# **Original Article**

# Fair Trade and Organizational Innovation in Nepal: Lessons from 25 Years of Growth of the Association of Craft Producers (ACP)

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**Abstract** The history of the Association of Craft Producers, a fair trade organization in Nepal, illustrates an important point often ignored during research on development organizations: that each will evolve along unique lines, not easily fitting into standard categories of 'for-profit' business, 'non-profit' organization, 'charity' or 'development non-governmental organization' used in the literature. Instead, organizational structures, ideas and cultures are constructed by practice as highly contingent processes and based on diverse logics. We argue against the managerialist idea that such organizations can be viewed simply as variants or 'hybrids', and we challenge conventional emphases on organizations as unitary structures or systems within an environment in favour of a more interactive, dynamic perspective in which actors in organizations are seen to change the environments in which they are located. Such an approach also provides support to ideas about 'positive deviance' as a method of learning that can potentially avoid formulaic thinking.

L'histoire de l'Association des Producteurs Artisans (ACP), une organisation de commerce équitable au Népal, illustre un aspect important – mais souvent ignoré – de la recherche sur les organismes de dévelopement : que chaque organisation évolue de manière unique, et ne se prête donc pas nécessairement à des catégorisations standardisées telles que 'la société à but non-lucratif', 'l'entreprise', 'l'oeuvre de bienfaisance', ou 'l'ONG', entre autres. Les structures, les idées, et les cultures de ce genre d'organisation sont construites à travers des pratiques basées sur des logiques diverses et contingentes. Nous argumentons, de ce fait, contre une approche managériale qui considèrerait que de telles organisations ne sont rien d'autre que de simples variantes ou hybrides d'autres organismes. Nous contestons l'idée qu'elles seraient des structures ou des systèmes homogènes qui ne feraient qu'opérer au sein d'un environnement plus large en faveur d'une perspective plus interactive et plus dynamique au sein de laquelle des acteurs auraient le pouvoir de changer leur environnement. Une telle approche met en avant l'idée de la 'deviance positive' en tant que méthode d'apprentissage susceptible d'éviter une pensée stéréotypée.

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# Introduction

This paper presents a detailed historical case study of a fair trade organization in Nepal, with two related aims. The first is to locate the history, values and activities of this particular organization within the broader political framework of what Evans (2005) has termed 'counter-hegemonic globalization' – the idea that, in contrast to mainstream conceptualizations of the inexorable logic of neoliberal globalization,

the growth of transnational connections can potentially be harnessed to the construction of more equitable distributions of wealth and power and more socially and ecological sustainable communities. (Evans, 2005, p. 1)



A range of oppositional ideologies and networks can be identified within a loose general framing of the global justice movement, which at times can be seen to challenge and subvert the exclusionary tendencies in relation to resource allocation and organizational governance which inhere within the structures and practices of neoliberal globalization. The movements, networks and organizations which embody these counter-tendencies operate in part by combining locally rooted ideas and practices with the strategic identification and manipulation of international connections and other resources at the global level. Evans (2005) was concerned with social movements and transnational networks, but this paper argues that a Nepali fair trade organization, the Association of Craft Producers (ACP), can also be understood within this conceptual framework.

The second aim of the paper is to question a key assumption within dominant managerialist approaches to development: the idea that organizations can be understood as examples or variants of generic organizational 'types', and that these will respond predictably to external interventions designed to build capacity, scale up or otherwise improve effectiveness. As Cooke and Dar (2008, p. 2) suggest, while we may critique the rational logics of management and their legitimization of 'dehumanizing' regimes of power, counter-discourses of 'critical management' and 'post-development' rarely offer much in the way of alternatives, and may themselves be equally domineering and externally imposed. This paper aims to follow in the spirit of those two authors' call for analytical approaches which instead emphasize forms of solidarity, and aim for 'a democratic, tolerant and self-critical approach to analysis and action' (p. 3).

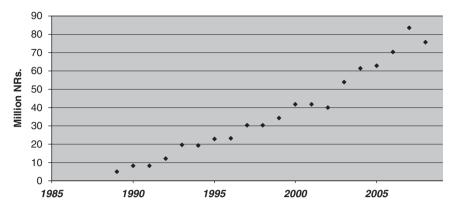
These points are developed further in the conclusion, where we link our case study and argument to 'positive deviance' approaches to organizational learning (Sternin, 2003). This approach seeks both to identify and learn from unusually positive examples of institutional activity, but also to avoid crudely managerialist notions of 'best practice', along with the unimaginative and mechanistic attendant notions of 'scaling up' and 'transfer'. This is an approach that emphasizes the importance and value of people within organizations who 'break free' of assumptions, conventions and norms, and recognizes the contribution of 'unintended consequences' (Merton, 1936) to organizational 'success'. The importance of unintended consequences is often obscured by the tendencies of development professionals to attribute 'success' to external planned interventions (Biggs and Messerschmidt, 2005).

We have been influenced in our methodology by work on organizations within the new anthropology of development (cf Lewis and Mosse, 2006), but this paper is not ethnographic in the traditional sense. Instead, it draws on a set of long-term personal interactions between one of the authors (Biggs) and key members and associates of the case study organization, and on detailed document analysis. Indeed, the paper was motivated in part by a request from ACP to document its history and work. We therefore make no apologies for a paper which aims for a high level of analytical rigour without disguising its view of ACP as a positive case. Instead, we have aimed to make these positionalities as transparent as possible. <sup>1</sup>

## The ACP

ACP is a local fair trade organization providing design, marketing, management and technical services for low-income, primarily female craft producers in Nepal. It was established in 1984 by its Executive Secretary and Executive Director (ED)





**Figure 1:** Growth of the sales of the Association of Craft Producers in million NRs (1988/1989–2007/2008).

Ms Meera Bhattarai, a former senior official from an organisation with a beaurocratic system, along with several of her associates from the worlds of social development, and was officially registered as a non-governmental organization (NGO). Today, ACP is a commercially viable enterprise that provides a wide range of cotton textiles, knitwear, jewellery, paper crafts, felting, ceramics and other craft goods to local and international markets. As such, it forms part of a wider established handicrafts sector in Nepal operating in the areas of fair trade and socially responsible business.<sup>2</sup>

ACP initially operated in a rented building with 38 producers, five full-time staff and a hired full-time foreign advisor. It had a governing board of seven members, and received financial support from World Neighbours. In 1985, ACP opened its first shop *Dhukuti*, in Thamel, the main tourist destination in Kathmandu, and sales have grown steadily over the years (Figure 1). The most recent figures indicate that in 2007/2008 sales were NRs 75.8 million. The overseas market made up 68 per cent of sales. Today ACP has its own buildings, more than 1200 producers working with over 22 skill categories, employs 60 permanent staff, and operates a retail outlet and has an in-house sister concern called Nepali Craft Trading [P] Ltd, which handles exports.

