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Mid-Term Evaluation Report
May 25, 1992

Aid to Artisans in Hungary

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PVO Humanitarian Development Initiatives Program

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List of Abbreviations

ATA	Aid to Artisans
CEO	Chief Executive Officer
COMECON	East Bloc economic alliance (former)
FOB	Freight-on-board (product pricing system)
FTO	Free Trade Organization (Hungarian)
GDP	Gross Domestic Production
NY	New York
PVO	Private Volunteer Organization
SOM	School of Management (Yale)
SUNY	State University of New York
VAT	Value-Added Tax
WID	Women in Development (A.I.D. office)

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Executive Summary

PVO Humanitarian/Development Initiatives Program ENE/EUR

**Mid-Term Evaluation: Aid to Artisans in Hungary
May 25, 1992**

The Aid to Artisans in Hungary project addresses the following problems: 1) Growing unemployment, particularly among women, within rural depressed regions; 2) privatization of artisan cooperatives and entrepreneurial challenges in the context of Hungary's shift to a market-based economy; 3) lack of experience in exporting and marketing; 4) threatened decline of traditional skills and Hungarian culture; 5) lack of small business management skills and experience.

The program goals include 1) retaining jobs for women both at home and in workshops; 2) assisting the transition to free enterprise; 3) providing business management and export training to artisan groups and foreign trade organizations; 4) developing market-sensitive products suitable for export; 5) introducing Hungarian crafts to the U.S. market and stimulating further export activity

The project has implemented the following activities:

- Business analysis of Hungarian artisan cooperatives and foreign trade organizations
- Product development workshops conducted at 15 sites located throughout rural districts of Hungary
- Introduction of Hungarian crafts to the U.S. marketplace using a mixed-strategy marketing program with emphasis on sustainability and long-term buyer relationships
- Business training focused on pricing procedures and exporting procedures
- Securing of significant export orders totalling \$182,737 in Year 1, with additional orders expected
- Preliminary planning with State University of New York/Hungary for a cooperative program in artisan-related business training
- An innovative program, "Buyers-to-Hungary" which recruits U.S. manufacturers/designers/buyers to undertake product development, at their own expense, on-site in Hungary.

The project fits into A.I.D.'s strategy by 1) providing a model for a "stand-alone" project focused on business enterprise development; 2) targeting rural women; 3) addressing issues of quality of life and the social safety net; 4) maintenance of income capacity; 5) offering A.I.D. a visible presence in Hungary.

The mid-term evaluation was undertaken to comply with the requirements as set forth in the Cooperative Agreement No. EUR-0032-A-00-1022-00. The purpose of the evaluation was to 1) assess progress in the project as outlined in the original proposal and as amended; 2) to determine how the project has evolved to meet changing conditions; 3) provide a framework for plans for the second year of operation; 4) assess the need for program expansion; 5) lay the groundwork for final, impact-oriented evaluation.

The evaluation methodology included 1) review of all project documents; 2) interviews with ATA project personnel; 3) open-ended key informant interviews with program recipients and program participants; selected visits to project sites in Hungary; visits to ATA headquarters for file review and observations on marketing activities.

The evaluation team found that the project has in general met or exceeded the output expectations for the first year of operation in the following areas: 1) Business analysis; 2) Product development; 3) Marketing activities; 4) Export orders procured. The project is on target with its business training program, with groundwork laid for a larger-scale project to interface with a SUNY/Hungary business management program. Because of the general business decline and unemployment generated by macro-economic conditions related to Hungary's transition to a market economy, the project's original goal of expanding employment in the artisan sector has shifted to retaining employment within the artisan sector. New government policies inadvertently unfavorable to the Hungarian artisan sector have seriously undermined the viability of cooperatives, jeopardizing employment for thousands of artisans.

The following recommendations are advised: 1) Advocacy of policies sensitive to the special needs of artisans including retention of favored status vis-a-vis VAT and wage taxes; 2) the continuation and expansion of product development assistance, with special emphasis on recruitment of private-sector buyers/designers to work in Hungary (at their expense) to develop market-driven exports; 3) focused business/marketing assistance to selected foreign trade organizations who can function in the complex realm of export market development; 4) continuation of the strategic marketing campaign developed by Aid to Artisans; 5) extension of the project for another 2 years to carry out the program given the state-of-flux conditions of the Hungarian economy. Project extension would focus on business training, expanded marketing activities, and on-going product development to sustain market viability and competitiveness.

The project provides a valuable model which demonstrates the following lessons in an active, dynamic way:

- The need for on-going business analysis feedback to the project to guide selection of potentially-successful program participants within conditions of extreme flux
- Creative strategies for stimulating buyer awareness and private sector involvement in export development
- A low-cost, largely-independent project which uses little central administration, concentrating on direct assistance to project beneficiaries
- Direct assistance with salvaging home-based employment options for rural women
- A model which demonstrates successful micro-enterprise and entrepreneurial ventures.

TEAM COMPOSITION AND STUDY METHODS

The evaluation team was composed of the following members:

- Mari Clark, Office of Women in Development, A.I.D.
- Kate Kerr, Specialist in Artisan Development
- Denise Wilbur, ATA Project Manager

In-country liason/translation: Ildiko Polony, Hungarian American Venture Enterprises.

Observer: Donna Frago, Project Officer, AID PVO Humanitarian/ Development Initiatives, Eastern Europe.

Evaluation Methods

1. Critical review of all project documents, including
 - Original Project Proposal
 - Project Implementation Document
 - Cooperating Agreement
 - Consultants' Journals and Reports
 - Quarterly Reports from ATA to A.I.D.
 - Correspondence with A.I.D.
 - All other ATA Hungary and related files
2. Interviews with ATA project personnel:
 - Clare Smith, Aid to Artisans CEO
 - Denise Wilbur, Project Manager
 - Selected Field Consultants:
 - Docey Lewis, Chief Design Consultant
 - Christine Costello, Ceramics Consultant
 - Ildiko Polony, Project Liason
3. Open-ended Key Informant interviews with project participants:
 - Artisan Cooperatives: Administrators & designers at 7 sites
 - Foreign Trade Organizations: Hungarocoop and Folkart Trading Company; Balo Karvazy, exporter
 - U.S. Importers/Buyers: Carole & Levy Karvazy, The Sandor Collection; Gaye Ellis, Sammi Designs.
4. Site-visits in Hungary:
 - Artisan coops in Heves, Tiszafured, Debrecen, Naduvar, Karcag, and Kalocsa.
 - Foreign Trade Organizations in Budapest
 - Studios of individual artisans/designers including "Kati" and Lajos Kovats
 - Craft Fair on Buda Hill
 - Retail Craft Shops including Folkart Centrum
 - Folk Art Museum in Kecskemet

Evaluation Methods (cont.)

5. Interviews with A.I.D. staff

- David Cowles, A.I.D. Representative in Hungary
- Karyl Morrison, Staff Assistant, Budapest
- Donna Frago, Project Officer

6. Site Visits in the U.S.:

- ATA headquarters in Connecticut (File review prior to field visit in Hungary; Design meeting post-field visit)
- Two retail shops in Connecticut which deal with ATA project imports

7. Literature Review:

- "Hungary: Gender Issues in the Transition to a Market Economy". USAID Report prepared for WID.
- Selected reference materials on Hungary/Eastern Europe with a special focus on trade and entrepreneurship.

SOCIO-POLITICAL AND ECONOMIC CONTEXT OF THE PROJECT

The transition from a socialist, centrally-planned system to a democratic, market-based economy is a dynamic context within which this project must operate. The Hungarian society is undergoing fundamental change which is affecting virtually all facets of life: employment and job security; social services and the health care system; the economy.

Since the ATA project in Hungary is focused on retaining employment for artisans, (especially women), and stimulating the production and export of market-sensitive crafts, issues of unemployment, small enterprise development, and export trade are of direct concern.

Through interviews, background reading, and observation, the evaluation team was able to verify the Yale School of Management team's assessment of macro-economic factors at work in Hungary. Macro-economic factors which are impacting the project include:

1. **COMPETITIVE PRESSURES:** The switch from a planned economy with distribution monopolies to a market economy has created a diversity of producers, foreign traders, and new companies. The old system of state-run cooperatives is disintegrating, creating a complex context characterized by uncertainty, risk, and flux.
2. **SHRINKING DEMAND:** Foreign and domestic demand for consumer goods has dropped due to contractions in disposable income, decreased tourism, and closure of COMECON-controlled trade.
3. **TIGHT CAPITAL:** A shortage of investment capital exists throughout Eastern Europe as a result of the governments' efforts to privatize most state enterprises. Investors are primarily interested in commerce and services; productive firms will attract later investment. Interest rates are 30-40%, with a high degree of restrictions on lending still in effect.
4. **INVESTMENT FACTORS:** 1) Low wages which average \$1.70 per hour, (1/8 of industrial nations' wage rate) make Hungary potentially attractive for manufacturing; 2) high literacy and educational levels are further incentives, along with 3) excellent research and development resources. On the negative side: 1) infrastructure deficiencies include inadequate roads and telecommunications; 2) a low rate of productivity (2/3 of industrial nations) and 3) the high cost of real estate.
5. **INFLATION & UNEMPLOYMENT:** Unemployment is a relatively new problem; unemployment figures are difficult to assess, but 1991 estimates were 6.1% of the workforce. Under the old system, unemployment was not formally recognized. The inflation rate was approximately 30% in 1991.
6. **GROSS DOMESTIC PRODUCTION:** The GDP is falling due to the recession.

