocoon and silk yarn processing 4. Model for silk worm eggs production center at the village level	1.Appointing 2 provincial staff / province to be trained as sericulture specialist: <ul style="list-style-type: none"> - 1 for cocoon production - 1 for cocoon processing and weaving 2.Appointing 1 provincial staff responsible for silk worm eggs production center at Xam Neuah District 3.Promoting usages of improved equipment 4.Facilitating establishment of silk worm eggs production center at the village level
2. Marketing Strengthening 2.1 Specified trading partners 2.2 Marketing Organization	<ul style="list-style-type: none"> - 2 trading partners inside project provinces - 2 trading partners outside project provinces 	1. Selecting trading partners for: <ul style="list-style-type: none"> - silk yarn - fabric 1. Facilitating establishment of	1. Agreement in using of project

Expected Results	Target	Input	
		Project	Government
		marketing organization 2. Working with farmers and government to recruit staff working for marketing organization 3. Staff capacity building - training/study tour on eg. marketing and book keeping 4. Arranging Working facilities - office facilities - building 5. Arranging operation fund	facilities after the project finish.
3. Institution Strengthening 3.1 Farmers Institution - village based organization - village cluster - Network organization 3.2 Government Institution	1. Hatsaifong Sericulture Center	1. Adding full time experienced group development specialist into the Project. 2. Appointing 2 staff / province working as a facilitator for group development process 3. Providing intensive training courses on : group development / facilitation technique 4. Manual 5. Facilitator capacity building - regular follow-up workshops - field supervision by group specialist.	1. Appointing staff to work as a facilitator for group development process - 2 provincial staff/province - 2 district staff / province 1. Revising and modifying mandates of each main agency
Expected Results	Target	Input	
		Project	Government
3.3 Private sector	2. Provincial Department of Agriculture 1. Lao handicraft	1. Facilitating membership application of farmers organization	involved in sericulture development

	association		
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11. COMPETING COMMERCIAL ACTIVITIES

To be confident of sustainability it is necessary not only to show that villagers have technical capacity and the ability to trade effectively but it is important to try to show that there are unlikely to be other commercial activities that could replace village silk. Among the possibilities are urban mechanized silk and weaving, from within Laos and other countries, and other rural activities, including opium. It is often assumed that silk is a viable alternative to opium in highland villages as it too has low perishability, a high value to weight ratio, especially if woven with an internationally sought after design, and can be produced where winter temperatures do not fall below.....? However it is probably more labour demanding than opium. This option for opium substitution should be pursued, perhaps first by researching progress in Northern Thailand.

Mechanized production has long been a threat to village handicrafts globally, but silk and some cotton seems to have resisted this trend where cultural and national pride maintain support for the local products and where the handicrafts quality is appreciated by an educated international consumer, still a minority but measurable in the tens of millions globally. Whereas the local support may be slipping the number globally that appreciate handicrafts is probably rising with increased secondary and tertiary schooling that includes some training in aesthetics and other cultures. Having survived this far it is unlikely that further mechanization will challenge hand crafted silk. This having been said the industry should be aware of international taste trends. It might be added that while quality control is important up to a point, much of the charm of handicrafts is the irregularity and variation in the product.

The issue of other alternative rural production was discussed with the Deputy Head of PAFO in Hua Phan. He stated that there were activities that could conceivably be seen as competing with silk. These were corn, soya beans and large livestock. Soya beans provide a good profit but require skill and effort and so were not widely planted. Villagers at Ban Na Lok in eastern Huaphan said soya bean provided a higher profit than silk. The beans are eventually sold in Vietnam. They are interested in learning how to process soya bean and get access to the required equipment. At the moment the mulberry plantations lie on gently sloping land while soya is grown on the steep land as 'shifting cultivation'. This village grows only irrigated wet rice. Corn is easy to grow and is widely grown on swiddens but does not provide the same profit. Large livestock require considerable capital that is not easily available. At Ban Nalok it is large livestock numbers that characterize the socio-economic strata. A Chinese company is introducing pine plantations in Huaphan this elevated province but the villagers are not learning the correct techniques easily. Pineapples, non-contour planted, are taking off in the Viengxay area, presumably for the Vietnam market.

Soya bean with some village processing is a possible competitor but still silk processing and weaving have several advantages even where the possible market for processed soya beans is close. It can be done at almost any time when other activities are not critical, and is far more robust and long lasting. Moreover, for the women the pleasure of weaving an interesting piece of cloth has attractions other than money. Rather than village processing of soya bean that might meet hygiene difficulties, a local town processor might set up supplying improved or more appropriate varieties to the villagers and making perhaps soy sauce offering an alternative market to the Vietnamese traders. This could raise the price of soya beans further in and around this district. This scenario might be investigated as if it is feasible it will happen eventually. Although it is unlikely to eliminate silk in the district it might take off the sheen.

12. KEY INFORMANTS

The following people either provided briefings on the project or aspects thereof, were interviewed by one or more members of the evaluation/strategy team, or assisted with interpreting.