ACP is widely recognized as a successful organization that competes effectively in international and local handicraft product markets. Furthermore, it has contributed significantly to the rejuvenation of important Nepali handicrafts, such as weaving, block printing, felting and hand-hammered copperware. The 'demonstration effect' of ACP's work has contributed to the revival of the overall handicraft sector, and there are many new high-quality handicraft shops that have opened in the wake of *Dhukuti*. Similarly, ACP has also been committed to the promotion of sound *environmental* practices, including only using azo-free dyes and being the first non government organisation (NGO) to build a water treatment plant in Kathmandu, the latter receiving an award by the Kathmandu Metropolitan Municipality.

ACP has also made a broader developmental impact. For example, it has helped women gain self-confidence and command greater respect from other family members, especially husbands and in-laws, important in the patriarchal social context of Nepal. Few producers want to leave ACP once they have joined, saying that the money, benefits and working agreements they receive helps improve their bargaining position for fairer wages and terms. In social development terms, primary producers and their children benefit from



being part of the ACP enterprise. Many *producer benefit* packages have also evolved, including a savings programme, a retirement fund, a counselling service and a girls' education allowance which has been extended now to boys. Producers have also gained representational rights to participate in management decisions and voice grievances. At the ACP unit in Kathmandu, the employees have a formal Associate Members Alliance, the members of which are registered in the ACP trade union, affiliated with the national union, GEFONT.

# **ACP** within the Context of Nepal

ACP was established at a time when Nepal was experiencing the effects of 'globalization'. There was rising tourism, increased unskilled labour migration and remittances and growing demand for hand-made products, leading to new interest in the revival of the Nepali handicrafts industry. ACP's founders explicitly aimed to demonstrate that it was possible to build a commercially viable, competitive, labour-intensive craft organization, based on sound social ethical principles that would create sustainable local jobs, primarily for women. Earlier experience of work in related areas equipped the ED and her colleagues with an acute understanding of the realities of socially responsible development in Nepal. Central to this was the idea that women producers could participate from within the normal challenging day-to-day conditions in which they lived, although continuing to 'multi-task' looking after children, husbands and other family members, and managing their rural economic activities.

ACP was therefore established with five inter-related aims. First, ACP wanted to show that even in a harsh economic environment, a handicraft business could be both economically viable and socially responsible. Second, it aimed to give women support and self-confidence in situations where they were often disrespected and humiliated. Third, ACP aimed to challenge planners' perceptions of women's handcrafts as low status, 'informal sector' work, and therefore secondary to industrial development. A fourth aim was to develop management methods that would enable rural women to participate in a viable commercial enterprise. A fifth objective was to challenge pervasive thinking that progress was dependent on 'outside development experts' such as donors, volunteers and international policy makers. Although success was routinely attributed to outsiders, various 'barriers and obstacles' such as corruption, absence of political will and lack of personal integrity were routinely attributed to 'the Nepalese'. ACP was a Nepali initiative, but it aimed to work selectively with outsiders whenever appropriate. This strategy can be understood as a form of 'counter-hegemonic' activity designed to challenge and shift power relations in favour of marginalized people at the local level by challenging prevailing norms – within both the dominant externally imposed development paradigms, and wider global management practices (Evans, 2005).

ACP is therefore a unique consolidation of the ideas and experiences, and is accumulated by leadership and staff from the 1970s onwards. For example, since 1975, the ED had been Director of the Women's Skill Development Project in the Nepal Women's Organization. Original members of the ACP board included senior civil servants (some of whom had led Nepali trade delegations), EDs of women's projects and programs, and activists in organizations promoting women's rights in relation to girl trafficking and child labour. More recent members have modern business management skills, and others come from related work. From the start, ACP benefited from experienced people who were active in government, business and non-governmental sectors. 8



## The Evolution of ACP's Work

The ED sees ACP as having gone through two major phases. The first was the revival of traditional handicraft skills and the establishment of an organization in Kathmandu to serve the interests of poor craft producers living in rural areas of Nepal. The second, from the early 2000s onwards, was centred on the technical upgrading of craft products and producer skills, developing buildings and other facilities in Kathmandu, and expanding the market. Table 1 is a time line of major events in the growth of ACP.

Up until the mid-1990s, ACP concentrated on expanding the product range, developing local and international markets for handcraft products, and establishing a permanent service facility in Ravi Bhavan Mode, Kathmandu. Activities included starting silkscreen printing, and block printing on textiles. Land was acquired which enabled the ACP workshop and headquarters to be consolidated on one site. An up-to-date packing and shipping facility was established for the autonomous 'in-house' export company (Nepali Craft Trading Pvt. Ltd), along with new water-harvesting facilities, workshop buildings and a cafeteria.

Dhukuti was subsequently shifted from Thamel to Kopundole, Patan, where it has remained and expanded. Later another shop was opened in Pokhara, but later closed due to lack of sales. The ED and other ACP staff made many market promotion and skill development trips to Europe, Asia and the United States. Some of these activities were financed by specific 'tailor made' grants from a large range of donors. A loan from the Ford Foundation for building work was also negotiated and paid off in full by 2000.

The mid-1990s saw ACP establish more formal personnel policies. This was not planned organizational change, but emerged partly from a series of labour disputes. In 1995, producers had presented a set of demands to the management committee, followed by a 21-day strike over the dismissal of a staff member for mismanagement (who had also been appointed as a negotiator in the labour dispute), and who was later reinstated after a joint labour and management review committee. A series of other changes followed, including the development of a formal grievance procedure, an ACP trade union (registered with the communist union, GEFONT), and a new Producers and Management Consultative Committee, consisting of working committee members and the management committee members. The Labour dispute was resolved after negocation. In 2000 a dispute arose again. The 'in-house' producers at ACP's headquarters put forward a 16-point demand. In 2002/2003 they went on strike and demanded salaries instead of piece rates. A collective bargaining agreement was signed and they became salaried workers, and a new policy was instituted with management.