MACRO-ECONOMIC EFFECTS ON THE ARTISAN SECTOR

The Hungarian artisan industry during socialism employed approximately 58,000 artisans throughout the country. With protected, artificial markets and a labor force composed mainly of women, this sector of the economy once provided significant jobs and income. The 1990 export of folkart was estimated by the Yale research team to be \$2.59 million. The domestic market for Hungarian crafts in 1990 was much larger: \$8.3 million.

The evaluation team's comprehensive interviews with Hungarian coop managers and foreign trade organizations confirmed most of the Yale School of Management team's findings regarding macro-economic effects on craft producers and coops. The project evaluation team identified additional factors now in effect since the Yale team's survey.

Macro-economic effects on craft producers and coops include:

COMPETITIVE PRESSURES:

- Domestic market competition between coops, independent artisans, unions (associations), and factories is a new phenomenon to be confronted.
- World market competition with the Far East, Portugal, Spain, Morocco and other craft-producing countries is another new and unfamiliar reality.
- New distribution channels/options, including direct export which bypasses the foreign trade organizations (FTOs) create a complex business atmosphere.

SHRINKING DEMAND FOR CRAFTS:

- Coops are now forced to find new export markets.
- World-wide recession has caused a decline in luxury imports and tourism.
- Loss of East Block COMECON orders necessitates FTO's and coops having to attract orders themselves.
- These factors contribute to a new willingness to adapt designs in response to market demands.

TIGHT CAPITAL:

- Coops must compete for investment capital; even the coop members must be wooed, as their capital is often going to purchase their home from the state.
- "Creative alternatives" for financing are new concepts for most coops.
- Most coops can't afford the interest rates on bank loans.
- Coops are selling off assets where feasible in an effort to become competitive.
- Lacking financing for improvements, coops are cutting back on overhead, including administration, to keep afloat.
- Business loans for payroll are not available; loans for 6 months or less are not available; loans using orders as security are not available.

NEW GOVERNMENT POLICIES

- New policies on minimum wages and social security eligibility have disrupted the old wage structure.
- The loss of favored status for handcrafts is a new cost burden.
- Self-employed people must now pay the full cost of unemployment tax, contributing to a rise in labor costs for cottage-industry crafts.
- A new law requiring all invoices be paid within 60 days or else bankruptcy is declared is wreaking havoc.
- Conflicting and confusing laws and regulations leave coops administration often paralyzed on legal options.
- Certain government policies seem created to destroy coops, while at the same time the changes in laws have seriously threatened the social safety net, leading many workers to seek employment through coops.

INFLATION AND UNEMPLOYMENT:

- The cost of raw materials is increasing at a faster rate than inflation.
- Growing unemployment pressures coop members to accept a worsening standard of living.

PRODUCT DEVELOPMENT

Program Activities:

Product development activities during Year 1 exceeded the general objectives as set forth in the Project Implementation Plan. Fifteen sites were visited by ATA design consultants; of these, four received in-depth workshops, while 11 others received smaller-scale workshops. Activities ranged from design and technical innovation to counseling on fashion preferences and American consumer taste. First-year field work included an initial survey visit in Spring 1991, followed by a 7-week product-development session in the Fall of 1991. At the time of the mid-term evaluation, a third product-development session was in progress. (This is technically part of Year 2.)

The approach to product development has varied according to the type of craft, the field consultant, and the artisans involved. The plethora of Hungarian crafts is staggering, and with such diversity and quantities, part of the project's task has been to identify the most likely-to-succeed crafts along with the most-likely-to-succeed producers. Another task is to identify new, alternative foci for coop-producers who are now in competition with each other.

As the scope and abundance of Hungarian crafts is potentially overwhelming, the project has necessarily had to limit the number and kind of crafts with which it can realistically work. Nevertheless, the variety of crafts dealt with by the project is broad.

During Year 1, the project has focused on the following product categories:

- Embroidered linens
- Felt Christmas ornaments and accessories
- Decorative Gifts: Felt boxes, decorated eggs
- Home furnishing accessories: tapestry pillows, lace pillows, feltwork pillows
- High fashion apparel: bridal and outer wear
- Hungarian Black Pottery and majolica pottery

An innovative approach to product development has been developed by the project. ATA has recruited buyers and producers from the private sector to travel to Hungary at their own expense. Assisted by the ATA designer, who acts as facilitator and resource person, the private-sector buyer-producer spends up to 2 weeks on-site in Hungary working with selected craft producers. Under this program, specific products are developed to suit the specific needs and demands of U.S. businesses.

Product Development Program (cont.)

These visits by U.S. buyers/producers have given coops their first direct contact with the U.S. market. The coops are gaining experience in working with the buyers; this gives them a better sense of U.S. design trends, quality control requirements, and working styles. This is the market-driven design first hand, and the project designers and consultants are convinced of the efficacy of the system. Nothing seems to teach quite as effectively as reality; by using real buyers with real demands and expectations on quality design, construction, and delivery performance, the producers are discovering what it takes to satisfy the marketplace.

It is important to keep in mind that these buyer visits are necessarily limited in scale, and thus reach only a tiny portion of coops and artisans. However, their potential value as models go far beyond their direct activities. (See marketing section.)

Evaluation of Product Development:

There are at least 5 ways of evaluating the success of the project's product development component: 1) Number of new products designed and adapted; 2) Cooperation among the designers and producers; 3) Market response; 4) stimulation of other product-development activities; 5) project recipients' response and assessment.

1) A complete list of new products developed through the project was not compiled. However, the team estimates that approximately 50 new products have been designed.

2) In terms of project cooperation and participation, the Hungarian designers and producers went to great lengths to carry out the American designers' ideas/suggestions: finding new sources of raw materials, working long hours to meet deadlines, and trying out new techniques, even when they didn't understand the logic.

The project has identified receptive, open-minded participants; even those who had initial reservations about the value of the project volunteered their turnaround in attitude, and expressed faith in the value of the project, and hopes for the project to continue. Part of this change in attitude is due to an increase in economic pressures as the coops and artisans confront doing business in a free market economy. Several coop managers expressed a new-found awareness of the need to develop export markets for their products, and the corollary, the need to develop specific products for the export market.

Product Development Evaluation (cont.)

3) The market response for many of the new products has been excellent, both in the U.S. export market as well as the domestic Hungarian market. (See MARKETING section.)

4) The Hungarian designers and artisans seem to be stimulated by the range of new product applications for their craft skills; they are starting to come up with their own ideas in response to market opportunities. U.S. buyers and producers report they are now able to give basic guidelines on products to the Hungarian designers and artisans, who in turn are successfully interpreting the suggestions into new products/designs.

5) The project recipients' assessment of the new products developed in association with Aid to Artisans designers were largely positive. Many expressed respect, tinged with wonder, at the type of new product applications which had been created. The experience seemed to reinforce their awareness that indeed, the U.S. export market is a "different animal" and one which they need to get a better grip on. Some of the coop managers conducted their own informal survey of the market successes of the new products which they shared with the evaluation team. They reported that they were convinced that the products designed for the American market were indeed on target.

The high level of education and technical training on the part of the project recipients contributes to a high degree of critical assessment and questioning of "expert advice". The product development workshops which utilized the already-existing technical and design resources were the most well-received and appreciated.

Program Recipients' Feedback:

Many of the Hungarian producers expressed the need for additional product development assistance. Much of this perceived need centers around the following:

1. A critical need for feedback/assessment of their product line and existing capabilities vis-a-vis the U.S. market
2. A demand for practical information about the U.S. market in terms of types of products, quality demands, pricing, and sizing
3. Fundamental technical assistance in quality control and production up-grading.

MARKETING PROGRAM

The project has approached the marketing program with a strategy consistent with Aid to Artisans' philosophy of presenting the highest quality crafts to a selectively-targeted, influential sector of the American market. The ATA approach is a mixed strategy designed to influence the taste-makers: museum directors and curators; gallery owners; key magazine and newspaper editors as well as trade publishers; select pace-setting retailers. By focusing on these targets, a demand for the craft products is created; this in turn will translate into demand at a broader, mass-market level over time.

This approach has translated into the following activities:

1. Product Presentations: Products and samples which have been identified/developed through project research and on-site workshop activities have been presented to selected groups of U.S. wholesalers and retailers on 6 occasions at ATA Design and Marketing Meetings. These are day-long events hosted by Aid to Artisans which bring together a sophisticated assembly of key buyers and principles for some of the most prestigious wholesale, retail, and mail order venues in the United States.
2. New York International Gift Show: The Hungarian crafts have been presented at the August 1991 and February 1992 gift shows by Aid to Artisans and The Sandor Collection. This is the premier showcase event for outstanding giftware items and is attended by thousands of buyers from the world over. The show provides a venue for displaying products and taking orders; it also serves as a public relations opportunity and a forum within which innovative design is noted and trends are set.
3. Design and Preparation of Promotional Materials: ATA guided the development of product promotion materials including two full-color product catalog pages (see appendix). These have been distributed at the NY International Gift Show and mailed to selected buyers.
4. Press Coverage on Project Activities and Hungarian Crafts: Modern Bride magazine will feature the Hungarian embroidered linens in its July 1992 issue. House Beautiful is planning to feature the wool applique pillows developed by the project and the Debrecen coop.

