

Trading with The Third World:

Experiences of AMOs
in Europe and the U.S.

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TRADING WITH THE THIRD WORLD AND PROMOTING AWARENESS OF DEVELOPMENT ISSUES: EXPERIENCES OF ALTERNATIVE MARKETING ORGANIZATIONS IN EUROPE AND THE UNITED STATES

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EXECUTIVE SUMMARY

INTRODUCTION

The primary purpose of this paper is to describe and assess what is known about alternative marketing organizations (AMOs), the "altruistic" marketing channels for Third World goods in Europe and the United States. The paper addresses two sets of questions: (1) under what conditions is it appropriate for U.S.-based private voluntary organizations (PVOs) to develop marketing programs; and what are the strengths and weaknesses of the different options available to them? (2) what are appropriate measures for USAID involvement in the expansion of small-scale exporting enterprises; should its involvement include AMOs; and, if so, in what ways?

A DEFINITION OF ALTERNATIVE MARKETING

Alternative marketing organizations are trading and educational organizations that aim to benefit poor people in Third World countries. AMOs import handmade products and food commodities from these countries and develop educational programs to inform their consumers and the general public about cultural and socio-economic conditions in the Third World as well as issues related to international trade and development. AMOs can be distinguished from commercial importers by (1) their altruistic purposes; (2) their focus on producers who exist under particularly difficult socio-economic conditions; (3) their non-marketing activities.

Since AMOs exist for the express purpose of benefitting low-income people, most AMOs claim to pay fair wages to suppliers, to be informed about economic as well as social and political conditions of their producers, to favor intermediary organizations which help producers organize to achieve a range of development goals and to avoid marketing products which might have negative environmental impacts. Since AMOs also aim to assist particularly disadvantaged people, they choose suppliers whose products cannot be sold through commercial channels. And, lastly, since AMOs do not measure success in terms of net profits, many use their surpluses to finance projects which are not related to marketing (e.g., educational programs).

While AMOs generally share these three features, there are profound

differences among them in terms of their operational aims, the configuration of their suppliers, their marketing strategies and development assistance programs. Furthermore, some observers question the accuracy of the term alternative because they feel AMOs are not sufficiently different from commercial importers in terms of their suppliers and actual operations and do not produce sufficiently different results to balance their overall insignificance in world trade and to justify subsidies from voluntary organizations and the general public.

ALTERNATIVE MARKETING PATTERNS IN EUROPE AND THE UNITED STATES

Goals and Philosophies

AMOs differ mainly in the extent to which they view themselves as trading or educational organizations. Many AMOs consider the two functions equally important and make frequent compromises to keep what they believe to be a proper balance between them. A number of AMOs view themselves exclusively as trading organizations and measure their impact in terms of the amount of trade they generate. Other emphasize their educational focus and view trading primarily as a vehicle to raise and discuss issues related to trade and development.

In selecting suppliers AMOs give different weights to the following criteria: (1) characteristics of the intermediary organization (e.g., "self-help organization striving to become more self-reliant"); (2) religious leadership; (3) organizational affiliation; (4) geography; (5) characteristics of the national government; (6) folk-art traditions. Some AMOs refuse to buy from commercial exporters as a matter of principle, while others will deal with prospective suppliers on a case-by-case basis. A few AMOs purchase merchandise from commercial importers.

In general, AMOs reflect the arguments that direct support to cottage industries and micro projects which are part of community-based, grass-roots organizations is a very effective way of reaching and assisting poor people. AMOs also stress the importance of taking an incremental approach to change. From both a philosophical perspective and bittersweet experience, AMOs generally agree that they should market what producers can already make and should introduce any qualitative and quantitative changes very slowly. Most AMOs will also avoid creating situations where suppliers depend exclusively on export markets and instead encourage suppliers to develop local and regional markets.

No AMO would admit to trading on the pity of prospective customers and all

emphasize that goods should sell on their own merit. Altruism, however, plays a definite role in the marketing strategies of all but a handful of AMOs which market their goods with no reference to the altruistic purposes of the AMO or its parent PVO.

History and Development Patterns

AMOs are a fairly recent phenomenon. Of the twenty-seven organizations surveyed, twenty were started in the 1970's and twelve in 1975 or more recently. AMOs range in size from over \$4 million to under \$15,000 in annual sales. Five AMOs had turnovers of \$1.5 million or more in 1979 or 1980 and twelve had turnovers of \$150,000 or under.

AMOs import handcrafts and food commodities. Handcrafts are defined by one AMO as products which are handmade by traditional methods using mostly traditional designs. The range of handmade products carried by AMOs is enormous and includes furniture, toys, household and kitchenware, ceramics, textiles and clothes as well as artistic goods and purely decorative articles.

There is no accurate estimate of the size of the handcraft markets, but there is little doubt that they expanded very rapidly during the 1970's. The rapid growth of many AMOs during the latter part of the decade is a reflection of this general trend. AMOs are in a very difficult and competitive sector which places a premium on an organization's ability to offer a wide variety of constantly changing products which are carefully designed, have a touch of originality and can be sold at competitive prices. The fact that those nonprofit organizations are surviving is testimony to their ability to meet those demands. Measured in real terms, however, the growth rates of a number of AMOs have dropped over the past several years and it is a question whether all existing AMOs will be able to meet the need for a continuous supply of new products while maintaining their commitment to old suppliers.

Many AMOs were started by individuals responding to direct requests from producers to market their products. Others were spin-offs of AMOs started by individual efforts. The majority of AMOs were started by people working outside established organizations, though PVOs played a major role in a number of cases. AMOs relied upon a variety of sources for start-up and working capital, including parent PVOs, loans from PVOs and other AMOs, the general public, individual savings and commercial banks.

Suppliers and Producers

AMOs generally have a larger number of suppliers than do commercial firms, though most AMOs rely heavily upon a few, well-established suppliers for the bulk of their turnover. Some AMOs emphasize particular countries when purchasing goods; most buy or have bought from countries throughout Asia, Latin America and Africa. The Philippines, India, Bangladesh and Thailand are major suppliers to AMOs, as they are to the handcraft trade in general. Africa has proven very difficult for AMOs, because of the cost of goods and the unreliability of supply. Many AMOs are cutting back on orders from their African suppliers.

The majority of AMOs buy from different types of suppliers; only a few claim that all their suppliers are local cooperatives, self-help organizations or projects with a social development focus. Many suppliers to AMOs are affiliated in some way with a PVO or church project; others are commercial exporters or local entrepreneurs. Several AMOs actually question whether any of their suppliers are indeed legitimate cooperatives where producers are not just piece-rate laborers; others express skepticism about the impact as well as the reliability of many projects affiliated with local and foreign PVOs. A major supplier in the Philippines claims to have ceased buying from many local PVO-related projects because of their inherent unreliability. While most all AMOs can cite individual cases where their producers are particularly disadvantaged people, the extent to which AMOs work with "opportunity poor" people is not clear. According to one observer, AMOs all buy from groups which already have access to local markets.

Several AMOs have detailed sets of criteria which groups must meet and long questionnaires which groups must complete before they can be selected as suppliers; others simply try to avoid the most obviously exploitative 'middlemen'. Almost all AMOs rely extensively on their informal networks within the international as well as local communities to identify, select and monitor changes among their suppliers.

The most common problems which AMOs have with their suppliers include:

- (1) shipment of lower quality of goods than agreed upon (e.g., smaller baskets with less intricate designs);
- (2) shipment of different goods than agreed upon;
- (3) late deliveries, causing importers to miss important events (e.g., Christmas);
- (4) poor packaging, causing damage to goods;
- (5) mislabeling and lack of documentation;
- (6) inability and/or unwillingness to act upon market-related information on new product ideas and modifications;
- (7) misinformation about sources of supply

and conditions of producers; (8) inability and/or unwillingness to maintain agreements (e.g., coffee producers searching for new outlets when the market price fluctuates higher than initially agreed upon); (9) high prices, especially among voluntary agency projects; (10) pilferages and infestation.

The most common problem which suppliers have experienced with AMOs include: (1) lack of market-related information (i.e., information on market trends, new product ideas, alternative buyers, competition, design and color considerations, etc.); (2) unintelligible orders (often written in languages which suppliers cannot read); (3) small size of orders; (4) low marketing reliability (i.e., AMO staff turnover and policy changes by PVO sponsoring bodies affect marketing reliability); (5) late remittances; (6) lack of understanding of constraints (i.e., the root causes of the producers' inability to fill orders properly).

Constraints on Producers and Development Assistance Approaches of AMOs

Small-scale producers of handmade products for export face such severe constraints that to some AMOs the fact that they are indeed able to produce things of beauty remains a source of wonderment. Constraints on producers cited by AMOs can be grouped into four categories: (1) high level of vulnerability; (2) lack of access to market-related information; (3) lack of technical and business skills; (4) hostile, or at least, indifferent policy environment.

Small-scale producers are particularly vulnerable to middlemen, market fluctuations, changing weather conditions, etc., because of their limited choices with respect to markets, the types of products they can produce, and sources of credit, raw materials and other inputs. Furthermore, the nature of many handmade products does not lend itself to repeat orders of the same article, while the ease with which both producers and buyers can enter the market often results in strong downward pressures on prices. Since the raw materials of most handmade products are agro-based, adverse weather conditions can also cause many problems. And, finally, as a director of one AMO has pointed out, producers are kept in a subordinate and vulnerable position vis-a-vis the middlemen because the demands of the export market (including the AMOs themselves) requires a level of education and skill which producers rarely have.

Many producers for AMOs lack access to market-related information, such as information on market opportunities and trends, new product ideas and design considerations and appropriate technologies. AMOs have spoken continually of the

importance of creating a mechanism to generate and disseminate this information, but the need remains largely unmet. AMOs have all been impressed by the talent and know-how required to manage even the "simplest" and most "straightforward" export project. The fact that such skills are rare in the handcraft sector is the achilles heel of many efforts to introduce new products or increase production. It is also one reason why handcraft projects meet with indifference and even hostility by national planners.

AMOs do not claim much success in eliminating the constraints on their small-scale producers. They have, however, developed certain programs and approaches with which they hope to mitigate some of the more serious ones. Most AMOs are very wary about demanding levels of production and products which require new technical and management skills; they claim to introduce changes only gradually. Others will assist groups diversify their markets. Many AMOs also try to work with producers to develop utilitarian products which have a greater likelihood for repeat orders.

A number of AMOs help suppliers meet short-term credit needs by paying for a portion of a consignment with an order; several have also leveraged funds for suppliers from international relief and development organizations. A group of AMOs published 8 issues of a newsletter between 1977 and 1979. The newsletter was the first cooperative effort to address the need for market-related information and to help link up geographically isolated producers and suppliers. A few AMOs with access to the financial resources of parent PVOs and other agencies have developed programs to provide on-site technical assistance. One AMO has one full-time resident field person and an industrial designer who visits groups on a regular basis to provide product design assistance. Other AMOs have used both long-term and short-term consultants to address design, technical and organizational issues. All AMOs have the capability to provide marketing and production advice on an ad hoc basis while travelling to suppliers.

Merchandise and Marketing

AMOs import handmade products which range from ethnic folk-art and purely decorative items to furniture and include personal accessories, household and kitchenware, "non-ethnic" toys and clothing. AMOs which operate their own retail outlets may carry up to four thousand different items. Many AMOs include food commodities and for some the sales of coffee and tea make up the majority of their annual turnover. Others sell coffee and tea primarily because the commodities are useful to

their educational programs. One AMO imports nothing but foodstuffs because it feels the handcraft markets saturate too quickly.

There are no studies of the AMO market, but the following categorization of buyers can be a point of departure for developing an understanding of that market: (1) customers who value the authenticity, quality and other intrinsic characteristics of handmade products; (2) thrift shop shoppers who are attracted chiefly by the 'low prices' of products; (3) customers who feel they are making a contribution to someone's welfare when buying a product; (4) conventional shoppers who seek good product quality and value for their money.

AMOs currently market their products through one or two of three channels: non-commercial wholesale, non-commercial retail, and commercial wholesale. The distinction we draw between commercial and non-commercial channels is based on the following characteristics: (1) the people who transact the actual sale to consumers or retail outlets are motivated by many of the same goals as the AMO and/or have their own set of "altruistic" reasons for selling Third World products; or (2) the context within which the goods are presented lacks the slick, professional polish of the conventional commercial world and emphasize the volunteerism of the AMO; or (3) the context within which the goods are presented is defined by the overall goals and philosophies of the AMO/wholesaler.

Most AMOs market the greater part of their turnover through non-commercial channels. AMOs with a wholesale component sell to one or more of these three channels: (1) voluntary sales representatives who associate themselves with the name and the philosophy of the AMO; (2) informally organized volunteer groups which are often part of local churches, educational organizations or voluntary agencies; and (3) "world shops" which are permanent, nonprofit sales outlets which emphasize their educational activities. Only two AMOs have developed voluntary sales representatives schemes; the majority of AMO wholesalers sell to a large number of local groups, often church-related, which make once or twice yearly purchases. The concept of world shops run by volunteers is fairly widespread in Europe. In the United States some twenty such shops have formed a loose association.

Non-commercial retail channels include mailorder, retail shops and local international fairs and bazaars. Only a few AMOs use mailorder catalogues to sell to the general public and the constituencies of the parent PVO and the results from these efforts have been mixed. Practically all AMOs have at least one retail shop; some of the larger wholesalers have several, and two AMOs market through a chain

of shops which carry the name of the parent PVO. Some AMO retail shops are thrift shops which offer Third World products along with second-hand clothing and other donated items. Others are gift shops which focus on the presentation of the products and are in most respects indistinguishable from commercial shops. Still others are Third World shops which promote educational materials. In addition, some AMOs attend international fairs and similar events; most have not found these gatherings to be significant in marketing terms, but have found them to be excellent platforms for discussing their overseas programs and related subjects.

By the standards of some AMOs the acid test for any product is its appeal on the commercial wholesale market. Some twelve AMOs use commercial wholesale channels, but only six rely on them for one third or more of their annual sales. AMOs which wholesale to commercial gift and department stores use all the regular channels, including participation in trade shows, commercial representatives, catalogue sales and central warehousing for cash and carry.

The price structures for products sold by AMOs vary considerably, from organization to organization as well as from product to product. On the whole, mark-ups by AMOs are lower than the norm for the handcraft trade. Wholesale and retail prices charged by AMOs are often lower than commercial prices; when final prices do correspond to commercial prices, it is usually due to higher F.O.B. prices, lower sales volume and/or greater inefficiencies within the supplier organization.

Educational Activities

AMOs which play active educational roles engage in various kinds of activities to inform both the general public and their own constituencies about specific economic, cultural, political and social conditions in the Third World. Some AMOs have sponsored and organized exhibitions for local museums, schools and churches; many prepare written and visual materials about their suppliers and their socio-economic conditions. A number of European AMOs have participated in national educational campaigns centered around particular commodities, such as sugar and jute. A three-year campaign in Germany entitled "Jute not Plastic" not only sold 1.5 million jute bags, but served to distribute materials about the jute market and the economics and politics of international trade to a wide spectrum of the European public.

Two essential elements in the educational strategy of many AMOs are the world shops and the informally organized groups or "action" groups. Both the shops and the action groups are centers where dialogues about relevant political issues can

take place among members and between them and the general public. In many small towns, for example, such shops are the sole source of alternative news and opinions on issues related to trade and development.

With one exception, AMOs in the United States have not developed educational programs to the same extent as AMOs in Europe. This is true both for those AMOs which stress the political nature of their work and those which emphasize the cultural traditions of the communities whose products they sell.

Staffing and Staff Remuneration

Volunteers are essential to most AMOs. Some organizations are run by paid staff exclusively, a few AMOs are all-volunteer organizations. Many AMOs rely on a volunteer sales force or sell wholesale to volunteers, but employ only paid personnel in central administrative positions. A number of AMOs have volunteers in certain administrative positions or have access to the free services of specialists (e.g., for mailorder catalogue design).

On the whole, pay rates in AMOs are fairly low. Some AMOs set rates according to philosophical positions, e.g., "voluntary simplicity", "according to need", or "at the level of an elementary school teacher". AMO staff exhibit a high degree of flexibility and usually perform a wide variety of tasks. A number of AMOs have defined positions, such as buying, marketing, product development and education, but even in these cases observers are struck by the extent to which roles overlap.

Governance of AMOs and Relationship to Parent PVOs

AMOs are set up according to various legal guidelines so as to conform to national tax laws governing trading by nonprofit organizations or charities. Differences in legal status and governance structures do not seem to affect policy or operating programs. Many AMOs are associated with private voluntary organizations, some as departments of a PVO, others as trading subsidiaries of a single PVO or a consortium of PVOs; at least one AMO has been established by a PVO as a separate, independent trading company.

Relationships between AMOs and their parent organizations are generally good. Where tensions have resulted in serious discord, they seem to stem from differences in philosophy easily exacerbated by the strong personalities of the principals involved. One dispute, for example, centered on whether the "charity environment" of a PVO was an appropriate context within which to market Third World products.

Another stemmed from disagreements over criteria for selecting suppliers which would satisfy the needs of both the AMO and its parent PVO. And, in a third case the perennial debate over the "undevelopmental" nature of handcrafts (as opposed to small industries) became a serious cause of friction between the marketing subsidiary and its parent organization.

Inter-organizational Cooperation

There have been a number of efforts to create joint projects and foster collaboration and cooperation among AMOs. There is also a good deal of informal contact and sharing between individual AMOs and between AMOs and international development agencies. Two major conferences have been held in Europe which involved the entire spectrum of AMOs. Since 1977 several other conferences have been held with participation limited to the educational AMOs. The 1977 conference resolved to publish a newsletter which would address the need for more information; between 1977 and 1979 three British AMOs were jointly responsible for its production and distribution. A network of educational AMOs was formed in 1978 which has since then helped participants share materials and experiences. There have been several joint efforts at marketing, but none have survived.

Financing the Marketing, Development Assistance and Educational Programs

AMOs have relied upon a variety of sources for their start-up and working capital, including loans and grants from the general public, their parent PVOs and principals within the AMO itself. Most AMOs have financed their growth through sales, but only a few have relied almost entirely on surpluses from sales. Some AMOs which are associated with PVOs are able to meet short-term credit needs with no- or low-interest loans. While AMOs generally generate sufficient income to cover expenses, "subsidies" do exist in the form of inexpensive money, written-off loans, donated facilities, exemption from corporation taxes, and lower operating costs because of nonprofit status, volunteer labor and lower salary scales. For most AMOs there is no reason to expect that these "subsidies" will not continue indefinitely. With rare exceptions, AMOs' development assistance and educational programs, beyond the descriptive materials about suppliers, rely on outside funding, from either the parent PVO or a development assistance agency.

GENERAL OBSERVATIONS ABOUT THE CHARACTERISTICS AND EFFECTIVENESS OF AMOs

While some AMOs face an uncertain future, most of the AMOs surveyed have stood the test of time and have demonstrated that efficient marketing programs can be established by organizations and individuals with essentially altruistic motives. Factors which have contributed to the success of the AMOs surveyed include clarity of purpose, entrepreneurial leadership, a sufficient and secure capital base, a built-in market, and a policy of evolutionary growth.

AMOs constitute but a very minor proportion of the market for handmade products in the industrialized countries. Once an AMO establishes a trading pattern it generally finds that a small number of suppliers is responsible for a large percentage of its turnover. As the AMOs have only a limited capacity to respond positively to enquiries from Third World exporters, the need for initial markets remains largely unmet. While the stability of the non-commercial marketing channels of AMOs is a vigorously debated issue, there is little evidence to suggest that the potential of these markets has been completely tapped. The experiences of some AMOs suggest, however, that a diverse marketing strategy which includes wholesaling to commercial channels would be the most effective way to meet the need of suppliers for stable markets.

AMOs do not have the resources to systematically collect and disseminate market-related information to but a selected few of their own suppliers, much less to provide other exporting organizations with marketing advice and data. With rare exceptions AMOs do not individually have the resources to address many of the financial and production constraints on producers. Finally, it seems that efforts to deal with more than a few of these constraints at any one time prove to be prohibitively expensive and complex for most AMOs.

The nature of the wholesale and retail non-commercial channels of AMOs allows for some degree of flexibility in terms of the quality (poorer), price (higher) and quantity (lower) of imported products. Likewise, it allows for some degree of slippage in delivery times. Thus, AMOs can be "more understanding" of the limitations confronting many producers and more readily assist them overcome handicaps which prevent them from entering other export markets. The extent to which AMOs have been successful in moving producers along in this direction is not known.

Non-commercial channels impose their own demands on AMOs for information on suppliers, on supplier selection and policies, as well as on the prices AMOs can charge for their products. Any volunteer selling staff also has its own special

needs which must be met. Difficulties with the organization and motivation of volunteers have prompted some AMOs to explore commercial wholesaling.

Non-commercial marketing channels are essential to the educational programs of AMOs. By relating educational materials and programs to specific products AMOs have succeeded in reaching a large spectrum of the general public. Purely descriptive materials focusing on specific products and producers also seem to be effective in initiating dialogues about highly complex and political issues related to international trade and development.

The prospects are not very bright for cooperative action among AMOs to deal more effectively with the need among producers for marketing information, advice and linkages, and to launch joint efforts to provide financial and technical assistance. The AMOs which emphasize their educational roles seem more likely to collaborate on joint projects.

AMOs operate like any other commercial trading company and are geared to break even or generate a net annual surplus. AMOs with access to "hidden subsidies" could probably survive without them; the subsidies which do exist (e.g., no-interest loans from a parent PVO) appear, in any case, to be permanent fixtures of the PVO-AMO relationship. The sale of AMO products does generate some surpluses for the informally organized groups of volunteers, but most observers seem to agree that there are less difficult ways to raise funds.

As far as we can ascertain, there is little but anecdotal evidence of the impact which AMOs may have had on producers and their communities. AMOs, of course, have had no effect on the international trading system; but it remains to be seen whether their trading policies and the organizations from which they buy are affecting producers in ways which are significantly different from those of the purely commercial trading channels.

EXPERIENCES OF GOVERNMENT AGENCIES IN THE UNITED STATES AND EUROPE

Impod-Sweden is one of twenty-two agencies established since 1970 in response to requests from UNCTAD/GATT to the governments of the industrialized countries for help in promoting imports from developing nations. These agencies provide trade information and market contact services upon request from Third World exporters. Some also actively help promote particular product groups and develop specialized training courses for participants from exporting organizations. The services of these agencies are free to Third World groups.

IMPOD-Sweden is one of the oldest and largest of the European import promotion agencies with an operating budget in 1980-81 of approximately one million dollars. It has nine professional staff working in four program areas: information, training, consultation and service, and special projects. IMPOD publishes a quarterly bulletin aimed at Swedish importers and an English-language newspaper for Third World exporters. In addition to serving as the major contact point to the Swedish market for exporters, IMPOD carries out special projects in order to introduce exporters to Swedish markets and establish business relationships. One such project involved assistance to two large Swedish chain stores in marketing pineapples from Kenya.

The Federation for the Development of Utilitarian Handicrafts (FEDEAU) is an EEC-funded agency created in 1978 in response to requests from Third World countries for assistance in promoting their handicrafts in European markets. Over the past three years, FEDEAU has organized several exhibitions of handicrafts at shopping centers, museums, and trade shows. It also organizes 2-3 week technical missions to countries which request assistance. These missions include individuals in the wholesale and retail trade and advise exporting organizations on a range of issues, including product design, production and marketing. Participants on missions are encouraged to establish commercial relationships with suppliers. Because African suppliers of crafts exhibited at a trade fair in 1980 were unable to fill orders for their products, FEDEAU has decided to establish a network of field representatives to provide technical assistance. The first of these positions for Africa should be filled during 1981-82.

AID's experience with export promotion projects has been extremely diverse. Primary emphasis has been given to the establishment and support of exporting institutions. Many of them continue to bear fruit. Since 1974, given the shift within the agency toward rural areas and projects which have a direct impact on the rural poor, there has been a de-emphasis on export promotion per se.

AID has played a role in the creation and/or support of six types of exporting institutions:

- export marketing organizations, e.g., the Artesenias del Peru set up as a subsidiary of the Industrial Development Bank of Peru in 1965
- technical support institutions, e.g., a fine arts department at Hongik University in Korea and the Ecuadorean National Institute of Standards (INEN)

- national export promotion offices, e.g., the Colombian Export Promotion Agency (PROEXPRO) and Guatemala's Export Promotion Agency (QUATEXPRO)
- regional export promotion centers, e.g., ROCAP (Regional Office for Central America and Panama)
- inter-regional export assistance centers, e.g., CIPE
- global export assistance agencies, e.g., the World Trade Institute's export promotion project

Data available on these projects shed some light on certain policy, program and project level questions, but can only suggest lines for further inquiry. Evidence from one project, for example, suggests that programs designed to assist individual exporters might only be of marginal importance because the firm must already possess an export capability. And, experiences resulting from efforts to develop marketing organizations for low-income handcraft producers suggest the importance of a flexible marketing strategy and an incremental approach to product development. Furthermore, information on some projects reinforce the experiences of many AMOs and suggest that integrated efforts to address a whole range of constraints on producers are not only complex and difficult, but can also be counterproductive.

INVOLVEMENT OF U.S.-BASED PVOs IN EXPORT MARKETING

Responses from a survey of 625 U.S.-based PVOs carried out in the fall of 1980, indicated that 24 AMOs are currently involved or anticipate involvement in the distribution of Third World products. Four PVOs indicated that they are currently supporting export marketing projects and 38 indicated that they are currently supporting or anticipated supporting development projects with an export marketing component.

IMPLICATIONS OF THE STUDY FOR FUTURE COURSE OF ACTION

Our review of government export development assistance projects and the experiences of AMOs suggest that assistance to exporting enterprises could be consistent with AID's target groups and basic needs considerations. There is clearly a demand from very marginal populations in the Third World for assistance in developing and expanding their export trade. The review casts some doubt on whether AID assistance is necessary and appropriate. There is evidence to suggest that the focus of AID assistance should be Third World intermediary organizations with

both a demonstrated record of reaching and assisting marginal populations and an established export marketing program. AID should avoid situations where the basic production and organizational issues are unresolved and devise instead ways to deliver discrete amounts of technical and financial assistance. There is also evidence to suggest that individuals within the trade would be the most important asset of an assistance program. Therefore, AMOs should be treated as one of many importing channels through which such assistance can be delivered.

We recommend that AID undertake a need survey of existing exporting organizations and support a participatory research project which aims to engage producers in a study of the impact of export marketing on their lives and their communities. While it is premature to suggest concrete types of assistance, we recommend that AID assistance respond to needs of existing exporters and that AID explore the feasibility of establishing a U.S.-based capacity to address the needs of these exporters for information, market contacts, promotion and discrete amounts of technical assistance.

While the future of some AMOs and the overall impact of export marketing are uncertain quantities, European and U.S. AMOs have demonstrated that given certain conditions altruism and commerce can be successfully merged. Their experiences suggest that of great importance are clarity of purpose, strong entrepreneurial leadership and a flexible and diverse marketing structure. They also suggest that some degree of inter-organizational cooperation is necessary in order to address the needs of low-income producers effectively.

In order to explore in sufficient depth the appropriateness of existing alternative marketing patterns given their particular needs, we recommend that interested PVOs support a conference that would include representatives from all relevant organizations. We further recommend that PVOs involved with export marketing projects support the creation of a development assistance fund to finance efforts which benefit not only their own projects, but those of the larger community as well. Finally, we recommend that U.S. PVOs support research studies which examine closely the effects and dynamics of the marketing and educational programs of the AMOs.

PART I
INTRODUCTION

1. BACKGROUND TO STUDY

The genesis of this paper lies in discussions with members of U.S. private voluntary organizations (PVOs) and the U.S. Agency for International Development (USAID) who expressed a desire to know more about the "altruistic" marketing channels for Third World goods in Europe and the United States. These channels are trading companies established for the express purpose of benefiting poor people in Third World countries. They are commonly referred to as "alternative marketing organizations" (AMOs).

In June 1978, two associates of the Center on Technology and Society drafted a paper discussing some of the reasons which have led to the establishment of AMOs by a number of European PVOs and what was known and not known about their operations and effectiveness. The paper suggested that the available evidence and documentation was inadequate for describing the ways in which direct PVO involvement in international marketing seemed justifiable to all participants, especially the low-income producer in the Third World. Moreover, the paper indicated that current knowledge about existing AMOs was too superficial to highlight their similarities and to explore adequately the differences among them. To our knowledge there was no comprehensive description or systematic comparison of the apparently successful AMOs. We did find individuals with extensive knowledge of particular aspects of alternative marketing. Most of them, however, lacked a broad perspective on international development and marketing in general, and no one had documented all aspects of any of the alternative marketing channels. The paper concluded with a proposal for a two-year research study whose empirical base would consist of detailed case histories of ten to twelve AMOs and their suppliers and related producer groups.

The 1978 paper was circulated among the leadership of a dozen American PVOs as well as other members of the international development community. The reactions to the paper indicated considerable interest in export-marketing programs designed to reach and assist poor people and in learning more about the experiences of AMOs in particular. Potential sponsors and users of the proposed research study

suggested that a more limited study be undertaken based primarily on interviews with AMO leadership and available documentation and that the study be viewed as a building block for further research efforts.

In June 1979 the New TransCentury Foundation and the Center on Technology and Society submitted a proposal to the Urban Development Office of USAID to prepare a state-of-the-art paper on the experiences of European and American AMOs which was to include the following elements:

- (a) a review of AID's export development projects and programs;
- (b) case descriptions of alternative marketing organizations in the U.K., Holland, Sweden, and the U.S.A.;
- (c) descriptions of government-sponsored import promotion programs in Europe;
- (d) a survey of the U.S. PVO community to determine current and anticipated activities related to export marketing;
- (e) policy and program implications of the experience of alternative marketing organizations and government agencies;
- (f) options for AID and other development agencies, including options for field demonstrations; and
- (g) recommendations for additional research, especially with respect to the impact of alternative marketing on Third World producers.

A study of the history of AMOs in Europe and the United States and a review of AID's export development experience were thought to be of particular interest to the Office of Urban Development because of its involvement in a process of identifying and testing strategies for mobilizing grassroots institutions and local groups to identify potential assistance candidates, and then to assist them. We also felt that our paper would be useful to other agencies and organizations engaged in efforts to achieve numerous developmental goals at the grassroots level in the Third World.

2. AIMS AND STRUCTURE OF PAPER

This paper addresses two sets of questions:

- (1) Under what conditions, if any, is it appropriate and feasible for U.S.-based private voluntary organizations to develop marketing programs; and what are the strengths and weaknesses of the different options available to them?
- (2) What are appropriate and feasible measures for USAID involvement in the expansion of small-scale exporting enterprises; should this involvement include AMOs; and, if so, in what ways?

This paper consists of seven parts and three appendices. Part I provides a context for the current study. Part II presents a definition of alternative marketing. We should point out at the outset that while most of the organizations surveyed did not hesitate to call themselves AMOs, some questioned the inclusion of others in this category. We found that the basis for acceptance or rejection of an organization as an AMO was not applied consistently by some of the individuals we interviewed. For example, several AMOs rejected certain organizations because they sell to commercial shops, but praised others despite the fact that they also rely upon commercial outlets. In another instance, an AMO director argued that we should not include a particular AMO, because its board of directors consisted of private individuals selected by the AMO's general manager. Yet, this same director held a much more positive view of two other AMOs that, we learned, were governed by boards selected in the same manner.

In view of the discrepancies we encountered among the ideal images of an "alternative marketing organization," as well as the discrepancies between these ideals and AMOs' actual situation, we chose to be as inclusive as possible. Our definition, therefore, is somewhat broad and abstract, and in some ways masks the profound differences and disagreements we found among AMOs.

Part III describes and discusses the different alternative marketing patterns which have developed in Europe and the United States. Part IV presents the general observations and conclusions we have reached based on our understanding of those patterns. Part V begins with descriptions of the efforts of two European agencies to promote the importation of Third World products. This part concludes with a discussion of export development projects and programs supported by USAID. This discussion is based primarily on a review of available documentation on those projects and programs.

Part VI presents the results of a mail survey of 625 U.S.-based private voluntary organizations. And, Part VII presents and discusses implications of our study for USAID and the U.S. PVO community. Part VII also includes two sets of action recommendations for USAID and the U.S. PVO community.

Case descriptions of 27 alternative marketing organizations in Europe and the United States are included in Appendix A. Appendix B includes brief summaries of the USAID export development projects reviewed for this paper. Appendix C presents a brief bibliography of relevant articles and books.

PART II

A DEFINITION OF ALTERNATIVE MARKETING

3. THREE DEFINING CHARACTERISTICS AND A DISSENTING VIEW

Alternative marketing organizations (AMOs) in Europe and the United States are trading and educational organizations that aim to benefit poor people in Third World countries. AMOs import handmade* wood, paper, textile and other products as well as food commodities from Third World countries and market them through a variety of channels. Operating from different philosophical perspectives, AMOs also inform their customers and the general public about cultural and socio-economic conditions in the Third World and issues related to international trade and development.

We noted in the introduction that the term "alternative marketing" covers a wide range of philosophies and operational strategies. For example, some AMOs are organized as profit-making companies, while many are departments or subsidiaries of larger foundations or private voluntary organizations (PVOs).** Most AMOs market products exclusively through non-commercial channels such as volunteer-run shops and church bazaars, but some use only commercial channels. Several AMOs aim to educate consumers in the artistry, history and cultural significance of Third World folk-art; others seek to expose the role they feel the industrialized nations play in the perpetuation of poverty and political oppression in many less developed countries. Furthermore, as trading operations which purchase, import and sell handmade crafts, many AMOs are indistinguishable in most respects from commercial companies of comparable size which handle similar product lines.

*"Handcrafts" is the term commonly used to characterize many of the products imported by AMOs. One AMO defines handcrafts as "manufactured products made by hand with the assistance of tools not requiring electricity or other sources of power." The issue of how AMOs define handcrafts and their imports in general is discussed further in Part III.

**A private voluntary organization has been defined as a "non-governmental, autonomous, nonprofit organization supported mainly by voluntary contributions in cash and kind from the general public or certain segments thereof, in the high-income countries, specialized to carry out a number of functions related to development aid and emergency relief primarily but not exclusively in the low-income countries."

While we grant the profound differences among the 27 AMOs we surveyed, these organizations generally share three features which distinguish them from their commercial counterparts. The three are:

- (1) their altruistic purposes;
- (2) their focus on producers/suppliers who exist under particularly trying socio-economic conditions;
- (3) their non-marketing activities

The altruistic purposes of AMOs are evident in a wide range of statements gathered from and about AMOs. For example, the former director of ABAL Foundation (Holland) expressed the essence of alternative marketing as "a state of mind"--one which, he said, reflects a profound concern for the whole range of human needs, including the material, social, psychological and spiritual. According to an English observer, the altruism which constitutes this AMO "state of mind" is more pervasive than the limited philanthropy that may be expressed by socially responsible organizations through occasional or even regular support of "good causes" (MKenna, 1977, p. 18). It is, rather, "the motive force behind all actions of the organizations."

The following stated objectives illustrate the nature and range of altruistic purposes which have been delineated by a sample of AMOs.

Afro-Art (Sweden): Afro-Art was founded to assist Third World artisans economically by buying their products; to help Third World producers gain pride from learning that people in industrialized nations would buy their handcrafts in competition with mass-produced products from more industrialized countries; to provide technical assistance and resources to Third World groups in order to strengthen their production in ways consistent with their local resources and culture; to give a quality image to Third World products and producers in order to fight racial and cultural prejudices; and to increase public awareness of the importance of crafts in general.

