

11

PN-AAR-391
ISN= 37024

CONSULTANT REPORT

(Contract No. 511-0000-S-4245)

Barbara Myers
September 1, 1984

I. BACKGROUND AND SCOPE OF WORK

This report contains the findings of a study conducted from August 15 through September 1, 1984 for USAID/Bolivia (Contract No. 511-0000-S-4245). The work represented herein is part of a larger study by Creative Associates, Inc. (Contract No. 511-0000-C-00-4242) to support the development of a project paper for the creation of a service agency to provide technical assistance to private artisan groups and small businesses in Bolivia.

The specific scope of work for this component of the study was to investigate the current and potential capacity of existing private organizations in La Paz and Cochabamba to serve as the implementing vehicle for the project service agency. Specific attention was focused on an analysis of organizational leadership, organizational structure, and the history of services provided.

The types of options investigated included:

- 1) locating the project with a single artisan group or business;
- 2) working through an existing association of artisan groups and businesses in La Paz or Cochabamba;
- 3) working through a non-artisan private voluntary or business organization.

While recognizing from the start that no ideal solution would be found, it was assumed that each alternative would carry with it specific pros and cons which could then be weighted against each other to identify the best possible option. The results of the organizational interviews conducted are detailed in the following section.

II. FINDINGS

A. Existing Private Artisan Groups and Businesses

There are a number of small businesses and artisan groups both in La Paz and Cochabamba with reasonably well developed management capabilities. While none of them currently have in place sufficient skills or expertise to assume responsibility for implementing the proposed service agency, in certain cases (such as Potrama and La Khochalita in Cochabamba, and some of the larger businesses in La Paz) the shortcomings could conceivably be overcome through adding new and training existing staff.

The drawbacks to this option stem not from its technical feasibility, but from the difficulty in maintaining the project service agency's real and perceived independence were it to be located with a single organization or enterprise. During the various individual interviews conducted by the team, a level of distrust among groups was identified that would be clearly prejudicial to the project were it to be too closely associated with any one group.

B. Associations of Artisan Groups and Businesses

In both cities local artisan entities have come together in different forms to work in limited ways around shared problems and concerns. There is a wide diversity among these groupings in terms of size, organizational representativity, and the scope of joint activities undertaken and/or projected. In all cases, however, these associations were found to be lacking in the management skills and cohesiveness needed to assume responsibility for project implementation.

Perhaps the most salient characteristic shared by all of these associations is the limited nature of what they try to do. It is not really accurate to conclude that as organizations they have failed, but rather that a number of factors combine to undermine the real possibilities for extensive collaboration. Of these factors the principal ones are discussed below:

- Market Relationships

The members of these associations are each other's competitors. Moreover, they find themselves in a contracting market, both locally and internationally. They produce and/or sell essentially the same products with fairly narrow profit margins. Nevertheless, most have the illusion of having exclusive designs. With few exceptions, they are all struggling to stay in business and there is an understandable fear of being undercut by their "colleagués" in these associations. Furthermore, they are also competitors for raw materials. This competition has intensified with the reduction in camelid herds as a result of the 1983 drought, increasing contraband of wool in Peru, and excessive price increases for alpaca yarn by INFOL. There are certain practical difficulties which limit the feasibility of overcoming this competition for raw materials through joint buying. The quality of raw alpaca and llama wool is extremely variable. Not only are there problems with color and fiber selection, but herders and intermediaries frequently add dirt and/or water to the wool to increase its weight before sale. These are risks that the artisan group or business run when buying raw wool. And most would prefer to do their own buying and thereby retain more control over the quality.

- Artisan Mentality

The nature of artisan production contributes to an outlook which emphasizes the value of individual efforts over those of a group. In most cases the artisan works alone, producing an entire finished product without input from anyone else. Furthermore, most artisan-based businesses are single proprietorships and operate on a very small scale, even for Bolivian standards. Both the entrepreneur and the artisan believe they will get ahead through their own individual efforts and have little or no practical experience which would give them reason to believe in the value of collaborating with other entities. The possible exception to this would be the case of artisans who belong to cooperatives or associations, and there the spirit of cooperation for mutual benefit extends only as far as their own organization.