Marketing Program Activities (cont.)

5. Arrangements for Gallery Exhibitions of Hungarian Crafts:

A Master Potters Show featuring the works of 13 Hungarian potters has been organized and is scheduled to take place during the Fall of 1992. Venues anticipated include:

- New York
- Oregon
- California
- Mid-West

6. Buyers-to-Hungary:

The project has successfully recruited 5 buyers (in addition to the Karvazys of The Sandor Collection) to travel at their own expense to Hungary, accompanied by ATA project staff. The buyer visits to date have included the following:

- Gay Ellis and Suzy Cronin: Sami Clothes
- Marian Clayden, Marian Clayden Designs
- Jane Griffiths, The Hemmeter Collection
- Henry Chanler, Chandler Four Corners.

Additional buyer visits now planned include:

- Hoyt Chapin, Mesa International
- Judith Espinar, Owner, Clay Angel Gallery

This program represents more than a passing involvement on the part of the U.S. buyer. A visit builds relationships, extracts commitments, both tangible as well as emotional. The Hungarian artisans (fortified by an appealing culture and pleasant surroundings) are able to sell themselves as eager, willing, and dedicated producers. This goes much further than simple buying and selling: it is nurturing sustainable, long-term, committed relationships.

One impressive outgrowth of the program is the decision by Gaye Ellis to expand her business based on the her product development/buyers-to Hungary experience. Gaye has applied for a \$50,000 low-interest loan from the Vermont Industrial Development Association and the Northern Community Investment Corporation of Vermont. Her business plan is based on product components (developed and made in Hungary via the project) which will be sewn into garments by her cottage industry in Vermont. Gaye has hired a production manager, an office manager, and other staff for her business. Her new product line will be introduced at the January 1993 market.

MARKETING & SALES SUMMARY

The marketing effort has been broad, encompassing the following categories:

- Wholesalers: The Sandor Collection; Mariska; Chandler Four Corners
- Retail Catalogs: Hemmeter; Wireless (Public Radio); Daily Planet
- Retail Chains: Barnes and Noble
- Museum Shop/
Catalog: Boston Museum of Fine Arts
- Manufacturers: Mesa International
- Designers: Marian Clayden; Gay Ellis

While most of the products have been targeted toward the high end, production costs require such targeting; the project is seeking access to the high-end market through many portals.

The numbers do not tell the entire story of the marketing successes, and it is actually premature to evaluate numbers other than in the context of marking progress. Many of the orders are relatively small, but these small orders serve many purposes:

- They acquaint coops with the preferences of small buyers;
- They offer coops the opportunity to produce for small orders and practice shipping small orders smoothly;
- They will create a broad base of U.S. buyers which, ATA believes, in the long run will be stronger than relying on a handful of large buyers. A mixed strategy is more sustainable and reduces vulnerability of producers.

SUMMARY OF ORDERS DEVELOPED THROUGH THE PROJECT

<u>Source</u>	<u>Amount</u>
Sandor Collection	\$ 58,704
Other Importers	\$ 124,033
TOTAL ORDERS GENERATED BY THE PROJECT:	\$ 182,737

BREAKDOWN OF ORDERS BY CATEGORIES

U.S. Importer: The Sandor Collection

At the start of the project, Sandor was the only U.S. company exclusively engaged in the import of Hungarian crafts. (Since then, a new ceramic-import company, Mariska, has entered the market.) Sandor participates in the New York International Gift Show where it takes orders and develops leads which it follows up post-show. Sandor's volume of business, though small, represents an important part of the ATA-guided marketing program. By dealing with small orders which are broadly-based, it is laying the foundation of a sustainable market.

SANDOR COLLECTION SUMMARY

<u>Year</u>	<u>Sales Volume</u>
Pre-Project	
1990	\$ 9,825

1991	\$22,850
Orders Taken NY Gift Show 2/92	\$15,000
Orders Taken Since 2/92	\$20,854
Total Orders	\$ 58,704

Breakdown of SANDOR orders since 2/92

<u>Vendor</u>	<u>Amount</u>	<u>Type of Products</u>
Barnes & Noble	\$ 1,650	Felt/embroidered boxes
Wireless Catalog (Public Radio)	\$18,000	Decorated goose eggs.
Strawbridge & Clothier	\$ 1,204	Wooden ornaments
Sundance Catalog	Samples	Wood carvings
Country Curtains	Samples	Placemats and napkins.

SUMMARY OF DIRECT IMPORT ORDERS BY OTHER U.S. COMPANIES

Vendor	Order Amount	Craft Products
Mariska	\$ 3,233	Pottery
Chandler Four Corners (For Williams Sonoma Catalog)	\$80,000	Wool tapestry pillows
Boston Museum of Fine Arts Catalog and Shop	\$12,800	Christmas stockings
The Hemmeter Collection	\$24,000	Christmas stockings
The Hemmeter Collection	\$ 4,000	Embroidered blanket
Sub-Total	\$ 124,033	

SUMMARY OF ANTICIPATED ORDERS

<u>Source</u>	<u>Products</u>	<u>Amount</u>
Wireless Catalog	Decorated Eggs	\$ 36,000
Judith Espinar	Masters' Pottery	\$ 10,000
Marian Clayden	Embroidered yardage Cut-felt yardage	\$ 10,000
Mesa International	Hand-painted Ceramics	Unknown
Palms and Pomegranates	Cut felt	Unknown
Allied Merchandise Group	Christmas Ornaments	Unknown
TOTAL ANTICIPATED ORDERS 5/92		\$56,000

SUMMARY OF PROJECT-GENERATED ORDERS

FOB HUNGARY

By converting the U.S. sales/orders into FOB figures, the evaluation team was able to get a more accurate look at how much money will be going directly to Hungary. All facts and figures were provided by Aid to Artisans and the respective vendors/importers with whom they have been working.

TOTALS:	\$ 11,270	FOB, Sandor, Previous Quarters Sales
	\$ 77,345	FOB, Orders in hand
	\$ <u>45,000</u>	FOB, Anticipated Orders
TOTAL	\$133,615	FOB HUNGARY

Project Recipients' Feedback on Marketing;

The team found a consistent attitude of high expectations among the project recipients. Close questioning revealed that although Aid to Artisans had carefully explained their mission and the limits of their project, inevitably, expectations of quick results and vast quantities of export orders were hoped for. The process of conducting the evaluation took on an additional function, that of sounding board and project participant input.

The project evaluation team was bombarded with requests for opinions on their products in terms of market appropriateness. A consistent theme was "Yes, we want to have design advice on new products, but what about what we are already producing, what we already know how to make? Surely, with a market so vast as the U.S. has, there must be some place for our products?"

BUSINESS ANALYSIS COMPONENT

The project implementation plan called for a ten-week visit to Hungary by a 3-member team from the Yale School of Management to provide the following:

- 1) Analysis of the structure and operation of Hungarocoop
- 2) Analysis of the structure and operation of selected artisan cooperatives
- 3) Analysis of the production and earnings patterns of village artisans in selected crafts villages

The evaluation team found that the Yale SOM team accomplished the above-cited goals and exceeded expectations in terms of the quality and scope of the data collected and the analysis thus made possible.

With one major exception (Hungarocoop) the Yale SOM team was able to establish favorable rapport with their subjects, which in turn led to a free and open exchange of information. The former state export cooperative, Hungarocoop, was threatened by the idea of sharing statistical information, and refused to cooperate with the team's efforts to collect data. The team was able to ascertain some information on Hungarocoop, both directly as well as indirectly, despite the adversarial attitude of Hungarocoop.

The project has been well-served by the Yale SOM team; crucial information and analysis has been gathered and analyzed. The evaluation team observed, however, that the Yale team made an early, premature conclusion on the role of the foreign trade organizations in general. This lack of objectivity is detectable in some of their analysis and recommendations, and must be filtered out. It is to the credit of Aid to Artisans that this bias was identified and balanced out.

As market forces and structural changes take their effect within the Hungarian economy, there is a natural flux in how various cooperatives and FTO's perform and are perceived. The Yale SOM assessments have been sensitive to these changes, and have been able to identify those cooperatives with administrative leadership qualities most likely to weather the turbulence of the Hungarian economic transition. Of course it is impossible to be 100% accurate, but the overall process has provided significant intelligence to the project.

BUSINESS TRAINING COMPONENT

The project implementation plan calls for the following business training activities:

- 1) Establishment of a buyers' office in Budapest
- 2) Monitoring progress of buyers' office
- 3) Thorough study of the business training needs of Hungarocoop and village artisan cooperatives
- 4) Addressing business training needs identified

Buyers' Office:

As the project got underway, it became apparent that Hungarocoop was not going to provide the level and degree of partnership in project execution originally expected. Although Hungarocoop provided early assistance with identifying and contacting the various artisan cooperatives around the country, their expectations and assumptions on the benefits to be accrued from participating in the project (direct export orders to be placed via Hungarocoop) were not met. These factors, in combination with the shifting market conditions and the internal re-organization of Hungarocoop, resulted in limited cooperation with the project.