By the late 1990s, ACP was increasingly focusing on improving business planning and monitoring, exploring potential markets, developing new high-quality products and finding new suppliers of raw materials. Producer benefits continued to expand – such as the increase of maternity leave from 52 to 90 days and increasing allowances for producers' children. Labour grievances also continued, as did other management issues such as an employee mismanaging funds; however, these were handled under the various institutional mechanisms that had been developed in ACP in earlier years.

The new emphasis on business management from the late 1990s onwards is illustrated by ACP's development of computerized management systems and its launch of a website, with the help of a Dutch Volunteer. ACP also undertook a strengths, weaknesses, opportunities and threats (SWOT) analysis in 2000 and again in 2004 with Business

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1970s	1980s	1990s	2000–2003	2004–2008
FHAN established (1972)  Nepal tourism industry grows wany development projects started with outside involvement	<ul> <li>ACP formed (1984)</li> <li>First Dhukuti shop opened (1985)</li> <li>First Market Promotion Trip to Europe</li> <li>Dhukuti shop shifted to Kopundole (1987)</li> <li>ACP design/production officer goes to Bangladesh for training (1988)</li> <li>ED participated in Women in Management workshop in USA</li> <li>Opened a counter at the Small Cottage Emporium shop</li> <li>ED attended marketing seminar and study tour in USA</li> <li>Program Coordinator attended CEDPA training in USA (1989)</li> <li>ED attended Marketing Fairs (Berlin and Osaka) and study tour in India Purchased land for ACP workshop Opened shop in Thamel</li> <li>IFAT (WFTO) formed</li> </ul>	Expansion of Dhukuti Loan from FF (1991) Participated in Micro Enterprise Development for Women workshop, India (1992) FTG-Nepal founded and ED ACP chair ACP Marketing trip to Europe (1995) Producers present demands and Associate Members Alliance formed FTG-Nepal registered as NGO (1996) ACP Trade union registered Strike at ACP Dhukuti outlet opened in Pokhara Personnel Policy and Practice dawn up Producers & Management Consultative Committee formed ED co-opted onto WFTO Executive Committee (1997) FTG-Nepal hosted WFTO Asia regional conference in Kathmandu (1998) First Joint FTG-Nepal	<ul> <li>Loan from FF repaid (2000)</li> <li>SWOT analysis with Fair Trade Organisite, Netherlands</li> <li>In-house producers put forth 16-point demand</li> <li>FTG-Nepal exhibition &amp; workshop on fair trade challenges and opportunities</li> <li>ACP website launched (2001)</li> <li>Impact study of ACP on grassroots producers (Artisan Du Monde, France)</li> <li>Strike by in-house producers (2002)</li> <li>Updated FTG-Nepal Joint Catalogue published Collective Bargaining Agreement signed with in-house producers for salaried payments instead of per-piece rates (2003)</li> <li>FTG-Nepal organizes Fair Trade Conference cum Exhibition</li> <li>Started 2nd stage development (technical upgrading)</li> </ul>	<ul> <li>ED and others attend trade fairs/study tours in USA, Denmark, and India (2004)</li> <li>Business Strategy for 2004/05 to 2008/09</li> <li>prepared with Business Consultants</li> <li>WFTO launched FTO Mark</li> <li>ACP Felting staff go for on-the-job training in Denmark (2005)</li> <li>Installation of new dyeing equipment (2006)</li> <li>New Executive Committee formed Paternity leave for male staff started</li> <li>ED &amp; Prog Dir. participate in WFTO Biennial conference (2007)</li> <li>Video of ACP and Fair Trade</li> <li>Significant switch to computerized inventory systems (2008)</li> <li>Internships students from Usiversities (2008)</li> </ul>



Consultants from Fair Trade Organisite, The Netherlands that included issues such as 'where should ACP be in 5 years', 'gliding into mainstream market', 'best quality at the lowest price' and 'leadership development at all levels'. The Business Plan for 2004/2005–2008/2009 ended its lists of 'Where should ACP be in 5 Years?' with 'ACP remaining No. 1 in FTG-Nepal, commercially as well as socially, being a model organization'. ACP has also worked hard to reinforce its fair trade culture through workshops and other events that explore what it means in daily working practice to be a fair trade organization. In the Kathmandu unit, there are numerous notices that reinforce this culture.

During this period, ACP began systematically analyzing markets for handicraft products. In some areas, such as textiles, ACP can compete in local markets solely on quality and price, even with non-fair trade producers. In other markets, emphasis is on a niche market where fair trade standards are important. Only in recent years have local consumers become more aware of the fair trade ethos, with a small but growing new niche market for selling fair trade goods to Nepali consumers. The bulk of the local demand coming from tourists and expatriates living in Nepal. However, ACP is developing the local market, sometimes by challenging Nepali bureaucrats, NGOs and business entrepreneurs about their purchases of more expensive imports, but also by demonstrating that fair trade product designs and quality are equal to, if not better than, market alternatives. One scheme ACP is using is the selling of gift vouchers that can be used at *Dhukuti*. This has frequently led to purchases of far greater value than the original gift voucher.

As ACP grew, the management realized the need for more detailed business plans, which were also valuable when discussing potential donor grants for items such as travel awards to investigate new markets. In order to be sure that the main benefits of ACP activities were going to poorer producers and their families, ACP with Artisan Du Monde conducted a study in 2001. Increasingly, donors encouraged the signing of Memoranda of Understanding (MOUs), such as one with Danida to enable ACP to establish an Environmental Management System for cleaner production. These business activities were on top of the normal detailed accounts needed for Government registration and taxation purposes, or the details that ACP submits to the World Fair Trade Organization (WFTO) for certification. ACP continued to place primary emphasis on producing high-quality products. For example, this was the main rationale for seeking and receiving grants to expand the dying unit. In 2003, a new staff member with an extensive background in commercial marketing and banking was recruited.