- Historical and Personality Differences

Many of the groups in question have common roots. In the case of cooperatives and associations there is a pattern of splinter groups breaking off to form their own organization because they have the perception of being exploited or simply that they can do better on their own. This leaves resentments on both sides. With the artesanía businesses it is very common for management level employees to go off and start their own businesses, often pirating contacts with both clients and artisans from their former employer. This type of experience obviously does little to foment trust or cooperation within the artisan sector. Additionally, there are certain individuals who, because of real or perceived unscrupulous behavior or exploitative business practices, have earned the enmity of artisan groups and their fellow entrepreneurs.

- Philosophical Differences

This factor comes into play primarily in the relationships which exist among artisan cooperatives and associations. These groupings are more than just profit-seeking enterprises; they include in their stated goals a variety of activities to improve the economic and social well-being of their members. Each of these groups is headed by an individual with a strong personality and social commitment, who is convinced that his particular model of doing things is the one that will really be beneficial to the artisans. Concomitantly, everybody else's way of doing things is exploitative, or ineffective, or idealistic. These opinions of each other are very strongly held, and the potential benefits of cooperation are for the most part unperceived or passed up in favor of proving that their own model is the right one because they can make it on their own.

1. ABAPEA (Asociación Boliviana de Productores y Exportadores de Artesanía)

This group has operated on an informal basis for eight years. The president, Daisy de Wende, is the owner of Artesanías Titicaca and has headed ABAPEA since its founding. Until last year the membership represented the full range of artesanía production and sales: knitwear, wooden carvings, woven garments and home furnishings, furs, leather and pewter. The members were also a mix of producer groups, businesses with contractual relationships to artisans, and intermediaries. ABAPEA organized the participation of Bolivian handicraft businesses in several international fairs and accepted orders on behalf of its members from foreign clients. Problems arose, however, when this representational role was monopolized by the president to benefit her own business rather than distributing orders or other opportunities for ABAPEA among the membership. Closely related to this problem is the lack of democracy in the organization's internal functioning. Decisions are made with little or no consultation with the members. In 1983, as a result of these problems, the members voted in new leadership and decided to change the association's name to ANPEXABOL because of what they felt was a negative image of ABAPEA acquired during de Wende's tenure. Apparently, the

membership supported this move almost unanimously and, although de Wende continues to refer to herself as president of ABAPEA, it is for all practical purposes a phantom organization. In its eight years of existence it has never obtained personería jurídica. It does not have its own bank account, or even a system of membership dues. There are apparently no members in La Paz other than De Wende and Hans Kaczmarezyk (all other former members have affiliated with ANPEXABOL). The association's activities are financed on an ad hoc basis through occasional donations from de Wende and Kaczmarezyk. The consultant team was provided with a list of ABAPEA members in Cochabamba who, with the exception of Amerindia, proved to be primarily intermediaries. In addition, it was reported by other artisan groups in the Cochabamba area that these members were recruited only a few weeks earlier during a visit by de Wende.

Apart from issues related to organizational strength and capacity, the main concern with locating the project with ABAPEA is that many artisan groups and business would not feel the services to be provided were available to them. The view that ABAPEA is run by de Wende for her own personal benefit is held strongly, and the project would be similarly perceived were it to operate through this association.

2. ANPEXABOL (Asociación Nacional de Productores y Exportadores de Artesanías de Bolivia)

Formally created in 1983, ANPEXABOL is essentially a reincarnation of ABAPEA. It currently has over thirty members representing most of the major artesanía businesses and the full range of products in La Paz. Formal legal status (personería jurídica) should be conferred by the GOB in the next few months. The organization functions in a democratic manner and clearly has potential to develop into an effective voice representing the shared concerns of artisan-based enterprises. It must be stressed, however, that ANPEXABOL for all practical purposes is a very young organization. Its activities to date have been primarily focused on organizational consolidation. Members pay nominal monthly dues which so far have gone to cover legal fees related to personería jurídica. An independent bank account has not been established.