Developing Countries Foundation of 1962 (Denmark): The aims of the Foundation can be expressed in one word: co-operation. A co-operation based on the participation of groups of people in the developing countries and in Denmark. The Foundation attempts, often through volunteers, to establish contact with individual projects in the developing countries--such as schools, handicraft centers, orphanages--and offers them means and knowledge to develop the activities they have already begun. In Denmark, the Foundation offers an opportunity for persons interested to get more familiar with the cultural achievements of other countries, with their daily life, with the ways in which other people express themselves artistically, with their problems and with their efforts to solve them . . .

GEPA (West Germany): GEPA wants to contribute, within its modest scope, realistically and symbolically towards the political, economic, social and cultural liberation from 'underdevelopment' and towards the promotion of self-reliance in the countries of the Third World. Its means are development-directed trade and development-oriented awareness. . . .

Development trade: . . . Within its limited scope GEPA tries to conduct import and marketing in such a manner as to help self-help groups to attain self-reliance. Direct export offers them the opportunity to free themselves at least partly from exploitation by middlemen and money lenders and from endless debt. Development education: . . . The aims are to spread information about the unjust structures of world trade and the devastating situation in the developing countries and to awaken understanding in our society for the causes of underdevelopment and through this to set up conditions in which change can take place: change towards more social justice, towards more independence and self-determination.

SOS-Wereldhandel (Holland): (a) the problem of development is one of the largest problems in the world. The humanity of society is in danger and the continuation of the existing situation cannot be justified. SOS-Trade wants to be on the side of those people within the developing countries who intend to change the society by self-liberation. (b) The development problem is strongly correlated with worldwide problems. SOS-Trade wants to reveal this. (c) The problems of development are wide and complex. No single organization should have the pretention to be able to solve all of those problems on its own. SOS-Trade does not claim that its strategy is the only correct one. . . . (d) So far, SOS-Trade is convinced that it can contribute in an essential way to the solution of development problems by buying and selling products from development projects. The provision of information to [European] buyers about [Third World development concerns] is an essential part of the contribution itself. . . .

Third World Handarts (U.S.A.): Third World Handarts is an attempt to offer an alternative in marketing practices. It is a nonprofit venture that eliminates the middleman and provides a market for Third World people who are seeking just ways to work and live. Handarts are labor-intensive, which means that they can provide those who have the least with a meaningful and dignified way of earning an income. Third World Handarts is person-centered marketing, supporting person-made rather than machine-produced articles as a way of affirming--in work situations--values of creativity, human energy and personal growth.

Traidcraft (U.K.): Traidcraft is a company, founded and run by Christians, which is trying to put into action through the medium of responsible trading the call for justice between the world's nations. It is recognized that economic justice is only one part of the need and that encouraging the marketing of

cottage industry products in turn is only a tiny segment of the trading pattern. However, it is an area where conclusive and practical benefits have been achieved and where Traidcraft has accumulated substantial expertise and direct working experience.

The second distinguishing feature of alternative marketing organizations is their focus on a particular type of producer/supplier. Prominent in the literature of AMOs are references to their work with particularly disadvantaged peoples. The list includes Bihari refugees and widows in Bangladesh, the Jiri of Southeast Nepal, small cooperatives of Indian weavers in Guatemala and Peru, Moslem woodcarvers in northern India, slum dwellers in resettlement areas of Manila, Lima and Nairobi, handicapped workers in Delhi and Sri Lanka, leprosy projects in Hong Kong and Mexico City. The list can be extended considerably.

Even though, as we shall see later, not every supplier is particularly disadvantaged, the socio-economic condition of suppliers in general remains an important consideration for AMO staff. It is also important to tax authorities in some industrialized nations. The U.S. Internal Revenue Service, for example, denied an application for tax-exempt status to Aid to Artisans (U.S.A.), partially on the grounds that the AMO could not ensure that its suppliers were, in fact, disadvantaged artisans. Similarly, in 1979 the West German tax authority objected to GEPA buying from state-owned firms in the Third World, because it did not consider such firms to be "needy people."

A third distinguishing feature of AMOs is the set of activities they carry out which bear little relationship to trading and the maximization of sales. These activities have a variety of shapes and forms, many of which are not viewed positively by all AMOs. The activities are, however, directly related to the achievement of an AMO's altruistic purposes. The following examples are but a small indication of the non-marketing activities of AMOs.

Global Village Crafts (U.K.) is incorporated as a profit-making company. Its director and staff receive salaries at least equal to those offered by most commercial importing/wholesaling operations. Global Village Crafts, however, is organized to help finance a communication service which provides basic information to village communities in the Third World. The service publishes a newsletter, Basics, circulated to approximately 8,000 individuals and groups. The service also responds to queries for information on practically everything, from building dirt roads to drying wood. Global Village Crafts has also prepared sales catalogues for several

Third World marketing organizations and has helped link up several of its major suppliers with potential buyers in Europe and North America. In a similar vein Tearcraft has produced a catalogue and commissioned a study on the German market for its major supplier in Bangladesh.

Tanzaniaimport requested funds from the Swedish International Development Agency (SIDA) to support an effort by a women's cooperative in Dar Es Salaam to diversify its production to include clothing items for local and regional markets. In the process the AMO lost the cooperative as a supplier, as all the co-op's production ended up going to the local and regional markets. A similar situation occurred when Afro-Art lost a Bolivian supplier of textiles. Continuing its practice of buying only a small percentage of its suppliers' output, Afro-Art was eventually squeezed out by other importers who placed larger orders with the Bolivian cooperative. Both AMOs, however, regard these outcomes as positive.

The Self-Help Program (U.S.A.) of the Mennonite Central Committee (MCC) is prepared to assist its major supplier in Bangladesh to expand its market by linking up with commercial buyers. This is one pattern of assistance which is followed by a number of AMOs.

Bridge/Oxfam (U.K.), SERRV (U.S.A.), GEPA and FRIDA Marketing Services (U.K.), among other AMOs, help finance production by pre-paying portions of their orders. This practice can provide a fair amount of working capital and alleviates some of the financial constraints on producers. For example, the amount of advance payments from GEPA totals between 150,000 DM and 300,000 DM (\$85,000 to \$170,000) a year. Bridge will normally pay 25% to 40% of an order at the time it is placed. FRIDA Marketing Service will pay up to 50% in advance on all orders over 1,000 English pounds.

GEPA, the largest AMO we visited, and Third World Handarts, one of the smaller, are two AMOs which compile, publish, sell and disseminate a wide range of educational materials. Their educational activities, however, are not viewed as a way to enhance sales. In fact, it is exactly the reverse--trading Third World products is seen as a way to engage the buying public in a discussion of the broader issues of international trade and the persistence of poverty in the Third World. Traidcraft is another AMO which uses trading to achieve educational purposes. Even though their narrow margins do not make the venture commercially very attractive, Traidcraft markets instant coffee processed in Tanzania and tea packaged on an estate in Sri Lanka because it considers both commodities to be excellent vehicles

for discussing the "inequities of the international trading system." And, the Sarvodaya AMO (Holland) devotes more efforts to developing educational programs about Sri Lanka than to marketing the Sarvodaya movement's goods.

The AMOs' concern for all of the human needs of their suppliers (as well as their own) shows as clearly in what they do not do as in what they do. World Crafts has found it very difficult to develop a U.S. market for placemats made on backstrap looms in Bangladesh. Backstrap weaving is a time consuming and costly method of production. Although the products are of superior quality they meet with resistance from the U.S. consumer because of their higher prices. One alternative open to the AMO is to introduce a different weaving technology (e.g., table looms) which would lower costs and therefore be more appealing to consumers. In all likelihood, World Crafts will not consider a change in technology, because, in the words of its director, "We would be removing a very important prop within the social structure and the consequences are unforeseeable."

And, while acknowledging their understanding of the difficult conditions under which their suppliers work, most AMOs also claim to eschew the paternalism which they feel works against the welfare of producers in the long run. The Self-Help Program, for example, criticized the MCC mission in Swaziland for allowing producers to do shoddy work simply because they were poor. And, the former marketing director of FRIDA Marketing Services contends that AMOs can best demonstrate their concern for the welfare of producers by stressing that "handcrafts is a no-nonsense, serious job."

Sometimes an AMO's concerns extend beyond the immediate human or social condition of individuals. An awareness of the environmental impact of production practices may govern marketing decisions. Neighbors Crafts, for example, stopped importing coral bracelets from the Philippines, despite their great saleability, "because of the alarming rate at which coral reefs in the Philippines are being destroyed for profit." The same AMO continues to import wooden utensils made in Nepal, because the training and production project there includes a reforestation component.

There are many observers of AMOs, as well as directors or former directors of several of the organizations surveyed for this paper, who do not accept the use of the term "alternative marketing organization." These critics argue that the term implies the existence of a real choice, and, in the context in which it is generally used, something of higher value. They give five reasons for discounting the significance of AMOs.

First, the management staff of many AMOs, it is claimed, do not make significant material sacrifices. They generally benefit as much from the organization as the entrepreneur whose motives are not altruistic.

Second, with the exception of the smallest organizations, the exigencies of the marketplace and the realities of the conditions under which producers work force most AMOs to rely heavily upon a handful of well-established and reliable suppliers. These suppliers are often government emporia or state-owned firms, or large commercial traders. Thus, producers supplying AMOs are rarely particularly disadvantaged or in other ways significantly different from producers supplying commercial importers and wholesalers.

Third, despite the involvement of many AMOs for five years or more in some countries, few can point to any but isolated examples of significant changes in the socio-economic conditions of their suppliers, the vast majority of whom remain as isolated, vulnerable, and unable to respond to market changes as they were at the outset. Furthermore, where positive changes have occurred in the conditions of producers, they are most often due to changes in the local environment and not to any direct action taken by the marketing organization.

Fourth, since many AMOs are extensions of voluntary organizations or charities, it is the access to their resources (e.g., field staff, volunteers and money), and not anything inherent about AMOs, that gives them the freedom to engage in activities which are unrelated to their trading functions. Critics of AMOs also point out that many AMO suppliers have been recipients of large amounts of financial and technical support over long periods of time from private aid agencies. Because of their privileged positions, therefore, AMOs reap the benefits of this assistance--an unfair advantage, in the eyes of some, over other importers. In addition, it is argued that the assistance provided many foreign organizations often results in unhealthy dependencies where the inefficient producers are subsidized at the expense of efficient producers, or where the assistance is so intensive that replication on a large scale is impossible. Many AMOs are also criticized on the grounds that they market products within a "charity" environment--an environment, in the opinion of some observers, which does not provide the healthy and stable basis on which Third World producers want their products sold.

Fifth, the volume of trade generated by AMOs is infinitesimal when compared to the industry as a whole. The total sales volume of the AMOs surveyed for this paper is probably no more than 1%-2% of the total market for handcrafts in Europe

and North America. Furthermore, the unit sales of many AMOs have either plateaued or actually diminished during the past several years, even while the export value of handcrafts from many countries was increasing. Thus, while the dramatic growth of the handcraft trade created a very buoyant environment within which AMOs thrived, it is an open question to many critics whether many AMOs will successfully meet the twin challenges of securing new product lines and merchandise and developing new marketing strategies, while maintaining their commitments to individual producer groups.

The term alternative marketing organization is challenged, therefore, on two levels. AMOs are not sufficiently different, it is argued, in terms of their actual operations (including the socio-economic conditions of their suppliers). And, AMOs do not produce sufficiently different results to balance their overall insignificance in world trade and justify their hidden, as well as direct, costs.

While each of the five criticisms is accurate to some degree, there are exceptions to all of them. For example, there are AMOs which continue to expand in a stable and controlled fashion and which deal directly with a large number of producer groups, including many poor and small groups. One AMO has had to create a constituency from scratch; another has grown slowly over a 25-year period with the continued support of established church groups. Furthermore, to some AMOs, these criticisms are simply irrelevant. These AMOs do not aim to effect large scale change and readily acknowledge the limitations of their programs.

We have dealt at length with some of the defining characteristics of AMOs and criticisms of them because together they highlight a number of the important questions and issues regarding the nature, the viability and significance of AMOs on which the next section is intended to shed some light. From the outset, however, it is important to think of AMOs as organizations which share some traits, but differ in many ways. Moreover, the use of a single term, be it "alternative marketing organization" or any other, is probably more a matter of convenience than an accurate reflection of reality.

PART III
ALTERNATIVE MARKETING PATTERNS IN THE U.S.A. AND EUROPE

Case descriptions of 27 AMOs are presented in Appendix A. The discussion of the AMOs in this section is organized around the following ten themes:

- (1) goals and philosophies
- (2) history and development patterns
- (3) sources of supply
- (4) constraints on producers and ways to address them
- (5) merchandise and marketing strategies
- (6) educational activities
- (7) staffing and staff remuneration policies
- (8) governance of AMOs and relationships to parent PVOs
- (9) inter-organizational cooperation efforts
- (10) financing of marketing, development assistance and educational programs

We shall discuss each of these themes in terms of the different patterns we identified and with reference to particular AMOs where appropriate. We have already noted that AMOs are in many ways more different than they are similar. Thus, we found no general models according to which AMOs can be classified. We found, instead, unique configurations of different patterns.

4. GOALS AND PHILOSOPHIES

We have organized the discussion of the goals and philosophical orientation of AMOs around the following five questions:

- (1) Does the AMO perceive itself primarily as a trading organization or an educational organization?
- (2) What criteria does the AMO use to select suppliers and how strictly are they applied?
- (3) What structural objectives (increased producer participation in management) does the AMO establish with its suppliers?
- (4) What role does altruism play in the organization's marketing strategy?
- (5) How does the AMO define the "Third World Problem"?

4.1 Primary Emphasis (Trading or Education)

AMOs differ mainly in the extent to which they view themselves as either trading or educational organizations. Some AMOs present themselves as both trading organizations and educational organizations. Traidcraft (U.K.) is an example of an AMO which considers both functions equally important. In its 1980 color catalogue, Traidcraft states its overall aim to be the creation of jobs and income through its marketing service to Third World producer groups. In addition to descriptions of products and producer groups, however, the 1980 Traidcraft catalogue includes a New Internationalist article on "the inequities of the international trading game where the rules are rigged against Third World producers." As another example, Afro-Art sees its trading activities as a way to provide employment and income to Third World producers and help strengthen local culture and foster self-esteem; the AMO also aims to fight racial and culture prejudices by documenting and preserving authentic crafts traditions and by giving the highest quality image possible to the products it markets. Similarly, Aid to Artisans expresses its purposes as: (1) the alleviation of economic deficiencies in communities of disadvantaged artisans, and (2) the education of the American public in the artistry, history and cultural significance of handcrafts from such communities. SERRV, the largest AMO in North America, articulates its purpose in the following way: "To support income producing activities of people around the world caught in the backlash of war, natural disaster or chronic poverty and to acquaint Americans with the crafts of foreign cultures, the societies from which they emanate and their value as art."

SOS is an example of an AMO which will compromise trading goals in order to enable the educational aspects to function. Seventy percent of the AMO's turnover is from coffee---despite the fact that the AMO sometimes loses a good deal of money in the fluctuating international market for this commodity and would like to market other products. The groups in Holland to which SOS sells coffee and through which it is linked to educational activities in Europe prefer to deal in coffee rather than any other commodity. And, the AMO views these groups as central to its educational mission. Traidcraft markets coffee for similar reasons, in spite of the narrow profit margins. It will also continue to rely on voluntary sales representatives, even though many are not very effective salespeople, because they are critical to the AMO's educational programs. And, whereas Neighbors Crafts does not consider participation in international fairs and bazaars to be a

cost/effective marketing channel, it has found them to provide an excellent platform for discussing the development program of World Neighbors and, thus, will continue to participate in them.

FRIDA Marketing Services, Global Village Crafts, Bridge/Oxfam Trading, ABAL Foundation and IPHRD (U.S.A.) are examples of AMOs which measure their effectiveness primarily in terms of sales generated. FRIDA's (the parent PVO of FRIDA Marketing Services) primary purpose is the creation of productive employment in developing countries. On the assumption that growth potential in less developed countries, especially Africa, is highly dependent on export markets, FRIDA Marketing Services is seen as a means to expand channels of distribution adapted to handcrafts, maximize sales of handcrafts and assist in the creation or expansion of handcrafts production in Africa. AMOs in this category do carry out a range of educational activities, including providing descriptive materials on producers and sponsoring craft exhibitions. These educational activities, however, are generally seen as marketing support--to be of value they must result in increased sales.

'Trading' by itself, however, is not a sufficiently detailed goal for even the AMOs which do not have an educational role. As the former director of Bridge/Oxfam has pointed out, trading in handcrafts must by definition result in some level of benefits to the producers because of its labor-intensive nature; but, employment is frequently short-term, at low rates of pay and under poor working conditions. As a result, AMOs will claim to:

- (a) avoid exploitative and sweat-shop situations;
- (b) pay a "fair" wage which at least satisfies the minimum wage guidelines of governments or unions;
- (c) provide continuous employment; and
- (d) provide employment for as many people as possible.

In contrast to the so-called trading AMOs there are AMOs which see themselves primarily as educational vehicles. In personal correspondence, for example, the director of the Developing Countries Foundation of 1962 wrote:

The most important thing to us is not the quantity of articles sold and it is not the quantity of money obtained. We hope through the foundation to make it possible for a larger number of people to become active [in development] and to establish relations with groups in the developing countries or to develop relations already established.

GEPA, the largest AMO which we surveyed with a turnover of 7.2 million DM (\$4.5 million) in 1979, considers its trading volume to be very small in terms of

international trade and the West German market. Instead of emphasizing its sales, GEPA takes the position that its "development-oriented awareness" program is more likely to make an important contribution, both realistically and symbolically, toward Third World political, economic, social and cultural liberation from 'underdevelopment.' Thus, GEPA emphasizes the development of information materials and national or multi-national campaigns organized around specific everyday products (e.g., coffee, tea and jute) in order to promote increased awareness of development issues. Similarly, Jubilee Crafts (U.S.A.) looks upon itself primarily as an "educational tool of the Third World" and only secondarily as a marketing channel.

The AMOs which give emphasis to their educational roles rely heavily on volunteer salespeople in "action groups" and "world shops." These AMOs view the volunteers themselves as very important clients of their educational activities. Through their volunteer marketing activities, AMOs hope to attract people from a wider range of occupations and educational backgrounds than are reached by organizations which only offer discussion groups and educational materials on development and the Third World.

4.2 Criteria Used to Select Suppliers

4.2.a Emphasis on community-based, grass-roots, small-scale projects: AMO literature deals at length with the importance of working with groups which are cooperatively owned or managed and which form part of wider, community-based development programs. The 1978 Global Village Crafts catalogue, for example, notes the AMO's intention to purchase all of its merchandise from community-based projects and points out that 100 of its suppliers are cooperatives. In the early Bridge/Oxfam literature it was claimed that "Bridge never buys from private commercial businesses, rarely from government emporia, only occasionally from charity/welfare projects (and only when the organizers are anxious to increase the involvement of workers more and prepare them to assume greater responsibilities) and often from workers' cooperatives and associations."

For a number of reasons which we shall explore in more depth later, most AMOs have adopted a very flexible approach toward meeting the ideal. Neighbors Crafts, for example, started its marketing program with the intention of buying directly from producers "who exercised a modicum of control over their own lives and who were affiliated with World Neighbors (the parent PVO) projects." Neighbors Crafts soon found that there were not enough of these groups with both sufficient variation

in product lines and the ability (as well as interest) to ship internationally. Neighbors Crafts, consequently, buys from a wide range of suppliers, including government-owned marketing organizations and commercial producers as well as cooperatives.

Despite the actual configuration of AMO suppliers (which covers a wide range of potential suppliers), AMOs manifest a very strong emphasis toward the small-scale cottage-industry level, grass-roots, community-based project. A director of Afro-Art, for example, argues that the experiences of her organization are of interest only to those committed to "small projects." This emphasis is rooted in the philosophical positions taken by many AMOs, as well as in their practical needs and experiences. It influences many of the important decisions, such as product selection, approaches to marketing and new product development. For example, one of the objectives of FRIDA, the parent PVO of FRIDA Marketing Services, is to assist in the creation and expansion of handcraft production in Africa. To achieve this objective FRIDA placed two resident field officers in Africa in 1979. For one year the two field officers functioned as buyers for FRIDA Marketing Services and looked for projects which could absorb direct assistance from FRIDA. According to the former director of projects at FRIDA, the field officers identified several potential projects. One in a West African country was "particularly exciting." The project involved a small rug weaving workshop which engaged 15 rural women. The workshop had been organized by local Catholic missionaries who in 1979 were pulling out their support. To expand, and even to continue, the workshop needed assistance, especially on the marketing end. The FRIDA Marketing Services staff saw potential in the project. The products were pile rugs which the women knew how to make, and make well. The project was village-based; it was small and organized and controlled by the producers. In short, as far as the FRIDA Marketing Services staff was concerned, it was an excellent example of the "radical, grass-roots, innovative approach to development."

The arguments made by FRIDA Marketing Services in support of providing assistance to the pile-rug workshop are similar to those made by proponents of cottage industries in general. Cottage industries are usually defined as home-based, small-scale economic activities performed mainly by family members with low levels of capitalization. Cottage industries are generally promoted (as they are in the Philippines) on the following assumptions:

- (a) Cottage industry products are labor-intensive.
- (b) The industry generally makes use of local raw materials.

- (c) The industry generally employs traditional skills or requires skills that can be taught with a few weeks' training.
- (d) The industry needs very little foreign exchange for plant and machinery.
- (e) The industry is a significant source of foreign exchange. (In 1978 the value of handcraft exports from the Philippines exceeded \$144 million.)
- (f) Cottage industry products can be manufactured in homes and in relatively small premises and do not involve significant investment in special plant and machinery.
- (g) The industry does not involve sudden movement to factories and is one of the least disruptive ways of fostering economic development.

AMOs are likely to cite less tangible reasons for supporting cottage industries. Traidcraft, for example, notes that cottage industries lend themselves to the organization of cooperative groups which often provide a forum for passing on information about a range of issues of general interest to local communities, including nutrition, hygiene and family planning. Traidcraft also argues that cottage industries help to strengthen family structures and often provide the only alternative to charity and food relief.

AfroArt, Aid to Artisans and Global Village Crafts are AMOs which argue that folk-art in itself merits support. They consider folk-art to be an accurate expression of underlying local and national culture, beliefs and traditions. They also contend that the market for authentic and quality folk-art is and will remain strong. Another factor underlying the commitment of AMOs to cottage industries and handcrafts is "ease of entry" on the marketing end. It takes no particular skill or experience to buy an initial consignment of goods and sell them to friends, local shops or a PVO constituency. Many AMOs started in this fashion. It does take, however, considerable skill, acumen, and luck to survive as an importer year after year.

The predilection of AMOs toward the community-based, cottage industry type of project does not preclude other levels of involvement. Ideele Import (Holland), for example, handles a number of processed food items and several AMOs market instant coffee processed in Tanzania and Nicaragua as well as other commodities. There seem to be only a few exceptions to the general rule, however--an orientation which influences much of what AMOs do, including, as we shall discuss later, their approach to marketing.

4.2.b Selection biases: In selecting suppliers AMOs give different weights to various criteria. The following six criteria are among those we found to be considered important by AMOs we surveyed.

- (i) characteristics of the intermediary organizations: Traidcraft states that it buys only from groups which are: "(1) organized for the benefit of its members; (2) concerned for the personal welfare of individual producers, and (3) paying wages and providing working conditions which are equal to or above the average in its locality." GEPA has a list of thirteen detailed criteria for selecting suppliers. Its most important criterion is that producers be part of a "self-help organization (of a cooperative nature including informal and traditional patterns) which is striving to become more self-reliant both economically and politically independent of indigenous middlemen and foreign advisors." In contrast, some AMOs eschew what the former marketing director of FRIDA Marketing Services calls the "neo-colonialistic" attitude of many AMOs which are "continually involved in other people's affairs--trying to tell them how to run their affairs, etc."
- (ii) religious leadership: Tearcraft is the trading subsidiary of TearFund, the Evangelical Alliance Relief Fund. TearFund is unique among Christian relief organizations and the purely humanitarian agencies in that it seeks to work where it can enhance an evangelical Christian witness. The management of groups which TearFund will support directly, and through Tearcraft as well, "must be in the hands of those who want to introduce the people they serve to that 'fullness of life' which comes through faith in Jesus Christ alone." No other AMO to our knowledge has a similar criterion.
- (iii) organizational affiliation: The Self-Help Program and Neighbors Crafts are two AMOs which prefer to work with producers who have some direct association with their parent PVOs. The Self-Help Program, for example, will try to buy first from producers with connections to MCC field projects, second from producers with some associations with other Mennonite groups, and third from producers associated with some other church organization. At least two thirds of SERRV's suppliers are associated with a church organization, though in SERRV's case the pattern seems to have emerged more by chance than design. On the other hand, Bridge/Oxfam Trading and GEPA are two AMOs with strong PVO affiliations, but which have no apparent bearing on supplier selection policies.

- (iv) geography: Three AMOs have a particular geographic focus; FRIDA Marketing Services' retail operation aims to sell African crafts, Sarvodaya Shramadana in Europe buys only from Sri Lanka and Tanzaniaimport only from Tanzania. (Afro-Art began with an African focus, but later included crafts from all Third World countries.)
- (v) geo-political: Handelsfront (Sweden), Solidarisk Handel (Sweden), Tanzaniaimport and Ideele Import select suppliers according to characteristics of their national governments. The two Swedish AMOs only purchase from "non-imperialist socialist countries." Through their purchases and marketing programs several other AMOs express explicit support for politically oppressed groups in different countries, including the Philippines, Chile, and South Africa.
- (vi) folk-art traditions: Afro-Art and Aid to Artisans focus primarily on the quality of the products of a producer group and secondarily on the socio-economic conditions of the producers. Aid to Artisans will buy only products which it feels accurately express underlying local and national culture, beliefs and traditions and will not introduce new product ideas.

4.2.c Willingness to deal with commercial exporters and importers: Many AMOs categorically refuse to buy from commercial exporters on the grounds that they reap the lion's share of the benefits from trading and more than likely squeeze producers. Oxfam, for example, started its handcraft marketing program in the 1960's by buying from eight commercial importers in the U.K. Oxfam became aware of the exploitative nature of the importers' relationship with producers when they were congratulated by several importers for happening on to a good thing, because "they would work all day for a bowl of rice." Oxfam subsequently changed its policy to exclude both commercial exporters and importers from its suppliers. GEPA, SOS, Traidcraft and Tearcraft are other AMOs which import only from non-commercial suppliers.

Other AMOs take a much more tolerant stance toward commercial firms, as a matter of principle as well as expediency. SERRV, for example, buys chiefly from church-related suppliers. It will on occasion, however, buy from commercial firms in order to supplement the limited output of some of its suppliers. This policy allows SERRV to catalogue the products of many small groups whose output otherwise would be too low to justify their inclusion in the AMO's wholesale catalogue. The

single largest supplier of The Self-Help Program is a commercial exporter in India. The director of The Self-Help Program claims that the exporter opens his financial records and allows Mennonite Central Committee staff to visit producer groups at any time. Furthermore, the exporter has turned out to be four times as efficient as a nonprofit marketing organization supported by MCC contributions. Neighbors Crafts also buys from commercial suppliers, but only from those known personally to World Neighbors staff.

Global Village Crafts, IPHRD and FRIDA Marketing Services are among the AMOs which buy from commercial importers and exporters simply to increase the range and attractiveness of their retail lines. Global Village Crafts, for example, views any increase in trade from the Third World as beneficial and casts a jaundiced eye upon claims by both commercial as well as non-commercial Third World organizations that they are primarily concerned with the welfare of producers.

4.3 Development Objectives and Change Strategies

4.3.a Emphasis on incremental change: From both their philosophical perspectives and bittersweet experiences, AMOs generally agree that their objective should be to market what producer groups can already produce with the fewest possible behavioral changes required at the level of the producer group. Most AMOs would agree with the conclusion drawn from studies of a UN-agency-sponsored handcraft project which found that most technical cooperation efforts failed to achieve their potential because "productivity increases depended upon a myriad requirements of small changes in behavior--new skills, new imports, new work methods, new timing or organization of production" (Kilby, 1979, p. 314).

Like most AMOs, SERRV's approach to product development, for instance, is to emphasize indigenous designs and the use of locally available raw materials. It rarely requests that a group produce new products. According to SERRV's director, "we do not try to develop a product to bring it to the market . . . we make minor adjustments in a product . . . suggestions that are a logical consequence of something else which producers make." The former marketing director of FRIDA Marketing Services would pick up only what came naturally from producers and never try to push them into something new. Global Village Crafts claims that it is "very basic in trying to adapt quickly, effectively and commercially what is already being produced as utilitarian items."

The importance of incremental change applies to quantity as well as product designs. Afro-Art is one AMO which cautions against asking suppliers to increase their output substantially because of "the likely problem such demands will create for producers, for example, in obtaining raw materials, and training and managing other people to produce more." Afro-Art has found that pressures to meet larger orders often result in a lowering of quality. The director of Traidcraft claims that suppliers always underestimate how long it takes to train people. The experience of Bridge/Oxfam in the Philippines echoes the sentiment among many AMOs that in general producer groups have little idea about what it means to commit themselves to larger orders. Bridge/Oxfam has found that larger orders (in terms of a group's normal capacity) often means:

- (a) new technological problems to be overcome
- (b) sources of raw material no longer available locally
- (c) increased financial liability for the group
- (d) quality control more difficult to maintain
- (e) social structures strained from the need for new modes of production
- (f) economic opportunity costs

And, the Bridge/Oxfam staff claims to have seen very few groups make a successful transition to an expanded production level. At the moment, in fact, there are discussions within Oxfam over whether expansion is an appropriate goal except under very special circumstances.

No AMO expresses much enthusiasm for the idea of creating alien workshops and factories for the industrialized nations in the Third World. Most AMOs are equally reluctant to introduce new organizational structures. In AfroArt's experience, for instance, small cooperatives and workshops are likely to do well over a number of years when they are created and run by indigenous leadership and involve participants from the same locality and ethnic group. According to the directors of AfroArt, it has proved exceedingly difficult to develop loyalty and dependability in urban cooperatives or workshops which employ people with different ethnic origins. And, when expatriates have been involved the cooperatives or workshops have had major difficulties surviving the transition to local management. The director of World Crafts claims that in many parts of Asia so-called cooperative workshops introduced at the insistence of outside agencies usually fall apart within four or five years from their inception.

4.3.b Structural objectives of increased responsibilities for producers and lessened dependence: AMOs aim to contribute to the overall socio-economic development of their suppliers. Most AMOs, therefore, try to buy from organizations in the Third World which view exporting as one means to achieve that end, are involved in self-directed development efforts and seek to lessen their dependence on foreign aid agencies as well as exploitative middlemen.

In addition, a number of AMOs, in collaboration with voluntary agencies, have helped create new marketing structures in producing countries in order to assist small-scale producers obtain a larger slice of the manufacturing margin and attain a larger measure of control over their own lives. Bridge/Oxfam and FRIDA Marketing Services have both worked very closely with the Community Crafts Association (CCAP) of the Philippines. (CCAP is an association of 23 nonprofit, social development agencies, created as a central marketing organization to sell products from the handcraft workshops of each of the development agencies.) FRIDA Marketing Services was instrumental in the creation of The Kingdom of Lesotho Handicrafts, a central marketing organization of producer groups in Lesotho. Tearcraft and The Self-Help Program helped to establish Asha Handicrafts, a non-profit marketing organization in Bombay. And, both AMOs played very important roles in the development and growth of the Jute Works in Bangladesh, one of the best-known efforts to organize export marketing for low-income producers.*

Some AMOs, including ABAL Foundation, Afro-Art, The Self-Help Program, and Dritte-Welt-Läden (West Germany) deliberately buy from a few groups that lack sufficient volume and quality control for international commercial markets in hopes that such purchases will eventually help the groups succeed in those markets on their own. This is a long-term and expensive investment, however, which only a few AMOs are willing and able to make. To some AMOs, including Traidcraft, the acid test of a producer group's viability is the marketability of its products in commercial channels in direct competition with similar products from other anonymous suppliers. Having worked with a group to the point where it is capable of passing such a test, however, Traidcraft is reluctant to let it "fly off to the commercial world."

AMOs express different levels of concern over the dependency of their suppliers on the export market in general and on their own marketing channels in

*The effectiveness of these intermediary organizations is a hotly debated topic; we discuss this issue further at several points in the paper.

particular. According to its former director, Tearcraft tried to implement, if not entirely successfully, a policy whereby its suppliers would not export more than one-third of their output to any one country and no more than one-third of that volume to any one buyer. Some AMOs encourage their suppliers to rely more heavily on domestic markets. Tanzaniaimport, as we have seen, provided technical assistance to one of its suppliers in order to develop a regional and domestic market. One of GEPA's criteria for selecting suppliers is a decreasing dependency on foreign advisors and exports over time.

In some instances, however, as with the dependence of the Sarvodaya movement in Sri Lanka on Sarvodaya Shramadana in Europe, a supplier will resist efforts by an AMO to decrease his dependence because he sees the AMO as a good market outlet and worth retaining. And, there are a few AMOs which even look upon concerns over dependency as paternalism.

4.4 The Context for Marketing Products and the Role of Altruism

AMOs take very different positions on the role altruism does and, indeed, should play in decisions to purchase the products they market. Several AMOs explicitly try to make the individual purchase of a product represent a conscious, direct and positive step toward fulfilling some personal goal or responsibility, such as one's Christian duty in the case of Tearcraft; or helping the Third World in the case of Neighbors Crafts, Worldcraft and Third World Handarts; or realizing a spirit of cooperation in the case of Developing Countries Foundation of 1962.

A number of AMOs are ambivalent about their own position on the role of altruism in the context of marketing products. In the Traidcraft catalogue, for example, the director of Traidcraft enjoins prospective buyers not to buy unless "they think the products to be of good quality and good value for money." The catalogue, however, also includes pictures and column-length descriptions of Traidcraft's suppliers as well as references to Traidcraft's efforts to bring a modicum of fairness to international trading. Global Village Crafts has been described as combining altruism with a "something for everyone" image to bring customers into its retail shop, while in the shop the emphasis is on quality and price (McKenna, 1977).

FRIDA Marketing Services and Aid to Artisans, which do not have PVO-related constituencies, make no reference to their altruistic purposes in their wholesale marketing programs. FRIDA Marketing Services has its own retail outlet, but makes

no mention of its nonprofit status and does not provide any descriptive materials on its suppliers in its retail shop.

The issue of a "charity" environment, even by implication, as an appropriate context for marketing Third World products was debated at length within Bridge/Oxfam in the early 1970's. The former director of Bridge argued for four years that in the long term trading under the name of a charity was deleterious to interests of producers who "want dignity in selling [their] goods on their merit." The debate within Oxfam was not resolved at the time in favor of those who sought to separate the handcraft marketing operation from the charity. It has resurfaced recently, though the concerns are more practical than philosophical. These and other issues related to non-commercial marketing channels will be discussed at length later.

4.5 The Third World Problem Defined--A Basis for Educational Programming

AMOs generally take one of three positions on the nature of the "development problem." The first can be summarized as follows:*

- (a) The root causes of Third World problems are basically endogenous, e.g., rapid population growth, low agricultural productivity, the selfishness of affluent elites, etc.
- (b) The main fault of the rich in the high-income nations is not that they cause (or aggravate) poverty in the Third World, but that they allow it to continue. The rich are to blame, not for any "sins of commission, but for their sins of omission," e.g., unwillingness to share their abundance, inability to understand the plight of others, etc.
- (c) The economic and political mechanisms which produce the wealth and affluence of the rich are practically unrelated to the mechanisms which cause the impoverishment of the Third World. World hunger is a threat to the affluence of the rich rather than the product of an economic order which is biased in favor of the rich.
- (d) Though the present standard of living of the rich may be

*The following paragraphs are from Lissner, J., 1977, pp. 167-168.

wasteful, it is nevertheless a result of their own efforts or good fortune.