From early in 2000, ACP started to address the issues of second phase development, and in 2003 upgraded its entire textile processing unit. There was also a major change in the composition of ACP sales. Knitwear, which had been a key product in the late 1990s, dropped from 26 per cent of total sales to 12 per cent between 1998/1999 and 2002/2003. A new overseas market for felting products was becoming evident, and so ACP responded very quickly to this new unexpected demand, which has led to a rejuvenation of the Nepali handcraft felting industry. In ACP, felting sales rose from 2 to 43 per cent of total sales over the period 1998–2006. The new opportunities meant that some producers needed to be trained in new skills. Expert advice was sought on new designs and two international volunteers joined ACP. This helped ACP develop new international business partnerships.

Changes in product composition were also accompanied by changes in sourcing raw materials. Nepal has only a very small wool industry and previously Tibetan wool had been used in some production. However, after the government opened the license for New Zealand wool, ACP increased its use for felting products and knitwear, finding it more suitable, and also used imported dyes. For some purists, using New Zealand wool, imported dyes and export-oriented designs that appealed to an overseas market and wealthier local consumers in Nepal, might have been seen as a move away from producing locally ethnic handcraft goods. ACP, however, saw it as ethically and commercially sound, since it allowed ACP to maintain local jobs and social benefits. In 2005, felting, Christmas goods, knitwear, and clay products were the ACP flagship products. This changing composition of product sales reflects a strong flexible production system, and ACP now deals in 21 different craft categories with internet facilities allowing ACP to respond to requests with new designs for export orders, and these have also helped them open up new local Nepali markets.

In recent years, ACP has continued to evolve in different ways. Most of its detailed internal management and monitoring of supplies are now fully computerized. It has also established an international internship programme with a number of European and North American universities. Volunteers bring 'technical assistance' in specialized subject areas, such as technical knowhow and design. Skilled postgraduate students come to Kathmandu for their internship, and bring with them new knowledge of contemporary materials and potentially helpful ideas for developing ACP products for western markets. These interns then in turn also gain useful experience of the business realities and culture of a viable fair trade organization in Nepal. ACP continues to explore new markets, improve equipment and gain new knowledge. For example, there are study tours organized regularly for management and producers, and when necessary, management consultancy advice is sought either locally or from outside. In November 2008, a 4-day Programme for Continuous Improvement was conducted.

# Women's Self-Confidence and Empowerment

A primary goal for the establishment of ACP was not only to help provide rural women with employment, but also to empower and increase women's self-confidence. As stated at the outset of this paper, we have not adopted a traditional ethnographic methodology, which would allow us to present conventional anthropological 'thick' description of the realities of these women that could be drawn from our own participant observation data. However, ACP has itself attempted to document the realities of the changes it has helped contribute to in the lives of some of its producers using forms of rich description.

One of the methods that ACP has used has been the construction and use of short 'producer profiles', some of which can be seen in ACP's brochure, used in overseas marketing and displayed in *Dhukuti*. Each profile provides a short narrative of a particular producer, including their early background, how they came into contact with ACP and what they feel have been the benefits. Many of the profiles describe producers who have been with ACP for many years. Most are women, but some also concern men, who form a small proportion of ACP's producers. They tell us important stories about the harsh life faced by local producers, the ways that involvement with ACP has made a difference to their lives, as well as providing insights about how ACP has grown and changed as a result of people's personal interest in the organization. The production and use of these 'stories' by ACP can therefore be seen as an important aspect of ACP's work, as the narratives constitute part of the practical activity taking place in the creation and maintenance of ACP's organizational culture.



We include three short examples of this documentation in order to illustrate and convey a stronger sense of the human dimensions of ACP's work with local producers. At the same time, we acknowledge that these are insider narratives constructed for a distinctive set of organizational purposes. But we also recognize that this makes these accounts no more or less 'objective' than if they had been undertaken by outside researchers, or had been written up by the individuals themselves. All of the profiles were written jointly with the producers.

These brief extracts from various producer profiles produced by ACP have not been edited by us, but have been left in their original style (rendered here in italics) in order to convey in as authentic a way possible the human dynamics and organizational culture and realities of ACP and its work. In keeping with ACP's ideology and approach, these narratives were not produced for an external funding agency that needed information to give to its sponsors or 'stakeholders', as can often be the case with development organizations. The construction of these producer profiles by ACP instead reflects an embeddedness and 'ownership' of the ACP culture of self-confidence and empowerment.

## Profile 1: Sudha Maharjan, Weaver

Sudha Maharjan, 33 years, daughter of Laxmi Maharjan comes from traditional weavers' community in Kirtipur. Laxmi started weaving since an early age of 12, she had never really saw the money that she used to earn as the male members of her family had total control over it. When ACP was incepted in 1984 she was hired as weaving instructor. Only after she joined ACP, did Laxmi get a chance to see and feel the money that she had worked for. Her joy knew no bounds. After working with ACP for few years seeing her skill and management skill ACP encouraged her to form her own working group in her villages so that other women from her community can also get employment. She formed a small group of weavers in her area, with 3–4 women which has now grown to 50 people from her village. Her work with ACP not only empowered her but also enabled her to give good education to her children.

In 1993 Sudha, the second daughter of Laxmi, started giving helping hand to her mother in her work as well as continued her studies. Today Sudha has done masters in Sociology. In present context such young educated generation underestimate the traditional work and do not want to get their hands dirty working in handicraft. They rather prefer and are opting deskwork with handsome fixed salary. But Sudha has decided to give continuity to her mother's work. Today, Sudha has taken over all the responsibility of Laxmi organizing and managing the group. Laxmi is freed up to spend her time playing and taking care of her grandchildren. The next generation continuing the traditional work is a remarkable achievement. This is a rewarding example for both Laxmi and ACP.

# Profile 2: Mamta Jha, Producer in General and Accessory Unit and President of Producer Union

Born and brought up in Janakpur, Eastern Nepal, Mamta Jha was married off to a Kathmandu resident at a tender age of 15. Even though there was no financial need in the family for her to work, Mamta took the initiative and joined ACP in 1985. As a producer in the painting unit, she used to earn about US\$10 a month.

As a newcomer, Mamta was neither very vocal nor self confidant. However, the last 13 years she has spent at ACP has given her tremendous opportunities for self growth and empowerment. Apart from becoming economically independent (earning US\$60 a month



currently), Mamta feels shat she has become more active, self confident and receptive. Her capacity of rationalizing has also increased. Overall, Mamta preconceives herself as a Yogya Byakti (which means a 'capable person').