Meanwhile, the project research brought to light existing, alternative options which made the establishment of a buyers' office a moot objective. A relatively new foreign trade organization, Folkart Trading, operates a sophisticated retail store which also serves foreign buyers quite well. Other similar operations run by various organizations including artisan coops themselves reinforce the project's decision to abandon this objective.

The project has been able to exert early constructive influence in the organization and operation of some of these showrooms/outlets. Certain of the showrooms quickly implemented the display suggestions made by the project teams, which has already led to improved exposure and sales.

Study of Business Training Needs:

The Yale School of Management team, in its second site visit to Hungary, focused on the business training needs of the FTO's and the artisan cooperatives. This qualitative aspect of their business analysis was systematically approached through the consistent application of a series of questions and assessment procedures.

Addressing Business Training Needs:

Aid to Artisans has fielded a team of consultants with experience in direct assistance with pricing, one of the most fundamental-- and little understood-- processes. The consultants have also assisted cooperatives and individual artisans with the basic procedures of export order preparation: labels, documents & paperwork, and shipping requirements. Much of this happens in a holistic, natural way, in contrast to formal classes. It is targeted and specific to direct needs, rather than general in nature, although the general is pointed out.

ATA has initiated the exploration of joint programming in business training with the State University of New York (SUNY) which operates a program in Hungary. The following has been accomplished in Year 1:

- September 1991: Ildiko Polony, ATA liason, began investigating possible cooperative arrangements between Aid to Artisans and SUNY. A review of the programming options was made; targeted topics were identified. ATA emphasized the need to focus on 1) basic marketing export procedures and 2) the preparation of a guide book covering production, inventory management, and quality control management.
- January 1991: Ildiko Polony prepared a preliminary planning document for ATA reporting on discussions with SUNY, potential programming formats, and a preliminary timetable.
- ATA summarized the Hungarian artisans' management needs as "everything from calculating first costs through local and export marketing, record keeping, financing expansion, etc."
- Identification of ATA's potential role within a SUNY-run program:
 1. Identify the participants
 2. Help with designing courses/seminars
 3. Develop appropriate workshops and conduct them
 4. Develop follow-up materials and contacts for extended training for artisans

OTHER PROJECT ACTIVITIES

IMPORT COMPANY DEVELOPMENT

The Sandor Collection is a small family business which is the only U.S. business devoted exclusively to the import of Hungarian crafts. Sandor was one of the very first U.S. enterprises to venture into Hungary at the outset of the glasnost program in 1985. Owned and operated by Hungarian emigre Levente Karvazy and his American-born wife, Carole, the company blends business with an almost missionary zeal on behalf of Hungarian folkart and crafts. This special commitment makes it unique, and it has devoted exceptional time to the development of products, export of crafts under difficult conditions, and the pursuit of U.S. wholesale accounts.

For these reasons, and in the spirit of private sector partnership with the project, the project has subsidized the travel of the business principals; without this subsidy, the product development and U.S. import process would not be possible, at least at the rate necessary for productive results required for the project.

ATA has trained the Karvazys in the following areas:

- Product development and product styling
- Trade show presentation
- Preparation of quality promotional materials.

In a symbiotic exchange, the Karvazys have provided the project with insight into Hungarian culture, research into traditional crafts, sophisticated translation and liason work, and marketing services and feedback.

A new company, Mariska, has become involved in the import of Hungarian ceramics to the U.S. Owned by Ildiko Polony in partnership with a family member, Mariska is an outgrowth of project, filling an immediate need for a U.S. importer. Ildiko Polony's original association with the project was as translator and liason.

PROJECT ADMINISTRATION AND IMPLEMENTATION

Project implementation has been carried out by Aid to Artisans staff, which in turn has been responsible for hiring independent consultants, and recruiting private sector volunteers. Through the PVO initiatives, A.I.D. has specifically sought to work with private, non-profit agencies capable of quick start-up and independent functioning.

Project Assessment by A.I.D.- Hungary

The evaluation team met with A.I.D. representative David Cowles and staff in Budapest to review project performance from A.I.D.'s perspective. The following feedback was provided:

- A.I.D./Hungary's priorities include:
 1. Privatization
 2. Small business development
 3. Quality of life and the social safety net
 4. Maintenance of income capacity

- The project is perceived as working well within these areas of concern, especially in rural/depressed areas where jobs are an issue.

- The project is viewed as a successful, "stand-alone" project which does not require much input from the limited staff on hand at A.I.D. Budapest.

- A.I.D.'s briefing from ATA was "excellent but late"; emphasis was placed on the need for anecdotal material to assist with decision-making processes which often must proceed on a visceral basis in order to be timely.

- Stressed the need for synergistic interaction between A.I.D.-funded projects.

Project Changes and Adaptations

The project has excelled at taking action, gathering information in the midst of activity, factoring in new data and changes in conditions, and responding to newly-perceived issues and demands. The macro-economic conditions which characterize Hungary during this time of transition have created ever-shifting contexts within which this project has managed to work. The project has been resourceful in conducting low-cost research via the Yale School of Management's team; this has provided invaluable analysis of 1) causes and effects at work in the economy; 2) business assessment and performance prognosis on cooperatives and FTO's participating in the project.

The Project Implementation Document planned for the project to be carried out via a cooperative arrangement with the Hungarian foreign trade organization, Hungarocoop. (Hungarocoop is the former state-run export agency which had previously handled crafts exports.) Initially cooperative, their attitude shifted during the stresses of change: with acute financial problems of its own brought on by the process of privatization, Hungarocoop lost interest in the small market sector represented by crafts.

The evaluation team determined that 1) these changes in plans have all been documented by ATA and thoroughly communicated to the A.I.D. project officer; 2) review of project reports and records, supplemented by interviews with Hungarocoop and artisan coops, validated the decision to limit involvement with Hungarocoop. However, the evaluation team believes that Hungarocoop did deserve feedback and follow-up; not only did the coop provide early critical assistance to the project, conditions shift so rapidly that no bridges should be burned, and efforts should be made to remain on good terms as much as possible.

Project Reporting

The project has complied with the reporting schedule as outlined in the Cooperative Agreement; a total of three quarterly reports were submitted and reviewed by the evaluation team.

Although the quarterly reports technically followed the guidelines as outlined in the cooperative agreement, the following observations are in order:

- The quarterly reports do not adequately present the scope and depth of the project's activities. The quarterly reports focus on distilling and summarizing the project's activities, omitting substantive material, in the opinion of the outside evaluator.
- The project has maintained reasonably thorough briefing sessions with the A.I.D. project officer in Washington.
- The project was late in briefing/reporting to the Budapest A.I.D. office; this has been corrected.

SUMMARY

The project has adjusted its original goals to reflect the realities of macro-economic conditions in Hungary which have dramatically impacted the artisans, the cooperatives, foreign trade organizations, and the general business climate within which the project must function. Retention of artisans' jobs has become a critical need in the face of increasing unemployment brought about by the transition to a market-based economy.

The project's approach to salvaging artisan employment is to focus on 1) the development of market-sensitive products; 2) developing the export capabilities of artisan cooperatives and foreign trade organizations; 3) introducing Hungarian crafts into the U.S. marketplace; 4) developing the business skills of artisans, artisan coops, and foreign trade organizations.

The project has successfully complete its first year of operation within challenging conditions of flux within the Hungarian economy and society in general. The following has been accomplished:

- Foreign trade organizations have been monitored and assessed; adjustments have been made to reflect shifting perceptions on cooperative partners. Folkart Trading Company has been identified as the primary FTO to work with Aid to Artisans.
- Artisan cooperatives have been assessed and re-evaluated; this process has been crucial to the project's ability to target receptive and potentially-successful program recipients.
- New market-sensitive products have been developed in a program which blends U.S. designers working cooperatively with Hungarian designers.
- Hungarian products have been introduced into the U.S. market using a mixed strategy which targets influential, trend-setting wholesalers and retailers. Initial sales have been significant at \$182,700 wholesale volume.
- ATA has taken steps to analyze the business training needs of artisans, artisan cooperatives, and foreign trade organizations. Fundamental business management assistance, focused primarily on pricing methods and basic exporting procedures, has been offered to selected cooperatives.
- Preliminary plans have been made with SUNY for an artisan-focused component within SUNY's Hungary-based small business development program proposal.

Summary (continued)

The project provides U.S. A.I.D./Hungary with a grass-roots program in touch with the needs of rural artisans presently caught in a difficult, complex struggle to maintain employment. By addressing all three levels of the artisan sector-- artisans, artisan cooperatives, and foreign trade organizations-- the project is grappling with the challenges confronting Hungary's provincial artisans, the majority of whom are women.

The project should be viewed as a model for an adaptive program in small business export enterprise development. Its strengths lie in 1) its on-going monitoring of macro and micro-economic conditions; 2) its emphasis on market-led product design and development; and 3) its sophisticated approach to mixed-strategy export marketing of artisan products.

RECOMMENDATIONS

Business Analysis:

The project owes part of its current success to the business analysis carried out by the Yale School of Management. Since the Hungarian transition to a market-based economy is an on-going, complex process, it is recommended that some form of business analysis be continued throughout the life of the project.

The focus should be on monitoring the fiscal health of the artisan cooperatives with which ATA is working and the new primary FTO, Folkart Trading Company. Since close rapport has been established with all involved, the monitoring process may take less time. Input on the monitoring process should be provided by the Yale team, but one focal point could be a comparison of central administration before and after streamlining/re-organization.