The scope of ANPEXABOL's goals and objectives are quite broad, including the conservation of national culture, technical training for more efficient production and marketing, the promotion of policies favorable to the artisan sector, sponsoring research projects in popular art, etc. The specific activities which they expect to undertake in the near future include joint advertising, purchase of raw materials, and an exhibit center, but none of these has yet been concretized. Recent plans to participate in a trade fair in Santa Cruz were aborted when ABAPEA convinced the fair organizers to allocate the exhibit space to them.

The association is proceeding slowly and somewhat cautiously, partly as a result of their experience with the failure of ABAPEA and partly because of a natural wariness the members have of each other as competitors. Although they make the point strongly of being "producers" (and thereby exclude intermediaries from membership) they are primarily small scale businesses which reflect all of the problems related to small trade discussed above.

ANPEXABOL has expressed strong interest in participating in the project. Their main weakness in this regard is the fact that, although they call themselves a national association, they in fact represent artisan-based businesses almost exclusively in La Paz. Given the likelihood of locating the project in the Cochabamba area, at least in its initial phase, the most advisable role for ANPEXABOL would be to participate on the board of directors rather than serve as the implementing agency.

3. Federación/Confederación de Artesanos

These two groups, one departmental (La Paz) and the other national in scope, are mentioned here primarily to give additional perspective on the limitations of existing organizations. Although theoretically the federation and the confederation are complementary and allied groups, in practice their relationship is characterized by a high level of rivalry and antagonism. This is because they both function as power bases for their respective leaders, rather than as vehicles to assist and represent the interests of their supposed constituency. At a recent conference of artisans organized by the Federation in La Paz there was no discussion of ways in which artisans could improve their situation or of concrete programs that could be undertaken to benefit the artisan sector. Instead the content was focused on speeches from the leadership which decried the woes of artisan producers and the general economic situation. When leaders of the federation were asked about the group's members and goals, they said that all artisans were potential members and talked only in vague generalities about the organization's purpose. Included in the definition of the membership base of "artesanos" are a wide variety of micro-entrepreneurs (shoemakers, wood and metal workers, tailors, etc.) as well as producers and sellers (intermediaries) of traditional artesanía. Prominently represented in the leadership bodies of both associations are the owners of stalls in the two "mercados artesanales" in La Paz, both primary outlets for artesanía intermediaries. Charges of corruption are widespread, and these organizations should have no involvement with the proposed project.

4. Cámara Departamental de Exportadores (Cochabamba)

Most of the major producer groups in the Cochabamba valley are affiliated with the Chamber of Exporters and jointly function as an informal caucus within it. In fact, the artisan sector played a major role in forming the Chamber, and their participation continues to be very active. From the perspective of the proposed project, the existence of this grouping is valuable to the extent it has provided the experience of working together --although in a limited way-- around issues of common concern. The limits of this experience stem from the fact that cooperation focuses primarily on means to pressure for changes in GOB policies and does not extend to the problems they share in production. This type of lobbying is the main activity of the Chamber as a whole. The artisan groups are not interested in joining any existing "national" association (such as ABAPEA or ANPEXABOL), but maintain rather than from separate departmental groupings a national organization could be formed.

Since they are essentially only a caucus within the Chamber of Exporters, there is no separate organizational infrastructure or leadership. They have no real capacity as a group to function as the project implementing agency.

C. Non-artisan Private Business and Voluntary Organizations

A review of the activities of the main private voluntary organizations operating in Bolivia revealed that few are carrying out any consistent programmatic work with artisans. The few organizations which do work specifically with artisans are doing so from a perspective of community development and/or institution building, rather than with priority placed on the establishment of viable artisan-based businesses. An additional drawback is that due to the geographically limited focus of each PVO's work, none of them commands sufficiently broad respect or authority within the artisan sector to make it an effective vehicle for the project.