Mamta was wise enough to grab the opportunities that came her way. In 1995, when the Producer Alliance was formed, she successfully served her 2 years tenure as the Secretary of the Alliance. In 1997, she was elected as the President of the Alliance by her peers. Mamta has been successful in presenting all other producers and in bringing their voices to the management of the association.

According to Mamta, the best thing about ACP is the friendly working environment it has created since its inception. Although she feels there are many areas the association can still improve on, she appreciates the communication the producers and management have.

# Profile 3: Bir Bahadur Bishwakarma, Coppersmith

49 year old Bir Bahadur Bishwakarma started to work at a tender age of 9. Born in the traditional blacksmith community which is considered as the lower caste, they are restricted to use the water from the same tap and not even allowed to go to temples by so called higher class people. After being involved in his ancestral occupation of copper production for more than 25 years, he undertook the training on metal sheets at Balaju Mechanical Centre. Though offered to work as a trainer after successfully completing 3 years in the training centre, he rather preferred to go to Palpa and utilize his skills developed during the training period. With the support of a well wisher Bir Bahadur visited ACP in 1986 with some samples and from then started his alliance with the ACP.

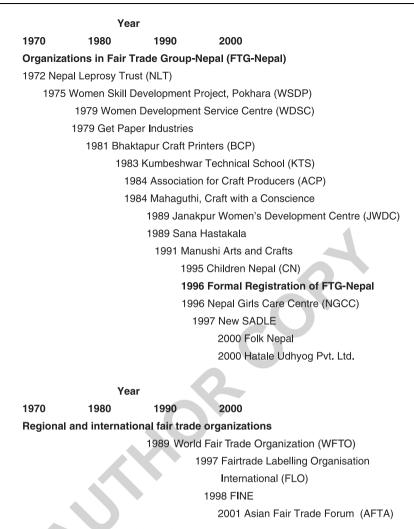
The traditional business constituted making of cooking utensils, jars containers for storage and measurement, which had saturated the domestic market only. Though he could make some money, that was not sufficient to fulfil even the basic needs of his family. Apart from being economically strong, Bir Bahadur feels that his association with ACP has provided him with several opportunities to learn new things for his overall development. He now earns an average of US\$110 per month, which he feels would not have been possible if had not been associated with ACP. Besides, ACP helped him diversify his products based on contemporary designs to suit the demand of the market. Involvement with ACP has led to a widening of his market information base, thereby allowing to adapt the production to the needs of the modern market.

Starting the work from just two people, he and his brother, he is now being able to provide work to about 20 people working under him. With the support from ACP, he has been able to retain the skill amongst his community thereby providing job to other coppersmiths who come from the low-income sector of the economy. This has resulted in improved economic condition of the community as a whole.

## **ACP** in the Broader Fair Trade Context

ACP is one of many organizations that promote fair trade principles and practice in Nepal. Several of these organizations also have a long history of working on employment and social development issues. In the 1990s, ACP and other like-minded groups decided to strengthen existing these fair trade alliances and partnerships more formally – both locally and internationally. In particular, ACP played a key role in the institutional development of three wider coalitions and networks:





**Figure 2:** Time line: Establishment dates of Nepali organizations now in the Fair Trade Group-Nepal and of linked regional and international organizations.

## Fair Trade Group-Nepal (FTG-Nepal)

In 1993, several Nepali NGOs – including ACP – came together in an informal way, and then in 1996 in a formal way, to establish an umbrella NGO, called the FTG-Nepal. This was partly in response to experiences of the 1980s when the handicraft sector suffered from destructive competition, lack of cooperation and some businesses promoting poor-quality products. A key moment in this process was a visit funded by OXFAM to enable some key Nepali social entrepreneurs in the fair trade handicraft sector to see BRAC-Aarong, Bangladesh. This is one of the very early and respected fair/ethical trade organizations in Asia that had been operating since the 1970s. FTG-Nepal started as a consortium of craft-based local fair trade NGOs, and many of its members are internationally recognized pioneers in developing of a wide range of socially responsible handicraft production practices. It is significant to note that like ACP many of the current FTG-Nepal members



started operations many years earlier in the 1970s and 1980s (Figure 2). FTG-Nepal acts as a support service for its members. Initially only NGOs could be members of FTG-Nepal; however, in the mid-2000s, this changed and now other organizations can apply, provided they meet the certification criteria of the WFTO. Recently, WFTO has broadened its criteria for membership to include organizations registered in the 'for profit' private sector (rather than simply the NGO or charitable sectors). A recent new member has, in addition to fulfilling the WFTO fair trade codes also qualified for private sector 'best practice' standards, such as ISO9001: 2000, and ISO14004: 2004. From a starting membership of seven in 1996, FTG-Nepal has now grown to include 16 members. FTG-Nepal currently has four organizations seeking membership and is planning to diversify into food products.

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

The WFTO, a global network of over 350 fair trade organizations in 70 rich and poor countries, was established in 1989.11 WFTO's mission is to improve the livelihoods and wellbeing of disadvantaged producers by promoting fair trade organizations and advocating for greater justice in world trade. To join WFTO, an organization must conduct an WFTO self-assessment. In Nepal, FTG-Nepal acts as the local representative for WFTO. WFTO launched its own Fair Trade Organization Mark in January 2004. available to any WFTO member organization that meets its standards. WFTO is currently working with the Fairtrade Labelling Organization International (FLO, founded in 1997) on ways to provide an 'on product' mark for handicrafts of all kinds that meet worldwide standards. In 1998, FINE was formed in Brussels, <sup>12</sup> designed to represent the interests of exporters, importers and standards for fair trade practice. FINE is addressing complex issues concerning whether certification should cover only products, or include the overall behaviour of organizations in the value chain. While some Westerners appear to view issues such as exclusion and sustainability as new issues (Blowfield and Frynas, 2005), ACP and other Nepali fair trade organizations have been addressing them since the early 1970s. They have placed primary importance on the ethical and socially responsible behaviour of the organization in the value chain, within its own political and cultural environment, rather than only concentrating on standards in product labelling.<sup>13</sup>

# Asian Fair Trade Forum (AFTF)

The AFTF was formed in 2001 as a network of fair trade producers, marketing and development organizations in Asia. An NGO, with its Secretariat in Manila, its main activities centre on market access, capacity building and advocacy. On behalf of the chair of FTG-nepal, the ED of ACP represented FTG-nepal to be one of the founder members of AFTF. AFTF is dedicated to the sustainable development of disadvantaged producers in Asia. As a strong regional fair trade group, it has taken on the role of being the regional chapter of WFTO. Significantly, AFTF formed itself as a collection of Asian fair trade organizations, before it took on roles of being a regional organization for WFTO. <sup>14</sup> Its membership of 88 social enterprises is drawn from 12 Asian countries. AFTF has helped producers exhibit goods at regional and international fairs under its Asia Fair Trade Pavilion programme.