Tracking employment trends within the coops may be useful to document the need for the project, and some sampling of coops may be feasible. Useful comparative data would include job categories, worker incomes, and gender breakdown.

All U.S. export activity fostered through the project should be carefully documented and analyzed in terms of how it came about, size and type of orders, repeat orders, and problems encountered.

One final caveat: this project relies on volunteers from the Yale School of Management, and is not funded to carry out exhaustive comparative research studies.

Business Training:

- Continue advisory role on pricing methods and strategies.
- Continue to provide export procedural information to artisan cooperatives and entrepreneurs. Develop general guidelines on basic requirements for export to the U.S.; this should be limited to the following:
 - 1) List of information sources available in Hungary
 - 2) List of paperwork/documents required for export to the U.S. from a U.S. customs clearing standpoint.
 - 3) Make sure the written information contains disclaimer and warning on the limitations of the above information.
- Encourage artisan cooperatives to get involved in Hungarian-run business training program and English language study.
- Develop an Artisans' Business Training component for inclusion in the SUNY/Hungary management training program. Identify a crafts business management expert to act as instructor/consultant.
- Explore ways to interface with other A.I.D.-sponsored projects/program in Hungary, where appropriate.

Product Development:

- Continue to develop and adapt products for export with a special emphasis on maximizing existing artisan technology. Focus areas: power loomed textiles; hand-loomed linen textiles; rug-weaving; majolica ceramics.
- Continue/expand the specialized product development program through the innovative "Buyers-to-Hungary" concept initiated by ATA. This places artisan cooperatives in direct contact with real buyers with specific product demands.
- Expand emphasis on providing feedback to artisans on basic product suitability for export to the U.S. Areas of concern include sizing, colors, quality factors, raw materials. This can be informal, but formalized methods should be instituted to make sure it happens consistently. Special briefings should be scheduled with each cooperative; a fluent translator should be involved. Where appropriate, written information should be provided.
- Provide explanations to program participants on rationales for product development choices. Areas of concern include price points, competition with other Hungarian cooperatives, and competition from other parts of the world.
- Investigate the viability of providing consulting resources on basic garment construction; a home economist or 4-H extension agent would be appropriate. Consider providing the sewing/assembly units of coops with actual samples of finished garments which illustrate high-quality construction and which can be analyzed by the head designers.
- Investigate linkages with existing Hungarian ceramics technology resources; these can provide valuable technical assistance to the ceramics cooperatives.
- Recruit a ceramics consultant who can provide expertise in small enterprise set-up and production management systems. The focus needs to be on traditional pottery workshop practices, not high-tech, automated factory systems.
- Select a product-development consultant whose expertise is broad-based and with a track record in innovative product design/development. Possible focus areas include: games and toys; fashion accessories; home/kitchen accessories.

Marketing Program:

- Continue the mixed-strategy of marketing, including targeted importers, wholesalers, retailers, mail-order catalogs, galleries, and museum shops. Special promotions and exhibits, along with feature articles in print and in the media should continue.
- Assist Folkart Trading Company with buyer and export contacts. Provide detailed information on strategies and procedures. Place selected U.S. buyers in direct contact with Folkart.
- Continue to encourage importers/wholesalers to expand their line of sample products.
- Provide Folkart Trading and artisan cooperatives with information on the broad nature of the U.S. marketplace. Provide realistic information/assessment of large U.S. importers who may make difficult-to-meet demands relating to bulk quantities, prices, and types of products. Do not discourage, simply inform.
- Make an assessment of those sectors of artisan industry which may be positioned to compete in the mass-market. Share this information with larger, mainstream U.S. importers/wholesalers/manufacturers in a manner consistent with ATA's established reputation for quality product development.
- Create a "Buyers' Guide to Hungary" which promotes Hungarian artisan products and sources. Each coop could be profiled in terms of types of products made and volume/capacity stated where known.

Project Administration:

- The quarterly reports could be expanded to include the following pertinent information:
 - Systematic summaries of all marketing activities
 - Detailed summaries of project-generated imports/sales
 - Photo documentation
 - Maps where appropriate
 - Inclusion in appendices of marketing/promotional materials, copies of published articles, reports by consultants where appropriate.

- The project should begin to track all sales information for comparative analysis. Orders should be tabulated regularly and additional information gleaned from the respective producers to estimate the number of artisans engaged in the production of each order over what time period.

- The position of project liason/translator held by Ildiko Polony should be re-evaluated and defined in light of her new role as importer of Hungarian crafts.

- A project manager who can travel with each of the teams, provide central coordination, and maintain the project's overall perspective should be considered.

- A general, strategic marketing plan should be developed. This is not to be inflexible, but should provide an outline of specific goals and targets, and should interface with the product-development program. Product development specialists and designers should have input into the strategy and work with the marketing plan.

Policy-Related Recommendations:

The following policy recommendations can be addressed by A.I.D.'s special advisor to the Hungarian finance minister:

- Artisans need favored status vis-a-vis VAT taxes on their products.
- The wage tax structure should be analyzed with respect to artisan jobs. Artisans should have the option of pricing their work on a discretionary basis without regard to a per-hour wage system.
- The latest bankruptcy laws (requiring a company to file for bankruptcy if unable to pay accounts within 60 days) is unrealistic. Advise finance minister to look at U.S. or Canadian models.
- Analyze new social security and health care eligibility from perspective of artisans; make adjustments more favorable to self-employed artisans and cooperatives employing artisans.
- Analyze unemployment benefits from the perspective of artisans. Recognize the special needs of artisans who have recently been laid off from cooperatives but who were not actively working at the time of layoffs. They are in a catch-22 situation.
- Advocate creative financing strategies, including short-term loans, loans secured by letter of credit and other forms of orders, etc.
- Track developments in policy changes; during evaluation, assess the social and economic trends associated with any changes.

RECOMMENDATIONS FOR PROJECT EXTENSION: TWO YEARS

Technical Assistance: Provide technical expertise to troubleshoot production and quality-control problems, particularly with the ceramics cooperatives.

Product Development: Continue/expand the "Buyers to Hungary" program component wherein U.S. buyers/designers from the private sector are recruited by ATA to undertake product development for export. Buyers travel at their own expense and are assisted by ATA design/product-development specialists who act as resource people, liason, and expeditors.

Business Training: Implement the business-training component of the SUNY-ATA joint program. ATA will recruit a business expert familiar with the particular demands of export and crafts business management.

Marketing: Expand ATA's marketing scope by participating in additional trade shows, in particular, "tabletop" venues for ceramics and table linens. Other potential targets might include interior design showrooms, fashion designers, and fashion accessory manufacturers/importers.

LIST OF DOCUMENTS STUDIED FOR THIS EVALUATION

1. Original project proposal, "A Proposal to the Agency for International Development for Artisan Product Development and Marketing in Hungary". December 1990.
2. Cooperative Agreement No. EUR-0032-A-00-1022-00
3. Implementation Plan: Aid to Artisans in Hungary.
4. Program Performance Report: Aid to Artisans in Hungary Quarter Ending 7/9/91.
5. Program Performance Report: Aid to Artisans in Hungary Quarter Ending 10/9/91.
6. Interim Report: Aid to Artisans in Hungary; 1/6/92.
7. Trip Report by Docey Lewis, Product Development Consultant. June, 1991.
8. Trip Report by Carole Karvazy, June 1991.
9. Trip Report by Jane Griffiths, June 1991.
10. Report on Aid to Artisans Hungary Project by Ildiko Polony, October, 1991.
11. Trip Report by Carole Karvazy, October, 1991.
12. Daily Journal - Hungary Trip, by Docey Lewis, October 1991.
13. Trip Report and cover letter by Edward Bohling, October, 1991.
14. Suzo's Notes from Hungary 1991.
15. Market Survey of Hungarian Folkart, by E. Sadion, C. Alsdorf, and J. Evers, September 1991.
16. Aid to Artisans, Hungary Project Summary Report by J. Evers and C. Alsdorf, March 1992.
17. "Aid to Artisans", unpublished case study by Judith Evers and Charles Alsdorf, April 1992.
18. Survey of Hungarian Handicrafts by Holly Chase, IESC Volunteer, January 1992.
19. "Hungary: Gender Issues in the Transition to a Market Economy. Final Report prepared by Coopers & Lybrand.

List of Cooperatives and Individuals Contacted

Hungary Project Participants/Beneficiaries:

1. Ildiko Kaposi
Hungarocoop Cooperative
Foreign Trading Company
Budapest
2. Klara Fuzer, Deputy Manager, Foreign Markets
and
Aniko Dombradi
Folkart Trading Company - Foreign Trade Division
Budapest
3. Baló Karvazy, Entrepreneur
Hungarian crafts export company linked to Sandor Collection
Budapest
4. Miklosne Bader, Director
Hevesi Artisan Cooperative
Heves
5. Sandorne Szabo, Director
and
Heti Ilona Todorne, Textile Engineer
and
"Kati", Designer
Debrecen Artisan Cooperative
Debrecen
6. Dr. Ilona S. Kovacs, Director
Karcagi Artisans Cooperative
Karcag
7. Marko Laszlo, Manager
Kalocsai Artisans Cooperative
Kalocsa
8. Lajos Kovats, Independent Artisan (potter)
Budapest

U.S. A.I.D./Hungary

9. David Cowles, A.I.D. Representative
Ferenc Melykuti, Project Development Specialist
Karyl Morrison, Assistant

ATA Project Personnel:

10. Ildiko Polony, Project Liason
Hungarian American Venture Enterprises
Budapest, Hungary and Burlington, Vermont USA
11. Pal Bujinyik, Driver and Interpreter
Budapest
12. Clare Brett Smith, President/CEO
Aid to Artisans
Farmington, CT USA
13. Denise Wilbur, Projects Manager
Aid to Artisans
Farmington, CT USA

ATA Consultants:

14. Docey Lewis, Product Development Specialist
15. Chris Costello, Ceramics Consultant

Private Sector Participants (buyers/designers)

16. Carole and Levante Karvazy, Owners
The Sandor Collection
17. Gaye Ellis, Owner
Samii Designs
18. Carole Lewitt, Owner
Ceramica Inc.
19. Hoyt Chapin, Partner
Mesa International

List of Questions Asked During Evaluation

Hungarian "Counterpart" Organizations (The project does not really have a counterpart organization.)