- (e) In ethical terms the important thing is how the rich spend their money, not how they earn it. The problem with the rich is that they give too little, not that they take too much.

The second position on the nature of the development problem shifts the locus of responsibility. It is based on the assumption that many (but not all) of the problems of the low-income countries originate in and are sustained by factors and policies in the affluent countries (Lissner, p. 174). In GEPA's view, for instance, underdevelopment "results from continued domination by colonial and industrial nations which, aiming at the development of their own power and economy, established one-sided trade relations between the northern and southern hemispheres."

The third position avoids the political issues. These AMOs aim to acquaint their buying public with the crafts of foreign cultures, the societies and cultures from which they come, and their value as art. Development concerns are mentioned when they relate to the survival of craftmaking traditions. In the case of Afro-Art, part of its surplus is used to support museums and other groups involved in preserving crafts that are in danger of being lost.

All three types of AMOs stress the importance of individuals taking concrete steps to relate to the Third World. And, all of them aim to have a wide range of individuals involved in selling and/or buying Third World products.

5. HISTORY AND DEVELOPMENT PATTERNS

Most AMOs are a fairly recent phenomenon. Of the twenty-seven AMOs surveyed, twenty were started in the 1970's and twelve in 1975 or more recently. Only eight were established earlier than 1970. While the largest AMOs in the United States, SERRV and The Self-Help Program, began their importing programs in the 1940's, growth was very slow until the 1970's. SERRV did not actively begin marketing Third World products until the middle 1960's and The Self-Help Program not until a decade later. Oxfam's handcraft importing program began in 1963, but by 1970 annual sales had only reached £30,000. SOS was the only AMO with a significant sales volume by 1970, when it had a turnover of 450,000 Dutch guilders (about \$125,000 in 1970).

Until 1974, the AMOs earned their income almost entirely from the sale of handcrafts. The AMOs consequently came to be identified with handcrafts more than any other product. Not until the middle 1970's did food commodities, such as coffee and tea, become major income earners for some AMOs. It is no longer accurate to portray AMOs as exclusively handcraft marketing organizations; in fact, Ideele Import, since its founding in 1976, has refused to market handcrafts and three other AMOs, SOS-Wereldhandel, Magasins du Monde (Belgium) and GEPA, derive at least half of their incomes from the sale of food commodities. However, since handcrafts have been central to the development of AMOs, this chapter begins with an overview of the nature and growth of the handcraft sector before turning to a discussion of how AMOs were created, their sources of start-up and working capital, and their sales volumes and rates of growth.

5.1 The Context--The Nature and Growth of the Handcraft Sector

The proliferation and expansion of AMOs during the late 1960's and early 1970's is in part a reflection of general trends within the handcraft sector as a whole. AMOs grew within what was a very buoyant market in North America and Europe for hand-made products from the Third World. AMOs also reflected and were affected by many of the characteristics of that market. To understand the nature of AMOs, therefore, it is helpful to have a general understanding of the nature of the handcraft sector--its products, its distribution channels and its overall size in money terms.

A study commissioned by the World Crafts Council (Arthur D. Little, 1974) used four overlapping categories to define the types of craft production common in the Third World:

- (a) Artisan-craftsman creation--unique pieces of work with high creative content that embody superior hand skills and techniques.
- (b) Popular (folk) art--practical expressions of local or national cultures, objects of decorative or utilitarian purposes, all reflecting a shared view of life and embodying a high degree of hand skill and technique.
- (c) Pre-industrial crafts--workshop production of objects that draw on popular art traditions and skills but are produced in quantity by hand.
- (d) Industrial production--traditional craft designs and objects reproduced mechanically in quantity.

FRIDA Marketing Services, despite attempts at a formal definition, found that in reality it defined handcrafts as "anything which can be sold in its craft stores," i.e., high quality gift items handmade by traditional methods and using for the most part traditional designs. The director of FEDEAU, an EEC-funded support organization for handcrafts exporters and importers, stresses the importance of distinguishing between product and process. A handcraft, according to FEDEAU's director, is any item produced by labor-intensive methods, but it can be anything; it can be as "crafty" as a thorn carving from Ghana or as universal and "unethnic" as a rattan hamper from the Philippines. The range of handcraft goods carried by the AMOs covers both extremes and includes wood and paper products, furniture, toys, dolls, earthenware, ceramic products, textiles as well as artistic goods and antiques and purely decorative articles. To illustrate this point we have included copies of pages taken from catalogues published by a number of AMOs (see pages 77-83).

Given the breadth of product lines which can be called "handcrafts" it is not surprising that no accurate estimate exists of the size of the "handcraft" markets in North America and Europe. There can be little doubt, however, that they have grown spectacularly over the past decade. In 1978, the newsletter, TRADECRAFT, published by Oxfam, FRIDA and Tearcraft between 1977 and 1979, estimated that the EEC countries alone imported \$500 million worth of handcrafts in 1978. In 1974, the World Crafts Council study estimated the total crafts imports into

the U.S. from the Third World to be between \$120 million and \$160 million F.O.B. country of origin, with an annual growth rate of approximately 20%. The director of FEDEAU estimated that the successful crafts marketing organizations in Europe were in 1979 still growing at 20%-25% per annum.

These trends in the importing countries are reflected in figures from the major exporting countries. According to statistics from the Bureau of Foreign Trade in the Philippines, the value of Philippine handcraft exports rose from 129 million pesos in 1970 to 1.6 billion pesos in 1976; this amounts to an average annual growth rate of 54% over the 6-year period (CCAP, 1978, p. 52). According to the Community Crafts Association of the Philippines (CCAP), three factors accounted for this rapid growth: (1) changes in market tastes; (2) continuous change in the type of products; and (3) institutional support enjoyed by the industry both in the Philippines and abroad. Among the factors which CCAP saw as institutional supports were: (1) preferential tariff treatments accorded handcraft articles by most western countries; (2) active promotion and support provided by government and the private sectors, most notably banks and financial institutions; (3) increased use of containerized cargo; and (4) emergence of a new breed of manager in the industry--generally younger, better-educated and more entrepreneurial in outlook as compared to their predecessors (CCAP, pp. 55-56).

While the markets for handmade products from the Third World increased greatly during the 1970's, the competition among importers and exporters became fierce. CCAP characterized the competition at the exporting end as "cut-throat," stemming in large measure, according to the former director of CCAP, "from the misconception that quick and handsome profits can be realized despite limited investments" (CCAP, p. 74). According to the World Crafts Council study, ease of entry into the sector at both ends, but especially on the importing side, together with short-term profit pressures, tend to drive down prices paid to producers, as buyers play one exporter off against another. In the opinion of many observers, these two factors also put downward pressure on quality.

In order to survive in such a market, a marketing organization in a producing country, according to CCAP, must be able to accomplish the following:

- (a) offer a very wide variety of handcraft articles at competitive prices
- (b) export in sufficiently large quantities to make up for low margins due to competitive prices

- c) offer constantly new, carefully-designed products with a touch of originality (since new products generally command high value)
- d) produce at high levels during the months of March-July and November-February
- e) cultivate several buyers in several different countries

What is true for marketing organizations in producing countries is apparently true for marketing organizations in consumer countries. Though we do not have figures for the failure rate among importer/wholesalers, the crafts marketing sector has been characterized as fragmented and composed essentially of small businesses largely dominated by a family business mentality. The few exceptions are the mass marketers of pre-industrial and industrial crafts of whose turnover no more than 30% is supplied by Third World countries (World Craft Council, p 11-5). There are approximately 600-700 importer/wholesalers in the US, for example, who specialize in supplying gift shops, small department stores, furniture shops, and boutiques. In 1974, the average volume of imports of these marketing organizations was estimated to be in the range of \$150,000 F.O.B. country of origin. Assuming an average wholesale mark-up over F.O.B. of between 200%-300%, the average sales volume of commercial importers of handcrafts would have been in the vicinity of \$450,000-\$600,000.

The World Craft Council study suggested that the fragmented nature of the crafts marketing sector is due in part to the failure on the part of most importers to keep trained personnel who can be sent overseas to purchase saleable merchandise at competitive prices. This unsolved problem often prevents further growth beyond the point which represents the maximum work load which the principal himself or herself can manage. The World Craft Council study could only speculate on the reasons why importer/wholesalers faced difficulties attracting and holding competent personnel. The study suggested two reasons: (1) to be successful individuals must possess the attributes of the skilled entrepreneur and, consequently, many who qualify will go into business for themselves once they have gained a modicum of experience; and (2) the principals being entrepreneurial in nature, find it difficult to entrust their operations to others and to make the transition to "professional manager."

There are other reasons which account for the size and growth rate configurations among AMOs. These will be discussed at a later point. The speculations by the World Crafts Council study, however, not only ring very true when one assesses the experiences of the successful AMOs but also have implications particularly for U.S.-based PVOs contemplating setting up a trading subsidiary.

Another set of characteristics of craft marketing organizations which has important implications for our study and helps clarify the context for describing AMOs was discovered by FRIDA when it was first established in 1974. FRIDA initially wanted to be a catalyst between handcraft projects in Africa and commercial importer/wholesalers in the U.K. and elsewhere. As a result of a preliminary study, however, FRIDA concluded that it needed to set up its own marketing organization. FRIDA found that the "vast majority of handcraft marketing organizations are generally small (with sales of between \$400 to \$700,000), do not know the market very well and do not know what they want (except good quality, appropriately priced and supply-guaranteed novelty items)." FRIDA also claims it found most importing organizations unwilling to commit themselves to buying the production of a project in Africa over a long-term period.

There are some observers of the handcraft sector who suggest that the present market, linked as it is to the cultural atavism of the 1960's and early 1970's, may well be transitory (Henley, 1980, p. 641). Others note that while the market as a whole remains strong, the markets for particular product groups and items shift rapidly--a problem for utilitarian products as well as decorative products. Furthermore, except in a few instances (e.g., high quality basketware), the demand for particular products is often extremely difficult to assess. The fact that one can sell 400 gross of a particular type of box one year is no indication of the extent of demand in the future for that box. Thus, it is argued, marketing most handcraft items is unlike marketing mousetraps, because when the product breaks or is used up it is not always replaced with the same product, but as often as not with a completely different one produced elsewhere.

In summary, it is important, as part of our understanding of AMOs, to recognize that handcraft marketing organizations (whether commercial or alternative) generally are small, and their limits to growth might be due, in large measure, to the very entrepreneurial attributes which account for their initial success. It is also important to recognize the non-industrial nature of the products most AMOs market. This final factor is not a limiting factor for the handful of very large

commercial wholesalers, such as Pier I and Rosenthal-Netter, but it seems to be a constraint on most importers of handcrafts.

Handcraft marketing organizations also take what is called a product-oriented as opposed to market-oriented approach to marketing. The product-oriented approach focuses on selling what producers can make, asking the question, "What can a country produce"? The market-oriented approach, focusing on consumer needs, asks the question, "What can a country sell"? Handcraft marketing organizations also operate in an intensely competitive arena where the downward pressures on prices are very strong and the demand for new and changing products constant.

AMOs share many of the characteristics of the "average" commercial importer/wholesaler in the handcraft sector. And though they operate for the most part in non-commercial markets (e.g., church bazaars) and, as we shall see, with different marketing strategies, they are subject to many of the same constraints and pressures. The sales plateaus experienced by several of the older AMOs are testimony to that fact.

5.2 Entry and Development Patterns

Of the 27 AMOs surveyed, almost half were started in response to requests from producers to market their products. Global Village Crafts, for example, began as a communications system for rural villages in less-developed countries. According to the AMO's director, the response to the system was generally favorable, but was usually followed by the observation that "ideas [on how to store grain, for example] are all well-and-good, but could you help us sell these plant hangers [or baskets or whatever]"? Oxfam started its handcraft marketing program by selling pin cushions brought to Oxford by its field representative in Hong Kong at the request of a project there. Third World Handarts began selling crafts at the suggestion of Karika in Bangladesh which recommended handcraft marketing as a concrete and direct way to assist poor women in Bangladesh. SOS Wereldhandel, the oldest AMO in Europe, was started by a church volunteer in Holland in 1967 in response to a request from a Haitian mission to sell crafts made by its people. The successful sale of the initial consignment at church bazaars and exhibitions formed the basis for the growth of the AMO which became the largest in Europe, and the model for many other AMOs. Dritte Welt Läden was founded by the director of a German PVO in response to requests from workers with the PVO's medical project for deserted Bolivian Indian women with children. Ideeel Import is another

European AMO which was established as a result of requests from specific groups in the Third World. In addition, some five AMOs, including GEPA, are spin-offs of other AMOs which were started in response to direct requests from producers.

A number of the AMOs surveyed, including ABAL Foundation, Neighbors Crafts, FRIDA Marketing Services and Project HAND (the predecessor to FRIDA Marketing Services), Worldcraft, Aid to Artisans, and Sarvodaya Shramadana were not started in response to actual requests for markets, but were founded by individuals who, through personal field experience, recognized the potential for such outlets to meet perceived needs. For example, Project HAND was started after its first director had spent a year visiting and studying the programs and activities of volunteer agencies in Africa. There was a felt need, according to him, for marketing outlets for groups being reached and assisted by these agencies. When the U.K. agencies expressed reluctance to set up these outlets themselves, he decided to set up Project HAND. Aid to Artisans was established by the former Secretary General of the World Craft Council who, during the course of his ten years at the Council saw a growing need for marketing outlets for folk-art. ABAL Foundation was founded by the director of a Dutch PVO who envisioned an AMO as the logical complement of small enterprise development projects in the Third World which his PVO was supporting. While traveling for an international association, another Dutchman was impressed by the Sarvodaya Shramadana movement in Sri Lanka and asked its leadership if he could help the movement by recruiting volunteers in Europe to sell goods from the movement's villages.

Many AMOs started as isolated, individual efforts to sell one consignment of goods. In 1974, for example, TearFund (Tearcraft's parent PVO) was airlifting relief supplies into Bangladesh; at the same time the PVO was also supporting the Jute Works, a nonprofit marketing organization in Bangladesh which had been created to assist individual producer groups organized by local and international charities. That spring, TearFund asked a young man, who was running a green grocery and small importing business in London, to go to Bangladesh and fill up one of its relief planes with products from the Jute Works and other similar groups. The man returned to London with £10,000 worth of handcrafts and "not a clue as to how to sell them." An agreement with TearFund allowed him to experiment with various approaches for six months. Advertisements in religious publications and flyers to individuals on the TearFund mailing list brought 25,000 requests for a Tearcraft catalogue. The mail order effort proved difficult and Tearcraft subsequently developed a network of voluntary sales representatives who sell

Tearcraft products through a variety of channels, including home parties, church bazaars and local retail shops. By 1979, Tearcraft had opened commercial wholesale distribution channels in order to maintain sales at a more even pace throughout the year.

Third World Handarts is another example of the unexpected and almost serendipitous growth experienced by many AMOs. In 1975, the AMO's founder visited a Dublin handcraft shop of the Irish charity, CONCERN. The idea of selling hand-crafts produced by particular producer groups in the Third World appealed to her as a way to make a direct and positive contribution to Third World development. With some friends at a church in California, this woman responded to a written request from a CONCERN volunteer in Bangladesh and raised \$250 to purchase a consignment of crafts produced by a CONCERN-related group. This very modest first step eventually led to incorporation as part of the nationwide Union of Third World Shoppes, the opening of a retail shop in 1977, and an annual sales volume of \$100,000 by 1980. The founder initiated her marketing project as a purely volunteer effort. By 1980, however, sales had increased to such a level that part-time, paid staff became necessary.

Global Village Crafts entered the mail order business when an article on the AMO, indicating the availability of a catalogue, was published in a women's magazine in the U.K. Until then there had been no catalogue and no plans to set up a mail order business. The Developing Countries Foundation of 1962 is another example of an AMO with very modest beginnings: a consignment of goods from Ghana worth only slightly more than \$100. Through contacts in churches, schools and voluntary agencies in Denmark, which have been built up over many years, the Foundation in 1980 sold over \$300,000 worth of products bought directly from 35 countries.

Afro-Art became a formal marketing organization after a consignment of tapestries made in South Africa was sold by a group of Swedish women at exhibitions in Europe. Their initial success prompted the group to open a retail shop in the major commercial district of Stockholm. This shop has been the AMO's major marketing outlet over the past 13 years, even though other outlets, including a shop in London and a wholesale operation, have been tried at one time or another. Afro-Art was started by women with a strong interest in Third World crafts, but with no business experience other than selling tapestries from South Africa. Although their experience was initially marginal, they built a widely-known operation,

which now has a reputation as one of the most knowledgeable and astute AMOs, especially in regard to providing product design and development assistance to producers.

While most AMOs started without a 'business plan' and with little understanding of the nature of the handcraft business, there were exceptions. These exceptions fall into one of two groups. Some of these AMOs were spin-offs from other organizations (e.g., GEPA); others were part of an on-going program which evolved over a long period of time (e.g., The Self-Help Program and SERRV). All of these AMOs inherited an on-going operation with an established marketing strategy and purchasing policy.

Another group of AMOs started with a definite marketing strategy based on an assessment of purpose and needs, and even with experienced personnel in some cases. Aid to Artisans, for example, chose to focus on folk-art and restrict its marketing efforts to museum shops and other nonprofit channels. When FRIDA inherited another marketing organization (Project HAND) in 1975, it ceased its importing activities and took some time to develop a marketing strategy before resuming trade. At the end of a year's deliberation and planning, FRIDA created two separate marketing channels: a wholesale division focused on moving large quantities of goods (from the Philippines in particular), and a retail division aimed to move limited quantities of goods from small producers, notable in Africa. Although FRIDA and Aid to Artisans are examples of AMOs that developed formal marketing strategies prior to operation, the more typical pattern was for such strategies to evolve over time (and in some instances very rapidly because of the pressures brought on by initial success).

In addition to the general absence of formal market study and planning, the prior experience of individuals themselves who were involved in the marketing operations of newly established AMOs was at best minimal. There are, once again, exceptions. The director of Worldcraft had been an advisor to a number of production and training projects in Asia. FRIDA Marketing Services relied heavily on the services of the former director of Bridge to help prepare its marketing plan and train its buyers. FRIDA Marketing Services also hired as its first marketing manager a man who had previously worked with SOS-Wereldhandel in Holland. Although both Worldcraft and FRIDA Marketing Services were established with the benefit of individuals who had experience in the handcraft sector, a majority of AMOs were not so fortunate. In the words of the director of Global Village Crafts, "We came from

a very 'do-gooding' background and were suddenly thrust into an arena that requires real commercial finesse and aggression."

Most AMOs came into existence because of the compelling nature of the appeal made to their founders by poor people, to "sell what I am making"; or because of the compelling nature of the apparent logic of the argument that "trade is better than aid." Two important initial assumptions made by AMOs were that: (1) the absence of marketing channels was a constraint on many Third World producers, and (2) helping low income groups gain access to export markets is a legitimate and important activity for 'do-gooders'. What kept AMOs in business was the success they enjoyed in purchasing products which their customers in Europe or the U.S.A. wanted to buy. AMOs which have been able to build on their initial successes and remain viable business enterprises, however, have demonstrated a keen sensitivity to the needs of their particular client groups (including both selling staff and buyers) and have been able to articulate a clear understanding of their goals. These two points are discussed further in the section on salient features of successful AMOs.

5.3 AMOs--Created by Individual Efforts

It is widely assumed that most AMOs were established as trading subsidiaries of private voluntary organizations (PVOs). The fact of the matter is the majority of AMOs (seventeen of twenty-seven) were started by individuals working outside established organizations. Furthermore, three AMOs with a PVO affiliation developed from the initiative and vision of one individual with little or no substantive input from the PVO itself. Of the ten AMOs which are in fact trading subsidiaries of PVOs, only six, in our opinion, actually constitute an integral part of the PVO's development and/or fundraising program. Two others have strong PVO ties, but because of the relative size of the two organizations the trading subsidiary is of very peripheral importance. Two AMOs are responsible to consortia of PVOs but not to a particular PVO, and therefore operate as separate and independent entities.

5.4 Sources of Start-Up and Working Capital

AMOs have relied on a wide range of sources for their start-up and working capital needs. No AMO to our knowledge has relied solely on commercial sources or personal financing for purchasing stock and setting up marketing channels. The trading subsidiaries of PVOs were initially financed with no-interest and low-interest

loans as well as outright grants from the PVOs. The AMOs started by individuals received both low-interest loans and gifts from the individuals themselves, their friends, the general public, foundations and voluntary agencies. AMOs started by individuals have also relied on commercial loans secured by one of the principals or an associate. (In Chapter 13 and Table 12 we present available data on the AMOs' funding sources as well as their initial capital bases and the amounts of their outstanding loans. The "hidden subsidy" issue which some of these financial arrangements raise is discussed in Part III.)

5.5 Sales Volumes and Rates of Growth

Table 1 presents the approximate annual sales volumes of the AMOs during each of the past five years. The 1979 or 1980 sales figures for the European AMOs have been converted to U.S. dollars. Our calculations of growth rates use the AMOs' own currency. The growth rates for a selected number of AMOs during the period 1975-1980 and 1977-1980 are presented in Table 3. Table 2 presents the consumer price indices since 1975 (175=100) for eight countries. These indices were used to deflate the growth rates in money terms of the selected AMOs in order to arrive at more realistic growth rates. (Ideally, the AMO income data would be deflated by percentages based on changing prices of unit sales. Lacking such data, we examined price catalogues for several AMOs and found that they have raised their prices considerably during the last five years; on the average, these raises appeared to correspond to the changes in the national consumer price indices.)

Measured in 1979 or 1980 U.S. dollars, AMOs range in size from \$4 million to \$15,000 in annual sales. Five had turnovers of \$1.5 million or more in 1979 or 1980; six between \$600,000 and \$1,200,000; six between \$200,000 and \$600,000, and twelve of \$150,000 and under. AMOs have also experienced very different growth rates during the course of their histories. The older AMOs grew slowly over a period of five years or more before experiencing very rapid sales increases. SERRV, The Developing Countries Foundation of 1962, Bridge/Oxfam and SOS, for example, stand in sharp contrast to FRIDA Marketing Services, Global Village Crafts, and Tearcraft. These latter AMOs experienced extremely rapid growth rates starting in the mid-1970's. The approximate average annual growth rates between 1977-1980 in money terms of these three AMOs were respectively 60%, 57%, and 77%; taking consumer price inflation into account, the rates were 35%, 32%, and 55%. Other AMOs started in the 1970's have experienced slower rates of growth. Third World Handarts,

TABLE 1

APPROXIMATE ANNUAL SALES VOLUME
(in actual dollars, appropriate unit of foreign currency, and dollar equivalent)
(000's)

	1980	1979	1978	1977	1976	1975
<u>United States</u>						
Aid to Artisans	\$ 75	\$ 63	\$ 33	\$ 20	\$ 8	
Friends of the Third World	74	54	45			
IPHRD	183	165	150	123	91	\$ 61
Jubilee Crafts		44				
Neighbors Crafts		21				
SERRV	1,821	1,554	1,376	1,281	1,126	1,107
The Self-Help Program (MCC)	900	716	563	424	508	220
Worldcraft (June-Dec.)	60					
<u>United Kingdom</u>						
Bridge/Oxfam	£1,074 (\$2,150)	£990	£757	£680	£550	£530
Traidcraft	£ 123 (\$ 250)					
Tearcraft		£585 (\$970)	£376	£187	£ 67	
Global Village Crafts	£ 345 (\$ 805)	£249	£102	£ 89	£ 51	£ 35
FRIDA Marketing Services	£ 650 (\$1,518)	£350		£158	£ 9	£ 18
<u>Belgium</u>						
Les Magasins du Monde & Wereldwinkels		34,842 BF (\$1,188)				
<u>Sweden</u>						
Afro-Art	1,500 Kr (\$ 360)	1,601 Kr	1,898 Kr	1,303 Kr	1,600 Kr	1,400 Kr
Handelsfront	1,013 (\$ 243)	1,016 Kr	816 Kr	746 Kr	535 Kr	547 Kr
Tanzania Import	480 Kr (\$ 115)					
Solidarisk	200 Kr (\$ 48)					
SACKEUS	600 Kr (\$ 144)	455 Kr	400 Kr	388 Kr		
<u>Germany</u>						
Dritte Welt Läden	1,847 DM (\$1,045)	1,412 DM	1,481 DM	1,241 DM	957 DM	
GEPA	7,200 DM (\$4,074)	5,300 DM	4,200 DM	4,400 DM	2,700 DM	
<u>Holland</u>						
ABAL Foundation	1,750 Dfl (\$ 902)	1,228 Dfl	1,346 Dfl	1,160 Dfl	876 Dfl	387 Dfl
SOS. Wereldhandel	7,700 Dfl (\$3,971)	7,500 Dfl	7,516 Dfl	7,400 Dfl	7,385 Dfl	
Stichting Sarvodaya	20 Dfl (\$ 10)			75 Dfl	75 Dfl	
Stichting Ideeel Import		300 Dfl (\$ 149)		40 Dfl		
<u>Denmark</u>						
Developing Countries Foundation	1,800 Kr (\$ 328)	1,596 Kr	1,517 Kr	1,440 Kr	1,260 Kr	852 Kr

TABLE 2

RATES OF INCREASE IN CONSUMER PRICES SINCE 1975 = 100

	(June) 1980	1979	1978	1977	1976
England	203.1	165.8	146.2	135.0	116.5
Sweden	172.6	144.9	135.1	122.9	110.3
Denmark	166.8	146.1	133.3	121.1	109.0
United States	151.8	134.9	121.2	112.7	105.8
Belgium	140.1	127.6	122.2	116.9	109.2
Holland	135.1	125.6	120.8	115.8	108.8
Germany	123.7	115.6	111.1	108.1	104.3

Source: International Financial Statistics, February, 1981.

TABLE 3

RATES OF GROWTH OF SELECTED AMOs

	1977-1980		1975-1980	
	Money Terms	Deflated by CPI	Money Terms	Deflated by CPI
ABAL	51%	26%	352%	235%
Afro-Art	15%	- 23%	7%	- 38%
Aid to Artisans	267%	165%		
Bridge/Oxfam	31%	- 22%	68%	- 17%
Dev. Countries Found.	25%	- 14%	112%	26%
Dritte Welt Läden	94%***	74%***		
FRIDA Marketing Services	311%	144%		
GEPA	64%	41%	166%**	123%**
Global Village Crafts	287%	131%	885%	385%
IPHRD	143%	76%	391%	223%
Magasins du Monde				
SERRV•	42%	2%	64%	8%
Self-Help Program (MCC)	112%	53%	309%	169%
SOS	15%	- 13%		
Tearcraft	213%*	140%*		

*Percentages are based on 1979 sales figures.

**Percentages are based on 1976 sales figures.

***Percentages are based on 1976 and 1979 sales figures.

•SERRV notes that the prices of their goods did not increase at the same rate as the U.S. CPI inflation rate and that, therefore, this table understates its growth in real terms.

Tanzaniaimport and Jubilee Crafts are three AMOs which have grown slowly as a matter of policy.

Table 3 illustrates the slow and, in fact, negative rates of real growth in sales among some of the older AMOs. If we assume that prices of products marketed by AMOs kept pace with the appropriate consumer price index, five of the major AMOs have experienced zero or negative growth since 1977. Even if AMO price increases lagged behind consumer prices in general, the trend seems sufficiently clear: most of the older and larger AMOs did not keep up with inflation nor with the growth within the handcraft sector as a whole (estimated by FEDEAU to be around 20% per annum in money terms).* Their lack of continuing growth reflects a variety of constraints discussed in the following chapters.

*SERRV feels that the U.S. CPI inflation rate (average of 10.65 since 1975) is rather high, since the prices of its goods have not gone up at that rate. And OXFAM TRADING has pointed out that it is quite usual for older companies to grow at a much slower rate than newer companies.

6. SUPPLIERS AND PRODUCERS

We have already noted that by definition AMOs aim to buy from particularly disadvantaged producers and to maintain a steady and constant demand for their output. In the chapter on goals and philosophy, we also indicated that AMOs differ with respect to the importance they place on such criteria as the socio-economic conditions of producers, the religious and organizational affiliations of producers, and the role producers play in project management. In this chapter we discuss the following topics:

- (1) numbers and types of suppliers to AMOs
- (2) countries of origin
- (3) organization of producers
- (4) socio-economic conditions of producers
- (5) constancy of demand for the output of AMO suppliers
- (6) supplier selection processes
- (7) characteristics of the relationships between AMOs and their suppliers
- (8) problems AMOs have with suppliers
- (9) problems suppliers have with AMOs

These discussions will highlight significant variations which exist among AMOs and will also provide a basis for assessing their achievements in light of their own standards. They also should shed some light on the enormous practical and philosophical problems faced by both suppliers and AMOs.

6.1 Number and Types of Suppliers

Table 4 presents summary data on producers and suppliers of AMOs. One of the more striking facts apparent from Table 4 is the large number of suppliers which most AMOs have. To our knowledge AMOs have more suppliers than do commercial firms of comparable size. For example, SERRV, with a turnover of about \$1,800,000, buys from over 200 suppliers in 57 countries. Global Village Crafts, which is somewhat smaller in size (\$800,000), buys from 156 different suppliers. Afro-Art, whose annual turnover is only about \$400,000 imports from 95 different groups in 50 countries and Traidcraft is supplied by 27 groups in seven countries for an annual turnover of about \$250,000.

There are exceptions to this general pattern. Tearcraft (\$970,000 in 1979), for example, was importing from only 16 suppliers in 1979 and Tanzaniaimport

TABLE 4

SUMMARY DATA ON NUMBERS AND TYPES OF SUPPLIERS AND PRODUCERS

	Types of Suppliers and Contributions to Total Sales of the AMO - 1979/80															
	# of suppliers-1980	# of countries-1980	# of suppliers-1975	% of 1977 suppliers still supplying in 1980	Individual coops & groups like family % of sales	Associations of coops and groups % of sales	Church and PVO-related projects % of sales	State-owned organizations % of sales	Commercial Exporters % of sales	Commercial Importers % of sales	Other AMOs % of sales					
ABAL	25	23			2	16		7			1					
Afro-Art	95	50									1					
Aid to Artisans	15	13	3	100%	5%	8	80%	3	10%	2	10%					
Bridge/Oxfam	60	7	60	90%												
Dev. Count. Found.	65	35	60	92%	low	high	low	high	high							
Dritte Welt Läden	45	27	19	60%	11	22	9	3			1					
FRIDA Marketing																
Friends of the Third World	30-50	20-30	10-15		20	60	20									
GEPA	37	20			31			6								
Global Vill. Crafts	156	17	4	100%	45%	5%	(5%)	(5%)	45%							
Handelsfront		4							3		1					
Ideele Import	18	12			1	1		8			2					
IPHRD	15	6	35	NA	90%		5%		5%							

(\$115,000) buys from only five groups in one country. A number of the smaller AMOs including Third World Handarts, Sackeus, Sarvodaya Shramadana, and shops associated with the Union of Third World Shoppes (see Friends of the Third World) also buy from a small number of suppliers. Many of them import consignments of goods worth less than \$250 directly from producers (allowing them to avoid paying brokering fees which on small consignments often amount to more than the shipments themselves).

There are basically three reasons for buying from a large number of suppliers. First, there is the desire on the part of AMOs to buy as directly as possible from producers, avoiding whenever possible links which add to the F.O.B. country of origin price (thus, in one country an AMO might have three or four suppliers while a comparable commercial firm would deal with only one). The second reason reflects the need of AMOs with retail outlets to carry a very wide range of products. FRIDA Marketing Services, ABAL Foundation, and Global Village Crafts all have retail stores which carry at least 2,000 different items. Unless the AMO with retail outlets buys from commercial importers (or other AMOs) it is forced to deal with a large number of suppliers. Third, some AMOs seek to help many different groups and countries. As part of Afro-Art's purpose of preserving handcraft making throughout the world, for example, the AMO attempts to buy crafts from as many Third World nations as possible.

The data presented in Table 5 also illustrate the fact that AMOs tend to rely on a small proportion of their suppliers for the lion's share of their sales. According to the former marketing director of FRIDA Marketing Services, 80% of a wholesaler's volume will be accounted for by 20% of its suppliers. Afro-Art, for example, purchases 40% of its goods from three or four cooperatives in Guatemala. Fifty percent of FRIDA Marketing Services' wholesale trade comes from one supplier in the Philippines. In 1977 ABAL Foundation depended on one supplier in Mexico for 70% of its total sales (that figure is presently down to about 35%). In the same year, Tearcraft was in a similar position with its major supplier in Bangladesh. And SERRV, with over 200 suppliers, generates over half its sales from 40 of them.

6.2 Countries of Origin

Table 5 also shows the origins of the major suppliers of the AMOs. Six countries (India, Bangladesh, the Philippines, Bolivia, Mexico and Guatemala) figure very heavily as handcraft suppliers to AMOs and to the handcraft sector as a whole. According to the director of Global Village Crafts, there is a general

TABLE 5

MAJOR NATIONS SUPPLYING AMOs AND PORTION OF AMO PURCHASES

AMO name	79 or 80 income in 000s	major supplying nations	% of sales income	# of suppliers for the bulk of AMO sales	% of sales income
ABAL Foundation	\$ 902	Mexico	35%	1 supplier	35%
Afro-Art	360	Guatemala Kenya	40% 5%		
Aid To Artisans	75	Indonesia Mexico	20%	2 suppliers	20%
Bridge	2,150	India Philippines	55% 15%	3 countries	85%
Dev. Countries Found.	328	Kenya India			
Dritte Welt Läden	1,000	India Bolivia	40% 12%	5 suppliers	50%
ERIDA Marketing Serv.	1,518	Philippines Kenya	50% 10%	1 supplier	50%
Friends of Third World	74	Bangladesh Peru Mexico	70% 10% 10%		
GEPA	4,074	Guatemala Bangladesh	25% 17%	3 suppliers	52%
Global Village Crafts	805	India	40%		
Handelsfront	237	China Albania	60% 25%		
Ideele Import	149				
IPHRD	300	India Pakistan	75% 15%	4 suppliers	75%
Jubilee Crafts	44	Bangladesh Haiti			
Magasins du Monde	1,188				
Neighbors Crafts	21	Nepal Peru			
Sackeus	144	Bangladesh India	50% 30%	4 suppliers	75%
Self-Help Program	900	India Haiti	23.7% 17.6%	10 suppliers	55%
SERRV	1,821	India Jordan	14% 17%	12 suppliers	50%
Solidarisk Handel	48	Vietnam			
SOS-Vereldhandel	3,971				
Tearcraft	970	Bangladesh India	60% 20%	4 suppliers	60%
Third World Handarts	100	Bangladesh Peru	80% 10%		
Traidcraft	250	Bangladesh India	60% 15%	12 suppliers	70%
Worldcraft	60	Pakistan India Philippines	30% 20% 20%		

trend toward increased trade with Asian countries, and with India and the Philippines in particular, basically because it is easier to trade there than in so many other places.

What is striking is the very small and declining role played by African countries. With a few exceptions, among them Ideele Import and Afro-Art, purchases from African countries by AMOs have decreased in recent years. AMOs note the enormous difficulties of doing business with African suppliers and the high costs of African products as the two major reasons for the trend. Bridge/Oxfam, for example, has not placed an order in two years with what was previously a major Kenyan supplier because of continued supply problems. According to the director of Oxfam Trading, placemats from India will retail in the U.K. for one fourth the price of identical placemats made by its African suppliers.