In addition to the ACP ED's pivotal roles in FTG-Nepal, WFTO and AFTF, she has also been effective in influencing government policy and procedures. For many years,



she was been an active member of the Federal of Handicraft Association of Nepal (FHAN) – the main organization that arranges export certification, and so on, for the whole of the Nepal handicraft industry. Significantly, a long-standing member of FHAN said that the most important thing that ACP shows to other FHAN members is commitment to sound business principles, producing high-quality products and finding markets for these products.

#### **Discussion and Observations**

We have documented the growth of ACP and the development of a coalition of actors that promoted fair trade practices in Nepal and internationally. There are two levels at which we draw out lessons and observations. The first concerns the specific reflections of the ED of ACP, and the second is the level of more general observations.

# Reflections by the Executive Director of ACP

The ED singles out teamwork as the most important ingredient for the success of ACP. She notes the importance of visits to BRAC-Aarong in Bangladesh for inspiration for what can be done, and the help of a foreign advisor in the earlier days. The support of a knowledgeable Board, which entrusted the Management Committee for overseeing day to day affairs ACP with full autonomy, has been important. Furthermore, she says the inputs of others, such as volunteer from Voluntary Service Overseas, Swiss Contact, SES and JICA over the years, selective grants to establish and upgrade equipment and buildings from a great variety of organizations, as well as a loan from the Ford Foundation, have been very important. The need to continuously find, develop and maintaining markets for high-quality craft products continues to be a central lesson for commercial viability, as is also the ability of producers and workers in ACP to be flexible and continuously learn new skills. While some of the labour disputes came as a great shock, the challenges of negotiating ways forward, and putting in place formal institutional procedures was essential for ACP in the long term. Furthermore, the strength of the Labour Union representative to ACP and mutual respect between 'salaried labour' (in-house producers), 'management' and piece-work producers helped ACP sustain itself during the recent Maoist conflict.

#### **General Observations**

# A demonstration model with a difference

From the start, ACP aimed to be a commercial enterprise committed to fair trade practices in the Nepal handicraft sector. But unlike some development demonstration models, it was not established as a special project or as a piece of 'action research', but rather as an initiative firmly rooted within the normal political, cultural, and economic environment of Nepal. A second characteristic of ACP was the way in which the staff actively influenced and brought about changes in the institutional and policy context in which they have worked, through playing key roles in FHAN, FTG-Nepal, WFTO and AFTA. What is important is that ACP's energy and resources went into helping to create and influence these changing formal institutional networks. Thirdly, ACP maintained a commitment to its main aims despite a range of unforeseen events and changing circumstances – such as



the periods of labour disputes and the development of new institutional arrangements with producers.

Fourth, while international consultants, volunteers and grants were involved in the history of ACP, these international resources were used effectively to make ACP work, but did not create dependency. 'Ownership' was always firmly within the ACP. While in recent years ACP has increasingly used contemporary management methods, such as computerized management systems, SWOT analysis, and 5-year business plans, these have been fully integrated into the local working culture of ACP, rather than being 'grafted on'. These new management practices are not activities that take place alongside a parallel culture where 'real' decisions are made, but have been assimilated and adapted in a way that gives ACP a decidedly Nepali culture within an interwoven blend of local and external contemporary management practices. The internal workshops on 'what it is to be a fair trade organization' helped address the ever-present 'organizational culture' issue for ACP of becoming preoccupied with establishing production and management targets at the expense of fair trade principles. Finally, in developing new markets, care has been taken to establish long-term business contacts and trust. Some buyers have been coming to ACP for 15 or more years, and evidence that other businesses have copied ACP's shop layouts and product designs is testament to ACP's entrepreneurial skills.

## Long-term commitment to the welfare of poor rural women and children

The second general observation from the ACP case study concerns the overriding goal of the enterprise. ACP was established in order to improve the short- and long-term welfare of poor women and their children – especially girl children. The short-term objectives were to provide remunerative jobs under fair trade conditions in the handcraft sector, and to increase effective access to health and other services. The long-term goals were to 'empower' women and help educate their children. Of course, in reality we cannot separate the short- and the long-term goals and there are a many ways in which empowerment can be conceptualized and measured. However, for the sake of our argument here it is important to note that underpinning all the work of ACP was a continuous commitment to these two objectives, which are basic to concerns of human rights. The founders of ACP had a long track record of working on human rights issues. The history of ACP with its negotiated outcomes of labour conflicts and producers' protests demonstrates an organization committed to the day-to-day reality of what 'empowerment', 'participation' and 'democracy' mean in a broader sense. In this context, it is significant to note that, while achieving commercial success was important, it was the commitment to the welfare of poorer, disadvantaged groups that was the overriding goal of the activity.<sup>15</sup>

# Challenging mainstream development policy and practice

There are some lessons from this case study for development personnel in NGOs, government and aid agencies. Perhaps the most important is that the positive outcomes of the growth of ACP and the broader fair trade alliance in Nepal cannot be attributed to some kind of 'outsider' development intervention – a development project, a government policy, an NGO input and so on. Although ACP received support from volunteers, grants and loans, these were mainly on an 'as needed' basis. ACP assessed its own needs as it went along and searched out support. In the area of overseas trainings, market exploration, study tours and the like, ACP sees that the ability to select its own people on the basis of need and merit has been a key to ACP's success. In some development interventions, there are numerous human capacity development problems as a result of such things as



influential people trying to get overseas travel awards made on grounds of influence and patronage, and awards being made on the basis of seniority rather than on need or merit. This case study demonstrates well how it would be misguided, and possibly quite damaging, to try and attribute some outcomes to any one aid input, without putting such 'cause and effects' into a broader contextual picture.