1. To what extent do they feel they have had input into the project objectives and implementation?
2. Does ATA have an accurate grasp of the problems & issues currently confronting Hungarian artisans?
3. Are the goals and objectives of the project clear?
4. Would it be useful for key leaders/officers of Hungarian craft organizations to travel to the U.S./New York (to better understand the U.S. marketplace) ?
5. Do they expect the American market to develop into a meaningful export market, relative the European market, for example?
6. What does ATA need to do more of? Less of?
7. Is the program emphasis in the right place?
8. How realistic are the time-tables and deadlines?

Hungarian Program Beneficiaries

1. What are your most pressing challenges/problems?
2. Do you expect the U.S. market to be a viable market for your particular craft business? Why or why not?
3. Have you worked with ATA designers? How has this affected your work in terms of design, materials, production methods?
4. Is there new stress related to program objectives and market demands?
5. Are you directly involved in the business management of your craft? Who is?
6. If business management is a concern, how has ATA helped you with organizational/management problems?
7. Do you intend to export to the U.S.? Why or why not?
8. Is the European market more understandable to you? Easier to deal with? Why or why not?
9. Do the ATA designers seem to respect your ideas and ways of approaching your craft? Is there give and take?
10. How could ATA improve its programming to better meet your particular needs?

ATA Consultants: Product Development/Design

1. Has the schedule allowed adequate time for you to survey the craft producers and to identify the most receptive groups to work with?
2. Have the back-up resources been sufficient (translators, drivers, liasons, etc.)?
3. Are you still holding to ATA's original objectives in terms of number of products to be developed/edited for export?
4. How receptive do the Hungarian artisans/designers appear to be to your input/ideas?
5. Have you been able to compile a data bank of raw materials and supplies to share with artisans, resource people, and consultants?
6. To what extent is the infrastructure adequate/inadequate to carry out your recommendations?
7. Does the question of personal gain and potential competitiveness ever arise between you and the designers/artisans? How have you handled this?
8. Is copyright an issue? Should it be?
9. What is the main focus of your energy when working with a group of artisans? (technical, production methodology, design, or other?)
10. How could ATA and A.I.D. provide you with further assistance and support?
11. Are the reporting channels open and responsive?
12. Do you feel the goals/objectives of the project are sufficiently clear?
13. Are these goals/objectives realistic in terms of 1) feasible 2) time-table?
14. Do you feel able to communicate adequately?
15. Do you feel that the project has adapted to reflect the realities and changes you have encountered?
16. Do you expect to be able to accomplish all the original goals, etc. as set forth in the project? Why or why not?
17. How could the project be strengthened?

ATA Consultants: Business Team

1. To what extent do you feel you have been able to get an accurate overview of the artisan situation in Hungary?
2. Have you been able to identify a potential free trade organization which ATA could work with? Who?
3. Do you recommend setting up a permanent, staffed Budapest office for ATA for the duration of the project? Why or why not?
4. Which 'counterpart organizations' seem to be the most "on top of things"? Why?
5. To what extent is it viable to project the size/scope of the export market for Hungarian crafts? Has anyone asked you to do this?
6. What is your assessment of the general business acumen of the best-managed artisan group?
7. What areas of business management seem to be consistently weak?
8. To what extent is the flux in the international and domestic economy a factor in the project?
9. How could ATA and A.I.D. develop further insights into the artisan economy, or do you feel you have an adequate grasp of this sector?
10. Would it be of any benefit for Hungarian managers to visit the U.S.? What would you recommend that they visit/observe, etc.?
11. Have the project resources been sufficient for you to conduct your research?
12. To what extent is there a general "Hungarian attitude"? How would you describe the prevailing attitude? How significant are attitudes in terms of their effect on business performance, etc.?

ATA Consultants/Private Sector & Buyers

1. How useful has your participation in this project been so far?
2. Would you be involved in importing Hungarian crafts if ATA & A.I.D. had not solicited your participation?
3. What percentage (roughly) of your import business is presently represented by Hungarian crafts?
4. What percentage do you envision being realistically cultivated? Over what time frame?
5. Do you see the Hungarian artisans as capable of competing with Korean/Hong Kong/Taiwan artisans in terms of 1) wages and 2) skills?
6. Do you see ethnic Hungarian crafts as a particularly large market within the U.S. marketplace in your product area?
7. What is the dollar value of the crafts which you have imported or ordered this year from Hungary? Do you expect to increase this number in the coming year and if so, to what extent?
8. Have there been any problems with export arrangements?
9. Have there been any problems with shipping arrangements?
10. Have the resources of ATA been up to meeting any problems encountered thus far?
11. Do you expect to have custom-designed products produced for your line by Hungarian artisans, or are you planning to import existing products?
12. Do you find the Hungarian artisans savvy about meeting quality demands? Deadlines? Fashion demands?
13. Are the products packaged well? Do the Hungarian producers seem aware of merchandising concerns?
14. Do you anticipate cooperation/adherence to "exclusive rights" or similar arrangements with producers?
15. How could the project better interface with your business expectations/requirements?

AID/Hungary Mission

1. Have the lines of communication/feedback been improved during the past 6 months?
2. Do the various components of this project seem to be interfacing sufficiently? Where are the weaknesses, if any?
3. Do you recommend the setting up of a Hungarian base of operations by ATA? Do you think there is presently adequate funding to accomplish this?
4. Has ATA fielded a competent group of resource people and consultants?
5. Have the reporting procedures been up to par? How could they be improved?
7. What is the most important element/component/goal of this project from A.I.D.'s viewpoint? Is this project on target to meet that goal?
8. To what extent has the project accomplished A.I.D.'s other goals?
9. To what extent will this project be evaluated in terms of economic impact/return on investment, and other hard financial criteria?
10. Is sufficient data/feedback etc. being collected by the project at this time so that meaningful monitoring/evaluation can be carried out?

ATA-Hungarian Liason: Ildiko Polony, Hungarian American
Venture Enterprises

1. Has the program budget provided sufficiently to carry out the various project objectives?
2. Who are the key Hungarian players-- most interested and influential-- in this project? To what extent do they influence cooperation & participation in the project?
3. To what extent have your recommendations of Fall 1991 been implemented? ("It would be helpful to have more preliminary research of the sites by someone who could assess the quality and appropriateness of the products and production capabilities for ATA's project. More time was needed at each site than was available. It is important to work more substantively with the artisans and the management.")
4. Which international agencies appear to be the most appropriate for ATA to cooperate with? (Center for Private Enterprise Development, SUNY; International Management Center; Northern Hungarian Chamber of Commerce; American Chamber of Commerce in Hungary.)
5. What arrangements have been made for an ATA-Hungary office or base of operations?
6. Has a Hungarian free trade organization (FTO) been identified which would take over the role originally planned for Hungaracoop?
7. What Hungarian/European trade fairs have been identified as appropriate marketing forums for artisans?
8. What recommendations in general or specific? What are the main program weaknesses? Strengths?

ATA Project Director/Manager

1. Has A.I.D. been responsive to the evolutionary nature of this project in terms of adjusted goals?
2. Has A.I.D. been clear in communicating its priorities, goals and expectations?
3. Are the reporting procedures clear and reasonable?
4. Are the project objectives in line with the program resources/allocations?
5. Has A.I.D. provided you with any frame of reference with which to understand ATA's role and obligations?
6. To what extent are goals articulated vs. implied?
7. Do you feel that ATA has an agenda separate from that of A.I.D., and if so, is there any conflict?
8. What additional resources do you think could strengthen ATA's ability to carry out this project?
9. Do you think ATA & A.I.D. should continue/expand the project?
10. Does A.I.D. place the emphasis on the right issues/concerns?
11. Does A.I.D. evaluate in a meaningful way? Is there consensus on how to approach evaluation?
12. To what extent does A.I.D.'s reporting/data collection system represent a drain/distraction from carrying out the project itself?