6.3 Organization of Producers

We noted earlier that many AMOs prefer to buy from local cooperatives, self-help producer organizations and associations and projects with a social development focus. We also noted that many of the people we interviewed expressed a great deal of skepticism about many of the so-called self-help and cooperative projects which supply them--both in terms of their long-term viability and their actual operations. The director of Worldcraft, who has extensive experience in the Asian sub-continent, claims that very few producer cooperatives survive for more than five years. According to Afro-Art's director, the cooperatives that prove to be the most dependable suppliers usually were started by indigenous management and involve participants from one locality and ethnic group. The former director of Bridge/Oxfam has openly questioned whether any of its suppliers in 1976 were legitimate cooperatives where producers are something more than simply piece-rate laborers. One AMO director even declared that while 35% of his sales are currently supplied by "local cooperatives," he expects to cut back on this portion because "they tell you a pack of lies anyway about how they are organized and are generally much less efficient than the straightforward commercial exporters." Consequently, while the figures in Table 4 clearly reflect the preferences of most AMOs in terms of the type of supplier, the experiences and admonishments of several of our interviewees suggest that the significance of the data should be questioned somewhat.

The data presented in Table 4 reflect a current preponderance of PVO- and church-related groups among suppliers to AMOs. We mentioned in the previous section

that entry into handcraft marketing frequently has taken place in response to actual requests from producer groups. As far as we can tell, the vast majority of these groups has included someone known to or involved with one or more organizations of the voluntary agency nexuses. SOS-Wereldhandel, for example, started by importing products from a Haitian mission for which SOS' future director was at the time working to raise money. ABAL Foundation, Bridge/Oxfam, Neighbors Crafts, and Worldcraft all began their marketing programs with products from projects sponsored by their respective PVOs. Project Hand sought out voluntary agency projects in North Africa for its initial suppliers. Tearcraft was built on the output of the Jute Works in Bangladesh, itself developed from a cooperative training center run by the Bottomleg Home Orphanage in that country. And, most of the original suppliers to Friends of the Third World worked through projects involving Peace Corps volunteers. A large number of AMOs are still primarily supplied by PVO- and church-related projects. As we noted earlier, two thirds of SERRV's suppliers are church-related as are one-half of the suppliers to The Self-Help Program.

As in the case of cooperatives and self-help projects, however, there exists a certain amount of skepticism regarding these projects. Several AMOs which started with PVO-related suppliers claim either to have eliminated most of them or to be cutting back. Both FRIDA Marketing Services and Global Village Crafts argue that such suppliers have proved unreliable and unstable. Global Village Crafts claims to have given up most of its PVO-related suppliers because they so seldom act upon advice given on new product designs, quality control, and similar matters. SERRV argues, however, that in this case, too, there is a wide range of efficiency among the social-development projects and that they also need to be judged on a case-by-case basis.

Table 4 also illustrates the point that even AMOs which buy predominantly from "social development" projects rely on a wide range of suppliers. Most AMOs buy from commercial exporters and/or government emporia, and some, as we have already indicated, buy from commercial importers. Neighbors Crafts, for example, originally sought to buy as directly as possible from producers and from those "who exercise a modicum of control over their own lives." According to the World Neighbors' staff member responsible for starting Neighbors Crafts, it was necessary to "compromise" very early on because the World Neighbors field network could not find enough of these groups with sufficiently varied product lines and the willingness and ability to ship internationally. Neighbors Crafts' suppliers include a barangay-level

entrepreneur in the Philippines, a batik factory owner in Indonesia, and former members of a weaving cooperative in Guatemala. Both SERRV and The Self-Help Program also import from commercial exporters. In fact, the single largest supplier to The Self-Help Program is an Indian entrepreneur who, according to the AMO's director, is four times as efficient as a local nonprofit marketing organization supported by the Mennonite Central Committee and other foreign RVOs. All three AMOs caution against prejudging any particular situation and treat potential suppliers on a case-by-case basis. Furthermore, even AMOs such as GEPA, SOS-Wereldhandel and ABAL Foundation, which categorically refuse to purchase from commercial exporters, will buy from government-owned organizations in order to maintain their supply.

There seems to be some evidence to suggest that a trading organization cannot be built on small-scale producer organizations and social development projects, to say nothing of the "ideal," i.e., direct purchases from producer-controlled groups. The alternatives are to "compromise," by turning to other types of suppliers, as Neighbors Crafts says it does, or to remain very small, as do Third World Handarts (\$100,000 turnover), Solidarisk Handel (\$48,000), and Sarvodaya in Europe (\$15,000). The experience of the Community Crafts Association of the Philippines (CCAP) is very instructive on this point and illustrates several reasons why the configuration of suppliers has changed for several AMOs.

CCAP was formed in 1972 by a group of 23 non-stock organizations engaged in social development work in different areas of the Philippines. The primary objective of the association was to set up a central marketing organization to help sell products of the workshops that each of the organizations was operating or planning to establish (CCAP, 1978, p. 7). Members of the association included the Mati Industrial Cooperative, Cebu Community Development Program, the Don Bosco Youth Center, the Hope Community Workshop, and the St. Joseph's Family Center.

In 1976, CCAP undertook an assessment of its activities. The assessment was candid and self-critical. It focused in part on factors which led to low sales performance and poor buyer retention as well as to the fact that six of the twenty-three members accounted for 90% of the association's turnover. According to the report, "the failure of CCAP to make some headway in the marketing of crafts can be traced to the basic structure of the membership. A majority of the members have objectives other than the production and sale of handcrafts and it is not far-fetched to assume that the handcraft workshops do not rate top priority in their respective programs" (*ibid.*, p. 40). Furthermore, the report noted that the prices of handcraft articles coming from production

centers operated by nonprofit groups tend to be higher than market prices. Higher prices, it was thought, result from the inefficiencies caused by the fact that many nonprofit groups possess very little management know-how in handcraft production (ibid., p. 73).

As a result of its study, CCAP began in 1977 to seek a wider membership. The following criteria are used to select new producer groups as of 1977:

- (1) The groups are located in barangay-based communities where a tradition of craft-making exists.
- (2) The group has a formal leader who is generally entrepreneurial in outlook and who is, preferably, active in the community.
- (3) The group's formal leader has a reputation for paying the craftsmen-participants fair prices for their labor.
- (4) The producer groups must have a minimum of about 30 skilled craftsmen.
- (5) The group has a reputation, or a potential capability, of being able to service satisfactorily the orders of certain Manila-based exporters and traders especially with respect to price, quality and quantity. The group should also be able to show a record of strict adherence to delivery schedules.
- (6) The groups should have a minimum production capacity equivalent to a peso volume of 100,000 (\$10,000) a year.

With some exceptions the shift made by CCAP (which according to some observers has been successful) reflects a general trend toward having a range of suppliers. SERRV argues that having different suppliers is beneficial to producers. In its category of "commercial exporters" SERRV includes 50% of its "manufacturers/shippers" plus its straight exporters. And, in its category of other AMOs (see Table 4), the AMO includes 50% of its manufacturers/shippers and all its "sympathetic intermediaries." According to SERRV's product development specialist, "the grouping represents a social-commercial mix of unique benefit to the artisans." This has meant that each AMO has settled on a mix of suppliers, one which reflects the particular balance the AMO can strike between trading requirements on one hand and the needs and values of the organization's different constituencies on the other. AMOs must strike the same kind of balance when considering the socio-economic conditions of people they seek as suppliers.

6.4 Socio-Economic Conditions of Producers

It is not altogether clear from existing data whether producers who supply AMOs are on the whole significantly different from producers who supply the vast majority of distribution channels. Clearly, most all AMOs have suppliers whom they feel justified in calling 'particularly disadvantaged'--whether they are a group of Guatemalan Indians, Bangladeshi refugees, political prisoners in the Philippines, disenfranchised tribespeople in Southeast Nepal or Muslim woodcarvers in northern India. In addition, it is also clear that AMOs invest in and work with groups which cannot sell to commercial channels or even to other AMOs. IMPOD, the Swedish government-sponsored import promotion agency, has recognized this particular role of the AMOs and has worked with Afro-Art, Sackeus, Tanzaniaimport, and Solidarisk Handel to assist those suppliers whom commercial channels in Sweden would not risk accepting as trading partners.

What is not clear, however, is the extent to which AMOs work with "opportunity poor" producers. According to the director of Global Village Crafts, neither AMOs nor any importer buys from destitute people, "because destitute people have no abilities . . . if you have got abilities you can make leather, baskets or whatever . . . handicrafts 'undestitutes' people." AMOs, he claims, all buy from established groups--groups which have already produced products for either local or tourist markets.

When AMOs do buy from very poor groups, it is often from groups which have received large subsidies from voluntary agencies and other donors. One example is small producer groups in Jordan that have produced creches for the American church market for years because, according to one observer, they have received and continue to receive financial and marketing support from Church World Service. Another example of large subsidies is the resources provided by the Swiss technical assistance agency (SATA) to the Jiri tribespeople for organizing and upgrading their production; it took several years before their products could be marketed.

In supporting "opportunity poor" groups, all AMOs are constrained by the fact that they seek, at the very least, to break even financially on their trading activities. Very poor groups in the Third World usually lack the necessary skills and resources to produce acceptable quality crafts and commodities with sufficient efficiency for them to be bought by AMOs at "fair-wage" prices low enough for the AMOs to break even when they sell the products. In view of their altruistic purposes, a few AMOs provide indirect subsidies to

some "opportunity poor" groups by buying their products at relatively high prices. Until more data are collected on the actual situations of the producers, however, the extent to which the AMOs reach and assist "opportunity poor" people will remain unknown.

6.5 Constancy of Demand for the Output of AMO Suppliers

Table 4 presents available data on the percentage of those suppliers providing AMOs in 1977 that continued to be suppliers in 1980. In many cases, the percentage is 90% or better. Our impression is one of a high degree of stability among suppliers to AMOs, consistent with their objectives. The Self-Help Program, however, estimates that only 75% of its 1977 suppliers still supply the AMO because in the words of its director, "small groups come and go." The former marketing director of FRIDA Marketing Services claims that many producer groups will have some product winners and some losers, and, therefore, to maintain a constant demand for the output of a particular group is not as difficult as it might at first appear.

When established suppliers are dropped by AMOs, it is not always for a reason related to dependability of supply. FRIDA Marketing Services dropped all its original suppliers because, as one principal said, "missionaries and voluntary agency types are very difficult to work with; they do not seem to accept the fact that marketing handcrafts is a non-nonsense business." Global Village Crafts has apparently reached a similar conclusion. ABAL Foundation stopped buying rugs from a dependable supplier in Peru, although they sold well, because the AMO concluded that the supplier was exploiting his producers. Tearcraft began to phase out the Jute Works in 1979, due to changes in leadership within the organization. Tearcraft also stopped importing from an Indian supplier when the AMO discovered it had been told "a pack of lies about where the products were originally purchased." Handels-front stopped buying from Vietnamese suppliers when the AMO decided this Third World nation was being imperialistic towards its neighbors. Both Afro-Art and Tanzaniaimport, as we have already indicated, have in fact encouraged a number of suppliers to develop (and subsequently lost them to) other markets.

6.6 Supplier Selection Process

We noted in the previous section that different AMOs emphasize different criteria in selecting suppliers. The following list of criteria was prepared by GEPA. As the English-language preface to the criteria indicates: "The criteria do

not represent a complete and conclusive system. Not every project must satisfy all criteria. What counts are the tendencies and priorities." This qualification holds true for all AMOs; similarly, AMOs in general raise most of the following issues when selecting suppliers:

Criteria for Selecting Producers

= Their Situation

- 1.1 - lacking possibilities of satisfying their basic needs
- 1.2 - belonging to oppressed and underprivileged groups
- 1.3 - lacking marketing facilities except export; dependence on middlemen resulting in discrimination

= Goals and Organization of Producers

- 2.1 - self-help organizations (of a cooperative nature including informal and traditional patterns); or: production and marketing organizations on a nonprofit-making basis; or: rehabilitation programs
- 2.2 - just distribution of income in the individual situation and fair pay for all those involved in the production process
- 2.3 - use made of profits for the improvement of production as well as for community amenities like education, health services, social and cultural investments
- 2.4 - employment of workers according to social criteria
- 2.5 - openness for new members (no creation of an elite), readiness to cooperate with others having the same intention and with other producer groups
- 2.6 - promotion of social and socio-political awareness
- 2.7 - existence of an adequate organization for meaningful and effective cooperation
- 2.8 - participation in decision-making of all concerned
- 2.9 - prevention of undue mobility as a result of poverty (e.g., migration from rural to urban areas)
- 2.10 - decrease in one-sided dependency on foreign advisors and export

Product and Pricing Criteria

= Criteria for the Producer-Country

- 3.1 - oriented towards the needs of the country; export should not obstruct the fulfillment of these needs

- 3.2 - production under human and labour-intensive working conditions
- 3.3 - production according to indigenous methods and/or the application of appropriate technology
- 3.4 - use of local materials
- 3.5 - maintenance and development of local cultural values
- 3.6 - de-centralized production, so that a broad participation is attained (preference to small groups before large ones, to the countryside before the city, to beginners before established organizations, to the poorest before the poor)

= Criteria for the Marketing Country

- 4.1 - products should correspond to real needs of the German people
- 4.2 - be of such quality and price that they command a ready sale

There are tensions, naturally, among some of the criteria. This makes the selection process for AMOs particularly difficult. At one AMO there was an illuminating discussion two years ago between the marketing manager and a field representative over two sets of purses from two different producer groups in the same country. The two sets of purses could not have been more different. One was crafted of excellent leather and beautifully finished, the other was of poorly embroidered materials that exuded a local self-help-project-among-the-disadvantaged image. Since the AMO was seeking to avoid a hand-me-down, thrift shop image, the leather purses fit its vision perfectly. However, the poor quality embroidered purses fit another criterion because they were made by a group which had few, if any, opportunities. A decision was made to market both sets of purses--a natural compromise, if difficult to reach, between producer needs on the one hand and market demands on the other.

Ideal producer group criteria and ideal product criteria do not always coincide. On the one hand, some AMOs will find a particular producer group to be very attractive because it is fighting oppressive conditions or is genuinely launched on self-help development, but its products are too expensive or of too low quality to market at break-even prices. On the other hand, some AMOs have dealt with groups about whom they were suspicious, but were reluctant to investigate because they were excellent suppliers. As a result, many of the people we interviewed

spoke wistfully of having more time and resources both to visit some of their current suppliers and producers and to hunt for new suppliers and producers who clearly combined products of acceptable quantity and quality with the other socio-economic criteria that they seek in their Third World partners.

An AMO may receive 50-250 enquiries a year from suppliers all over the world. Requests to market products come through various channels. For example, many export promotion centers in the Third World will list active AMOs. When the TRADECRAFT newsletter (described in Chapter 12) was being published between 1977-1980, most AMOs received twice their normal number of requests. The networks of voluntary assistance agencies and exporter/importers in which AMOs participate account for a large number of additional enquiries. And, development workers and Peace Corps-type volunteers from various national and international government agencies refer prospective suppliers to AMOs.

AMOs also actively search out prospective suppliers. The few AMOs with field staff have proved that reliable new suppliers can be found, if adequate resources are allocated to the task. FRIDA Marketing Services' field staff in Africa located suppliers of baskets (in northern Kenya) and pottery (in Mali) whose products were virtually unknown to the trade. The AMO's former marketing director claims that colleagues in the trade were surprised by the high quality and low price of the products. Very few AMOs, however, have the resources to put full-time buyers in the field for any length of time. FRIDA, in fact had to pull its field staff out of Africa in 1980 for economic reasons.

While we do not know the proportion of new suppliers identified by AMO efforts in contrast to those suppliers which make themselves known to AMOs, we do know that only a small fraction of the latter ever result in a trading relationship. Global Village Crafts, for example, did not accept a single one of the 200-odd requests it received in 1979. In general 80% to 90% of the enquiries received by AMOs are rejected. SERRV seems to be an anomolie, having accepted over half of the 30 requests it received in 1979.

Many AMOs, as we have already indicated, will reject requests from suppliers if they are obviously commercial, or rejection may be based on a group's products or organizational structure. If a group looks promising, however, the AMO usually will request additional information about the group and its products as well as product samples. At the same time, most AMOs will use their extensive networks of contacts to confirm the reliability of information received from potential suppliers.

In most cases a representative of the AMO or someone known to the AMO will visit suppliers and, often the producers as well. The managing director of ABAL Foundation, in fact, has argued that an AMO's most significant asset is its field contacts--without access to an extensive field network the ABAL Foundation director does not see how an AMO could operate with any certainty at all that it was achieving its objectives in the Third World.

AMOs differ greatly in regard to the amount of information they seek about any given group and in the number of people involved in the group selection process. FRIDA Marketing Services claims, for example, that it buys from 'decent people' and beyond that does not examine closely wage rates, participation in decision-making, etc. On the other extreme, GEPA and Friends of the Third World request suppliers to fill out extensive questionnaires about their history, purposes, structure and producers. In terms of making the selection decision, some AMOs, including Global Village Crafts, Afro-Art and FRIDA Marketing Services, allocate buying responsibilities to particular individuals within the organizations. Other AMOs decide by committee. Bridge/Oxfam's product selection committee consists of six persons, including two women representatives from Oxfam shops. GEPA's selection committee, the Project Partner Committee, includes the AMO's project officer as well as its business director and it reports directly to the AMO's Board of Directors.

An alternate set of selection criteria and processes are used by Handelsfront and Solidarisk Handel in Sweden and Ideele Import in the Netherlands. These three AMOs select nations with particular ideologies as sources of supply rather than individual suppliers and their producer groups. The basic criterion is that supplying nations "have governments committed to the socio-economic development of all of their peoples rather than only specific elites." This criterion tends to translate into the selection of nations with some form of socialist government, such as China, Vietnam, Laos, Tanzania, Mozambique, Algeria, Angola, Guinea-Bissau, Cape Verde and Nicaragua. Handelsfront added a second criterion, that the nation be "anti-imperialist" towards its neighbors. After selecting their supplying nations on the basis of such broad political criteria, these AMOs rely heavily upon the governments of those nations to make the choice of individual suppliers. Since these suppliers are usually either government-owned agencies or government-approved cooperatives, they are assumed to be committed to the same non-exploitative policies as the government. The people we interviewed in these AMOs expressed little interest in learning about the actual situations of the producer groups that

ultimately make the goods sold by the AMOs. When a supplier is dropped by one of these AMOs, it is not for reasons related to their producer groups, but because the socialist governments of their nations have been displaced by other governments, as in the case of Chile. Potential supplying nations for these AMOs are identified from news media coverage of liberation movements and socialist revolutions in the Third World.

Tanzaniaimport uses yet another approach in selecting suppliers and producer groups. This AMO confines its work to a nation where many of its staff and volunteers in Sweden have worked or lived. In order to identify suppliers and producer groups in Tanzania, the AMO relies primarily upon government agencies. The AMO, however, also likes to have direct contact with producers, which it can achieve fairly easily because at least one of the 50 members of the Tanzaniaimport association visits Tanzania each year. The supplier and producer groups of Sarvodaya Shramadana in Europe represent a different type of choice made by the AMO's founders. The leader of a social movement in Sri Lanka, which held a very strong appeal for Sarvodaya Shramadana in Europe, was selected as a supplier on the basis of its philosophical commitment. Members of Sarvodaya in Europe visit Sri Lanka once or twice a year in order to maintain direct contact with the producer groups, which can come from any of the 2,000 villages in the movement.

6.7 Characteristics of the Relationship Between AMOs and Suppliers

A mixture of compassion, paternalism and partnership characterizes many of the relationships between AMOs and their suppliers. When asked to distinguish between SERRV and commercial firms, the AMO's director said that SERRV was more likely to be sympathetic and understanding, especially with respect to deadlines and product characteristics. We learned from a supplier in Thailand that "AMOs are more understanding of failures to get producers to produce items exactly as ordered, i.e., colors, size, etc." On the other hand, many AMOs deny such "subsidizing," and echo CCAP's contention that "being demanding on delivery, quality, pricing, etc. is best for the long-term development of producers." But, there is also a good deal of concern expressed from many quarters about the possible negative impact on producers from, for example, increasing demand for their products. There are some AMOs which, as we have seen, make explicit use of altruism as a marketing tool. The product tag of Jubilee Crafts, for example, reads: "This product is made by a destitute woman in Bangladesh." One's Christian duty to assist the less fortunate

is evoked by a number of AMOs. Yet there are many AMOs which see all these concerns as simply paternalistic and unnecessary. They argue that the only important aspect of a relationship between supplier and marketer is the commercial one. They take the position that if this commercial aspect does not function effectively, all the rest of an AMO's concerns have no meaning.

At least three AMOs, GEPA, SOS-Wereldhandel and Bridge/Oxfam (prior to 1977), use the term "partners" or "partnership" when describing their relationships with suppliers. The former director of Bridge/Oxfam went as far as to propose the creation of cooperative marketing structures in which "producers and consumers would have equal shares in its (Bridge's) control." As far as we know, no AMO has actually operationalized the partnership concept to such an extent. According to the present director of Oxfam Trading this remains an objective and the organization hopes to start putting the idea into practice in 1982.

An AMO's policy on trading surpluses or profits expresses one aspect of the AMO's relationship to suppliers. Two AMOs repatriate a portion of each year's surplus directly to producer groups. Bridge/Oxfam's remittance system includes an automatic allocation of 25% of net profits to producers in relation to Bridge/Oxfam sales of their products. The producer dividend, as it is called by Oxfam, has to be spent on social projects "designed to improve the quality of life of the community at large where producers live." The remaining 75% of the Bridge surplus is repatriated in the form of orders for new products. The Self-Help Program also repatriates a portion of its surplus, but does so on an ad hoc and informal basis. GEPA does not repatriate any of its surplus, but instead pays each producer group 10%-20% above its asking price; the AMO requests that the surplus from the higher price be used for community-wide projects.

Most AMOs, however, do not repatriate any portion of their surpluses to their suppliers. SERRV, SOS, and Third World Handarts, for example, will use all the surpluses to expand their marketing programs. Others will use part of their profits to finance aspects of their own educational programs or those of their parent PVO. GEPA, Global Village Crafts and Afro-Art, for example, allocate a portion of each year's surplus to the design and production of educational materials or exhibitions. Many AMOs also will use surpluses to support (directly or indirectly) Third World groups other than their own suppliers. The Developing Countries Foundation of 1962 currently helps support a dozen different educational projects in Africa through its marketing surpluses. Neighbors Crafts is one of several AMOs which covenants all profits to its parent PVO to support the PVO's development programs. It is also important to note that a number of AMOs generate funds indirectly for both

their parent PVOs and individual Third World groups. Sackeus, The Self-Help Program, GEPA, Dritte Welt Läden and The Developing Countries Foundation of 1962 wholesale to nonprofit groups and world shops which either use their surpluses to support individual projects overseas or donate them to the parent PVO of the marketing organization.

6.8 Problems AMOs Have with Producers and Suppliers

There is a general consensus among the marketing organizations (including the AMOs) and observers of the handcraft sector that most all marketing problems can be traced back to the production end. "Lack of dependability of supply" is the constant refrain from AMOs, each with a horror story of its own. These range from problems with consignments of baskets infested with large African beetles to shipments which arrive two years late; and from children's toys which continue to be painted with lead paint to whole shipments lost at sea. There are countries which have particularly bad reputations in the trade and there are others (e.g., the Philippines) whose policies and infrastructure are able to mitigate many of the supply problems.

The following problems with producers were consistently mentioned by AMOs:

- (a) shipment of lower quality goods than agreed upon, e.g., smaller baskets with less intricate designs
- (b) shipment of different goods than agreed upon, e.g., embroidered hats instead of gloves
- (c) late deliveries, causing importers to miss important events, such as Christmas
- (d) poor packaging, causing damage to goods
- (e) mislabeling and lack of documentation
- (f) inability and/or unwillingness to act upon market-related information on new product ideas and modifications
- (g) misinformation about sources of supply and conditions of producers
- (h) inability and/or unwillingness to maintain agreements, e.g., coffee producers who search for new outlets when price fluctuates higher than agreed upon
- (i) high prices, especially among voluntary agency projects
- (j) pilferages and infestation

Inconsistent quality, late delivery and inadequate packaging are the three major headaches. While they are more serious for the trading AMOs, they also affect the educationally-oriented AMOs. They are, of course, just symptoms whose causes

are rooted in a complex array of historical, cultural, and economic circumstances. Before discussing how AMOs address these root causes there are complaints from the Third World side which need to be aired.

6.9 Problems Suppliers Have with AMOs

Not all marketing problems originate at the production end. Suppliers experience a number of problems in their relationships with AMOs. The following sources were used to identify these problems: (a) a questionnaire completed by a number of major supplying organizations; (b) the CCAP self-assessment study to which we have already referred; and (c) discussions with several suppliers. Six problems mentioned by most sources are:

- (1) lack of market-related information (i.e., information on market trends, new product ideas, alternative buyers, competition, design and color considerations, etc.)
- (2) unintelligible orders (often written in languages which suppliers cannot read)
- (3) small size of orders
- (4) low marketing reliability (i.e., AMO staff turnover and policy changes by PVO sponsoring bodies affect marketing reliability)
- (5) late remittances
- (6) lack of understanding of constraints (i.e., the root causes of the producers' inability to make up orders properly)

Our inquiry also revealed the extent to which the image of each AMO can vary. For instance, a representative from four major suppliers in Bangladesh praised several European AMOs for their feedback on product marketability. The director of a fifth supplier in Bangladesh has called the same organizations "useless" on the grounds he can get no relevant market-related information from them. One British AMO has a particularly bad reputation among several suppliers in Asia for not paying its bills. And yet the same AMO is widely praised by other suppliers for its new product ideas and other forms of assistance. The sixth problem which suppliers claim to experience--a lack of understanding among AMOs of the root causes of producers' unreliability and inefficiency--brings us to a discussion of these causes and the development assistance programs of AMOs.

7. CONSTRAINTS ON PRODUCERS AND DEVELOPMENT ASSISTANCE APPROACHES OF AMOS

This section presents a brief discussion of the constraints on handcraft producers in the Third World and the various AMO approaches to mitigating these constraints. Based on the experiences of AMOs, constraints on producers can be grouped into four categories:

- (1) high level of vulnerability
- (2) lack of access to market-related information
- (3) lack of technical and overall management and business skills to act on market-related information
- (4) hostile, or at best, indifferent policy environment

Since these are, in the words of the former managing director of FRIDA, "the problems of underdevelopment exacerbated by the usual risks and problems faced by small businesses everywhere," it is not surprising that AMOs do not claim very much success in addressing them. Still, the experiences of AMOs have implications and lessons for international donor agencies attempting to increase the capacity of low-income producers to sell to export markets. For this reason they merit a close look. Of particular importance, as we shall note, is the need for ways to increase the flow of market-related information to producers.

7.1 Vulnerability and Lack of Opportunities

Low-income producers are in very fragile and vulnerable positions; they are often faced with an uncertain demand and low prices for their products as well as uncertain supply of and high prices for essential inputs. Low-income producers are vulnerable to middlemen, to changes in the marketplace and to a host of other factors (e.g., weather conditions and the supply of packing materials) primarily because they have few choices--with respect to sources of credit, raw materials and other inputs as well as markets for their products. The vulnerability of low-income producers is exacerbated by their physical isolation and dispersion and by characteristics of the handcraft sector itself. To some AMOs the fact that many producers can produce things of real beauty in the face of such constraints remains a source of wonderment.

The rapacious middleman is often cited as a major culprit. Several AMOs, in fact, were established on the assumption that most middlemen are apt to take advantage of the producers' relatively weaker position. Most cottage industry producers in the Philippines, for example, are autonomous rural families whose principal source of income is farming or fishing. When demand for cottage industry products increased in the middle 1970's, reliance on middlemen increased as local communities could no longer supply raw materials in sufficient quantities. Increased numbers of community residents became involved in production but, according to the report by CCAP, most did not organize to perform the tasks which would provide them with the greatest leverage on the supply side. These tasks include the following:

- (a) obtaining orders from Manila-based retailers, traders and exporters
- (b) procuring raw materials in bulk
- (c) distributing materials to the barangay (village) craftsmen
- (d) collecting the finished products from the craftsmen and paying for accepted products on a piece-rate basis
- (e) controlling the quality of products and storing these in warehouses
- (f) transporting finished products to buyers in key cities
- (g) collecting payments for products delivered

In most instances, "middlemen" (many of whom are women, according to CCAP) emerged to perform these functions. While AMOs can cite specific examples of exploitative practices, many caution against facile generalizations and underline the essential role middlemen play in the trade. The report by CCAP, for example, noted that many barangay-level entrepreneurs are "better educated than most barangay members and are often local leaders, teachers, or municipal employees." Neighbors Crafts, Worldcraft and The Self-Help Program are among the AMOs which deal directly with such entrepreneurs. Furthermore, many AMOs claim that the existence of a local "co-operative" is no assurance that producers are any less exploited--either deliberately or by the sheer incompetence with which so many of these so-called cooperatives are managed.

Consequently, AMOs are most likely to point to the producers' own socio-economic environment as well as to the nature of the international trading system in general and the handcraft market in particular, as being the most important factors which reinforce the vulnerability of producers. We have already discussed the nature of the handcraft export market and the problem of cut-throat competition

among exporters and importers. The CCAP report noted the practice among buyers of matching one exporter against another to force them to resort to price-cutting in order to stay in business. The downward pressure on prices, as we have seen, starts at the purchasing point. According to several observers, including the director of Worldcraft, an Australian who has sold to several export markets, the American market is particularly concerned about price as opposed to other product characteristics.

The ease with which communities, regions and nations can enter the handcraft trade is clearly a double-edged sword. In the Philippines, for example, there is real concern over China's entry into world handcraft markets; China's cottage industry products are similar to those of the Philippines, but China has the capacity to meet large volume orders with lower production costs. One of the more dramatic cases of outside penetration of a country's market was the collapse of the East African wood-carving industry, caused in large measure by the flood of industrially-produced facsimilies from India.

Weather conditions can cause many problems since the raw materials of many cottage industry products are agro-based. Poor weather generally slows down the flow of raw materials, thus causing price increases. The only way to avoid such increases would be to bulk-purchase materials prior to the rainy season, but this requires more capital than is available to most producers.

One observer notes that the demands generated by trading relationships themselves can be "an integral feature of maintaining units of a population in a subordinate and inferior position and . . . can negate some of the commendable aims we try to achieve through trading."* The argument is based on observations that Trade Aid, a New Zealand AMO, generally trades with entrepreneurs and marketeers who have education, experience and a power position seldom available to producers. This situation is inevitable, a director of Trade Aid contends, because AMOs, like other importers, require a marketing expertise which producers seldom have, insist on regular production, and require levels of production which may divert the energy of producers away from tackling the causes of the inequalities they experience. The result is a consolidation of the status quo with producers

*This argument was made by the director of Christian World Service (CWS), the aid and development division of the National Council of Churches of New Zealand, in the April 1979 issue of Tradecraft.

remaining relatively powerless and vulnerable. The Trade Aid director who made the argument suggested a number of ways the more pernicious effects of a trading relationship might be avoided. They will be discussed at the conclusion of this section.

7.2 Lack of Access to Market-Related Information

Small-scale exporters in the Third World do not have access to a lot of the information which would help them penetrate export markets successfully; they need, for example, information on market opportunities and trends, competition and prices, new product ideas and design considerations, and appropriate production technologies. Most observers feel, however, that when such market-related information is available, it is accessible to only a handful of suppliers.

The need for effective communication between marketing organizations and producers has been documented and discussed at every conference on alternative marketing held in Europe in the 1970's. For example, a resolution adopted by the participants at the International Workshop of Third World Producers and Alternative Marketing Organizations held in Vienna in 1977 stated,

Be it resolved that producers provide AMOs with relevant information on price, type and function of products while AMOs supply producers with information on markets available, the marketability of their products, relevant customs regulations, methods for product adaptation and the availability of training opportunities.

The 1976 conference sponsored by SOS-Wereldhandel in Amsterdam emphasized that one of the most important services AMOs could provide producers would be information on market forecasting, fashion trends, competitive products, solutions to technical problems, standard sizes, weights and quality and restrictions on imports. In addition to the lack of market-related information, AMOs point to the absence of a forum for producers and marketing organizations to discuss mutual concerns.

Over the past four years there have been several individual and one coordinated effort to address the producers' need for information and mitigate their sense of isolation. (These efforts are discussed on pages 68-69.) But according to representatives from several AMOs responsible for assessing the failure of one joint project: "Producers remained badly informed about how to organize themselves, what potential exists, and how to successfully penetrate markets."

7.3 Inability to Act Effectively on Market-Related Information

The Achilles' heel of most export-oriented projects, in the opinion of one observer, is the need for talent and know-how to run them. Even the simplest and most straightforward projects, he says, require someone who knows markets, marketing and production; someone who can organize and work well with producers, handle quality control and survive bureaucratic hassles. In the experience of many AMOs, such paragons are rare in the handcraft sector; they are usually found in government service instead. One AMO, for example, sponsored a woman from a Bolivian cooperative for training in the United States. Soon after returning to Bolivia with designs and techniques to upgrade the alpaca products her cooperative was making, she decided to seek work elsewhere in order to better utilize her experience and training. Both Bridge/Oxfam and Tearcraft have had negative experiences with groups which tried to expand production, but did so without the "business and management sense" needed for success. Global Village Crafts and CCAP argue that the low priority of production and sales in many PVO- and church-related projects, as well as their lack of a business orientation, are the two main reasons why so many of those projects have failed to act on new product ideas and other advice.

There are reasons, though, why low-income producers do not act upon market-related information to the extent which AMOs might expect or hope. For example, Tanzaniaimport could not persuade producers of ethnic clothing in Tanzania to raise the quality of their products. The regional market took the lion's share of their output and tolerated poor seams and other "defects." The extra effort and expense needed to consequently produce the quality required by the Swedish market was simply not cost/effective for the producers. Another example of the same phenomenon was cited by a CUNA (Cooperative Union of North America) representative who worked with producers in Colombia for many years. To many producers, he claimed, the export market was where one tried to sell what could not be sold domestically. In other words the marginal benefits which would accrue from acting on market-related information are often outweighed by increased costs and risks.

7.4 Hostile or Indifferent Policy Environment

In exploring the dramatic increase in the value of handcraft exports from the Philippines during the past ten years, CCAP emphasized the importance of policy factors. Of particular significance, according to the CCAP study, was the "active promotion and support provided by the government and the private sector, notably

banks and financial institutions." The director of FEDEAU (the EEC-funded project) acknowledges the importance of the general attitude of host country governments toward the handcraft sector, but often finds it to be indifferent, if not downright hostile. There is a feeling among many governments, he claims, that giving emphasis to the production of small-scale culture goods and handcrafts deflects a country's push toward industrialization and that, therefore, the use of scarce resources to develop the sector further is not warranted.

Many of the arguments against encouraging the handcraft sector are summarized in an article written for the ITC publication, Trade Forum, in 1972. These arguments are still used today. They include the following:

- (a) The very nature of the production process makes it next to impossible to achieve consistency of a product when it is produced in any volume.
- (b) Formalized quality control methods are not practical.
- (c) There is a strong tendency for prices to become depressed, since designs are fairly easily copied.
- (d) The nature of many products does not lend itself to repeat orders of the same article.

All these constraints and problems, the article suggests, make the promotion of handcrafts an expensive and questionable option. The author argues that the promotion of handcrafts (1) acts as a constraint on the promotion of other goods with a greater potential for more permanent markets and higher foreign exchange earnings, (2) puts a definite drain on management skills and resources that might be better employed elsewhere, and (3) encourages uncontrolled and inefficient use of resources and makes it difficult for labor recruited from that sector to adapt to highly sophisticated and disciplined methods of modern industry. Regardless of the accuracy of these arguments, they do form the rationale for certain constraints in the handcraft sector, including such government regulations as export duties and restrictions against mailing samples to prospective buyers, lack of credit and financial incentives, and bureaucratic indifference.