A second observation is that ACP followed its own growth path over a 25-year period. There was no 'natural evolution' along a linear path of business development. <sup>16</sup> In the history of ACP, we saw there were plenty of examples of what Merton (1936) described as 'unanticipated outcomes' of planned activities. Likewise, although ACP is a positive case study by many criteria, we certainly would not advocate that other socially responsible organizations try and follow the same path as ACP. The management team of ACP was continuously open to exploring opportunities to address and resolve issues as they arose. For example, ACP approached one of the volunteer advisers who helped to draw up new codes of industrial understanding when the grievances were expressed background and skills meant that ACP was able to address the issue through one of its networks.

A third lesson is that ACP resolved many challenges, without letting these issues totally dominate activities. We have seen how the labour deputes resulted in a stronger ACP. For example, the woman who became the president of the Union was effective in defending the interests of ACP during the Maoist conflict, and her profile is used by ACP to illustrate features of the culture of ACP (see Long-term commitment to the welfare of poor rural women and children section above). When police in Kathmandu were unnecessarily stopping women producers as they went about their work, the issue was taken up at a senior levels in the police force and the problem was reduced. Within ACP, problems with staff mismanaging finances came up. However, ACP quickly moved to address these issues. It was not that ACP did not have 'problems'. It did, but it managed to address them effectively. When it received a large loan from the Ford Foundation, one international donor representative remarked to the ED 'Why pay it back? The FF would never try and prosecute you, and anyway it's a big organization and can afford to give money away'. But ACP makes a point in its business dealings to make clear it that it does not subscribe to this type of unethical business approach. The lesson for development policy and practice is that ACP had to face all the normal issues of development work in Nepal, but had a culture of addressing these issues effectively and finding viable, positive ways forward. A lesson for any 'outsider' in the aid business is that time invested in identifying organizations such as ACP, and working with them on the things that they value, is time very well spent.

A final lesson for development personnel is how important secure international and local markets are for fair trade products. There is much that organizations and alliances in low-income countries can do to promote fair and ethical practices, and help level uneven economic playing fields.

However, development practitioners in importing countries need to work equally hard on effective campaigns, legislation and public awareness about fair trade issues. They need to help develop markets and also effective measures to ensure that large companies, when moving into fair trade markets, do not find ways to undermine the overall goals of fair trade to reduce poverty and improve social inclusion and equity.

Continuous technical and institutional innovation

From a technical as well as from an institutional perspective, ACP has been continuously innovative over a 25-year period. Significantly, establishing ACP came about after the ED



and Board members had been working in this sector for many years. It was not a sudden institutional innovation. Rather, the model was created in light of the experiences of the ED and the founding Board members. It was a moment in time when there was reflection, learning and change, and creating the ACP was an effective way of progressing. And in no way were they following a formulaic blueprint or a business plan.

Over the 25-year period, there has also been institutional innovation within ACP. The number of producers increased from about 30 to over 1000. This was not a matter of 'scaling up' a basic village-level producer group model. There is tremendous diversity in the type of producer groups, their products, their culture, their ethnicity and so on, and in their relationships to ACP. In addition, in each phase of the growth of ACP, new institutions for the local circumstances were created, for example, the producer committees, the grievance procedures and the management committees. In the broader political context, ACP and others created the FTG-Nepal and helped to create the AFTA. These higher level federations, networks and alliances have been formed to promote fair trade in Nepal and Asia. A lesson from this case study for institutional innovation is that effective innovations arose continuously from within the Nepali context, and were created by a whole range of Nepali actors in different contexts.

As regards technical innovation there is a great mixture of old and new production and marketing technology in ACP. ACP now uses 'state of the art' dyeing equipment, websites and so on, which enable producer groups, who use more labour-intensive methods, to make higher-quality products for local and international markets. To some extent, the labour-intensive methods of producer groups have been 'scaled up' (to use the well-worn phrase) during the past 25 years as producers increased from 38 at the start to well over 1000 now. This case study illustrates well the limitations of simplistic ideas about labour-intensive technology being 'good' for local jobs, and capital-intensive technology being 'bad'. In addition, the case study illustrates how one needs to be careful of ideas about the scaling out and scaling up of technology. In this case, it is clear that the institutional features of ACP and its personnel not only determined the direction and content of technical change, but also how value-added benefits were distributed.

ACP was committed to producing for the market a high-quality, utility handicraft product. Technical innovations followed this prerogative. It appears that the most important process of ongoing technical innovation was directed towards changes in product design/quality, and technical innovations that helped address environmental and health concerns – such as the use of eco dyes, testing of ceramic goods for lead and other impurities, efficient fuel and water use, and effluent treatment.

## The importance of the agency of individuals

This is an interesting case of a 'social entrepreneur' at work. The ED of ACP was a key actor in the creation and evolution of ACP, and in the formation and development of FTG-Nepal and the AFTA. Although other observers might have different opinions about the role of the ED, they would not dispute that she has been a dominant and charismatic character in the fair trade alliance in Nepal and internationally. But what is interesting for our analysis, is not so much the fact that she has been influential, but what it was about her behaviour that made her influential and effective. A number of points stand out: (1) a consistent commitment to improving the self confidence and welfare of women and children in Nepal; (2) a commitment to commercial, as well as social entrepreneurial principles; (3) a propensity to link up with, support, and negotiate with like-minded people in fair trade organizations, the government and in the broader



international context; (4) the promotion of an outward looking culture, most importantly toward finding and expanding into new markets; (5) a style of always seeing problems as opportunities; (6) a consistency of behaviour, over many years, especially since the formation of ACP, to ensuring that ACP was always succeeding in being a viable business model of what Nepal social entrepreneurs could do both in Nepal and internationally.