**SCOPE OF WORK
MID-TERM EVALUATION
COOPERATING AGREEMENT EUR-0032-A-00-1022-00
AID TO ARTISANS, HUNGARY**

1. Activity to be Evaluated

Cooperating Agreement	:	EUR-0032-A-00-1022-00
PIO/T No.	:	180-0032-3-1183692
Appropriation No.	:	72-11X1010
Budget Plan Code	:	QAIX-91-33180-IG-12
Allotment No.	:	184-63-180-01-69-11
Total Estimated Amount	:	\$400,000
Total Obligated Amount	:	\$400,000
Technical Office	:	ENE/EUR, D. Frago
Funding Source	:	AID/FM/CMP
DUNS No.	:	19-679-9894
TIN	:	04-2577837

2. Purpose of the Evaluation

This evaluation will assess progress in implementing Aid to Artisans' project in Hungary, as outlined in the original project proposal, the Implementation Plan, and the Cooperating Agreement itself. It will provide information designed to answer the following management questions:

- How closely has the program conformed to its original design?
- What are the reasons for program changes?
- How should the direction of the program change in order to meet objectives stated in the original proposal and objectives developed as the project has progressed?

The ATA project management team will use the results of this evaluation to plan for the second year of the project, using its results and the input of the AID program director to revise the goals, inputs, and projected outputs for the second year.

This evaluation will also lay the ground work for the final, impact-oriented evaluation. It will identify areas from which both quantitative and qualitative will be gathered, assess the quality of such data collected to date, and make recommendations on instituting procedures to ensure the availability of key data at the project's end.

3. Background

This project was designed by Aid to Artisans, an American NGO that provides technical assistance in product development and marketing to artisan groups requesting that assistance. Through this Cooperating Agreement, Aid to Artisans (ATA) and AID have worked together to address the development needs of crafts cooperatives and individual artisans in Hungary.

The project was designed to offer immediate technical assistance to crafts cooperatives entering Hungary's new free-market economy. It would target artisans in the countryside, approximately 90% of them women, and it would be geared toward creating sustainable market opportunities for the export sale of Hungarian crafts. Finally, it was to offer AID a visible presence in Hungary.

The program would address the following problems:

- growing unemployment, especially among women, and a lack of business skills necessary for effective competition in a free-market economy
- national economic problems, including declining employment opportunities, unconvertible currency, and fear of privatization
- a human resource deficit, specifically a lack of business and export experience
- the need for high quality, market-sensitive products and an effective export marketing vehicle
- the fading of traditional skills
- the need address ecological concerns in craft processes
- inadequate record keeping and a lack of support to crafts cooperatives, leading to the disbanding of many once-active craft groups.

To address these problems, ATA scheduled two product development visits, one business analysis visit, and two New York Gift Shows during the first year. ATA's Year One accomplishments include:

Product Development: During the first product development visit, in April and May, 1991, ATA consultants visited several crafts cooperatives, beginning product design geared toward the U.S. market. Products developed during that visit were shown at the August, 1991, N.Y. Gift Show.

During the second product development visit, the original emphasis on textiles was expanded into ceramics, with visits to several ceramics cooperatives and individual potters. As ceramics development expanded, the textile program was focused on those cooperatives with the greatest skills, more favorable prices, and the strongest business skills. Products developed during that visit were marketed at the February, 1992, New York Gift Show.

Marketing: The marketing of Hungarian products has taken several forms. Most sales have come through the New York Gift Shows. Textile orders have primarily come through the Sandor Collection, ceramics through Karina. Through ATA's network of buyers, other orders have been processed directly, to the Museum of Fine Arts (Boston), the Hemmeter Collection, and Neiman Marcus.

During Year One, the project included a design and buying visit for Gay Ellis, a designer of ethnic children's outerware, and Henry Chandler, an importer. Early in Year Two, ATA has planned similar visits for fashion designer Marian Clayden; Merchandising VP Jane Griffiths of The Hemmeter Collection; designers from Mesa International (ceramics and glassware manufacturers); and Judith Espinar, owner of noted crafts galleries in Santa Fe and Oregon.

Business Analysis: ATA's formal analysis of artisans' business training needs began in June, 1991, when a team from the Yale School of Organization and Management traveled for 10 weeks in Hungary, visiting many cooperatives, craft unions, and individual artisans. Their results laid the groundwork for the focus of ATA's program, and also collected much statistical data that will be necessary for the final impact evaluation.

Based largely on the team's findings, ATA has been talking with SUNY's Budapest-based business training program on developing a program that will meet the needs of project artisans.

4. Statement of Work

This evaluation will answer the following questions:

- To what extent has the project followed its predicted course, as outlined in the original proposal, the Implementation Plan, and the Cooperating Agreement itself? What are the reasons for any changes?
- Were any of the assumptions of the original proposal found to be false? How has that knowledge affected the course of the project?
- On what information did ATA base its decision on which cooperatives to assist? Has this decision proven to be soundly based?
- Product development activity has concentrated on textiles and ceramics:
 - What were the original technical objectives for each of these two media?
 - What are the current objectives?
 - Why have the objectives changed?
 - How will plans for Year Two enable ATA to meet those objectives?
- Which factors have influenced consultants' product development choices:
 - traditional skills and/or patterns?
 - consultants' general market knowledge?
 - specific requests by buyers?
 - availability of raw materials?
 - price issues?
- To what extent has ATA's marketing structure been effective? On an implementational level:
 - which market levels has ATA accessed?
 - to what extent has each contact led to real orders for artisans?
 - what effect, if any, will these buyers have on long-term sustainability?
- What steps has ATA taken to assess artisans' business training needs? How has ATA begun to address those needs? What further steps should ATA take during Year Two?
- What framework should be in place to assure the effective gathering of data for the final impact evaluation? How can ATA strengthen that framework?

- What macroeconomic factors have effected ATA's ability to meet project goals? Specifically:
 - What macroeconomic factors affect the Hungarian business climate?
 - How do these factors impace the production and export of crafts?

(In-depth answers to this question will appear more appropriately in the final evaluation, but a broad understanding of macroeconomic factors at the mid-term will better enable evaluators and others to understand any shifts in project direction.)

The evaluation report will provide empirical findings to answer these questions, make conclusions based on the findings, and offer recommendations for the future course of the project.

5. Methods and Procedures

The evaluation will proceed using the following methods:

- Thorough critical review of all project documents, including:
 - Original proposal
 - Implementation Plan
 - Cooperating Agreement
 - Consultants' journals
 - Consultants' reports
 - Project reports to AID
 - Correspondence with AID
 - All other ATA Hungary files
- Interviews with ATA project personnel, for the following purposes:
 - Project Manager, Clare Smith: To ascertain original project objectives, to gain ATA management's opinions on project strengths and weaknesses, and to hear preliminary plans for Year Two.
 - Field Consultants: For information on original technical objectives, field conditions, changes in original product development plans, and the factors that inhibit improved design and production.

- Open-ended key informant interviews with representatives of selected cooperatives. Because a second trip by the Yale SOM team already yielded extraordinarily detailed quantitative data, these interviews will focus on qualitative results, including:
 - attitudes toward ATA and the product development system
 - appreciations and criticisms of ATA's work
 - recommendations for project directions
 - the coops' assessments of their own needs in design, marketing, and business training
 - broad plans for future coop development, both in crafts and in other areas (to answer questions on how crafts fit into larger goals)

- Open-ended interviews with selected independent artisans, to gather such information as:
 - attitudes toward ATA and the product development system
 - appreciations and criticisms of ATA's work
 - the artisans' own evaluation of their decision to work independently-- reasons for the initial choice, satisfaction with the results, plans for the future

- Open-ended interviews with staff of selected foreign trading companies, including Hungarocoop and the Folk Art Centrum; to gain insight into the status of large-scale commercial crafts exports, the companies' assessment of the ATA program, and the reasons for Hungarocoop's decision not to work with the ATA project.

- Meeting with David Cowles, AID Mission director, to clarify AID's broad goals for development in Hungary and Eastern Europe, and discuss the role of the ATA project in meeting those goals. Also, to gain a sense of AID's view of project strengths and weaknesses.

Evaluation work has already begun by both the ATA evaluator and the independent evaluator, with review of project documents and conversations with key project personnel. The in-country portion of the evaluation will occur from April 25 to May 2, with several days' additional time in the U.S. for follow-up and reporting.

Success in gathering most of the data specified above is likely, but may be impacted by the following factors:

- Unavailability of key informants: Coop administrators are countering the decline in the Hungarian economy by aggressively marketing their services internationally. During the time of our visit, these administrators may be out of the country, seeking new orders. In that case, the evaluation team should be able to talk to other key coop personnel.
- Unwillingness of informants to provide information: Coop staff and administrators seem to support the ATA project fully, and are likely to offer their ideas without reservation. They may be reluctant to criticize the program, however, or to provide data that would reveal the poor economic condition of the coop or any lack of self-confidence in their abilities to meet much-needed orders that ATA activity will create.

Hungarocoop might be reluctant to talk candidly with the team, as it does not consider itself integral to the project; indeed, its decision not to participate was based on its reluctance to share information. Hungarocoop staff are likely to be polite and welcoming, but may not be willing to provide data that will serve the purposes of the evaluation.

- Size of the evaluation team: ATA has found work in Hungary to succeed most smoothly with visits by one or two consultants. The evaluation group will include four or five participants, four of whom will be unfamiliar to coop members, and two of whom will represent the U.S. government. Cooperative staff might have difficulty becoming comfortable with such a large group, especially one which can be seen to control their future access to product development and the U.S. market.

6. Evaluation Team Composition

The evaluation team will include:

- Denise Wilbur, ATA Project Manager, as the ATA staff evaluator
- Kate Kerr, development specialist and artisan, as independent evaluator
- Ildiko Polony, project liaison, as team organizer and translator.