To our knowledge, national policy is treated as a given by AMOs. However, most AMOs have tried to address some of the other constraints mentioned above. We now turn to a discussion of these approaches.

7.5 AMO Approaches to Credit Needs

AMOs help suppliers and producers address their need for credit through prepayments, donations of goods and services, direct loans, and access to other sources of grants and loans. The policy of individual AMOs, however, varies considerably. The Self-Help Program, for example, will make downpayments "when necessary." This AMO will also pay the balance even when the only proof of shipment is a pro forma invoice. GEPA's advance payments in 1980 totalled 180,000 German marks. GEPA will also pay 10%-20% above the asking price for a consignment, if the difference is to be used by the producer group for "community purposes." Bridge/Oxfam has a similar producer dividend scheme which we have already discussed. This AMO will pay up to 40% of an order in advance. Afro-Art has often advanced 50% or more of the cost of goods to suppliers. And, FRIDA Marketing Services provides financing for 50% of all orders over 1,000 English pounds. Table 6 presents information on the amount of money which a selected number of AMOs have outstanding as loans and/or prepayments to suppliers.

Neighbors Crafts, Bridge/Oxfam and IPHRD are three AMOs which have leveraged funds from their respective PVOs and other donor agencies for particular producer groups. In the early 1970's SOS-Wereldhandel appealed to the Dutch public to support a confederation of coffee farmers in Nicaragua. Afro-Art has also channeled SIDA (Swedish International Development Agency) money and some of its own surplus to individual producers for the purchase of sewing machines, vans, workshops and other production-related items.

In general, the financial contributions of AMOs have not been very large, even though, occasionally, the amounts have been significant (e.g., a Neighbors Crafts' grant for a revolving loan fund to a small women's self-help group in Bolivia). Several observers, however, have suggested that financing production is rarely a serious problem for the small number of major suppliers on which most of the AMOs depend. The director of Traidcraft, in fact, claims that often the problem is too much money. In his experience, there are so few groups with good products and effective management that many of these are literally showered by grants and loans from both national and international donor agencies wanting to jump on the bandwagon. The result is often widespread corruption or downright inefficiency.

TABLE 6
 INFORMATION ON SELECTED AMO APPROACHES TO
 WORKING CAPITAL NEEDS OF SUPPLIERS

AMO	Value of prepayments-1970	In-kind contributions	Total value of loans and grants given to suppliers
Afro-Art	20,000 SKr	sewing machines, vans, etc.	NA
Bridge/Oxfam	£67,000		NA
Dritte Welt Läden	50,000 DM (1979)		NA
ERIDA Marketing Services	£40,000		NA
GEPA	180,000 DM		NA
Tearcraft	£65,000		NA

7.6 AMO Approaches to Providing Market-Related Information

AMOs assist producers in addressing their market-related needs primarily by providing new product designs and ideas through the use of "clipping services" and consultants; and by supplying relevant market information through catalogues and, at one time, a newsletter. One AMO also commissioned a market study on the German market for jute products and made it available to different suppliers of jute products in Bangladesh. (There also have been government-sponsored attempts to provide market-related information to Third World exporters, including efforts by the import promotion offices in Europe and the International Trade Center in Geneva. We visited FEDEAU (an EEC-funded operation), the Swedish import promotion office (IMPOD), and the AID-funded project at the World Trade Institute, and we discuss their efforts in Part V.)

The "clipping services" run by most AMOs provide their suppliers with cuttings and ideas for new products which the AMO sees as marketable and within the producer's capabilities. Tearcraft, Global Village Crafts, Afro-Art, Bridge/Oxfam and Third World Handarts are among the AMOs which have developed new product ideas for producers. Afro-Art has sent over 40 consultants to the Third World over the past 13 years to provide design ideas and new product suggestions to a wide range of producers of textile, wood, metal and clay products. Bridge/Oxfam currently employs an industrial designer who holds workshops for producers throughout the world. Last year, for example, under the auspices of Pakerti, an Indonesian intermediary organization, he ran workshops for 15 artisans; for a week participants experimented with ideas for bamboo products. And, in the middle 1970's, The Self-Help Program, in conjunction with the Mennonite Central Committee, the Catholic charities of Bangladesh and other voluntary agencies, was instrumental in providing the key designer to the Jute Works. Global Village Crafts and Tearcraft are among the AMOs which have assisted suppliers in putting together product catalogues. In the process the AMOs have helped increase not only the suppliers' opportunities in different marketplaces, but also their awareness of the markets' needs and idiosyncracies.

Despite individual efforts to keep producers and suppliers informed about their markets, there seems to be a general consensus that on the whole these efforts fail to meet the need. Many AMOs argue that individually they do not have the resources to monitor market trends, gather data on a wide range of competitive products, appropriate technologies and technical solutions (from purse latches to new tanning techniques), and provide general advice to prospective suppliers who

might want, for example, to participate in a trade fair. This feeling of general inadequacy was expressed at the two international conferences already mentioned. It remains a source of frustration throughout much of the AMO community.

The only coordinated effort we know of to address directly the producers' need for market-related information was the newsletter, Tradecraft. Tradecraft was born at the Vienna conference in 1977 where it was decided that "a newsletter shall be published by three British AMOs, FRIDA Marketing Services, Bridge/Oxfam, and Tearcraft." In eight issues published between October 1977 and June 1979, Tradecraft covered some 17 different topics, including 13 articles on exporting and marketing matters; short news items about 28 producers and their products; descriptions of 31 relevant international and national organizations, including AMOs; and 16 articles concerning technical questions (e.g., drying clay products and packing leather goods). The newsletter had a mailing list of 3,000 in 137 countries; 66% of its readers were in developing countries and involved with producer groups--government projects, cooperatives, private ventures, church-aided programs, etc.

According to its editor, Tradecraft was seen as only a first step toward the development of a Third World Handcraft Information and Resource Center. If successful, it would be able to (1) provide moral support and a sense of community to the large number of disparate and isolated producers of handcrafts; (2) disseminate general information on developed markets, appropriate technology, the movements of people in the trade, etc.; (3) supply in-depth information on a range of different subjects; and (4) create a forum for dialogues between organizations. But, the Third World Handcraft Information and Resource Center was never established.

The last issue of Tradecraft was published in June of 1979. Efforts to finance the newsletter from subscriptions and advertising did not succeed and grant applications to the EEC and other international donor agencies were rejected. At a meeting held in July 1979 to discuss the future of Tradecraft, a suggestion was made to have each AMO contribute a small percentage of its net profits. This idea was quietly tabled. Unable to obtain the necessary backing and support, Tradecraft ceased publication. There is little likelihood that it will be resumed soon.

As a result of the July 1979 meeting, a working group, headed by the director of Global Village Crafts, was formed to assess the experience of Tradecraft and to suggest new ways of addressing producers' market-related information needs. The working group acknowledged the shortcomings of individual efforts to meet these needs, but it was unable to reach a consensus as to whether a periodical such as Tradecraft was the most effective way to increase the producers' chances for success.

The group concluded that perhaps the most useful function of a periodical was to provide moral support to isolated producers and serve as a medium of information exchange among marketing organizations.

The Tradecraft working group made three proposals:

- (a) to establish a small coordinating organization to stage training seminars within developing countries;
- (b) to produce and publish a marketing journal from one or several developing countries; and
- (c) to publish a journal which would emphasize the exchange of ideas and news information rather than "how-to" types of information.

To our knowledge none of these proposals have been taken up and only the individual efforts by AMOs remain. In discussing Tradecraft's demise its editor speculated that "perhaps there is still too wide a gap between the marketing organizations . . . perhaps there is still too much suspicion of each other's motives to make coordinated action possible."

7.7 AMO Approaches to Providing Technical and Managerial Assistance

The different approaches to providing technical assistance employed by AMOs reflect the availability of financial resources from outside sources as well as individual philosophical predilections. The assistance can be ad hoc, such as advice given on the spot to producers by an AMO director or buyer while on buying trips, or formally structured as in the case of fully staffed and financed production and training centers which provide a wide range of services to individual producers and associated groups. The assistance rendered on an ad hoc basis by AMO staff can be very valuable, as is demonstrated by the success of the former director of Tearcraft in helping several groups understand and develop appropriate cost accounting systems. In addition to this approach, however, there are five distinct patterns for delivering technical assistance, each of which is discussed briefly in the following paragraphs.

7.7.a Peripatetic technical staff: To our knowledge, Bridge/Oxfam and Worldcraft are the only AMOs to employ technical personnel whose primary functions include visiting producer groups for short periods to run seminars and workshops on product design, production and management issues. In both cases it is too early to tell whether the concept makes sense from the points of view of the AMOs and the producers.

7.7.b Resident design consultant staff: Afro-Art and Global Village Crafts are two AMOs which have overseen the selection and management of consultants who have spent up to three years on site advising producers and suppliers, particularly on design and production issues. Most all the consultants have been design-oriented people; for example, graduates of the National Swedish School of Arts, Crafts and Design (in the case of Afro-Art), or skilled potters from Somerset (in the case of Global Village Crafts).

7.7.c Short-term technical consultants: Tearcraft is one of several AMOs which has made use of short-term consultants to address very specific technical problems. In one case, Tearcraft sent a consultant from the Tropical Products Institute in the U.K. to Bangladesh to help solve a problem of fungus growth in cardboard storage cartons caused by rain and mildew; "a simple concrete carton with a 100-watt bulb inside eliminated the humidity and solved the problem." In recent years, Afro-Art also has started to send consultants to individual producer groups on specific, short-term assignments, because the AMO is convinced that the groups are more likely to become self-sufficient, if they receive only small injections of assistance. Afro-Art has found that it is often more effective to send an experienced expert for a few months than a young volunteer for two years.

7.7.d Full-time resident generalist staff: Bridge/Oxfam is currently the only AMO with full-time resident staff; one full-time person in Delhi provides general support to establish links to and between suppliers, identify new sources of supply and provide management training. This person is paid in part by Oxfam, the parent PVO, but is considered an employee of Oxfam Trading. In 1979, FRIDA resolved to set up two field offices in Africa. Their functions were described in a FRIDA manual as follows:

- (i) to maintain close and effective communication with the government and institutions in the countries covered by the offices;
- (ii) to provide information and documentation to FRIDA which can facilitate the preparation of projects and the export of products from those countries;
- (iii) to identify projects and monitor projects and their implication, giving advance notice of any problems;
- (iv) to serve as a base for the handcraft field officers; and
- (v) to facilitate generally and follow-up all operations by all units in the FRIDA group.

In 1979 two "field officers" responsible to FRIDA Marketing Services were appointed as a first step toward setting up the offices in Nairobi and Quagadougou. For one year these two officers represented both FRIDA and FRIDA Marketing Services, though according to FRIDA's former director of projects, they spent 85% of their time finding new sources of supply for the marketing operation. In 1980 the field officers were withdrawn from Africa as part of a general cutback within FRIDA, and the intention of establishing permanent offices in Africa was shelved.

7.7.e Part-time resident generalist staff: Neighbors Crafts, Bridge/Oxfam and FRIDA Marketing Services have hired part-time staff to carry out the middleman tasks described on page 60. In the case of Neighbors Crafts, two middlemen were hired to serve simultaneously as local employees of the parent PVO. The other two AMOs hired outside people. According to FRIDA Marketing Services' former marketing manager, the extra cost of such middlemen is far outweighed by the benefits which accrue from less breakage and pilferage and from other inefficiencies.

7.8 AMO-PVO Training, Production and Marketing Centers

Several AMOs have worked with their parent PVOs to set up marketing cooperatives. For example, The Self-Help Program and The Mennonite Central Committee were instrumental in the development of the Jute Works. And, both organizations were involved along with Tearcraft in establishing Asha Handicrafts, a nonprofit marketing organization in Bombay. Only Worldcraft and FRIDA Marketing Services among the AMOs surveyed, however, have programs or proposals to work in conjunction with their parent PVOs in order to provide a full range of training, production and marketing services directly to their suppliers.

FRIDA Marketing Services was created to provide marketing assistance to FRIDA and other projects in the field. According to FRIDA's policy papers, its "integrated approach" to the development of handicrafts and labor-intensive activities starts with the preparation of feasibility studies and ends with export marketing assistance. FRIDA's stated program consists of the following six related activities:

- (i) development research--identification of viable sectors and projects, and the study of constraints on the growth of handcraft and labor-intensive industries, as well as on the utilization of raw materials
- (ii) project promotion--either by identifying partners who can provide the technology, marketing network and funds needed to create or expand projects, or by providing these on its own

- (iii) consultancy-- by advising other organizations on a broad or concrete strategy to establish projects in FRIDA's sectors of specialization
- (iv) recruitment--by providing institutions, enterprises and governments in developing countries with candidates who possess the concrete expertise needed for advisory or executive functions
- (v) investment finance--with FRIDA in a position to mobilize funds from other institutions or to lend or invest its own funds if required
- (vi) marketing assistance--by (i) setting up a commercial organization in developed countries for the distribution of handicrafts and industrial products manufactured in FRIDA countries, and (ii) facilitating contact between producers in FRIDA and other marketing organizations

There is no indication, however, that this "integrated approach" is working. By the end of 1980, according to three former staff members, including the former managing director of FRIDA, no operational links existed between FRIDA and FRIDA Marketing Services. Neither the AMO nor the parent PVO have been amenable to the other's projects.

In 1976, FRIDA played a major role in establishing the Kingdom of Lesotho Handicrafts, a cooperative marketing organization for a dozen projects and organizations in Lesotho. FRIDA provided both equity capital and management services to the cooperative. Yet, FRIDA Marketing Services has not handled any of the cooperative's products (household furniture, mohair tapestries), because, in the opinion of the three former staff members, FRIDA Marketing Services was not set up to market those kinds of products and did not have the flexible response capability to serve effectively as a broker to a wide range of projects. Similarly, proposals by FRIDA Marketing Services to FRIDA to work with a number of small, community-based handicraft projects in several African countries proved unacceptable to the parent PVO. Sources of the tensions between the marketing operation and the parent PVO are discussed further in Chapter 11.

World Crafts has not yet launched its development assistance program. The AMO is preparing proposals in conjunction with World Concern, its parent PVO, which are modelled on the Cottage Industry Program of HEED/Bangladesh. Thus, a review of that program will provide some insights into what World Crafts is planning.

HEED is a Dacca-based organization, supported by evangelical missions and international development agencies. Its cottage industry program began in mid-1977 and has established four training centers and one central service center. The central service center in Dacca is responsible for overall coordination and administration of the handcrafts program, quality control, design, publicity, purchase of raw materials (not available locally in the project areas) and marketing of finished products both in Dacca and abroad. A shop was opened in the Dacca center in 1977, a separate crafts emporium is being built, and plans are being laid to open shops in other major cities in Bangladesh. And, in 1979, HEED's export program consisted primarily of exporting samples to AMOs in Europe and the United States.

In 1980 there was a total of 770 trainees and producers involved in the four centers of the handcraft program. In 1979, the total number of staff involved in the HEED program was 90 nationals and 6 expatriates. It was estimated that in 1980 the number of expatriates would reach 12 and the number of nationals 127.

The director of World Crafts (who worked in the HEED program) acknowledges that to create a handcraft program from scratch and to move it into the export market in a few years is both difficult and expensive. But World Crafts hopes to at least have the opportunity to try it.

The experiences of CCAP in the Philippines throws some doubt on the feasibility (if not the need) of providing an integrated package of services to producer groups. As part of its initial policy of service to members, CCAP offered the following full line of services:

- Marketing services
 - Administration of retail, domestic, and export sales activities
 - Promotion, both local and foreign
 - Market intelligence and competitive information
 - Product design and development
 - Pricing strategy
 - Handling of documentation for shipping and export
- Raw material purchases, to include logistics services such as warehousing and transport, and monitoring of prices
- Working capital loans for export orders
- Training and development
 - Seminars, workshops, plant visits
 - Management bulletins, articles, circulars

- General management consultancy

- Project feasibility studies
- Organization and staffing
- Costing
- Production planning and control
- Inventory management
- Forms and reports for small-scale operations
- Systems and procedures
- Financial management

After a review of its performance over the period 1974 to 1978, however, CCAP decided to limit its assistance program to marketing services, providing the "other services" only on specific request and at cost. The reasoning behind CCAP's decision was that the "other services" would require indefinite subsidies and, more importantly, they tended to divert management talent and effort from the organization's primary responsibility, i.e., the promotion and marketing of its members' products. Furthermore, CCAP found that the other services were "largely ineffective when ranged against the forces of the marketplace." The issues raised by the CCAP experiences will be discussed further in Part IV in conjunction with efforts of the AMOs (and other agencies) to provide technical assistance to small-scale producer groups.

We have already noted the argument by a director of Trade Aid (New Zealand) that AMOs are often partially responsible for the continued vulnerability of their suppliers. The CWS director suggested that AMOs address this problem in four ways:

- (1) by opting for larger and infrequent orders from some suppliers who may wish to plan production quickly for limited periods in order to have time for other activities designed to help change their situation.
- (2) by accepting unplanned variations in production as an inevitable consequence of relating to powerless, oppressed persons.
- (3) by arranging alternative financial support for producers who want to give up production in order to use their productive energy entirely on fighting oppressive structures.
- (4) by encouraging producers to develop markets that give them the greatest degree of flexibility. This could mean developing either domestic or export markets.

The suggestions made by the CWS director provide, as we have already stated, a philosophical paradigm for many, though not all, AMOs. There are examples of AMOs working with producers to diversify not only production, but

markets, even at the risk of losing the supplier. Tanzaniaimport, for example, requested assistance from SIDA for a women's sewing cooperative to penetrate local and regional markets. At the time the request was made, Tanzaniaimport was the sole market outlet for the cooperative. As a result of the assistance the group was able to sell all its output on the domestic market. Other AMOs, including Tearcraft, Afro-Art, Global Village Crafts, SOS-Wereldhandel and Sarvodaya in Europe, have also helped suppliers open up additional European markets in order to give them more choice and greater flexibility.

The newsletter, Tradecraft, was an effort to address in part the isolation of producers and suppliers and encourage a sense of community and sharing of experiences among organizations. Most of the articles published during the two years of publication, in fact, dealt with suppliers and marketing organizations. And, in the later issues, a conscious effort was made to use the newsletter as a forum for discussion for suppliers. While the newsletter tried to create a sense of community among AMOs and their suppliers, the existence of a "community spirit" as such is a much debated topic.

Another subject that has engendered much debate among AMOs is the role of intermediary organizations. Many AMOs, as we have already noted, claim to seek out organizations which either have a range of social objectives or which are supplied by social-development groups and community-based projects. CCAP in the Philippines, the Jute Works in Bangladesh and NCCK in Kenya are three well known examples. The director of Global Village Crafts, however, is among those who argue that the need for intermediary organizations has been greatly exaggerated. He prefers to deal directly with producers whenever possible, because that way he has "some margins to play with."

As we have seen, there is a great deal of skepticism among AMOs regarding the efficacy and viability of most social development marketing structures and producer organizations. CCAP concluded, in fact, that its early failures to achieve a creditable level of sales was due in large measure to the structure of its membership, the majority of which had objectives other than the sale of production of handcrafts. Furthermore, AMOs recognize that corruption and manipulation are not confined to commercial structures but can and do exist in their non-commercial counterparts, as sadly evidenced by the recent difficulties of a major supplier in Bangladesh. Despite the weaknesses of many socially-oriented marketing organizations, noted here and elsewhere, most AMOs take the position that indigenous intermediary organizations with social-development goals constitute the most effective means for addressing some of the root causes of producers' vulnerability.

8. MERCHANDISE AND MARKETING

8.1 Merchandise

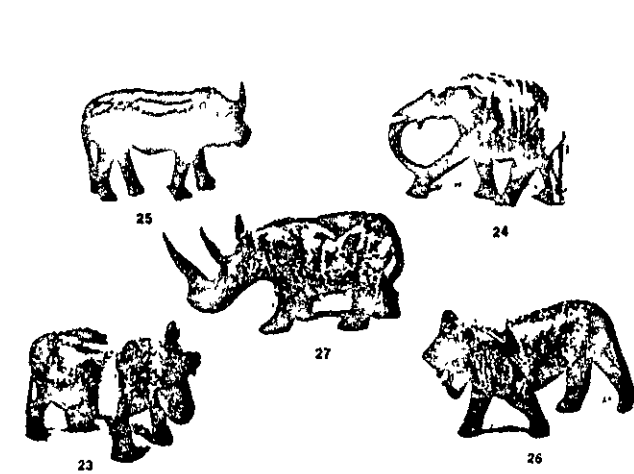
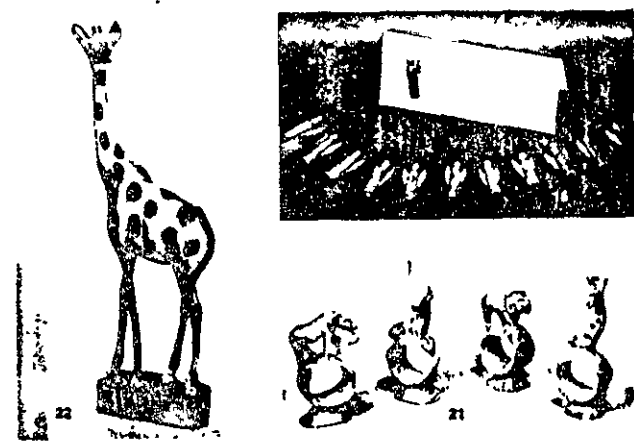
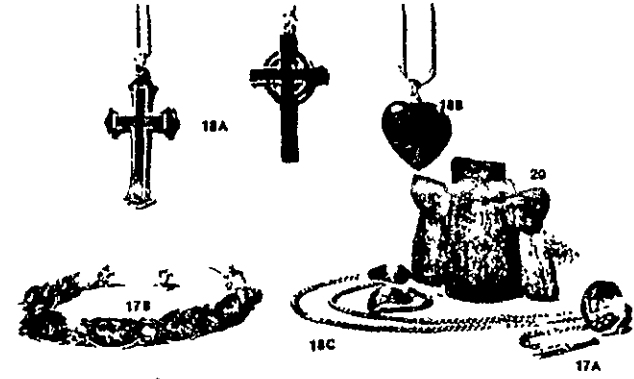
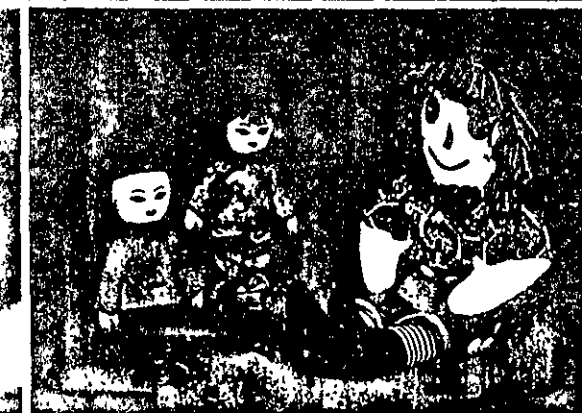
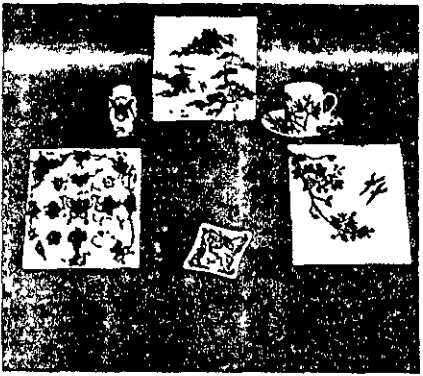
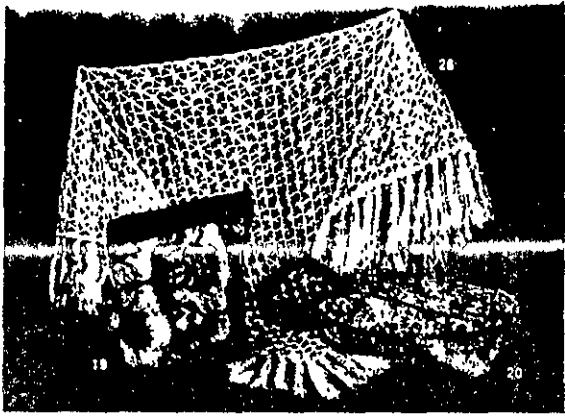
8.1.a Non-food commodities: On the following pages we have included copies of pages from the catalogues published by a sample of AMOs.* This small sample illustrates the enormous range of products imported from the Third World by AMOs. There are the ethnic folk-art items such as masks and figurines, the Christmas ornaments, hand-decorated porcelain, musical instruments, jewelry and basketware. There is also a wide assortment of gift ware, household and kitchen accessories, personal accessories, furniture, footwear, "non-ethnic" toys and games and clothes. They are all cottage industry products, but they differ widely with respect to their sophistication and "ethnicity".

AMOs generally classify the non-food products they import as either decorative or utilitarian handcrafts. Several AMOs, including Aid to Artisans, Global Village Crafts, Afro-Art and Handelsfront, use the term "ethnic folk-art" to describe some of the items they market, while others, among them Bridge/Oxfam and World Crafts, import similar products, but do not call them "folk-art". GEPA uses a unique format in classifying the items it sells. In this classification:

- (1) Political goods are goods that can be used effectively in educational campaigns (e.g., coffee, tea and jute).
- (2) Cultural goods are goods that can be used to explain other cultures (e.g., ethnic folk-art).
- (3) Consumer goods are those that serve a utilitarian purpose (e.g., baskets, cooking utensils, etc.).
- (4) Solidarity goods are those that can be used to express solidarity with a particular group of people or nation (e.g., candles from Soweto and jute from Bangladesh).

The catalogue prices for the more expensive items generally do not exceed \$35 to \$50 and most products sold by AMOs seem to be in the middle to low price range. This is reflected in FRIDA Marketing Services' 1980 decision to close its

*Sources of photographs: page 77, Global Village Crafts and Bridge/Oxfam; page 78, SERRV; page 79, FRIDA Marketing Services; page 80, SOS-Wereldhandel; page 81, Traidcraft and Sackeus; page 82, Dritte Welt Laden; page 83, Sackeus.



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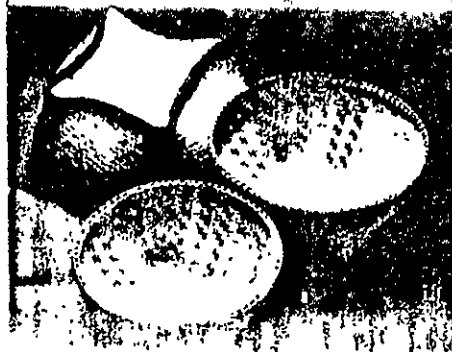
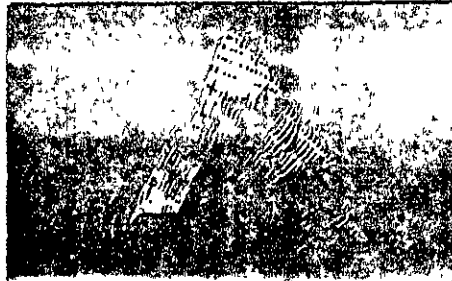
PICNIC & TRAVEL BASKETS

- A 4160 Picnic basket 40cm Philippine £3.50
- B 9285 Straw basket set set of 3 largest 40cm Philippines £6.80
- C 9284 Straw basket set with brown stripes set of 3 (smallest shown) largest 40cm Philippines £6.80
- D 4385 Straw basket set set of 3 largest 40cm Philippines £2.30



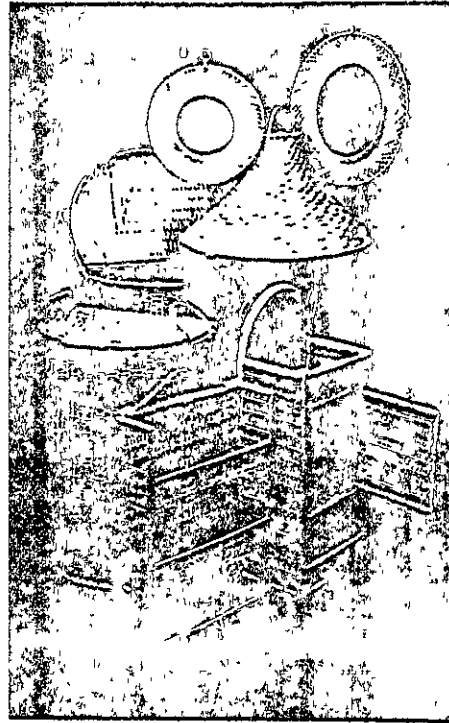
DARK STAINED BASKETWARE FROM THE PHILIPPINES

- A 2471 Magazine racks set of 2 largest 48cm long £6.50
- B 4162 Wine bottle holders capacity for two bottles 40cm high £2.75
- C 4375 Wine caddy tray 6 compartments 34x22cm £1.80
- D 4376 Wine caddy tray 5 compartments 31x26cm £1.80



HOUSEHOLD BASKETWARE FROM THE PHILIPPINES

- A 2443 Hollowood laundry baskets set of 2 rope handles larger 56x38cm £10.75
- B 2176 Mirror round 25cm diam £2.50
- C 2175 Mirror oval 31x27cm £2.65
- D 2268 Bangwang lamothaoe with bamboo with 2 chairs for hanging 43cm diam £3.30
- E 2360 Wash cupboard with door 59x24 in £4.60
- F 2365 Washboard 40x41cm £3.25



PLANTERS

BASKETWARE FROM THE PHILIPPINES

- A 4475 Split rattan planters set of 6 largest 25cm £5.85
- B 4450 Refo waste baskets set of 3 largest 28cm £3.70
- C 4483 Laguna planters set of 6 largest 27cm £3.75
- D 4485 Bamboo baskets set of 3 largest 23cm £2.75
- E 4460 Karkas planters set of 5 largest 24cm £5.70
- F 4482 Tinging planters set of 5 largest 26cm 17.95 to 24cm of 22 £6.50





BF 137 BF 113 BF 134 BF 114



BK 021 BK 022 BK 020

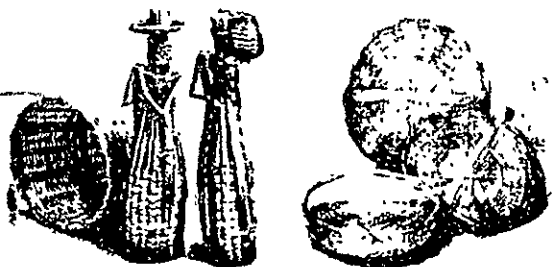


S 006



D 059 K 016 D 032 D 058

13

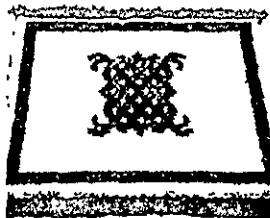


D 073 D 122 D 018

D 040 D 042 D 041

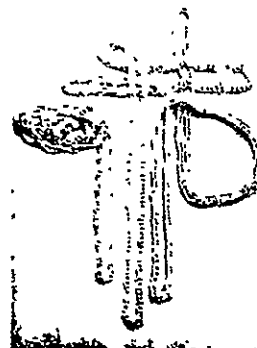


BK 900



F 900

3

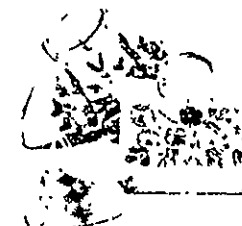
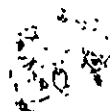
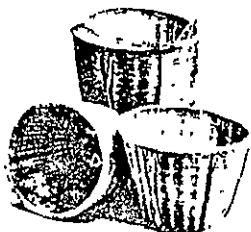
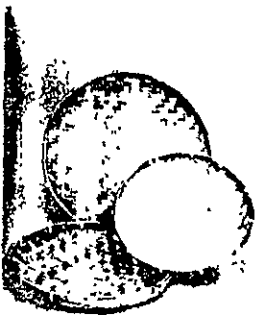


AS 002 AS 003 AS 004



AS 006 AS 007 AS 017 AS 012

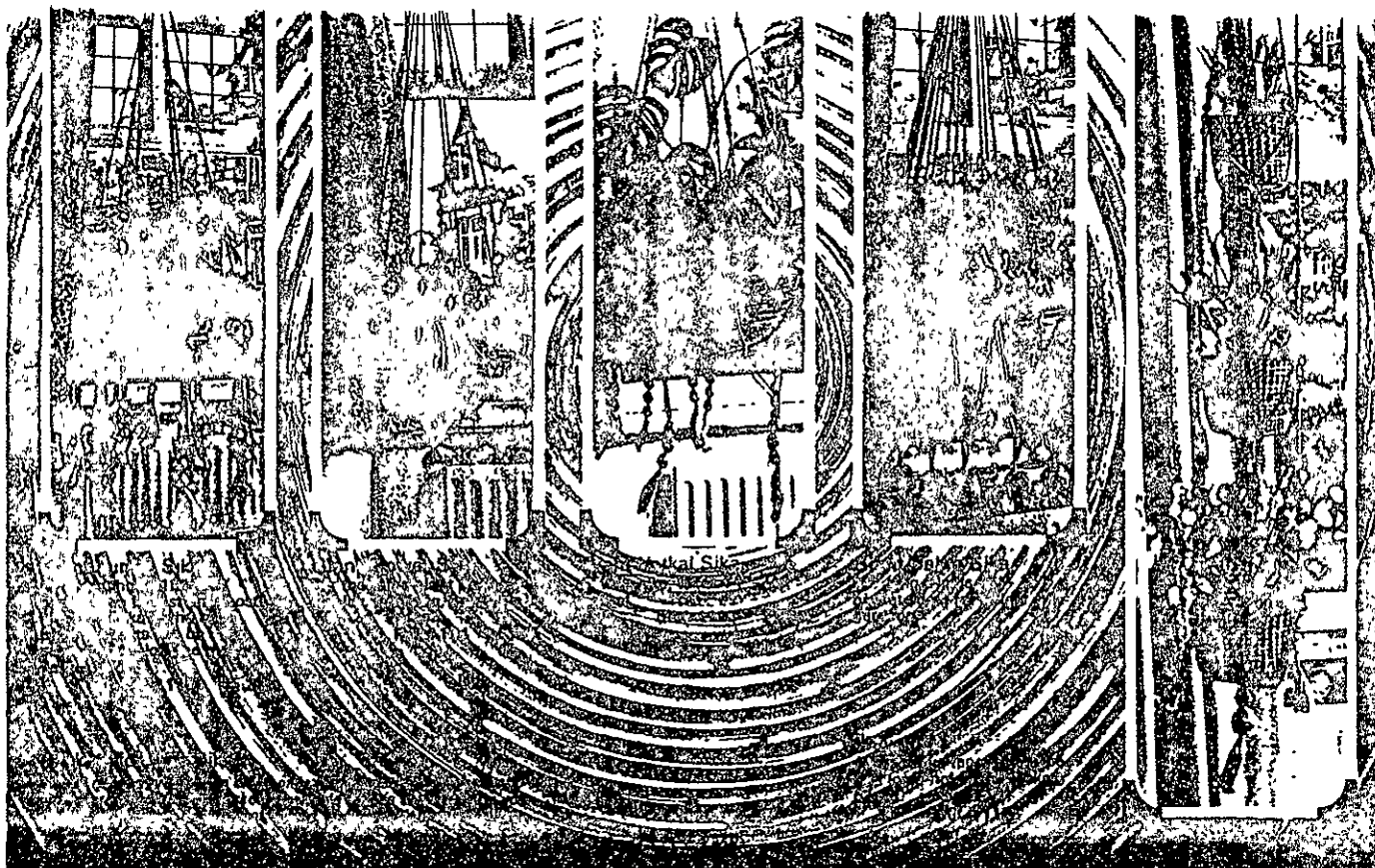
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D 046 D 048 D 045

D 046 D 048 D 045

5



Tygtavlor från Chile

Arbetslösa bönder och arbetare, politiska fångar och anhöriga till fångarna har på många håll i Chile startat tillverkning av hantverksprodukter. Man väver broderar, stekar, gör kläder, skor och smycken. Med en rekordhög arbetslöshet är inkomsterna från detta hantverk ofta helt nödvändiga för att familjen ska överleva.