The possibility of locating the service agency with a business organization not limited to artesanía production (such as the National Chamber of Exporters) was also explored. One advantage this approach could have would be the neutrality of such an organization vis-a-vis the rivalries among artisan groups. Perhaps more importantly, a business organization representing more diverse types of production could potentially contribute a philosophy about how to do business which would help to counterbalance the short-sighted, factionalist style of operations of artisan enterprises. Despite these possible advantages, the feasibility of this approach had to be rejected because the Chamber of Exporters is not set up to undertake this sort of activity, nor is there sufficient interest to assume the level of responsibility implied in functioning as the project implementing agency. It is recommended, however, that they be invited to participate at a national level on the project's board of directors.

III. SERVICE AGENCY LOCATION

The Creative Associates team has recommended that the project be located in Cochabamba on the basis that this location has the most skilled knitters as well as the largest organizations, both of which are crucial to the success of the proposed service agency. From an organizational perspective, the decision to locate the project in Cochabamba would also be supported.

The nature of artisan groups in Cochabamba would maximize the likelihood that real development benefits would accrue to the artisan as a result of the project. Three of the four proposed participant groups (Fotrama, La Khochalita, and Amerindia) are cooperatives or artisan associations which have as explicit objectives the improvement of quality of life of artisans. Apart from attempting to provide more equitable remuneration for artisan labor, they have other benefit programs such as consumer buying and health care which are available to their members. There are also at least nominal provisions for participation by the members in the decision-making process. These all reflect a genuine concern for the social and economic welfare of artisans, and

notwithstanding their differences in approach these groups would see the opportunity to expand production and markets the proposed project represents as a means to improve the wellbeing of their members. In addition, because these three groups are large (with a combined membership of about 2500 artisans) they have an influence over the pay scales of other artisan enterprises in Cochabamba. Kay Wasi readily admits that he is forced to pay more for skilled knitters because of the pay scales of Fotrama and La Khochalita. This influence in the Cochabamba labor market would continue to operate as work opportunities are expanded under the project.

Other factors which would have a direct bearing on the project if it is located in Cochabamba also grow out of the dominance of artisan organizations (as opposed to artisan-based businesses). These groups tend to have greater wariness of foreign involvement in general, and U.S. activities in particular. They will undoubtedly want to have a significant role in project-related decisions. The leaders of these groups resemble "caudillos" in that they have strong, charismatic personalities, but they tend to be honest people committed to their members rather than being out for personal gain. There thus would be a lower risk of corruption, at least at the level of participating organizations, if the project is based in Cochabamba. However, there would be a greater risk of divisions resulting from the "philosophy factor" discussed above. It might be worthwhile, if the participating groups are in agreement, to include a small amount of money in the project budget to sponsor a series of "encuentros artesanales" among members from the different organizations. These could focus on technical as well as organizational problems of expanding production and would have the added benefit of developing personal contacts at the base level, a potentially valuable mechanism for fomenting a spirit of cooperation.

In contrast, the production and marketing systems in La Paz are much more fragmented, depending heavily on intermediaries who buy from individual artisans. The businesses which do have more stable relationships with particular artisan groups rarely exceed 30-50 workers. There is little real interest in increasing pay scales, and the likelihood that most of the economic benefits of the project would actually accrue to the artisans themselves is lower because their lack of organization leaves them with little power in the labor market. Many of the shop owners and managers in La Paz are former employees of government-run institutions and projects (such as INBOPIA and INFOL) where corruption is rampant and the use of project resources for personal gain is commonplace. This mentality could conceivably pose a risk to the proposed USAID project were such individuals to play an important role in it. The main advantage from an organizational point of view of basing the project in La Paz is the existence of ANPEXABOL. This group is much more dynamic than its counterpart in Cochabamba, but this factor in no way outweighs the other considerations in favor of Cochabamba.