The team will be accompanied by:

- Mari Clark of WID, for insight into the evaluation process and to gather information on the role of women in the ATA project
- Donna Frago, AID Project Officer, for on-site review of project activities

If his schedule allows, AID Mission Director David Cowles may join the evaluation team as well.

7. Reporting Requirements

The ATA evaluator and independent evaluator will prepare reports outlining:

- the purpose of the evaluation
- the social, economic, and political context of the project (including a brief macroeconomic review of current conditions in Hungary)
- team composition and study methods
- questions asked during the evaluation
- findings of the study
- conclusions and recommendations for the future of the project.

The report will also include an executive summary, a Project Identification Data Sheet, and appendices. Appendices will include a copy of this scope of work, the project's logical framework, a list of documents studied, and an annotated list of cooperatives and individuals contacted.

The report will be due no later than June 2, 30 days after the team's return from Hungary.

8. Funding

This evaluation is funded through funds obligated and already paid to the project by the cooperating agreement. No additional funding is needed, except for costs to be incurred by AID direct-hire staff.

**IMPLEMENTATION PLAN:
AID TO ARTISANS IN HUNGARY**

COOPERATING AGREEMENT EUR-0032-A-00-1022-00

PIO/T No.	:	180-0032-3-1183692
Appropriation No.	:	72-11X1010
Budget Plan Code	:	QAIX-91-33180-IG-12
Allotment No.	:	184-63-180-01-69-11
Total Estimated Amount	:	\$400,000
Total Obligated Amount	:	\$400,000
Technical Office	:	ENE/EUR, D. Frago
Funding Source	:	AID/FM/CMP
DUNS No.	:	19-679-9894
TIN	:	04-2577837

PROJECT IMPLEMENTATION PLAN

Overview

Major program areas for this project include:

- * product development and export and production training for village artisans.
- * business training for Hungarocoop staff and representatives of selected village crafts cooperatives, including the founding of a buyers' office in Budapest.
- * business analysis of Hungarocoop and village cooperatives, including recommendations for business training and institutional development.
- * marketing of Hungarian products.

Product Development

Components:

- product development workshop in Debrecen (Trip 1)
- follow-up workshop(s) in Debrecen (Trip 3 and others)
- product development workshops in other craft villages, possibly Kalocsa and Matyo (Trips 3 - 5)
- basic export and production training for artisans in each village (Trips 1 - 5)

Person Responsible: Docey Lewis

Time Necessary: Each workshop 2 days to 2 weeks, depending on such variables as:

- degree of artisan interest
- skill level of artisans
- suitability of current products to the U.S. markets
- availability of necessary equipment and supplies

Constraints:

- lack of artisan interest in individual villages
- poor suitability of products for U.S. market
- inability to assure appropriate production levels
- (Note: While artisans in all villages may not be open to product modification and increased production, and while the products of all villages may not prove suitable for export to the U.S., problems in one village will not adversely affect work in other villages, nor will they impede the progress of the project as a whole.)

Business Training

Components:

- establishment of a buyers' office in Budapest
- monitoring progress of buyers' office
- thorough study of the business training needs of Hungarocoop and village artisan cooperatives
- addressing business training needs identified

Person Responsible: Jane Griffiths

Time Necessary: All of Griffiths' time in Hungary will be spent researching and addressing business training needs and establishing and monitoring the buyers' office (Trips 1, 3, 4, and 5). The Yale Analysts will spend about 1/2 of their time assessing business knowledge, defining business practices, and evaluating business training needs (Trip 2).

Constraints:

- commitment of Hungarocoop to its folk art division
- willingness of Hungarocoop to open its records to ATA
- (Note: While no one activity is identified as crucial to the continuation of the project, delays in establishing the buyers' office may lead to delays in increasing sales from Budapest, and delays in business training may lead to continuing inefficiency in securing and processing orders.)

Business Analysis

Components:

- ten-week visit by three analysts from the Yale School of Organization and Management
- analysis of the structure and operation of Hungarocoop
- analysis of the structure and operation of selected village crafts cooperatives
- analysis of the production and earnings patterns of village artisans in selected crafts villages

Person Responsible: Elizabeth Sadlon

Time Necessary: 10 weeks (Trip 2)

Constraints:

- willingness of Hungarocoop to participate in the investigation
- willingness of village cooperatives to participate
- (Note: Because this work will occur during a continuous ten-week period, delays and unexpected roadblocks should not adversely affect other work on

the project. A lack of cooperation from Hungarocoop will lead to decreased understanding of how this organization operates, leading the business training component to rely more on its own information and experience. A lack of cooperation from village crafts cooperatives or village artisans themselves will lead to a decrease understanding of crafts production and sales, but it is likely that such a lack of cooperation would be limited to a very few villages and individuals; the team would be able to find comparable information from other, more cooperative villages.

Marketing

Components:

- display and sale of Hungarian crafts at four editions of the New York Gift Show (August 91, February 92, August 92, February 93).
- fulfillment of orders from the show
- solicitation and fulfillment of new orders
- monitoring the shipping of products from Hungary
- inspection of all goods shipped
- packing and shipping of goods to buyers
- on-site consultation by selected U.S. buyers

Person Responsible: Jane Griffiths

Time Necessary: Ongoing, throughout the duration of the project, with a concentration of time and energy in the weeks surrounding each show. Selected U.S. buyers will accompany an ATA team during each year of the project.

Constraints:

- shipping delays, resulting in ATA's inability to show the products effectively
- subsequent shipping or production difficulties, impairing ATA's ability to fill orders, leading to decreased sales as buyers lose patience.

TRIP ROSTER AND ITINERARY

Trip One

Dates: May 12 - June 2, 1991.

ATA Team:

Clare Smith-- Project Director
Docey Lewis-- Product Development Consultant
Jane Griffiths-- Marketing Consultant
Burgess Smith-- Financial Manager
Carole Karvazy-- Project Liaison
Leve Karvazy-- Project Liaison

Independent Buyers:

Dan Storper-- Putumayo
Gail Baral-- Putumayo
Matt Hahn-- The Cooper-Hewitt Museum of the
Smithsonian Institution

Trip Two

Dates: May 30 - August 15, 1991

Yale Team:

Elizabeth Sadlon-- Group Leader
Judy Evers-- Analyst
Charles Alsdorf-- Analyst

Trip Three

Dates: September/October, 1991 (7 weeks in the field)

ATA Team:

~~Ed Bowling~~ Docey Lewis-- Product Development Consultant
~~Jane Griffiths~~ Marketing Consultant
Carole Karvazy-- Project Liaison
Leve Karvazy-- Project Liaison
Christine Vaughan-- Product Development
Consultant

Independent Buyer:

Carol Lewitt-- Ceramica

Mid-term Evaluation

Dates: May, 1992 (3 weeks)

ATA Evaluator: Denise Wilbur

Independent Evaluator: ~~Eva Lustig~~ KATE KERR

Trip Four

Dates: May/June, 1992 (4 weeks)

ATA Team:

Clare Smith-- Project Director
Docey Lewis-- Product Development Consultant
Jane Griffiths-- Marketing Consultant
Carole Karvazy-- Project Liaison
Leve Karvazy-- Project Liaison
Burgess Smith-- Financial Manager
Christine Vaughan-- Product Development Consultant
Maurie Harrington-- Documentation

(Note: A third product development consultant, to be identified during the first year on the basis of product area needs, will accompany this group.)

Independent Buyers:

Dan Storper-- Putumayo
Matt Hahn-- The Cooper-Hewitt Museum of the
Smithsonian Institution
Carol Lewitt-- Ceramica

(Note: Buyers will accompany ATA team members during either Trip 4 or Trip 5.)

Trip 5

Dates: September/October, 1992 (3 weeks)

ATA Team:

Clare Smith-- Project Director
Docey Lewis-- Product Development Consultant
Jane Griffiths-- Marketing Consultant
Carole Karvazy-- Project Liaison
Leve Karvazy-- Project Liaison

Final Evaluation

Dates: April/May, 1993 (3 weeks)

ATA Evaluator: Denise Wilbur

Independent Evaluator: Eva Lustig

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MONITORING AND EVALUATION

Monitoring and Field Evaluation

Consultants:

- track local operating expenses, including workshop costs, travel expenses, and per diem allotments.
- maintain a daily journal
- submit a report at the end of each consultancy

Headquarters Staff:

- monitor field expenses, comparing them with the project budget and maintaining all records at the ATA home office.

Quarterly Program Evaluation and Financial Reports

Components:

- a comparison of accomplishments with goals
- reasons for not meeting goals
- financial reports, as outlined in the cooperating agreement and in the standard provision entitled "Payment-- Periodic Advance."
- other pertinent information, including rationale for requesting changes in the financial plan, if necessary

Mid-term and Final Evaluations

Components:

- prior approval of independent evaluator by AID
- prior approval by AID of the evaluator's scope of work
- presence of AID project officer at the pre-evaluation and post-evaluation briefings
- (Note: Because of the small size of the ATA staff, ATA cannot offer an in-house evaluator not working on the project. Instead, the ATA evaluator will be Denise Wilbur, who, in her role Project Assistant, has helped to plan and will help to monitor the project, but will have no role in implementation and will not visit the project site in any other capacity.)