<i>Name</i>	<i>Organization</i>	<i>Location</i>	<i>Contribution</i>
Mr. Michiel Peyra	Consortium Laos	Vientiane	Briefing, discussion in Vientiane
Mr. Martin Dunn	Consortium Laos	Throughout the Consultancy	Briefing, discussion throughout field trip and in Vientiane
Mr. Viengthongxay Intha	Consortium Laos	During the Consultancy	Interviewed/discussion throughout
Mr. Scott Rolston	US Embassy	Vientiane	Attended debriefing
Mr. Vilaysak Souphanthong	Sericulture Research Center	Hadxayfong District, Vientiane	Interviewed
Mr. Kikaew	Ministry of Agriculture and Forestry	Throughout the Field work	Interpreting between village Lao and Vientiane Lao for the team leader. General discussion
Mr. Khamphet Xainyakho	Ministry of Foreign Affairs	Throughout the Field work	Interpreting between village Lao and Vientiane Lao for the team leader. General discussion
Mr. Ratsanivong Ammalathithada	Vientiane Municipality	?	
Mr. Angkhan Keobuakham	PAFO Huaphan	Huaphan	Interviewed
Mr. Amphorn	Head of Cultivation Unit PAFO Xieng Khouang	Xieng Khwang	Interviewed
Ms. Chanthao Pathammavong	Lao Handicrafts Association	Vientiane	Interviewed
Ms. Carol Cassidy	Lao Textiles	Vientiane	Interviewed
Ms. Ratsanikone Nanong	Nikone Handcraft	Vientiane	Interviewed
Mr. Phouthong	Bolikhamxay	Vientiane	Interviewed
Mrs. Khommaly	Lao Sericulture	Xieng Khouang	Interviewed
Mrs. Amphone	Handicrafts Promotion	Xieng Khouang	Interviewed
Mr. Phouwee	Consortium	During the Field Work	Interviewed
	DAFO	Xieng Khwang	
	LWU	Xieng Khwang	

Other important key informants include:

- Ø members of the Provincial Steering Committees;
- Ø members of the District Implementation Teams;
- Ø members of the Lao Handicraft Association;
- Ø Consortium staffs participating in the LEAPSS project; and,
- Ø LEAPSS Project beneficiaries.

13. TIME TABLE

The time table proposed to the team for the evaluation was 15 days, from May 17-31, with one extra day up to June 11, all in 2004. Approximately 10 days were required for field visits in Vientiane, Huaphan and Xieng Khouang.

The schedule of activities suggested for the evaluation is given below. The time in Huaphan was cut by 2 days and that in Vientiane at the end was increased by two days at the request of the team.

May 17-19, 2004

- Evaluation Team meets in Vientiane
- Finalize work plan and travel schedule for the evaluation
- Review Project documentation
- Conduct some key informant interviews in Vientiane
- Prepare materials for trip to target villages

May 20-23, 2004

- Travel to Xieng Khouang
- Meet with province and district authorities
- Visit Project villages

May 24-28, 2004

- Travel to Huaphan
- Meet with province and district authorities
- Visit Project villages

May 29-31, 2004

- Return to Vientiane
- Conduct additional key informant interviews in Vientiane
- Prepare final report with recommendations

June 1, 2004

- Present findings to the Consortium
- Make a separate presentation for Lao government officials

14. REPORTING

A preliminary report outlining the methodology, information sources accessed, important findings, conclusions and recommendations was due on May 31st, 2004. This report was then to be edited, based on feedback from the Consortium or the Lao government, and resubmitted to the Consortium no later than June 11th, 2004. The language of the final report was to be English, along with a Lao translation of the executive summary and recommendation sections.

As requested one copy of the report was submitted to the Consortium in soft (MS Word) and hard (A4) formats. Consortium will be responsible for further duplication and dissemination of the evaluation report.

The Evaluation Team was asked to keep the length of the report to a maximum of 30 pages, not including appendices.

15. TEAM COMPOSITION

The Evaluation Team should be experienced in rural development, agricultural extension, small enterprise development and silk or handicraft development. It is expected that three consultants with complimentary knowledge in these fields will form the core of the Evaluation Team. In addition, up to three central-level Lao government officials are likely to participate as observers on the Team. These government officials would provide some technical advice and recommendations to the Evaluation Team. It is also likely that each province would request that one or more local officials join the Team during the field portion of the evaluation for their respective provinces.

All core members of the Team must be able to communicate and write English. In addition, specific core members should possess the following attributes:

A. Team Leader

- Experience evaluating donor-funded projects;
- Experience evaluating rural development projects in Laos;
- Knowledge and skill in using a variety of participatory evaluation tools and techniques;
- Ability to communicate in Lao language;
- Good interpersonal team skills; and,
- Strong writing skills.

B. Silk Sub-sector Specialist

- Expertise in sericulture;
- Knowledge and understanding of handicraft and textile production;
- Field experience in agriculture extension;
- Ability to communicate in Lao language;
- Good interpersonal team skills; and,
- Good writing skills.

C. Small Enterprise Development Specialist

- Expertise in small enterprise development;
- Knowledge and understanding of the legal framework for private sector businesses in Laos;
- Familiarity with handicraft and textile production;
- Ability to communicate in Lao language;
- Good interpersonal team skills; and,
- Good writing skills.