IV. SERVICE AGENCY BOARD

The board of the service agency cannot and should not be completely comprised of members who serve for altruistic reasons. Each members should

bring specific knowledge or skills to the main task of the board, which will be to set policy. As a body they should be familiar with the dynamics of artisan production, and especially with the problems of exporters in Bolivia. It would be advisable for a number of the members to have an indirect interest in expanding artisan production and exports. Such persons would approach the work of the board with greater responsibility, and are the ones who would most likely have the expertise needed to give proper guidance to the project. They could potentially be drawn from institutions such as local banks (preferably with a relationship to the participating artisan groups), airlines or cargo shippers, and customs agencies. Other members could come from umbrella business organizations such as the departmental or national Chamber of Exporters. The composition of the board should reflect the direction in which the service agency is expected to grow. If expansion beyond the Cochabamba area is anticipated, the board should definitely include members from La Paz or with representation of a national scope. These could include ANPEXABOL, the Confederation of Private Entrepreneurs, etc.

A critical issue in composing the board of directors is the role to be given to the participating artisan groups. Clearly, they must have an active role in proposing prospective members. If the agency is to succeed, especially given the difficult nature of some of the decisions that will have to be made, the artisan groups must have confidence in the board as a whole. Additionally, there is the issue of whether the groups themselves, either individually or as a body, should be directly represented on the board. There is a high likelihood of project failure if no provision is made for direct input into board decisions by the artisan groups. They all have a strong sense of organizational independence and would be unlikely to accept an unpopular decision if they had no voice in the deliberations that went into making it. In Bolivia today both urban and rural groups expect to participate in --and in some cases even control-- projects that are for their benefit. There are numerous examples of both large- and small-scale projects that have been intervened by their supposed beneficiaries because they felt they had no input into setting project policy. Although there is some level of risk involved, it is one of the assumptions of the project that the participating artisan groups can develop a different mentality about doing business. For these reasons it is recommended that the artisan groups be given ex-officio status on the board. If they cannot overcome the shortsighted, individualistic orientation (which is presumably the main objection to their playing a direct role on the board), then the project is doomed to failure anyway because they will not be able to function within the demands of the highly competitive international garment market.

V. SUMMARY OF FINDINGS

None of the possible options investigated is felt to be viable. For a service agency such as being proposed to be effective in the Bolivian context, it must be perceived to be independent of the rivalry which characterizes artisan groups and enterprises. For this reason it is judged inadvisable to locate the project with a single organization. None of the existing artisan associations is sufficiently well developed or representative to justify implementing the project through them. The non-artisan private organizations were also found to have serious limitations in terms of their scope and/or capacity and interest to serve as the implementing agency.

APPENDIX A

MEMBERS OF ANPEXABOL

Peletería Santiago
Chaskañawi
Kipus
Artesanías
Artesanías Cirbián
Indoamericana Ltda.
Suri
Q"antati
Artesanías Tiahuanacu
Artesanías Los Andes
Chaskañawi II
Socioimbo Chacaltaya S.R.L.
Chaskañawi I
Punchay
La Lana
Cuerex
Bol-American Ltda.
Silka Huara
Inti Art
Gonzalo Saavedra
Tiahuanacu
Tiahuanacu (Oruro)
Edgar Castro (Oruro)
Sonia Clavera (Oruro)
Inca Export-Bolivia
Johnny Albornoz (Oruro)

APPENDIX B

MEMBERS OF ASOCIACION BOLIVIANA DE
PRODUCTORES - EXPORTADORES DE ARTESANIA

SANTA CRUZ:

Artesanías Nacionales
Artesanías Ballivián
Artesanías Del Sur
Artesanías Inca Products
Moxos

COCHABAMBA:

Artesanías Bolivia
Bautista Coca
René Gamboa
Artesanías Merino
Artesanías Pearbo
Centro Artesanal PIO X
Azar - Amerindia
Joyería Topacio
Centro Comercial PIO X
Artesanías Sumaj Inti
Luisa P. de Rojas
Artesanías Silvera

ORURO:

Artesanías Tihuanacu