A second issue brought out in the case study is the importance of the personal agency of other people in the organization. The producer profiles that we have quoted reflect the lives of women and men, which are often harsh and difficult. As some of the profiles show, these villagers come to be part of ACP as more than just narrowly conceived 'employees'. These people and their visible life histories form part of the moral culture of ACP, and underpin the organization's legitimacy. Interestingly, in the case of Mamta Jha, the women who has been the Union representative for many years, argues her position as a Union representative from a standard negotiating standpoint. But she also feels totally integrated in ACP and is ready to defend it, as when, during the recent conflict, a Maoist Union tried to become part of ACP. The producer profiles are used by ACP's management to remind themselves, and to inform outsiders, of the core values of the organization. Common values have evolved among the founders of ACP, its Board, the 'managers' and the producers, all of whom have contributed to the overall culture of ACP, and these values continue to evolve and change.

## Conclusion

A case study of ACP depicts a complex, evolving organizational history involving individuals, ideas, resources and relationships. ACP has moved both forward and backwards, experiencing – and learning from – both progress and setbacks. Within its own frame of organizational ideas and economic activities, ACP is an example of 'counterhegemonic globalization' that seeks 'to constrain the power of global elites, both by pushing for different rules and by building different ideological understandings' (Evans, 2000, p. 231).

This is partly because ACP does not easily fit into standard categories such as 'development organization', 'for-profit business' or 'NGO'. For example, it is 'a socially-oriented, commercially viable enterprise', with a primary focus on products with 'a mixture of ethnicity and utility value'. ACP 'is not a charitable institution ... [and] operates on a business basis with full accountability'. ACP's business ethic is one that is focused on the producers and the buyers: 'high priority is given to prompt communications, timely delivery of samples and orders, product adaptation according to their markets and above all quality'. In addition, from the start, ACP concentrated on 'establishing alliance through networking'. ACP sees itself as 'the premier craft Association of Nepal' and as a 'model organization' from which others can learn.<sup>17</sup>

We do not mean to suggest in this paper that ACP's uniqueness necessarily gave rise to special advantages, though ACP has been highly innovative and has created many positive outcomes. Organizational ideas and cultures are constructed by practice as highly contingent processes (Bebbington *et al*, 2007), and are based on diverse logics (Lewis and Mosse, 2006). Our point is that any organization needs to be considered as a unique outcome of a set of histories, structures, and individual experiences, and not merely as a variant or 'hybrid' of a managerial organizational type. Our account therefore lends support to learning from 'positive deviance' as a method of learning that can potentially



avoid formulaic thinking (Sternin, 2003; Biggs and Messerschmidt, 2005; Ochieng, 2006; Biggs, 2008).

ACP's leadership set out to establish a viable commercial organization that would serve poor women producers and was successful. Yet this 'success' was not simply the outcome of managers applying a pre-set plan or blueprint, but of the identification of a general direction in which to move, one which was highly contingent on a wide range of organizational and contextual factors. For example, many of the producers who joined the organization have become important actors in contributing to its evolving ideas and culture. The process of ACP's evolution is also one in which 'unanticipated consequences' have been important, such as when unexpected industrial action by producers led to negotiated outcomes and innovations that helped make ACP stronger in the long term.

Although there may be examples of 'good practice' that might be considered for 'scaling out' or 'scaling up', the case study leads us to question the value of the managerialist 'good practice' idea, as well as other mechanistic ideas about 'scaling up' still popular among development agencies. For example, the Ford Foundation's loan at one point in ACP's history might be cited by the funder as an important 'success story', but in reality its positive effects cannot easily be disembedded from a wider range of other organizational and contextual factors. Ultimately, however, perhaps the most important thing we can learn from this case study is a need to engage with the experiences of local social entrepreneurs, producers and managers who are committed to social development and reducing poverty. Such persons continuously seek out and create development opportunities and find room to manoeuvre, to act and be effective within local - and sometimes wider – political, cultural, and economic contexts. This goes well beyond the role of the ED, central and influential though she has been, to include the multiple individuals who have contributed to the organization and its networks, and which have made possible its counter-hegemonic role in Evans' (2005) sense. Outsiders interested in playing a role in supporting this type of development could do well to seek out, learn from and work with such people.

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#### Notes

- 1. See also Biggs (2007, 2008).
- 2. See ActionAid and FTGN (2003) for general background on handicrafts in Nepal. We estimate that about 7 per cent of Nepal's handicraft exports are produced by FTGN



- organizations, valued at approximately NRs180 million. APC is the largest organization in the FTGN.
- 3. At the exchange rates in 2006/2007, this was over US\$1 million. These are undeflated figures, but still show significant and sustained economic growth. In 2007/2008, sales fell to NRs 75.8 million, from NRs 83.6 million in the previous year with exports declining to 68 from 77 per cent. This was mainly because of a fall in overseas demand.
- 4. The ED has received numerous awards in recognition of the social entrepreneurship that she and her colleagues in ACP have demonstrated and encouraged over the years.
- 5. ACP frequently finds its designed have been copied without permission, recognizes this as the inevitable outcome of success, and generally wish their imitators well.
- 6. See Biggs and Messerschmidt (2005) and Lewis (1998).
- 7. For more history of ACP, see Limbu (2002).
- 8. The importance of cross-sector expertise is explored in Lewis (2008).
- 9. By 2008, there were over 1200 piece rate workers, about 90 salaried 'in house' producers and 60 management staff. ACP provides an extensive benefits package for its piece rate workers.
- 10. Another producer story concerns a male potter who was trained in ceramics by ACP, and who now also has his own buyers, and also trains other ACP producer groups, and advises ACP on ceramic production and marketing. As the ED remarked 'now we need him more than he needs us'.
- 11. Before 2009 the World Fair Trade Organization (WFTO) was called the International Fair Trade Association (IFAT). ACP has never been directly involved in FCO or FINE, only indirectly as member of WFTO.
- 12. The acronym FINE comes from the first letter of FLO, WFTO, Network of European World Shops (NEWS) and European Fair Trade Associations (EFTA).
- 13. For a history of fair/alternative trade at the international level and analysis, especially of the rich country end of international value-added chains, see Raynolds and Long (2007).
- 14. Rather than being in a hierarchy with WFTO at the centre and AFTF in Asia the two organizations are 'equals' performing different roles.
- 15. See Raynolds, Murray and Wilkinson (2007). ACP has consistently improved workers rights and benefits. Barrientos and Smith (2007) argue that this is a frequently neglected aspect of fair trade work.
- 16. For example, Korten (1987).
- 17. The passages in quotes are taken from ACP's own brochures and advertising materials.

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