Tygtavlorna har till höger är en hantverksprodukt, som tillverkas av arbetslösa kvinnor i systugor. Mått varierar – varje tavla är ett unikt konstverk – men är ofta en folksals. För många erbjuder folksalen det enda mål mat de får. Överskottet från försäljningen, en 1/3 av försäljningspriset, går som stöd till dessa folksalsar.

Ungefärligt mått: 40x60 cm
Pris: 95,-



BEST AVAILABLE DOCUMENT

SHEESHAM-HOLZ

Anders als in Bangladesch und Sri Lanka gibt es in Indien, diesem riesigen Land, eine vielblütige Wirtschaft und die unterschiedlichsten natürlichen Reichtümer, die allerdings der Mehrzahl der armen Bevölkerung nicht zugute kommen.

Seit vielen Generationen wird in Saharanpur, einer Ortschaft nördlich der Hauptstadt New Delhi, Holz

vorarbeitet. Drechsler, Tischler und Holzschnitzer arbeiten zuhause in Heimarbeit oder in kleinen Familienverbänden. Für den Absatz ihrer Produkte sind sie auf Händler angewiesen, die es immer wieder verstehen, in ihrer Doppelfunktion als Lieferant, Geldverleiher und Abnehmer der Fertig-erzeugnisse die Handwerker in Abhängigkeit und Armut

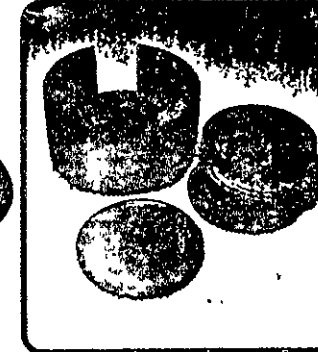
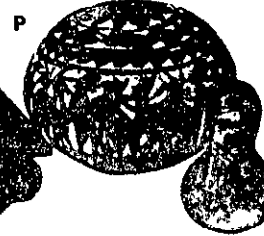
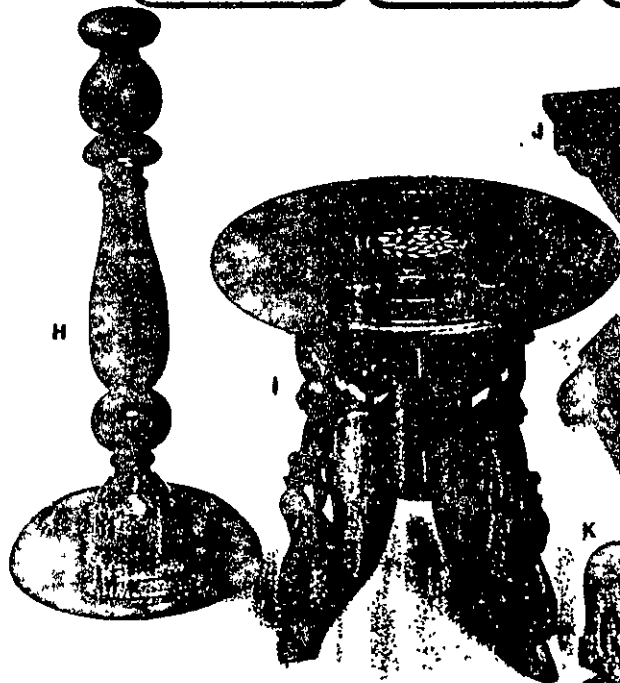
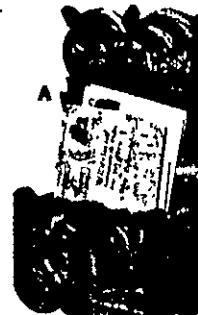
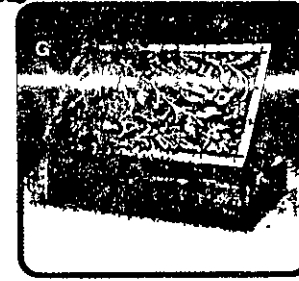
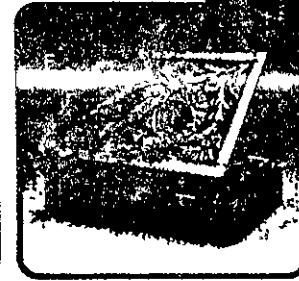
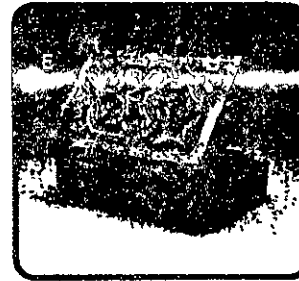
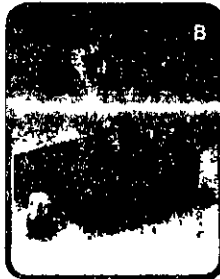
zu halten. Wir möchten dazu beitragen, daß dies anders wird. Über das Wie lesen Sie bitte die Vorstellung unserer Partners Asha Handicrafts auf Seite 11.

A Letter-Box, oder Zettelkasten, Wandbehälter für kleine Umschläge, ca. 18 x 28 x 9cm.
Best. Nr. 3413 DM 12,20

B Mini-Kästchen, geschnitzt, ca. 6 x 7cm.
Best. Nr. 3101 DM 3,60
C Kleine Truhe, ca. 9 x 12cm, mit Einlegesart.
Best. Nr. 3102 DM 5,70
D Räucherstäbchen-Gehälter, Höhe ca. 7cm, geschnitzt.
Best. Nr. 3408 DM 3,50
E Kästchen, ca. 10 x 15cm, tief geschnitzt.
Best. Nr. 3119 DM 8,40

F Kästchen wie oben, ca. 13 x 7cm.
Best. Nr. 3120 DM 9,60
G Kästchen wie oben, ca. 12 x 20cm.
Best. Nr. 3121 DM 12,90
H Lampenständer, geschnitzt, Höhe ca. 30cm, ohne Fassung.
Best. Nr. 3414 DM 22,50
I Tischchen, 3-beinig, geschnitzte Platte mit Intarsienarbeit, Höhe und Ø ca. 30cm.
Best. Nr. 3501 DM 25,-

J Klepphocker, Sitzfläche & Höhe ca. 30cm, auch als Blumenhocker oder Beistelltisch verwendbar.
Best. Nr. 3502 DM 32,40
K Buchstütze, ca. 12 x 33cm, klapp- und ausziehbar, geschnitzt.
Best. Nr. 3405 DM 11,50
L Kerzenständer, geschnitzt, ca. 20 x 9cm.
Best. Nr. 3402 DM 18,50
M Schale mit Blumenrand, Ø ca. 12cm, für Süßes und Salziges.
Best. Nr. 3301 DM 7,90



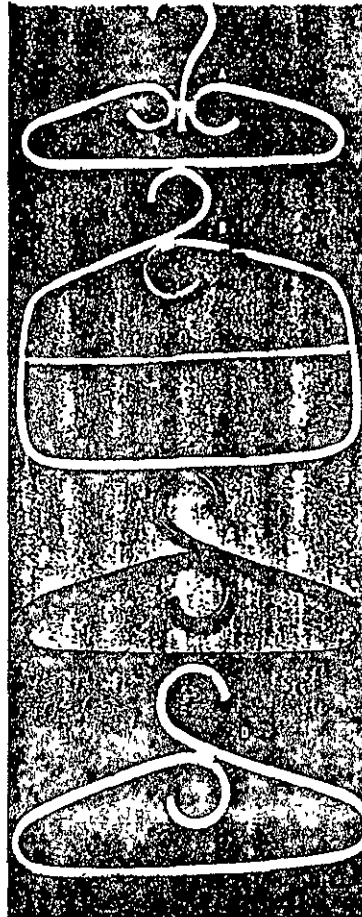
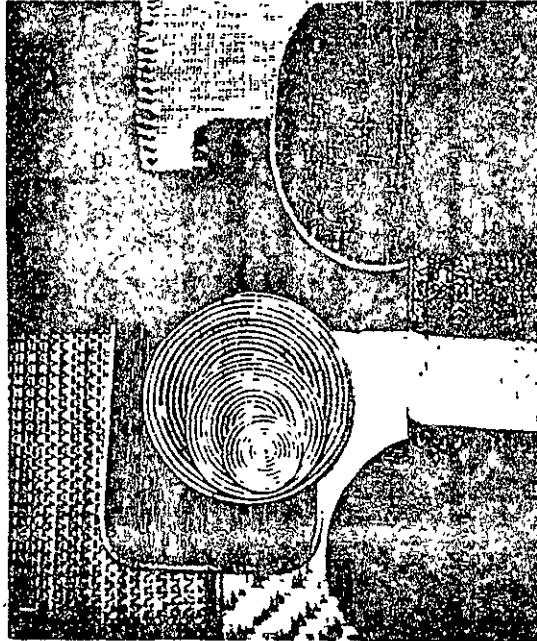
N Kerzenständer, schlanke Form mit Messing-Einsatz, ca. 15cm.
Best. Nr. 3401 DM 5,90
O Satz von 6 Untersetzern mit Ø ca. 7,5cm, in einem attraktiven Halter.
Best. Nr. 3415 DM 12,50
P Kalabassen-Dose aus Peru, Ø ca. 13-14cm, handgeschnitzt, zum Öffnen.
Best. Nr. 3902 DM 15,-
Q Indio-Puppe, ebenso wie Art 3902 aus einem Kürbis geschnitzt, Größen zwischen 6 u. 10cm (Peru).
Best. Nr. 3903 DM 9,50
R Kugelschreiber aus Teakholz, handgeschnitzt, Austauschminen überall erhältlich (Sri Lanka).
Best. Nr. 3803 DM 3,60

02

5

TABLEMATS

A 32823	Sisal placemat green 30x45cm Mexico	49p	M 32851	Palmetto placemat natural 30x45cm Mexico	45p
B 32825	Sisal placemat blue 30x45cm Mexico	49p	J 32864	Palmetto placemat rust 30x45cm Mexico	45p
C 32821	Sisal placemat natural 30x45cm Mexico	49p	K 3276	Asiat tablemat 32x41cm Philippines	49p
D 32822	Sisal placemat brown 30x45cm Mexico	49p	L 3275	Asiat placemat 32x47cm Philippines	49p
E 3226	Bambue laine placemat 34x48cm Philippines	40p	M 32712	Bamboo placemat 30x45cm Philippines	49p
F 32852	Palmetto placemat brown 33x45cm Mexico	45p	N 32711	Bamboo placemat 30x45cm Philippines	49p
G 32843	Palmetto placemat green 33x45cm Mexico	45p	O 3282	Disc placemat 30cm Madagascar	35p
			P 3258	Disc tablemat 20cm Madagascar	25p
			Q 3259	Disc glasmat 11cm Madagascar	17p



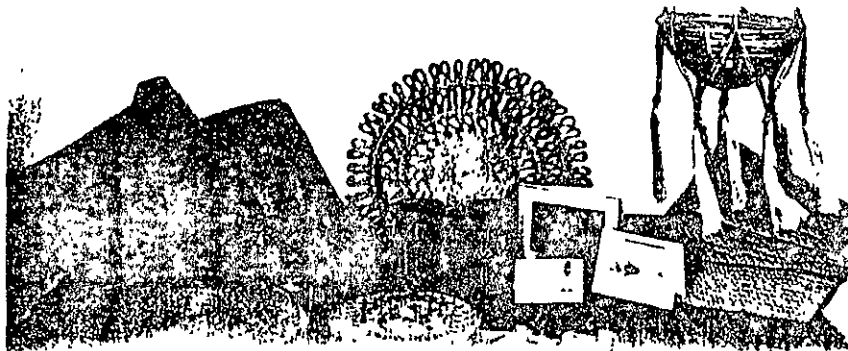
- B 4078 Lullstolhyger inu-bet 14cm 65p
- C 4084 Cullhanger, oval slat 42cm 39p
- D 4083 Cullhanger single loop 42cm 40p

MINIATURE BASKETS FROM THE PHILIPPINES

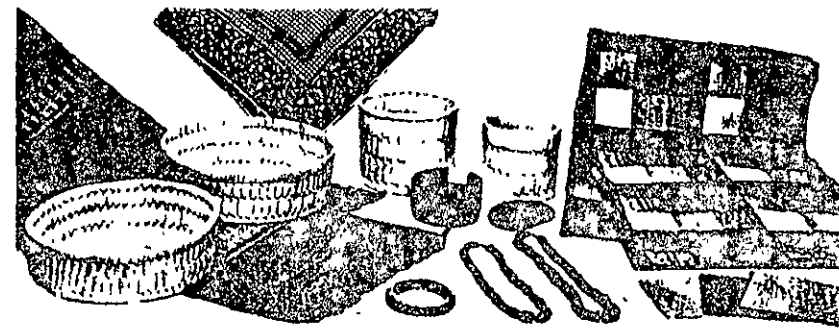
- A 0568 Basket 13cm 25p
- B 0566 Basket with wicker handle 11cm 25p
- C 0567 Tray basket 12cm 25p
- D 0564 Star basket set of 2, largest 11cm 40p
- E 0563 Planters set of 3, largest 7cm 40p
- F 0570 Wedding basket 8cm 25p
- G 0569 Basket 10cm 25p
- H 0565 Basket 10cm 25p



Standardpaketet från Bangladesh



Standardpaketet från Indien



retail outlet on the Kensington High Street in London because their mark-up on products was not high enough to cover the overhead costs for such a prime location. Several AMOs with retail outlets (e.g., ABAL Foundation) carry one or two products in the two- to three-hundred dollar range, but view them as part of a marketing strategy to get people in off the street.

With few exceptions, AMOs claim to have increased their emphasis on utilitarian products, a position based on the assumption that such products will have longer product lives and are subject to less erratic demand. This trend, if indeed there is one, is difficult to document and the product lines of most AMOs still include a high proportion of fashion items. Furthermore, several observers, among them the director of The Self-Help Program, question whether utilitarian goods do indeed provide more regular demand.

With the exception of some of the alpaca wear and the odd ethnic items, clothing is noticeably absent from the lines of most AMOs. Trade Action, an Australian AMO which we did not visit, was an exception to this general pattern. Trade Action imported largely Indian clothing; it is our understanding that the AMO went bankrupt in 1980 because of market saturation problems. Other AMOs have found the problems of quality control, sizes and changing fashions too difficult to address. Moreover, competition in the clothing market often is so stiff that the mark-ups possible on clothing frequently do not bring an AMO up to a break-even price level.

8.1.b. Coffee, tea and other commodities: A number of AMOs carry commodities such as tea, coffee and spices, but for different purposes and in different volumes. Ideele Import feels that the market for handcrafts becomes saturated too quickly and, consequently, concentrates on foodstuffs, fish, pineapples, light cheeses, jams and vegetable oil. GEPA handles coffee and tea (45% of its total sales in 1979-80) because as "political goods" they lend themselves well to socio-economic and political comparisons among different kinds of producers and exporters in the Third World and different approaches to processing and marketing in Germany. (GEPA, like many AMOs, has found that most people do not express much interest in such abstractions as the New International Economic Order, but that "campaigns organized around an everyday commodity can start people thinking.") For the same reason, SOS-Wereldhandel and Magasins du Monde sell primarily coffee; in 1979, their coffee sales represented 75% and 81% respectively of total sales volume. Traidcraft and Bridge/Oxfam both carry tea and coffee, but these commodities constitute a very

small percentage of their total sales. Traidcraft's primary purpose for selling coffee and tea in conjunction with two British development groups (Campaign Coffee and The World Development Movement) is to increase Traidcraft's exposure and its sales.

8.2 Markets

No AMO has attempted a systematic profile of the eventual purchasers of its products. According to individuals involved with different AMOs, there seem to be at least four identifiable categories of buyers. This categorization, however tentative, is a point of departure for developing an understanding of AMO markets.

8.2.a. Customers attracted by intrinsic characteristics of products (quality, authenticity): Afro-Art claims that, as judged by their lifestyles, many of its customers value handmade items, are concerned about ecological issues and appropriate technologies, and participate in what Europeans call the "Green Movement". Many among its clientele will also buy the same type of clothing article twice or more over the years regardless of changes in fashions. These customers like Afro-Art's emphasis on quality and tolerate the delays that result when suppliers do not deliver on schedule. If an Afro-Art customer has ordered an item specifically for Christmas, for example, he or she will usually buy it, even if it arrives after Christmas. Customers also seem concerned about being able to buy the same kind of item at some future date, e.g., identical baskets to replace ones they are buying now to use as wastebaskets.

8.2.b. Thrift shop shopper (cheapness): Several AMOs sell through thrift shops run by their parent PVOs; many others use church bazaars and local fairs. According to Bridge/Oxfam and The Self-Help Program, both of which rely primarily on PVO-run thrift shops, most of the customers in the shops are looking for bargains; they do not expect to pay the same price for articles they could purchase elsewhere. The director of The Self-Help Program finds demand within this category extremely sensitive to price.

8.2.c. Customers' Christian and/or political concerns (altruism): AMOs can only speculate as to the role altruism plays in purchase decisions. We know that the marketing strategy of many AMOs includes specific references to producer groups

and particular nations as well as efforts by the AMO to change the usual odds against producers. Many observers feel that altruism plays a part at different consumer stages (from awareness to perception, to evaluation and enquiry), but some doubt whether it is an important part of the decision to purchase a product (McKenna, p. 43). Third World Handarts, however, is convinced that the majority of its customers feel as if they are making a direct contribution to some person's welfare by purchasing a product at its store. Solidarisk Handel, Handelsfront, and GEPA also argue that the act of buying a product often is a symbolic gesture of solidarity with the producer and his or her nation.

8.2.d. Conventional shopper (good quality and value for money): Dritte Welt Läden and Global Village Crafts are two AMOs which claim that 90% of their customers have little interest in the origin and authenticity of the products they buy, and even less whether or not anyone else is affected by their purchase decisions. In contrast to the thrift shop shopper, however, quality and utility often outweigh price in the considerations of these customers. And, Traidcraft sales representatives, who themselves work out of a strong sense of Christian service, claim their products basically sell themselves.

Until detailed market surveys are undertaken, one can only speculate on the specific market segments reached by different AMOs and, more importantly, the respective sizes of these segments. Such surveys, naturally, are vital to establishing appropriate market strategies.

8.3 Marketing Channels

Table 7 presents data on the marketing channels used by AMOs. Where data are available we have included the percentage of sales volume accounted for by each of the different channels. The table illustrates the wide variety of marketing channels used by AMOs. We have classified these channels into the following categories:

- (1) non-commercial wholesale
- (2) non-commercial retail
- (3) commercial wholesale

Our distinction between non-commercial and commercial channel is based on one or more of the following conditions:

TABLE 7

MARKETING CHANNELS USED BY NGOs AND THEIR CONTRIBUTIONS TO TOTAL SALES (1975, 1976)

BEST
 AVAILABLE

Channel	WHOLESALE				RETAIL			
	Commercial	% of total sales	Non-Commercial	% of total sales	Commercial	% of total sales	Non-Commercial	% of total sales
A/C								
United States Aid to Artisans			300 museum shops and non-profit organizations	60			mail order in conjunction with non-profits	40
Friends of the Third World							20 "Third World" shops, bazaars, home parties, mail order	100
IFHRD	gift & specialty shops	5	1 AMOs and a number of church groups	60	1 "gift" shop and small mail order catalogue	35		
Jubilee Crafts			100 volunteer sales reps, 2 part-time retail shops				catalogue to 2,500; retail shop	
Third World Handarts							Sunday sales, home parties, retail shop, catalogue to 100	100
Neighbors Crafts	2 gift shops on consignment						bazaars, fairs, retail shop at headquarters, 2 retail shops, catalogue to 2,000, 1W seminars, church shop on consignment	
The Self-Help Program	gift & specialty shop	8.9	67 MCC thrift shops, church bazaars	83.9			catalogues and retail shop	7.2
SERRV	negligible gift and specialty shops		2,400 church-related groups, non-profit organizations	75			4 SERRV retail shops	25
Worldcraft	specialty shops & department stores	60					2 world centers retail shops, catalogue to 2,000	40
Denmark Developing Countries Foundation			exhibitions at schools, voluntary organizations & church bazaars	75			2 volunteer-run retail shops	25
Belgium Magasins du Monde			'55-'65 world shops, 10 action groups	90			lectures, exhibitions	
United Kingdom Bridge/Oxfam			600 Oxfam thrift shops				catalogue to Oxfam mailing list	
Traidcraft	350 individual accounts, sales representatives, trade shows	51	190 volunteer sales representatives	12			catalogue to 12,000	37
Tearcraft	individual accounts	15	700 voluntary sales representatives	30			catalogue to	35
Global Village Crafts	1,200 accounts, trade shows	66			2 "gift" shops, catalogue to 7,000	50		
FRIDA Marketing Services	cash & carry, catalogue sales	38			2 gift shops	62		

BEST AVAILABLE

BEST AVAILABLE

TABLE 1 (continued)

Channel	WHOLESALE				RETAIL			
	Commercial	% of total sales	Non-Commercial	% of total sales	Commercial	% of total sales	Non-Commercial	% of total sales
<u>Sweden</u> Afro-Art	several accounts		exhibitions and volunteers	10			1 gift shop	05
Handelsfront	15 commercial shops		50 political book stores				1 "Third World" shop	75
Sackeus			250 church and youth groups, 4 world shops	100				
Tanzaniaimport	several accounts	10	50 volunteer sales representatives, AMOs and world shops	75			exhibitions & one-off sales, catalogue to	14
<u>Germany</u> GEPA			4000 "action groups" and 150 world shops	100				
Dritte Welt Laden			500-600 "action groups," 65 world shops	60			catalogue to 27,000 1 gift shop	35 5
<u>Holland</u> SOS-Wereldhandel			1500-2000 "action groups," 160 world shops				4 shops, newsletter/catalogue to 15,000 people	
ABAL Foundation	cash & carry, catalogue sales	20-37	75 world shops, 100-150 action groups, AMOs in Europe and U.K.	30-31			3 ABAL shops, catalogue, exhibitions, fairs	33-41
Ideele Import	food processing firms and commercial shops		world shops and "action groups"					
Savrodaya Shramadana			schools, world shops, voluntary sales representatives				Test market through gift shops	

- (i) The people who transact the actual sale to consumers or retail outlets are motivated by many of the same goals as the AMO and/or have their own set of "altruistic" reasons for selling Third World products.
- (ii) The context within which the goods are presented lacks the slick, professional polish of the conventional commercial world and emphasizes the volunteerism of the AMO.
- (iii) The context within which the goods are presented is defined by the overall goals and philosophical position of the AMO/wholesaler.

8.3.a. Non-commercial wholesale: Three different non-commercial wholesale channels are used by AMOs:

- voluntary sales representatives who associate with and buy into the philosophy of the AMO;
- informally organized volunteer groups which are often related to local churches, educational organizations or voluntary agencies; and
- "world shops" which are permanent, non-profit sales outlets.

(i) voluntary sales representatives: Tearcraft and Traidcraft both use voluntary sales representatives. Initially Tearcraft sold only through mailorder, but when it became apparent that 75% of its annual sales occurred in the ten weeks before Christmas, the AMO introduced the voluntary sales representative scheme in 1976 in order to distribute sales more evenly throughout the year. Early in 1976, Tearcraft wrote to individuals who had placed orders of more than £30, soliciting their participation in a scheme whereby individuals would receive a 25% discount on goods and would provide a forum for the AMO to encourage local groups and associations to talk about Third World problems, about the individual's responsibilities in trade, and the nature of existing international trading systems. The response was not overwhelming at first, but by 1977 Tearcraft had 92 sales representatives who sold £36,000 worth of merchandise (or 25% of Tearcraft's total sales for that year). By 1979, 500 sales representatives sold over £174,000 worth of goods (or 36% of the AMO's total sales).

When Traidcraft was started in 1979 by Tearcraft's former director, 100 of the latter's voluntary representatives agreed to sell for both organizations or exclusively for Traidcraft. Within a year, the AMO attracted an additional 70

representatives. In all, Traidcraft's representatives accounted for 12% of total sales in 1980.

Traidcraft representatives have excellent financial incentives; they receive a 25% cash discount for orders of 200 pounds or more, a 20% cash discount for orders of 60 to 200 pounds, and an additional 5% discount if they pick up their orders from the Traidcraft warehouse. According to the AMO's director, these discounts compare very favorably to commercial rates. The motivation, however, of both Traidcraft and Tearcraft representatives is not financial but rather almost universally that of Christian service. Very few of the representatives keep the surpluses generated from their sales. Many, for example, have given Traidcraft donations and low-interest loans. Furthermore, says Traidcraft's director, both AMOs have attracted people within the church who have few opportunities to display their interests and talents in selling products. The successful representatives are outgoing people who enjoy the selling process. Traidcraft's director feels that the church remains a largely untapped source for such talent, and that with proper recruitment efforts the number of voluntary representatives could be greatly increased.

Both Traidcraft and Tearcraft representatives are given orientation and periodic "in-service" training courses. We have no detailed information on these, but there are indications from Traidcraft representatives that more comprehensive and experiential orientation and training is needed. Voluntary representatives are provided, upon request, with a slide/tape presentation on Bangladeshi producers as well as brief summaries on different suppliers. Traidcraft publishes a monthly newsletter for its representatives called TRAIID. The newsletter keeps the representatives informed about the status of the AMO, changes among representatives, new products and news about suppliers. The newsletter also gives representatives the opportunity to communicate with one another and share successes and failures.

Both Traidcraft and Tearcraft representatives finance inventory, undertake promotional efforts and make many strategic marketing decisions. It was assumed at first that the voluntary representative scheme would be modelled after the "Tupperware" or home-party concept. Traidcraft and Tearcraft representatives, however, sell through many channels. While there is no breakdown across the different channels, the diversity is clear. Most representatives sell at home parties, church and school bazaars and from catalogue sales at their local churches; some participate in agricultural, horticultural and other appropriate trade shows in

their regions; a few sell directly to local retail shops or maintain stalls at local markets. At least two groups of representatives run their own retail shops staffed by volunteers; one is part of a parish church and the other is in the commercial district of Glasgow.

Sales representatives are encouraged to maintain as high a level of inventory as possible in order to avoid frequent "out-of-stock" situations. As a result, some representatives have set up an informal swap network. Tearcraft supplies names and addresses of their representatives to facilitate swapping; and, one of its representatives acts as regional coordinator, selling from her own stock to other representatives on a consignment basis. Traidcraft is planning to implement during 1981 a network of regional coordinators to deal with general queries and stock-related issues.

The productivity of individual voluntary sales representatives varies considerably. In 1979, Tearcraft's most successful group of sales representatives sold £12,000 worth of merchandise. Based on his experience at Tearcraft, the director of Traidcraft predicts that about one third of his representatives will be "pretty useless" (i.e., will sell less than £50 per year), one third will be "fairly active" (i.e., will average around £500 per year).

(ii) informally organized volunteer groups: Many AMOs act as importer/wholesale distributor to informally organized groups attached to local churches, schools and voluntary agencies. In Europe they are known as "action groups"; but in the United States they do not have any special nomenclature. SERRV is the major U.S. example of an AMO which markets through such groups. It sells to some 2,400 local groups, generally made up of women familiar with running bazaars for their local churches. Both Dritte Welt Läden and GEPA in West Germany rely very heavily on action groups for sales. Dritte Welt Läden sells to 500-600 groups, while approximately 4,000 different groups buy from GEPA. And in Denmark, The Developing Countries Foundation sells 75% of its turnover to volunteer groups. In Sweden, church-related groups account for over 90% of Sackeus' annual sales. The typical action group in Germany might purchase goods once or twice a year from Dritte Welt Läden or GEPA. In Sweden, 60% of Sackeus' sales are to groups which have only one sale a year; only 10% of the AMO's customers sell year-round.

Many European action groups grew out of the so-called Third World Movement started by the churches during the 1950's. The movement first organized people to sell brown sugar and distribute general information on trade issues. During the

late 1960's youth federations of the Catholic and non-state Protestant churches in Germany organized a hunger march. A great many action groups in that country owe their existence to this hunger march. When the march proved popular with many youth groups and was favorably received by the press and the public in general, the youth federations decided to organize more educational and consciousness-raising "actions" with a Third World focus. Some of the German youth federation leaders met with the director of SOS-Wereldhandel (the Dutch AMO), who suggested that the federations include Third World products in their actions to give the education efforts a more concrete focus. Some observers felt that the trade actions gave participants a sense of accomplishment which they did not gain from study groups.

In order to assist local groups undertake additional trade actions, the youth federations created the association, "Aktion Dritte Welt Handel" (action on Third World trade). Aktion Dritte Welt Handel soon learned that information was more popular if it was narrowly focused on the products themselves and matters related to their trade. From the start, Aktion Dritte Welt Handel was open not only to church-related groups, but to independent groups as well. Many YMCAs and private youth agencies such as the Boy Scouts were supportive of trade actions and some student groups also became involved. By 1974, over 2,500 groups had joined Aktion Dritte Welt Handel.*

(iii) Third World shops or world shops: While world shops exist in both Europe and the United States, they are more widespread and visible in Europe. All told, there might be two dozen world shops in the United States, many of which are associated with the Union of Third World Shoppes, based in Fort Wayne, Indiana. Most members of the Union rely on the importing and distribution facilities of two AMOs, Third World Handarts and Friends of the Third World, both of which are also members. It is interesting to note that prior to joining the Union, many members

* A dozen people in Olpen, Germany, between the ages of 16 and 40, are an example of a very active action group. The group began in the spring of 1979 with the sale of Third World crafts at a festival to celebrate the start of construction of a new building for their Catholic church. Their sales effort went well and the group began selling GEPA products every Saturday morning at the church. After a while this practice was discontinued as interest in the crafts and educational materials about the Third World seemed to be waning among the parishoners, who were primarily interested in the tea. The Olpen action group, however, sold 11,000 DM (\$6,250) worth of goods during six weeks before Christmas in 1979 and has sold successfully at other festivals. The educational effort has been less successful, however, except in a few cases at local high schools. During its first year of operation, the Olpen group sold about 25,000 DM worth of goods.

had already been involved in selling Third World handcrafts through their local churches. What they seem to have needed more than anything to motivate them to set up a shop and sell crafts on a more regular basis was the moral support which comes from membership in a larger group.

The world shop movement in Europe is said to have been started by a Dutch journalist who attended the 1968 UNCTAD conference in New Delhi. He returned to Holland determined to find concrete ways of addressing various issues raised at the conference. He proposed the idea of a world shop--a shop that would sell Third World goods a few days a week and serve as a permanent base for discussion groups and advocacy programs. The first world shop opened in a small town in northern Holland and within a few months some 50 to 60 more were started. By 1974, there were 160 shops in Holland buying from ABAL Foundation and SOS-Wereldhandel. By the late 1970's there were an equal number of shops in Germany buying from the two German AMOs. In Belgium, there are about 60 world shops buying from Magasins du Monde/Oxfam.

World shops in Germany are often started by action groups which make a commitment to sell goods on a regular basis. We have mentioned that the demand of many groups for goods and educational materials fluctuates greatly, since most groups do not organize sales according to any regular schedule. GEPA tries to stabilize this erratic demand by encouraging groups to view the marketing of Third World goods as a potentially steady source of income both for a group's activities and for development assistance to Third World groups. Once a commitment has been made to sell goods on a regular basis, the next step will be to open a world shop.*

World shops are generally run by volunteers, and mix education, advocacy and the sale of handcrafts and commodities, primarily tea and coffee. For most world shops, however, educational activities have priority over marketing efforts. Consequently, they do not aim to expand their turnover except to break even financially and still have some surplus for educational actions and small donations to Third World projects. The annual turnover of most of the 150 world shops which buy from GEPA, for example, is somewhere between 10,000 DM and 100,000 DM. An active world shop in the Hague, Holland, with 15 core members (all volunteers and subsidized facilities) had a turnover of \$40,000 in 1979 and made a \$1,300 net surplus.

World shops have a high turnover of volunteers. Most of the volunteers are students, housewives or young professionals; 80% of the members of world shops in

*The City of Mulheim has a good example of a world shop. In 1974 a local action group became involved in alternative marketing by selling at Christmas

Holland are under 35 years old. Although the leaders in the European world shop movement would like to involve working class people, very few have been attracted.

In 1972, a cooperative of world shops was formed in the Netherlands. Two years later, this association acknowledged the need for greater coordination and set itself three tasks: (1) to organize an archive and information clearinghouse; (2) to meet twice a year; and (3) to keep in contact with other Third World groups. An active network of European AMOs and world shops developed over the next several years. By 1978 membership in the association plateaued at 160 shops with about 10% shutting down each year and another 10% being established. The association now supports a full-time staff person who makes regular visits to shops and provides on-the-spot assistance to shops in nine regions in the country.

AMOs also provide direct support to world shops and action groups. GEPA distributes products and educational materials from four large and two small warehouses staffed by full-time GEPA personnel. Each warehouse consists of two parts: a goods warehouse and an education office. The warehouses provide business advice (e.g., guidelines for groups planning to establish world shops) and, occasionally, working capital to both groups and shops. Magasins du Monde employs two full-time, paid field representatives who make regular visits to world shops to provide advice on management, marketing and buying. This Belgian AMO has also developed a series of thematic displays of products and producer groups which are circulated among the world shops on a weekly basis. The American Friends of the Third World, the organizing force behind the creation of the Union of Third World Shoppes, also offers support of various kinds to union members. In addition to a small manual on how to set up a "Third World Shoppe" (e.g., notes on how to keep an inventory), the AMO provides the following services:

- (1) a catalogue (in the form of a monthly newsletter) with descriptions of producers and products

bazaars and camping sites near the town. There are several other action groups in Mulheim, but they are focused on specific Third World nations or problems (e.g., apartheid) and do not market Third World products. The group made an early decision to found a world shop. Through savings from its marketing surpluses and monthly membership fee of 5 DM per person, it managed to raise DM 4,500 by 1979. It also obtained support from the city government in the form of rent-free space in the city hall. The shop was opened in late 1979, and has operated on a 6-day-a-week schedule. It is staffed by thirty volunteers, mainly housewives and high school students. These members are divided into three subgroups for special projects, information activities, and finance and administration. In addition to its marketing activities, the shop provides development assistance to a literacy group in Nicaragua and educational actions in Mulheim.

- (2) training workshops in business and marketing techniques, including visits to local groups wishing to set up shops
- (3) a nonprofit wholesale ordering service to pool small orders
- (4) coordination of any national publicity efforts agreed upon by local shops
- (5) educational aids concerning crafts groups, cultural situations and world problems affecting the poor
- (6) a revolving loan fund for local groups who wish to open world shops

Since we visited only three world shops, it is not possible to describe, much less assess the nature and quality of services rendered by AMOs to action groups and world shops. It is clear, however, that individuals involved in non-commercial marketing perceive a need for a wide range of services and information. AMOs must address these needs effectively, if products are to be moved through their distribution channels and their other goals achieved.

(iv) methods and terms of sale: AMOs generally use one of two methods for wholesaling products through non-commercial channels. Catalogue sales is one method. Catalogues are mailed directly to representatives and other retail outlets by SERRV, Traidcraft, Dritte Welt Läden, Tearcraft and Sackeus. All these AMOs, with the exception of Sackeus, maintain a central warehouse and/or retail shop where goods can be purchased.

A second distribution channel is built around a central warehouse and a network of regional warehouses where goods as well as educational materials are displayed and selected by "retailers." This system resembles the "cash and carry" method prevalent in the commercial sector, but the terms differ. Such a system eliminates two serious problems associated with catalogue sales: (1) the need for large stock of all products (across a product line which is generally very wide), and (2) the frequent out-of-stock situations. SOS, Magasins du Monde and GEPA use this method of merchandising, and Traidcraft is planning to set up a regional network to address both of these problems.

Table 8 presents the terms of sale as well as the different incentives offered by AMOs to their customers. As the table shows, there are several sharp distinctions among AMOs. Tearcraft, Traidcraft and SERRV use cash discounts as incentives, but other AMOs allow wholesale customers a commission on sales instead. Most AMOs will set a retail price which serves as the basis for calculating both discounts and commissions. The Self-Help Program is one of the few which merely suggests a retail

price. Several AMOs, including GEPA, The Developing Countries Foundation and Sackeus, operate consignment plans which allow "retailers" to return unsold merchandise. Tearcraft and Traidcraft both offer cash discounts to representatives who must submit payments with their orders and are not allowed to return unsold goods. SERRV operates two plans. The cash plan provides a cash incentive to wholesale customers who also pay shipping costs. On the consignment plan the goods are shipped at SERRV's expense, but may be returned at the customer's expense. Recently the consignment plan has not been too successful and SERRV is considering changing it.

The use of surpluses generated by wholesale customers also varies from AMO to AMO. Unlike The Developing Countries Foundation, Tearcraft and Traidcraft have no set policy prohibiting individuals from making personal profits. Tanzaniaimport representatives receive a 20% commission on sales which also is not restricted in any way. SERRV has no explicit policy governing the use of surpluses, but, as its customers are church-related groups, the use of their surpluses is pre-determined by the groups' affiliation. Groups which buy from Sackeus, The Developing Countries Foundation and GEPA are in a similar situation, though in these cases policy governing the use of surpluses is established by the respective AMO.

8.3.b Non-commercial retail: AMOs use any one of three non-commercial retail channels: (1) mail order catalogues and advertising, (2) individual shops, and (3) international fairs, church bazaars and other similar occasions. Only GEPA, Sackeus, Ideele Import and Sarvodaya in Europe, among all of the AMOs surveyed, do not have any retail outlet where products are sold under the AMO's name.

(i) mailorder: Eight AMOs prepare and distribute catalogues directly to potential customers. Table 9 presents data on these catalogue operations for 1979 and 1980. The three AMOs in the United States which use mail order are still experimenting with the concept and have yet to decide on the level of financial resources they will commit to mail order operations. All three catalogues are sent exclusively to people known to the parent PVOs. No outside mailing lists have been purchased and the only advertisements used are in publications of the parent PVO.

The mailing lists of the five European AMOs which use direct mail were built up in different ways. Traidcraft, which started in 1979, uses direct promotion in women's magazines to reach prospective customers. Tearcraft used promotional advertising in general interest publications and a mailing list of 7,000 TearFund subscribers when it started its marketing program. During its first year, the AMO received over 17,000 enquiries in response to its advertising effort and mailed out

TABLE 9

SUMMARY DATA ON MAIL ORDER PROGRAMS OF AMOs
(1979/80)

AMO	Numbers mailed	Response rate	Size of average order	% of annual sales
Bridge/Oxfam	250,000	15%	\$28	15
Dritte Welt Läden	35,000	21%	\$66	35
Global Village Crafts	7,000	NA	NA	7
Jubilee Crafts	3,500	NA	NA	NA
Neighbors Crafts	2,000	NA	NA	NA
Traidcraft	12,000	03-04%	\$35	12
Worldcraft	5,000	NA	NA	NA

over 25,000 copies of its first catalogue. Bridge/Oxfam, on the other hand, continues to use only the Oxfam mailing lists. Since 1977 Oxfam Trading, the parent company, has used one catalogue to sell its entire range of products, including products sold under the Bridge label, the Good Neighbors label (for products made by disabled people in the U.K.) and Home Products (for products made commercially in the U.K.). The Oxfam Trading catalogue also includes the range of Christmas cards offered by Oxfam each year. Prior to 1977, Bridge products were sold through a separate catalogue.

Dritte Welt Läden's mailing list is made up of names of people who bought jute products from Bangladesh during a recent campaign in Germany. Called "Jute Not Plastic," the campaign was sponsored by church groups and European AMOs. In each of the bags supplied by Dritte Welt Läden, there was a small card which identified the AMO's mail order subsidiary as a source of Third World products. The association with the "Jute Not Plastic" campaign and similar educational efforts by German voluntary agencies has brought the AMO a generous amount of free publicity and helped increase its mailing list. Global Village Crafts started its mail order business after an article about the AMO and its information system appeared in an English paper. The article mentioned a catalogue which did not yet exist and said it was available from the AMO for 20 pence. Global Village Crafts' mail order business was born when "hundreds of requests" flooded in.

Direct mail appealed to several AMOs for a number of reasons. It seemed to be a relatively simple way of marketing and, unlike retail shops, would require little capital investment. It also would fit in well with the policy of eliminating the middle men and lend itself readily to education programming (McKenna, pp. 44-45.) Finally, it would give the marketing organization control over the presentation of the products, a control it did not have over volunteer-run shops.

One observer, however, has pointed out that ease of entry is not a characteristic generally associated with mail order. He suggested that the initial success enjoyed by several AMOs might have been attributed to the role altruism plays at early stages of the buying process (e.g., awareness and perception).* Whatever the reasons for the initial success, however, results have been mixed.

Bridge/Oxfam mail order sales have increased considerably during the past two years from \$196,000 in 1979 (9% of total Bridge product sales) to \$510,000 in 1980

*To our knowledge there has never been a study which assessed the impact of direct mail selling on a PVO's overall fund-raising campaigns.

(20% of total Bridge product sales). According to the managing director of Oxfam Trading the main reason for these encouraging figures (in contrast to the two previous years) was a change in the product line. Previously, the line had not been sufficiently changed; ideally, he says, at least one third of the items should be changed each year. Tearcraft, however, has not been very successful in opening new direct mail markets. The cost (£5,000) of a 1980 advertisement in a women's weekly magazine which reached 1.5 million readers, for example, was not recovered from sales. Traidcraft's first mail order campaign resulted in a disappointing level of sales; direct promotion, catalogue production, and marketing costs were barely covered by the £14,790 in sales in 1979-80. The director of Traidcraft felt there were several reasons for the marginal performance of the catalogue. First, Traidcraft had only 8 weeks in which to compile a product range and design and produce the catalogue. Secondly, because of limited funds Traidcraft was only able to produce a monochrome catalogue, with fairly unsophisticated photographs and printing.* Thirdly, Traidcraft hoped to use the catalogue as a major vehicle in its development education program. For this reason the AMO emphasized information on producer groups rather than the products. This low-key approach to presenting the merchandise apparently hurt sales.

Traidcraft's experience reinforces the feeling among some observers that direct mail might be too complicated and expensive for most AMOs. The costs associated with starting a mail order campaign without a built-in constituency have kept Global Village Crafts' efforts at a very modest level. And, the extra-organizational links open to Dritte Welt Läden were clearly important to its early success. Furthermore, one half of the costs of design, production and postage (over DM 100,000) were loaned to Dritte Welt Läden by TearFund--a loan which subsequently has been written off as a donation. Whether the German AMO can continue to build on its initial success, of course, remains to be seen.

(ii) retail shops: Twenty-one of the AMOs sell through retail shops that can be identified with the AMO or its parent PVO. The number of shops ranges from one or two in the case of Third World Handarts, Afro-Art, and Global Village Crafts, to more than 600 Oxfam shops in every town of any size in the U.K.

*In contrast, Tearcraft produced a very attractive and professional-looking catalogue in 1980. The difference in terms of sales was dramatically illustrated to Traidcraft representatives who used both catalogues at home parties: where buyers had a choice of the same item at the same price, they would invariably choose from the Tearcraft catalogue.

AMOs have developed and/or use three distinct types of retail shops: Thrift shops which sell Third World products alongside secondhand clothing and other donated items; world shops which have a strong emphasis on promoting educational materials; and gift shops which stress the professional and commercial presentation of the products and the "something-for-everyone" approach.

Thrift shops: Both The Self-Help Program and Bridge/Oxfam rely heavily on thrift shops run by their respective parent PVOs. Eighty-four percent of The Self-Help Program's 1979 sales were through the 67 shops operated by The Mennonite Central Committee and 88% of Oxfam Trading's sales in 1979 were through the 600 Oxfam shops.*

The network of Oxfam shops (along with the Goodwill shops in the United States) is probably one of the most successful and best known of the thrift shop chains. All but a handful are run by volunteers; in 1979, some 18,000 volunteers, mostly middle-aged and elderly women, were working at the shops. The shops were started in the 1950s in order to generate a secure source of income for Oxfam which until then had been depending primarily on "hunger marches," individual donations and government grants. Over 300 shops had opened by 1970. By the middle 1970s, there were over 500 shops operating throughout the U.K., selling a wide range of products--mainly donated clothing and other household items, but also products purchased by Oxfam Trading.

The Oxfam shops are run by Oxfam, the charity, not Oxfam Trading, the charity's trading subsidiary. In 1979, the shops were Oxfam's major source of revenue providing a net income of £5.5 million. That same year, profits from Oxfam Trading were £322,000 (4% of the charity's total revenue). Furthermore, 95% of all profits from the sale of Bridge products are returned directly to the Third World in the form of producer dividends (25%) or to purchase additional stock (70%). Thus, while Oxfam welcomes the "participation" of Oxfam Trading as a source of revenue, and as a way to attract new customers to the shops and to cover some of their overhead costs, the charity is obviously much more dependent on sales of donated articles than sales of new products, especially Third World products.

As we mentioned earlier, Bridge is the brandname of products sold by Oxfam Trading which are made in the Third World and one of three product groups handled

*Seven percent of The Self-Help Program's sales were through a shop operated at the MCC headquarters. This shop, however, like the three shops operated by SERRV, are not thrift shops, but rather "gift shops" offering only new products for sale.

by the company. The company's total sales in 1981 increased some 21% over 1980. The sales of Bridge products increased from £1,072,000 to £1,224,000, an increase of 15%.

Despite the growing reliance on the network of Oxfam shops, Oxfam Trading views the relationship with some concern. Oxfam Trading products carry lower margins than the donated clothing. The shops' mark-up on U.K.-made and Bridge products is only 50%. Thus, Oxfam Trading staff feel that their products are often not given the prime selling space or sufficient attention by shop staff. Since the shops' goal is to make profits for Oxfam, products with a 100% margin are clearly more attractive than products with a lower margin. Oxfam Trading also believes that the second-hand shop image affects the sale of their products right at the first step: consumer awareness. People do not come to buy new products at Oxfam shops--they come to pick up the odd thing which does not have great marginal utility but also does not cost very much. The cheapness of the goods is another reason why Oxfam Trading feels the Oxfam shops severely restrict their penetration of the market in terms of both products and prices. Most people do not expect even new products in Oxfam shops to have the same price tag as the conventional High Street boutique.

These problems were exacerbated by the problem Oxfam Trading had with its new centralized pricing and ordering system. Ordering and pricing were recently centralized in the Oxfam Trading offices; they are no longer the responsibility of the individual shops. Previously, shops ordered directly from Oxfam Trading whenever and whatever they wanted. Now shops are assigned to one of five categories depending on size, location, storage space, efficiency of voluntary group, and competition. Each category is offered a particular configuration of products--only Christmas cards go to all shops. The smallest shops, "model I" as they are called, have a range of 50 products; model V, the largest shops, would have a range of 700 products.

The system allows Oxfam Trading to plan its ordering and distribution with more precision. One of the network's regional supervisors, however, argued that the centralized system created more distance between Oxfam Trading and the shops. Complaints were seldom listened to, she noted, and blame for mishaps was most often shifted to the volunteer staff. According to this supervisor, shops often did not get what they wanted and prices tended to be set too high because of the model system. Furthermore, the system appeared to be trying to make elderly women into paid stock boys, while at the same time providing inadequate facilities to carry out the job properly. Most stores, for example, had insufficient shelf space to keep track of stock so that re-orders could be placed on a "proper schedule."

A major problem seemed to be insufficient communication and/or willingness to be flexible and accommodating in the face of conflicting needs and constraints. While the early problem with the shops, according to Oxfam Trading, is now over it would appear that some structural causes for the tension between them remain. On looking at the history of the relationship, Oxfam Trading staff suggest that the idea of selling second-hand clothing together with new products just does not seem to work. It seems that, were they to do it again, they would look for different channels from the beginning.

Thus, it appears that Oxfam Trading has reached an impasse. The present situation has prompted lengthy discussions around the creation of a second chain of Oxfam trading shops run by paid staff and volunteers. This solution was proposed as early as 1973 as part of the long-range plans of the then separate Bridge unit within Oxfam Trading. The idea of a second string of shops was also discussed seriously in 1977. On neither occasion, however, did anything come of the discussions.

The case now being made for separating the two revenue producing functions is based on the expectations that a separate set of shops will:

- (a) increase retail sales;
- (b) facilitate the development of a wholesale operation;
- (c) allow Oxfam to sponsor national events which relate to a particular type of product or producing country;
- (d) function as centers for training staff from overseas;
- (e) function as centers for market research;
- (f) provide a focal point for U.K. media so that the wider public can learn what Oxfam Trading is up to; and
- (g) give more visibility to items which can only be produced in small quantities.

Though it is not clear at this time whether Oxfam will accept these arguments, Oxfam Trading is not alone in making them. The Self-Help Program does not describe problems of the same magnitude with the 67 MCC thrift shops, but its director is seriously considering establishing a separate set of shops or moving into commercial wholesale channels. All the surpluses generated by the MCC shops (which involve approximately 7,000 volunteers) are donated to MCC to support its international programs. The Self-Help Program's director did not cite different profit margins as a constraining factor. He did acknowledge that the MCC thrift shop consumer was very price sensitive and that continued growth was dependent on opening new shops. Since the supply of Mennonite volunteers is somewhat limited, commercial channels will need to be explored.

World shops: European world shops were described in subsection 8.3.a. To reiterate, the defining characteristics of a world shop are its emphasis on educational materials and its being a base for advocacy and related programs. AMOs supplying world shops include Magasins du Monde, GEPA, Dritte Welt Läden, SOS-Wereldhandel, ABAL Foundation, Ideele Import, Third World Handarts, and Friends of the Third World.

Third World Handarts stands out among this group because of its emphasis on product presentation and the wide range of its educational materials. The AMO's shop is airy and well lit and the crafts are very attractively displayed. For the first year, crafts were displayed alongside educational materials. Gradually, however, as sales picked up materials gave ground to the crafts. Most of the educational materials are now displayed in a separate room at the rear of the shop. The materials include family boardgames about cooperation, self-sufficiency and conservation, National Geographic articles, and many publications of the Paulist Press on hunger and global poverty. We were told that some of the German world shops also combine appealing product presentations with a large selection of educational materials. There seem to be exceptions, however. Most other world shops, including the retail outlet of Friends of the Third World, pay little attention to product presentation; goods are usually displayed in a haphazard fashion and generally crowded by posters and racks of books, journals and other materials.

Gift shops: Gift shops run by AMOs are practically indistinguishable from conventional and commercial shops. They are managed by full-time paid staff and they reflect an emphasis on product range and presentation. A 1976 article in the Manchester Guardian (U.K.), for example, described the South Penthernton shop of Global Village Crafts as "a dazzling display of goods and a refreshing break away from the second-hand clothes image of many charity shops." The FRIDA store in Covent Garden, London, also does a beautiful job of displaying the "skills, imagination, flair and depth of Third World cultures." Both shops carry an enormously wide range of products--over 4,000 different items. And, neither shop makes any reference to the altruistic purposes of their organization or to the socio-economic aspects of their suppliers' lives.

Dritte Welt Läden has a small store in Osnabrück's shopping area. This store has a variety of crafts well displayed in a manner similar to prosperous commercial gift shops. Although the shop has a few brief descriptions about Third World producers, these are mentioned only to the small minority of shoppers who express

curiosity about the origins of the goods. The shop has proved to be a very cost-effective means for test marketing the AMO's wholesale and mail order product lines.

Afro-Art, too, has a very attractive store, in Stockholm's main shopping district. Third World visitors often comment on the lovely presentation of the products. Although the initial impression is that of a spacious gift shop, the store incorporates a display of educational materials about Third World issues and hand-crafts in general. Because Afro-Art is convinced that people are more likely to have a sense of meaningful contact with the Third World and its products if they can actually handle the items, Afro-Art encourages customers to touch the products, even play the African drums and flutes.

Other AMOs operate shops which, though explicitly related to their purposes (or parent PVO), have the major features of a gift shop. The Self-Help Program, SERRV and Worldcraft all run both a headquarter's shop and others which contrast sharply to the thrift shops or local bazaars where most of their products are sold.

(iii) Other non-commercial outlets: In addition to conventional retail outlets, AMOs use myriad other ways to sell products directly. Local international festivals (e.g., the annual Whole Earth Celebration in Boston) have provided many AMOs with their first exposure to marketing. Global Village Crafts has sponsored local exhibitions around different crafts (e.g., pottery and weaving). Afro-Art has organized over 600 craft exhibitions for local art galleries, libraries, museums and schools throughout Sweden; as in its Stockholm store, people visiting these exhibitions are encouraged to touch the crafts. Other AMOs, including Magasins du Monde, Solidarisk Handel, Handelsfront and Neighbors Crafts have set up booths at political rallies, demonstrations, jazz festivals for youth and PVO-sponsored events. In fact, to many AMOs any kind of organized event is a potential market--for both products and ideas. Neighbors Crafts, for example, has not found its participation in local international festivals very significant in commercial terms, but as platforms for discussing the overseas programs of its parent PVO such festivals have proved very effective.

Third World Handarts is one AMO which has relied primarily on one unconventional marketing channel, the Sunday sale. The Sunday sale is a simple concept. A table of crafts is set up in the parking lot of a local church and the congregation is informed about the sale during the service. On good days volunteers sell in excess of \$2,000 worth of crafts. While sales tend to be seasonal, Third World Handarts is optimistic about the prospects for year-round sales. So far, Sunday sales have been organized

in Orange County, southern California, and around the San Francisco Bay areas, focusing on Catholic churches because of their large congregations.

The success of a Sunday sale seems to depend on how the congregation is informed about the crafts sale. Least effective is an announcement in the congregation's newsletter. A moderately effective approach is to have the local minister or priest announce the sale as part of his regular announcements. Having a person new to the congregation, especially a woman, make the announcement succeeds in getting the attention of most of the parishioners. Most effective, however, are announcements made by volunteers or clergy working in the field. A suggestion from the clergyman to go outside and look at and touch ("but not necessarily buy") the crafts in order to touch the Third World and "experience God's work," usually produces an overwhelming response. On such days, \$3,000 in sales is not uncommon.

8.3.c Commercial/Wholesale: According to the director of Traidcraft, the acid test for a product is whether it sells on a commercial wholesale basis (i.e., through commercial gift and department stores). Twelve AMOs use commercial wholesale channels, but only six rely on them for 35% or more of their annual sales. AMOs which use commercial channels participate in trade shows, sell through sales representatives, and mail catalogues directly to wholesale customers. ABAL Foundation near the Hague and FRIDA Marketing Services in London also operate cash and carry systems because of their central locations.

With the exception of AMOs which focus exclusively on folk-art, there seems to be no apparent reason why AMOs cannot retain and indeed improve their position in the commercial wholesale markets, if they so desire. One of the exceptions is Afro-Art which received a grant in 1977 from a Swedish government agency to subsidize a wholesaling effort. Afro-Art staff, however, found it far less pleasant to sell goods in quantity to "hard-nosed" commercial shops and department stores than to sell individual items to its retail shop clients. Furthermore, not even with the assistance of a wholesale specialist did the wholesaling operation break even. Whereas Afro-Art emphasizes quality, larger retailers stress greater quantities and lower prices, expressing a preference for mass-produced goods from the more recently industrialized countries. Moreover, in the smaller commercial shops Afro-Art's crafts had to compete with quality European crafts such as Swedish crystal; these shops found it difficult to sell Third World crafts side-by-side with such items.

Aid to Artisans, which handles only traditional, ethnic folk-art, had similar difficulties with the museum shop market in the United States. Much to its

disappointment, the AMO discovered that the demand from museum shops for new novelty items at low prices matches that of any market. With its limited range, Aid to Artisans found the museum shop market to be too small a base. As a result, it recently entered into an association with a Connecticut-based commercial wholesaler. Aid to Artisans' products fit within the overall range of this wholesaling operation and are now getting much wider exposure than was previously possible.

Thus, it would seem that retail channels are more appropriate for quality, folk-art products unless these products can be included within a much broader product range. This and other marketing lessons from the experiences of AMOs will be discussed in Part IV.

8.4 Price Structures

Tables 10 and 11 present data on the price structures of AMOs. Table 10 presents the average wholesale and retail mark-ups over landed-duty paid as well as the general range within which AMOs set their prices. Table 11 presents a generalized price structure prepared by UNCTAD/GATT in 1971 and the price structures for eight different products imported into Europe during the past few years.

The two tables raise and illustrate a number of important points. First, while an AMO's average mark-ups are useful guidelines, they can mask a very large variation. ABAL Foundation's average retail price, for example, is on the average 250% above landed costs, while the mark-up on individual items ranges from 70% to 400%. There is not as much variation within the price structures of most AMOs, but it does exist to some extent within all of them.

Second, there are differences among AMOs in terms of how the final retail price of their products compares to the commercial sector. ABAL Foundation claims that its final prices are very similar to those of commercial channels, while GEPA's prices are generally lower. Some observers feel that SERRV's suggested retail prices could be doubled and still be competitive within the commercial sector.

Third, while AMOs generally have lower price structures than commercial firms (see Table 11), the actual retail price of a given AMO product may be equal to or even higher than the average "commercial" price. Several explanations are offered for this phenomenon. One is that AMOs claim to pay higher F.O.B. prices. Magasins du Monde, for example, was offered a consignment of sandals by a commercial exporter in India at 30 Belgian francs a pair; the AMO was buying the same kind of sandals from a small producer at 70 Belgian francs a pair. There are several reasons for

TABLE 10
PRICE STRUCTURES OF AMOs: AVERAGES AND RANGES

	Wholesale Margins (over landed-duty paid)		Retail Margins (over landed-duty paid)	
	Average	Range	Average	Range
<u>United States</u>				
Aid to Artisans	100%	100-150%		
Friends of the Third World		10-15%		40-50%
IPHRD	25%		100%	
Jubilee Crafts				75-200%
Neighbor Crafts				100-125%
SERRV	47%	31-60%	90% ^{ab}	75-100% ^{ab}
The Self-Help Program	30%		60%	
Worldcraft	50%		100%	
<u>England</u>				
Bridge/Oxfam			92%	
Global Village Crafts	70%		125%	
Traidcraft	85%	45-100%	200% ^c	175-350%
<u>Belgium</u>				
Magasins du Monde	100%			100-250%
<u>Sweden</u>				
Afro-Art	70%		100%	
Handelsfront	110%		180%	
Sackeus	50%		185%	
Solidarisk Handel				50-200%
Tanzaniaimport	33%		133% ^a	
<u>Germany</u>				
Dritte Welt Läden	50%	25-50%	150%	100-200%
GEPA	33%		100%	
<u>Holland</u>				
ABAL Foundation			180%	70-400%
Ideele Import		25-100%		75-200%
Sarvodaya in Europe				100-150%
SOS	75%		130% ^a	

^a sold in channels not run by the AMO

^b price set by the AMO

^c mail order

TABLE 11

GENERALIZED CRAFTS MARKETING PRICE STRUCTURE AND
AVERAGE PRICE STRUCTURES FOR SELECTED PRODUCTS SOLD BY AMOS

	Generalized Price Structure**			Average Price Structures for Selected Products								
	General percentage increase	Cumulative percent	% of FP*	Ponchos from Bolivia (Belgian francs) ^a			Handbags from Philippines (Belgian francs)			Leather tabourat from Brazil (Belgian francs)		
				Price/Cost	Cumulative percent	% of FP*	Price/Cost	Cumulative percent	% of FP*	Price/Cost	Cumulative percent	% of FP*
FOB Costs ex-factory price inland freight exporter margin packing & loading expenses		100	14-32	633.65	100	34	49	100	34 ^b	186	100	24.8
Importing Costs freight duties insurance in-land freight	50%-80% of FOB	150-180	11-16	216.60	134.2	11.4	21	142.8	14	129.25	169.5	17.1
Wholesale Costs importer/distributor margins taxes	40%-65%, sometimes 80% of landed costs (VAT)	210-320	11-20 (ex-VAT)	270.75 (266)	218.9	28	16 (20)	216.3	24.8	82.25 (150)	221.8	31.1
Retail Costs retail margins taxes	75%-120% of cost to retailer (VAT)	360-700	43-54 (ex-VAT)	513	300	27	39	295.9	27	202.50	403	27
*FINAL PRICE				1900		100	145	295.9	100	750		100

^a as percentage of FOB price: labor, 42%; material, 46%; other, 12%

^b as percentage of FOB price: labor, 19%; material, 65%; other, 16%

** Source: UNCTAD/GATT International Trade Center, 1971

TABLE 11 (continued)

GENERALIZED CRAFTS MARKETING PRICE STRUCTURE AND
AVERAGE PRICE STRUCTURES FOR SELECTED PRODUCTS SOLD BY AMOS

Average Price Structures for Selected Products												
Jute Bags from Bangladesh (German marks)			Mobiles from India (English pounds)			Standard packets from India (Swedish crowns) ^{cd}			Tea from Sri Lanka (Dutch guilders)			
Price/ Cost	Cumul- ative percent	% of FP*	Price/ Cost	Cumul- ative percent	% of FP*	Price/ Cost	Cumul- ative percent	% of FP*	Price/ Cost	Cumul- ative percent	% of FP*	
FOB Costs ex-factory price inland freight exporter margin packing & loading expenses	.90	100	30	.40	100	32	490	100	31	2.4	100	19.2
Importing Costs freight duties insurance in-land freight	.42	146	14	.22	182	17.6	70	114	04	.6	125	4.8
Wholesale Costs importer/distributor margins taxes	.80	235	26.6	.63	312.5	50.4	240 (110)	163	15	5.0	333	40.0
Retail Costs retail margins taxes	.88	333	29.4	.63	312.5	50.4	800	326	50	4.5	520	36.0
*FINAL PRICE	3.00	333	100	1.25	312.5	100	1600		100	12.5		

110

^{cd} Retail sales involve no costs and proceeds are donated to Free Church Aid as percentage of FOB price:
labor, 39%; material, 26%; other, 35%

higher F.O.B. prices. One is that AMOs often elect to pay a higher price either directly as in the case of GEPA or indirectly as in the case of Bridge/Oxfam's producer dividend. Another reason is that many of the groups which are attractive to AMOs are inefficient. CCAP's assessment of its suppliers clearly points this out: "It is generally known," according to the report, "that prices of handcraft articles coming from production centers operated by nonprofit groups tend to be higher compared to market prices, since many nonprofit groups possess very little management know-how in handcraft production and as a result, several inefficiencies arise." Yet another reason why an AMO's F.O.B. price is frequently higher than the market price is the AMO's relatively small trading volume. Low volume was cited by CCAP as one of the problems it had in dealing with AMOs. In addition, it sometimes is assumed that AMOs operate less efficiently than commercial importer/wholesalers; we do not have hard evidence regarding this assumption, but did encounter many instances of very tightly-run AMOs.

A fourth point regarding price structures raised by several interviewees concerned increased consumer sophistication over the past ten years. A director of SOS-Wereldhandel, for example, commented that in the early 1970s the AMO was able to charge up to ten times the F.O.B./country-of-origin price; by the end of the 1970s, however, two to four times the F.O.B. price was closer to the norm.

A fifth point which data in Table 11 brings into sharp relief is the very small percentage of the final price which goes to the producers. For example, a handbag sold for \$5.00 in Belgium returns only 32 cents to the Philippine producer. Indian producers of goods sold in a "standard packet" to Swedish church groups will receive 11.9% of the final price (or \$44 out of \$375)--and this is one of the higher percentages. The fact that producers receive such a small percentage of the final selling price for direct labor costs, even under the "fairest" of conditions, usually comes as a shock to altruistic importers. It often comes as more of a shock to many suppliers who, once they become aware of normal price structures, will often press for a larger share of the final price.

Sixth, AMOs which trade in coffee find their mark-ups must be very low (between 5% and 10%) in order to stay reasonably competitive with the larger commodity brokers. In fact, the Tanzanian instant coffee sold by Traidcraft and several European AMOs must be sold above commercial market prices. Tea, on the other hand, allows for a much greater margin in some nations. GEPA, for example, claims to sell tea at lower than market rates, but still works with a mark-up of 400% over F.O.B./country of origin prices.

A final point needs to be made regarding mark-ups: in some cases they obscure the volunteer nature of the organization and the fact that almost all the gross profit is "repatriated" to the Third World. Third World Handarts, for example, will add 15% above landed costs to cover expenses (recently raised from 10%), and then charge whatever the market will bear. All surpluses are then used to purchase additional stock. The MCC thrift shops, the Sackeus wholesale customers, and other groups also return all surpluses to their parent PVOs or to specific Third World groups.

8.5 Approaches to Marketing

8.5.a Product Orientation: We mentioned in the section on AMO philosophies that AMOs generally follow a so-called product-oriented approach to marketing, trying to sell whatever producers can make. While most people we interviewed recognized the complexities of the marketing process and the need for cooperation and coordination between all aspects of the production, distribution and consumption process, certain constraints combine to restrict the horizons of most AMOs.

Aid to Artisans stands alone in its refusal to suggest even modest changes in the folk-art traditions of its suppliers. Afro-Art on the other hand is more representative of the majority of AMOs in expressing a reluctance to create "First World workshops in the Third World," but at the same time wanting to provide assistance to expand, as well as change, existing production capabilities. IPHRD and Dritte Welt Läden, in contrast to most AMOs, will "look for needs in the market place and try to figure out what products or parts of products can be made by suppliers." IPHRD, for example, is working with a distributor of desk calendars in the U.S. for whom its leather producers in India would supply calendar cases. Dritte Welt Läden markets several products which it has "created" and which are put together from items produced by two or more groups. For example, the AMO markets a lamp for which a Sri Lankan group produces the stand, an Indian group supplies the lamp shade, and a workshop for handicapped Germans incorporates German electrical fixtures.

8.5.b Marketing Context (the role of altruism): No AMO would admit to trading on the pity of potential buyers and all AMOs stress the importance of selling products on their own merit. Almost all AMOs, however, place the purchase decision within a context that promotes the AMO's goals. In several cases, the mere relationship to a PVO is sufficient to establish for some the altruistic purpose of the marketing effort. In other instances, the devices used by AMOs to attract potential customers

and enhance the sale of Third World goods rely on the altruistic significance of buying (and selling) these products. The Self-Help Program, for example, sells its products with "bag-stuffers" that include a brief description of producers and products. The bag-stuffers are aimed at "making people feel good about their purchases . . . that they are not ripping off the Third World . . . that they have in fact made a positive contribution . . . and that individuals can make a difference." Another AMO uses product tags which state that the products are "made by a destitute woman in Bangladesh." And, although Traidcraft encourages customers to buy products solely on the basis of quality and price, the 1980 Traidcraft catalogue includes pictures and descriptions of producer groups as well as a description of the company which emphasizes the Christian faith of its founders. Global Village Crafts is said to employ references to altruism together with a "something-for-everyone" image to attract customers to its shop. Inside the shop, however, the emphasis is on quality and uniqueness (McKenna, 1977, p. 38).

There are other AMOs, however, which avoid all mention of their altruistic purposes as a means of attracting customers and selling goods. FRIDA's stores in London rely solely on professional presentation, location and the crafts themselves to generate sales. When someone makes a purchase, it is assumed that he or she feels good about it. And, a number of AMOs, such as ABAL Foundation and Afro-Art, purposely include some expensive products in their shops and exhibitions, such as tapestries and one-of-a-kind art, in order to attract passers-by. Although few people buy such items, many will purchase less expensive goods once they have entered the shop or exhibition.

Although most of the AMOs rely heavily upon the inherent nature of their products to sell the products themselves, all of the AMOs rely upon their altruistic images as organizations to obtain free publicity. Local newspapers, national magazines, and development-oriented international periodicals occasionally publish articles on individual AMOs. The media also provides free publicity for the AMO's exhibitions. In addition, special interest periodicals sometimes include articles on specific AMO aspects or products. Sweden's leading women's magazine, for example, ran an article on how to use cloth from Tanzania to make certain clothing items and included Tanzaniaimport as a source of the cloth; readers responded with over 5,000 orders for this cloth. Another Swedish magazine ran a few centimeters of information on Chinese cloth shoes sold by Handelsfront and the AMO was flooded with requests. According to many AMOs, they find it easier to obtain free publicity than to handle the number of requests for products and information that result from the

publicity. Consequently, only a few AMOs such as Dritte Welt Läden (with its mail order business) have assigned staff to systematically seek publicity.

The contexts within which other AMOs market their products reflect in large measure their philosophical perspectives--a subject considered in Chapter 4. They might include more or less direct references to Christian duty, the negative impact which the industrialized world and the international trading system have on the Third World, the need to support particular nations or groups, the beneficial role of cottage industries, and the significance of individual actions. These contexts are tied very closely to the development education activities of the AMOs and are reflected in the educational materials they prepare. We describe these activities and review some of the materials in the next chapter.

9. EDUCATIONAL ACTIVITIES

The purposes of an AMO's educational program quite naturally conform with its overall aims and philosophy. If an AMO aims to promote the interests of a particular country, it views its educational role in terms of increasing the awareness of the general public about that country. If it aims to awaken the general public to inequalities in international trade, it is likely to have an educational program built around materials and products which can easily demonstrate those inequalities. If the AMO's goal involves fostering direct linkages between groups in the Third World and in its own nation, its educational program will include materials and activities which facilitate such linkages.

In terms of the educational activities they carry out, regardless of their purposes, AMOs fall into one of the following four categories:

- (1) No educational role: a few AMOs, such as IPHRD and FRIDA Marketing Services, refrain from all educational activities. They do not even offer descriptive materials with their products because they argue that products should sell purely on their own merit.
- (2) The intention to establish an educational role: SERRV and Bridge/Oxfam are among several AMOs which have virtually no educational activities at present but aim to develop an educational role for themselves in the future.
- (3) A role limited to preparing and disseminating descriptive and other educational materials: several AMOs have limited their educational programming to providing descriptive information for mail order catalogues, bag-stuffers and product displays.
- (4) Active and direct role: the majority of AMOs take active and direct educational roles (e.g., organizing symposia and discussion groups, developing curricula, and assuming leadership positions on advocacy issues).

9.1 Examples of Active and Direct Roles

AMOs which pursue active and direct educational roles engage in a number of activities. GEPA, for example, stocks and publishes a wide variety of posters, books, pamphlets and educational games as well as two-page descriptions of each of its suppliers. These descriptions include discussions of the products, how the producers are trained, the work organization and incentive schemes, the group's decision-making process and activities undertaken for increased self-reliance.

GEPA also publishes a quarterly newsletter which contains short articles on trade and development issues as well as references to relevant books, seminars and lectures. In addition, GEPA runs discussion seminars for local church and student groups at its regional warehouses and helps regional groups to organize conference sessions around Third World issues.

On a national scale, GEPA has helped organize several major "actions" and campaigns designed to use specific products as a focus for attention and discussion on Third World issues. The "Jute not Plastic" campaign is perhaps one of its best known efforts. Over a three-year period 1.5 million jute bags, labelled "Jute not Plastic" were sold in Germany. Each bag contained a small brochure designed by GEPA, which described the economic and ecological advantages of jute over plastic as well as its cost structure. GEPA also published a 32-page brochure which included basic information on Bangladesh, the women making the bags at the Jute Works, and the politics and economics of trade with the Third World. In addition, GEPA has prepared a 48-page workbook on 'Jute not Plastic' for use by teachers and clergy in preparation for classroom or study group discussions.*

GEPA also assists national organizations in Germany plan aspects of their various conferences on trade issues. For example, Germany's Catholic organizations hold a national conference on "Church Day" every two years to consider different church-related topics, including socio-economic development in the Third World. In June of 1980, 70,000 youth assembled in Berlin as part of "Church Day" activities. Several thousand participants attended the lectures and discussions in the development section of the conference. During the first coffee break the section leaders deliberately had very little coffee available and most participants were forced to wait for their coffee in a long slow-moving line. The situation finally caused

*There is an interesting side story to GEPA's involvement in the "Jute Not Plastic" campaign. GEPA recognized that the campaign would generate a high level of demand for only a short time. Thus, in conjunction with MCC and other groups in Bangladesh, two policies were established from the outset: first, in order to engage as many women as possible, no woman was allowed to work for more than one year; secondly, all surpluses from the sale of the bags would be kept in escrow for each woman until the end of her involvement in the project when she would receive a lump sum payment. According to the director of The Self-Help Program, there was an average of over \$100 in the individual accounts. More important than the actual amount was the fact that the money helped to integrate the producer and her family into the local economy, as it was used to purchase land, pedicabs (for husbands), sewing machines and other similar durables.

angry outburst and complaints, at which point the section leaders asked for everyone's attention and related the experience to shortages in the Third World and the role of coffee in Nicaragua's socio-economic development. The action was well received by the participants and led to a dynamic discussion.

Afro-Art is another AMO which plays a direct and active educational role in addition to selling books on crafts and development. During the past 13 years Afro-Art has helped organize some 600 exhibitions at local museums, libraries and art galleries in Sweden. For its 10th anniversary celebration in 1977 the AMO organized a major exhibition at the Liljevakh Art Gallery in Stockholm which featured crafts from more than 20 countries. The Developing Countries Foundation likewise has helped organize craft exhibitions throughout Denmark and has prepared a series of photographs and slides which "tell about the living conditions in some of the countries where the foundation is working." The AMO's most important educational function is the help it provides in linking up organizations in Denmark with individual projects in the Third World. The Foundation views these linkages as the most effective way of furthering "the understanding that the problems of development not only are the problems of the developing countries but also ours."

Global Village Crafts, as we mentioned earlier, has organized a number of local exhibitions around particular crafts. The AMO has also reached out to its own community to involve it in the development assistance as well as crafts marketing programs, and many people have responded by volunteering time and energies to the AMO's retail shop and to BASICS, the publication of its rural communication system. Friends of the Third World is another AMO which is deeply involved in its local community. The AMO has recently been awarded a grant to assist local public school teachers develop global education curricula. The Sarvodaya Shramadana in Europe also works with local schools to encourage them to "establish a linkage program with" individual villages in Sri Lanka. Some of the schools devote an entire two-week period to studying Sri Lanka. In order to develop instructional materials for these intense programs and to assist the schools in planning and implementing them, the AMO has obtained financial support from the Dutch National Commission for Development Assistance to employ a teacher/program developer half time. During the 1978-79 school year this woman and two volunteers helped seven schools for three months of planning prior to the start of the two-week programs. Teachers, parents and pupils were all involved in the planning process and in carrying out the resulting programs. The instructional materials for the programs included products from the Sarvodaya movement and educational materials about Sri Lanka in general.

For schools, churches and other groups wanting a less intensive program, the AMO provides volunteers to give lectures.

Traidcraft is one AMO which is seeking a broader, more active educational role for itself. The voluntary representatives pursue very different and autonomous paths, but on the whole they seem much less active in an educational sense than world shop or action group volunteers. Just last year (1980) Traidcraft began to market coffee and tea in conjunction with two development organizations in the U.K. The AMO expects to use the experience gained through this effort as a basis on which to initiate an educational program that goes beyond descriptive information tied to the products it markets.


9.2 Examples of Educational Materials

The following pages present a sample of the educational materials prepared and published by AMOs. Many materials have not been included because they are available only in Swedish, Dutch or German, but the selection should provide a flavor of the range of materials used by AMOs.*

Several AMOs have had difficulties reaching the general public and have had to tailor their educational programs to fit the needs and interests of their audiences. For example, when Tanzaniaimport started, its founders intended to provide general information about Tanzania along with the products. They soon learned, however, that most customers were more interested in specific information on the production and shipping of the items being sold. As a result, the emphasis of the informational material was shifted from the general to the specific. By the end of 1980, Tanzaniaimport had developed four informational items: two brochures entitled "Tea from Tanzania" and "Coffee from Tanzania"; a placemat describing the processing, shipping and marketing of coffee; and a 16-page booklet illustrating various uses of khangas and kitenges. The brochures include facts about tea and coffee production; the role of tea and coffee in world trade and in Tanzania's development; information on Tanzania itself; and a brief sketch of Tanzaniaimport.

*The product tags on page 119 and the bagstuffer for "Jute Not Plastic" on page 120 are from Global Village Crafts. The descriptions of producer groups on pages 121, 122, and 123 are from the catalogues of Traidcraft, Magasins du Monde, and Neighbors Crafts. The Nicaraguan coffee bag on page 121 is distributed by GEPA. The political posters and discussions on page 124 are from the Traidcraft catalogue.

GUATEMALA




This loom comes from SAN JUAN CAYALAPA, a predominantly Indian town of 20,000 inhabitants 1150 ft at 4500 feet altitude in the highlands of Guatemala in Central America.

The Indians are Mayan descendants who speak a dialect of Mayan dialect, as well as Spanish. They practice subsistence agriculture and still observe many of their traditional customs and more and more "typical" customs.

They spin the really strong weavers' looms of wood and the long 800s or 900s come by men's weavers and women and are woven in this back-stap form. The "weave" from a traditional weaver, is like that his hand should surround the weaver's hip and by a foot rest, it is not as they. The weaver looms and weaves the design threads with a long stick. The design is actually woven into the cloth as it is brought and set up on the loom. In addition, the traditional "weave" weaves more and more modern designs and with a traditional one. We have incorporated the traditional design with the modern and "weave" into patterns.

• With looms are the weaving looms for weaving.
 • Large center side and small center side and modern side.
 • 2 1/2" wide belt 5 1/2" • 2 1/2" wide belt 5 1/2" • 1 1/2" wide belt 5 1/2" • Large backstrap loom 24" • Modern backstrap loom 14" • Small backstrap loom 12" • 1 1/2" wide belt

HANDMADE IN GUATEMALA FOR
GLOBAL VILLAGE CRAFTS
 SOUTH PERTHURTON • SOMERSET




GUATEMALA

We seek, through this hand woven garment, to show you a way of living that has existed for generations. At the same time we hope to build a bridge between you and the countries that produce it in the beautiful highlands of Guatemala.

By this approach it is our aim to help the Guatemalan Indian develop his village and his community.

When washing this fabric we recommend dry-cleaning or the method used by the Indians themselves - hand wash (on rocks when available) in cold, running water. If Indigo, wash separately.

100% Cotton
 Handmade in Guatemala for
GLOBAL VILLAGE CRAFTS
 South Pertherton, Somerset

Price: 

Basic facts on Bangladesh:
 Area: 55,126 sq miles (about the size of England and Wales).
 Population: 80 million.
 Average income: £23 per year.
 Health: One doctor to every 7,500 people.
 Life expectancy: 48 years.
 Infant mortality: 145 per 1000 births.
 Literacy: 18%
 Land: 88% under the plough. Less than 5% irrigated. 0.3 Acres per capita.
 Industry & Exports: Jute products constitute the major industry and account for 85% of export earnings.

BANGLADESH

In Bengali households the Sikas, pronounced shokkas, are hung from the roof to store food, but they have been adapted here for decorative use: for plates, pot holders; hanging baskets; bowls of fruit, etc.

Jute forms the backbone to industry in Bangladesh and is the major export commodity. For the poor and landless Bengalis, there is only one source of employment: jute products. The sale of these Sikas provides a livelihood for many village women who belong to a craft cooperative in Bangladesh.

Handmade in Bangladesh for
GLOBAL VILLAGE CRAFTS
 South Pertherton, Somerset

Price: 

The Art of Soapstone Inlay

Soapstone inlay arts are handcrafted in Agra, India, city of the Taj Mahal. Artists from Persia were first summoned to Agra in the early seventeenth century by the great Mogul Emperor Shah-Jehan, to construct that fabulous monument to love; the Taj. At the Shah's orders, 20,000 men laboured day and night for over 20 years to complete the architectural masterpiece - The art had found a home in Agra which they occupy to this day.

The production process is time consuming and entirely manual: rainbow hard, semi-precious stones and seashore fragments are cut to shape on a hand operated grinding wheel. They are then prepared for inlay into boxes chiselled from solid pieces of Pyramidal, a hard soapstone. Working with hammers and stone chisels the artists chip out a design in the box, then glue each stone into place. Their final palette traditionally include jasper, rose, chrysanthemum, sunflower, poppy, mandarin, magnolia and grapefruit. The box is then washed and polished by hand. Each piece produced in this fashion is unique in design and colour of stone. We recommend that you periodically rub mineral or vegetable oil into the inlay surface in order to bring out the full beauty of the stone.

HANDMADE IN KASHMIR, INDIA FOR
GLOBAL VILLAGE CRAFTS
 SOUTH PERTHURTON • SOMERSET

For every £100 worth of jute goods bought in this country, one person is provided with a job for a year in Bangladesh.

Do you know how much jute is produced in Bangladesh? It is more than 10 million tons a year. It is the world's largest producer of jute. It is the main source of income for the people of Bangladesh. It is the main source of income for the people of Bangladesh. It is the main source of income for the people of Bangladesh.

At present, jute factories in Bangladesh operate at 50% capacity. Due to the lack of finance for improvement, the machines in these factories are outdated and inefficient. The jute goods produced are of low quality and are not competitive in the international market.

By increasing the production of jute goods, we can provide more jobs for the people of Bangladesh. We can also increase the income of the people of Bangladesh. We can also increase the income of the people of Bangladesh. We can also increase the income of the people of Bangladesh.

It is estimated that for every £100 worth of jute goods bought in this country, one person is provided with a job for a year in Bangladesh. This is a very important fact. It shows that the jute industry is a very important part of the economy of Bangladesh.

Therefore, we should take steps to improve the jute industry in Bangladesh. We should provide more finance for the improvement of the machines in the jute factories. We should also provide more training for the workers in the jute factories.

By doing this, we can increase the production of jute goods in Bangladesh. We can also provide more jobs for the people of Bangladesh. We can also increase the income of the people of Bangladesh. We can also increase the income of the people of Bangladesh.

At present, jute factories in Bangladesh operate at 50% capacity. Due to the lack of finance for improvement, the machines in these factories are outdated and inefficient. The jute goods produced are of low quality and are not competitive in the international market.

repair and rebuild the machines are produced in Great Britain. The mere sale of spare parts brought 21 million pounds worth of business to Great Britain in 1975. Let's speculate a bit. If much of the jute reprocessing which currently takes place in this country were shifted to Bangladesh, perhaps many people in our jute factories would finally be out of work.

Due to such production in Bangladesh people here may factories would have to be built there and new machinery imported and sold to supply the new factories but also to replace the old machinery currently in use. This could cost a great deal of money. It is likely that hundreds of jobs would be lost in this country. The economic benefits to Bangladesh are other than the production of goods.

Also, high quality jute goods are produced in Bangladesh. These goods are sold in this country. They are sold in this country. They are sold in this country. They are sold in this country.

It is estimated that for every £100 worth of jute goods bought in this country, one person is provided with a job for a year in Bangladesh. This is a very important fact. It shows that the jute industry is a very important part of the economy of Bangladesh.

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Therefore, we should take steps to improve the jute industry in Bangladesh. We should provide more finance for the improvement of the machines in the jute factories. We should also provide more training for the workers in the jute factories.

K.K.M., UNE COOPERATIVE D'ANCIENS LEPREUX EN INDE

Une communauté, située au Nord Est de l'Inde, file la laine, tisse et confectionne des couvertures, des tapis, du tissu, des chemises etc. Cette communauté est composée d'anciens lépreux qui cherchent ainsi à se construire une vie digne et indépendante.

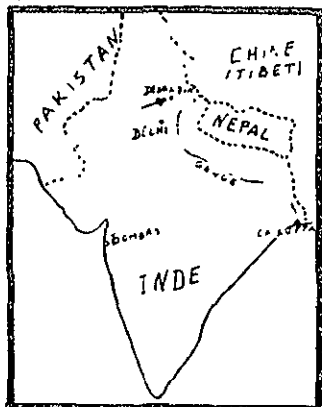
Très rapidement, faisons le point sur cette maladie à peu près disparue du monde occidental (il existait au 13ème siècle environ 20 000 léproseries en Europe)

La lepre ?

La lepre est une infection de la peau produite par un bacille, le bacille de Hansen. Alors qu'il existe des vaccins pour la plupart des maladies graves (varicelle, tuberculose, choléra etc.), les recherches n'ont pas encore abouti pour la lepre, on ne sait pas exactement comment elle s'attrape et la medication est empirique, avec cependant d'assez bons résultats. Des examens de laboratoire permettent de contrôler la guérison, c'est-à-dire l'éradication des bacilles vivants, puis leur évacuation et l'arrêt de la progression de la maladie, les membres atteints, le plus souvent les pieds et les mains resteront insensibles, difformes et souvent avec des plaies ulcérées qu'il faut soigner tous les jours. Cependant les anciens lépreux ne seront plus porteurs de bacilles et, de ce fait, ne seront plus contagieux. Blanchis, ils sont alors renvoyés de l'hôpital pour rentrer chez eux... si on les accepte !

La lepre en Inde

Il y a en Inde environ 3 Millions de lépreux ce qui représente 0,5 % de la population, ce n'est donc pas un fléau et l'on devrait pouvoir endiguer ce mal s'il n'était pas lié à un important facteur psychologique : celui qui a la lepre est marqué par les Dieux du mal, même s'il est guéri, il ne doit pas être approché et, si on le voit, la meilleure façon de s'en débarrasser est de lui donner quelques pièces. Le lépreux profite donc de cette crainte et mendie, presque avec agressivité, mais en agissant ainsi il ne fait que renforcer en lui-même l'idée du mépris et de la crainte qu'il inspire.



DARSHAN SINGH

K.K.M. Centre de réhabilitation des lépreux

Il y a plus de dix ans maintenant, deux Européens, une allemande et un français, ont décidé qu'il était nécessaire de donner une vie digne et active à ces femmes et ces hommes culpabilisés par leur maladie et qui, bien que blanchis et « renvoyés à la maison », n'existent plus pour la société indienne.

C'est ainsi que, petit à petit, fut créé un centre artisanal de tissage avec l'aide financière et morale de quelques organisations laïques et religieuses sensibilisées à ce problème. Bientôt une véritable coopérative était créée, regroupant plusieurs « communautés » de lépreux. La grande majorité des produits fabriqués est exportée à un prix tout à fait concurrentiel vers l'Allemagne, le Canada, l'Angleterre, la France, etc... Les artisans prennent une part de plus en plus active au choix des motifs et des couleurs en vue de « communiquer » avec les acheteurs. Parallèlement une petite équipe était mise en place pour permettre le dépistage dans les régions montagneuses particulièrement défavorisées; elle se rend dans les villages, met les gens en confiance, examine les cas douteux et, le cas échéant, donne les médicaments et surveille le traitement. Le but essentiel de cette action est de permettre au malade de rester dans son milieu, de ne pas être rejeté comme un pestiféré et de pouvoir subvenir à ses besoins, car le départ à l'hôpital signifie l'exclusion de la communauté et même, parfois, ne plus revoir sa femme et ses enfants. En Octobre 1977 un total de 115 cas sont traités sur place, au village.



DARSHAN SINGH
Fils de Lina

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Actuellement, les difficultés de K.K.M. résultent de l'expansion de son activité et sont doubles :

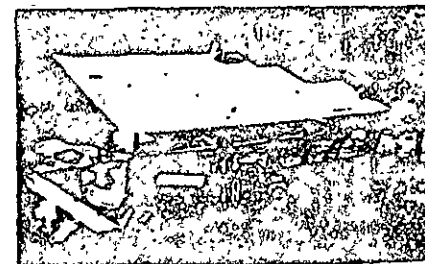
— L'écoulement des produits fabriqués par la coopérative; nécessité de créer de nouvelles débouchés et de renforcer ceux qui existent (Production annuelle de l'ordre de 20 000 m de tissu)

— L'achat des médicaments qui sont le plus souvent des antibiotiques d'un prix élevé.

Pour tous renseignements ou suggestions, n'hésitez pas à vous adresser à :

En Inde : The Secretary - K.K.M. Hand-weaving - II, Nalapani Road - DHERADUN (U.P.)

A Paris : Mme Reyniers - 82 Bd. des Batignolles 75017 Paris - Tél : 387 29 74



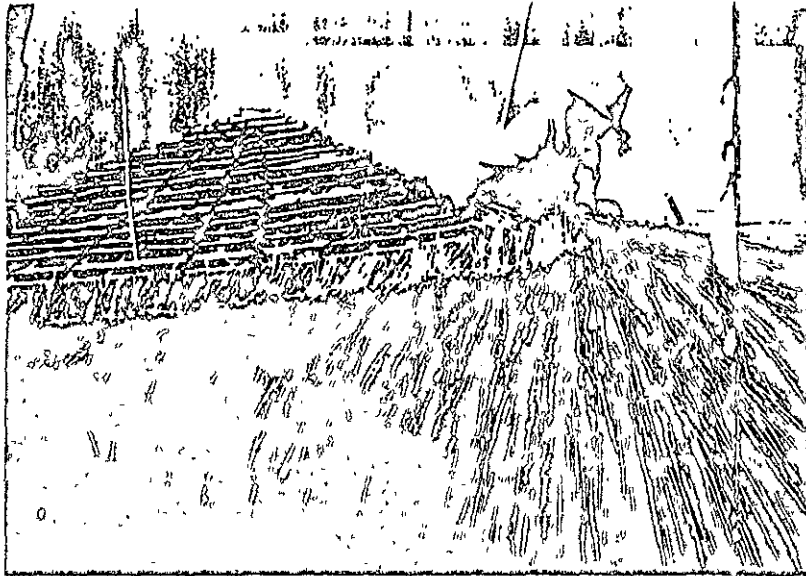
Construction d'un nouvel atelier
Printemps 76

Pour trouver les produits de K.K.M. :

A Paris : Artisans du Monde - 20, rue Rochechouart, 75009 Paris - Tél 878 55 54

A Lyon : Artisans du Monde - 14, rue de la Bombarde - 69005 Lyon

Traditional Indian hooties were made with a thatch roof. But with the advent of modern roofing materials, it's only the older townsmen who remember the art of thatching. ▶



Rhythms of Cakchiquel Life

Corn is the staple food of the Cakchiquel diet. Women often prepare corn tortillas for two days in preparation for a wedding fiesta. ▶



▶ Most Cakchiquels place their hopes on the soil. With the yield from small plots of land they struggle to provide enough food for their families.

Religion plays an important part in the everyday life of the Cakchiquel. On the day of San Jacinto's patron saint, the Cakchiquels form a procession through the town's streets. ▼



Since the dawn of civilization in Central America, the center of Indian life has been the cultivation of corn. Corn made possible the emergence of the great Mayan Civilization. And as the Indian religions evolved, the corn god took its place among the most important deities.

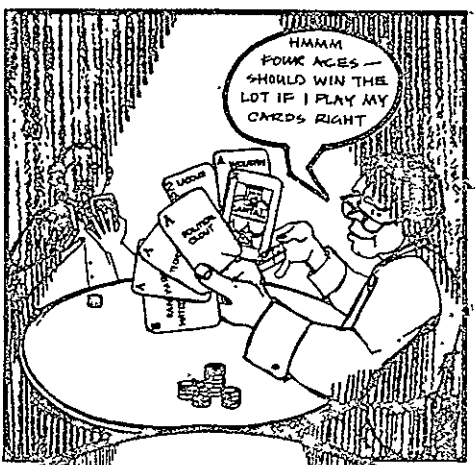
Today, subsistence farming, mostly of corn, is a way of life for the Cakchiquel Indians. They depend on farming for food and income. The crops they grow mean life for their families.

Fathers and sons work long and hard on small plots of land. They rise early to till their fields with hand tools. And they go to bed wondering when the rain will come. The Cakchiquels live out their lives against the background rhythm of planting, weeding and harvesting.



An Indian mother pauses during a busy day to nurse her year-old daughter. She has returned from the village well one and-a-half miles away and will soon begin grinding corn ◀ for her family's tortillas.

The Trade Game... a stacked deck in a rigged game



This is where Tradcraft comes in... helping to change the odds.

Why Poor Countries Stay Poor... with just a little help from international trade

Third World people are struggling to change their lives for the better. It is the revenue from exports which has to provide the wherewithal to fund their national plans of development. But it is difficult to progress when they are partners in an international trading game where the rules are rigged — whether by accident or design — to ensure that they are always the losers.

By common consensus this trading system is one of the main reasons why the poor countries stay poor. They come to the trade game with exports introduced by their colonial masters: primary commodities like rubber, sisal or jute; tropical crops like tea, coffee or bananas, minerals like copper, tin and bauxite (raw aluminium). And they win precious few tricks.

Firstly, they are vulnerable. Most underdeveloped countries depend on 50% to 90% of their earnings on one or two primary commodities, crops or minerals. Bangladesh earns 90% of its foreign currency from the sale of jute and jute products. Zambia relies on copper for 94% of its overseas currency. Sugar accounts for 44% of Cuba's exports, and cocoa for 5% of Ghana's. These countries are vulnerable because they have inherited all their eggs in one basket. The price of their particular export jills, eggs are scrambled and the economy suffers. This happens too often. Primary commodities are notorious for their yo-yo prices. Tea, for instance, was 50 cents a pound in 1973 soared to 120 cents a pound in 1977 and slumped to 45 cents a pound by the end of 1979.

Palm oil, essential for many soaps and margarine, was \$250 per metric tonne in 1972, reached \$880 in 1974, and fell to \$600 in 1978.

Such instability is built into the world's free market economies, with commodity auctions in Chicago, New York and London. Oscillating prices



The other end of the morning cuppa. Sri Lankan tea pickers whose livelihood depends on London auction prices

the impossibility of planning the size of harvests, the introduction of synthetic substitutes and the manoeuvres of international business corporations. Producer countries find themselves swinging from riches to rags and back to penury again with such unpredictability that they can never allocate future government spending with any confidence that there will be the money to pay for it.

tion of the overall decline in value of Third World exports. Bananas are a good example. In 1980 three tons of the fruit could buy a tractor. In 1970, the same tractor could cost the equivalent of eleven tons of bananas. Why? The classic economic answer is that export supplies have increased faster than demand. Similarly with other fruits and commodities. Newly independent countries enthusiastically

grow more of their traditional exports and to diversify into new cash crops — also for export. There was no coordination with other countries who were already growing those crops. With indignation, India and Sri Lanka found more and more East African tea coming onto the London auctions. We weren't prepared to sup over more cups of tea however cheap. The increased supplies and static demand

In the end, selling raw materials is no match for making manufactured goods. For the real money comes in the value added in processing products. The western world buys something like \$30 billion worth of Third World raw materials a year, processes these and sells them for \$200 billion. The difference is the value added and jobs created in the rich world. The obvious answer is for the poor world to process their own raw materials into the finished product and claw back some of that extra \$170 billion.

But the card game is not over yet. The big markets for the processed coffee, car tyres or textiles are in the western economies. And they have systematically hindered the import of goods manufactured in the Third World. Tariffs and quotas are used to ensure that the price advantage of such imports are lost. Whilst developing countries can export rice to the EEC free of duty, they face a 13% tariff on processed rice. Crude palm oil bears a 4% tariff in the EEC when it is semi-refined the tariff is 12%. There is no tariff on the import of raw cotton into Britain on T-shirts it is 17%.

The frustrations and downright cheating of this international trade game lead many to argue that the exercise is not worth the candle. They maintain the Third World would do far better to look to self-reliance in foodstuffs and trade amongst themselves. Poorer nations who trade with powerful industrial economies according to free market rules can hardly expect a fair deal.

Nevertheless, there is still plenty we can do around the issues of international trade. Ways of keeping informed, understanding the world around us, and working for change to a more just system of exchange are suggested inside the front cover of this booklet. It is better, the saying goes, to light one small candle than complain of the darkness.

Both Third World Handarts and Friends of the Third World were started by people who had been involved in local "hunger marches" and who were seeking "a more tangible and permanent way to make a contribution to Third World development." The director of Third World Handarts, in particular, was concerned with the dominant role in the hunger marches played by one element of the political and ideological spectrum. The vast majority of the participants, she found, were opposed to or felt uncomfortable with the radical position subscribed to by the minority and with the suggestion that their own living patterns as well as their governments' foreign aid programs might be central to problems of Third World poverty and dependency. Instead, the purchase of a handmade item at Third World Handarts is viewed as a concrete and positive act--one which reflects the position that individual actions are significant. Through the purchase decision, Third World Handarts hopes to engage the consumer in a dialogue which will result not only in increased sales but also will help the consumer develop a deeper understanding of the nature of the dependency and inter-dependency relationships that exist in the world. In order to reach and engage as broad a spectrum of the population as possible, Third World Handarts, as we have already said, deliberately offers a wide range of materials, from National Geographic photographs to articles on international trade from the New Internationalist.

10. STAFFING AND STAFF REMUNERATION

Table 12 presents data on staffing and remuneration patterns among AMOs. There are four dimensions along which to compare and contrast AMOs:

- (1) the use of volunteers in central administration as well as sales staff
- (2) the use of 'subsidized' employees
- (3) remuneration schedules
- (4) staff functions

10.1 Volunteers

There are AMOs which function as all-volunteer organizations and there are AMOs in which all staff are paid according to market rates. Some organizations rely on a volunteer sales staff, but have only paid personnel in central administration positions; other AMOs have a combination of paid and volunteer staff at the administrative and management level. Many will continue to rely very heavily on volunteer sales staff, while others have cut back, or plan to cut back on volunteers, either as a matter of principle (because the AMO directors make too much money) or expediency (because volunteers are not efficient sales people).

The Developing Countries Foundation is an all-volunteer organization in which members of the governing committee and the so-called working groups and the people who arrange exhibitions receive no compensation for their work. Third World Handarts organized its crafts marketing program right from the start a purely volunteer endeavor, "thus eliminating," according to its brochure, "the middlemen and allowing all monies collected to go directly to the artists." It was with some reluctance, therefore, that as its crafts marketing program grew to an annual turnover of \$100,000, the AMO began to pay part-time salaries to two women and to raise its overhead margin from 10% to 15% over landed costs. All other staff associated with Third World Handarts including freight carriers at the Los Angeles airport are volunteers and the volunteer spirit of the organization is reflected in its mailorder catalogue which is consciously designed, in the words of the AMO's founder/director, as a "non-professional person-to-person mailer."

At the opposite extreme are FRIDA Marketing Services and Worldcraft, all of whose employees are paid at the market rate. At one time Global Village Crafts

TABLE 12
STAFFING AND REMUNERATION PATTERNS OF ANOs

ANO	Use of Volunteers as Management & Sales Staff	Subsidized Staff	Pay Scale and Remuneration Pattern for Directors and Management Staff	Separate Staff Functions and Positions						
				Field Staff	Buying	Development Assistance	Marketing	Market Support	Product Development	Education
<u>UNITED STATES</u>										
Aid to Artisans	directors receive no remuneration	none								
Friends of the Third World		CETA trainees	compensation based on concept of 'voluntary simplicity'							
<u>IPRAD</u>										
Third World Handarts	management receives part-time wages; otherwise "all volunteer"		compensation based on "need"							
<u>Jubilee Crafts</u>										
SECR-	volunteer organizers of church sales not part of SECRV	4 warehouse staff 40% of normal wage	average for non-profit sector		✓					✓
The Self-Help Program	Thrift Shop management and sales staff		average for non-profit sector							
<u>Worldcraft</u>										
			average for non-profit sector	full-time	✓	✓	✓			✓
<u>ENGLAND</u>										
Bridge/Oxfam	Oxfam shop management and sales staff	PVO pays part of salaries for development assistance staff	average for non-profit sector	full-time & part-time	✓	✓	✓			✓
Traidcraft	volunteer sales representatives	work study interns (similar to CETA trainees)	below average for non-profit sector					✓		
Tearcraft	volunteer sales representatives		average for non-profit sector					✓		
Global Village Crafts	retail sales staff on very limited basis		above average for non-profit sector							
FRIDA Marketing Services			above average for non-profit sector	full-time in 1979, subsequently removed	✓		✓			
<u>BELGIUM</u>										
Magasins du Monde	several staff collect unemployment or are volunteers	several staff have conscientious objector status	10% below national average	full-time				✓		✓
<u>SWEDEN</u>										
Afro-Art	retail and wholesale sales on very limited basis		compensation pegged to minimum wage	long-term consultants & part of home staff		✓				✓
Handelsfront			low average wage							
Tanzariexport	management and sales volunteers play important role		compensation pegged to wage of dental nurse	consultant		✓				✓
Wollersak Handel	all volunteer									
Sackeus	All volunteer sales	PVO pays central staff	average PVO pay							
<u>GERMANY</u>										
Dritte Welt Laden			compensation of director pegged to salary of elementary school teacher	full-time	✓		✓	✓	✓	
CEPA		PVO pays part of salary for development education staff	average civil servant pay	full- & part-time						✓
<u>HOLLAND</u>										
ADAL Foundation	volunteer staff in one retail shop	several staff have conscientious objector status	average for non-profit sector							
SOG-Wereldhandel	some volunteers		teacher pay; all paid equal	part of staff				✓		
Sarvodaya Shramadana	volunteers except for part-time clerk		minimum wages; no benefits	consultant on gov't grant						✓
Ideale Import	mainly volunteers		at level of elementary teacher	consultants		✓				
<u>DENMARK</u>										
Developing Countries	All volunteer organization									

used to rely heavily on volunteers for its retail sales force. But as the AMO has prospered, volunteers have been restricted to only one day per week during the Christmas season and the 'volunteer' is paid for all the other days he or she works in the shop.

SERRV, Traidcraft and Sackeus are among the AMOs which market goods through volunteers or volunteer-run groups; their central administration staff, however, are all paid. In fact, most of SERRV's central sales staff, who account for 38% of SERRV's annual turnover, are paid employees. Ideele Import, SOS, and Tanzaniaimport, on the other hand, have both volunteers and paid personnel in their central staff. Bridge/Oxfam along with many other AMOs pays its entire central staff, but also relies on professionals who volunteer their services, such as a lawyer for legal advice and mail order consultants for design and copy advice.

There are no accurate estimates of the total number of volunteers involved with AMOs. The Self-Help Program and Bridge/Oxfam have fairly precise figures, since the volunteer retail staff is hired by the parent PVO. SERRV and GEPA, on the other hand, sell to groups of volunteers without knowing the size of their membership.

It is even more difficult to get an accurate picture of the productivity of the volunteer sales forces. We know that the average annual sales volume of individual shops, action groups, thrift shops and other non-commercial channels is quite low. McKenna, in his study of three British AMOs, referred to studies on the subject of volunteers in British charities which suggested that in many cases unreliability, disruption and errors by volunteers make them not worth having (McKenna, p. 39). His observations of volunteers in the retail shop of Global Village Crafts reinforced this conclusion. In his words, "most [volunteers] work only half a day each week and this seems inadequate to keep abreast with changes in availability and location of stock. The fault here could be partly in the information system or storage methods, but there is no real substitute for familiarity with stock availability, origin and characteristics, and, of course, with customers. Realistic estimates show that a good full-time assistant would more than pay for himself in increased sales, quite apart from improved customer satisfaction and increased repeat sales."

As we have already mentioned, problems with volunteers led Global Village Crafts to cut back their numbers. Bridge/Oxfam, in its plans to establish a new chain of Oxfam Trading shops, acknowledges similar problems with volunteers. Afro-Art's experience, while standing in contrast to the experience of these two AMOs, still corroborates the underlying point. All of the sales staff in Afro-Art's Stockholm shop--paid personnel and volunteers alike--are very knowledgeable about

handcrafts and highly committed to the AMO's specific objectives. The success of the Stockholm shop is attributed to this fact, just as the failure of its Malmo shop, in Afro-Art's opinion, stems from its inability to attract similarly knowledgeable and committed salespeople.

Clearly, the significance and the definition of the "problem" will vary from one AMO to another depending on its objectives. Several AMOs, including GEPA, SERRV and The Self-Help Program, do not seem concerned about the efficiency of the volunteers who work for or buy from them. GEPA, for example, seeks to involve as many people as possible in discussions of development issues and expresses less concern over the volunteers' selling proficiency than their singular involvement. Furthermore, the core membership of many world shops has stabilized somewhat during the past years and now constitutes a very knowledgeable sales force.

10.2 Subsidized Staff

Because of their tax-exempt or nonprofit status a number of AMOs have access to staff paid for by government or other outside agencies. Magasins du Monde and ABAL Foundation, for example, employ conscientious objectors who fulfill their national service commitments while working for the AMOs. In the U.S., Friends of the Third World has employed CETA program personnel in both its printing shop and retail outlet. Overall, however, the total number of "subsidized" staff is quite limited among AMOs; they make their most important contributions to AMOs' educational and development assistance programs.

10.3 Pay Scales and Remuneration Patterns

While we do not have much hard data on pay scales within AMOs, remuneration of management staff is clearly an issue with which many AMOs grapple. Traidcraft, for example, has a policy to limit the spread between the highest and lowest paid member of its staff to a factor of two. Afro-Art pays its staff one Swedish crown above the minimum wage, and Magasins du Monde's salaries are 10% below the national average for the manufacturing sector. Two AMOs, Dritte Welt Laden and Tanzaniaimport, peg the salaries of their directors to the average salaries of elementary school teachers and dental nurses respectively. Two American AMOs use slightly more subjective criteria. Third World Handarts pays its part-time management staff according to need--the founder/director receiving less than her co-worker. The project coordinator of Friends of the Third World takes out of the AMO only what is needed to maintain

his family at the level of 'voluntary simplicity'--a "non-consumerist, socially conscious lifestyle" defined in publications from the Stanford Research Institute.

Most AMOs have pay scales for management staff at or slightly below the average for the nonprofit sector. They are certainly below what one would expect in industry or commercial trading companies.

10.4 Staff Functions

From limited observations we were struck by the flexibility and lack of structural rigidity which characterize AMOs. AMOs generally are small organizations and are run by persons who exhibit an important entrepreneurial trait, i.e., the ability and willingness to perform a wide variety of tasks--from designing a makeshift scale to writing copy for a catalogue and from moving crates around a warehouse to selecting products. Very few AMOs have clearly defined and differentiated roles for their staff. And, even where there is a fairly structured division of labor, as in the case of Bridge/Oxfam, the entire management staff is included in most decisions and activities, including product selection and market planning.

Several AMOs argued a need for specialized buyers, i.e., individuals largely responsible for product selection. At Global Village Crafts the responsibility for product selection is shared by four staff members, all of whom have other duties as well. FRIDA Marketing Services is the only AMO to our knowledge which employs someone whose primary responsibility is product selection. The AMO attributes much of the success of its wholesale division to the knowledge and astuteness of its buyer who was also involved in preparing very specific instructions for FRIDA's field staff.

11. GOVERNANCE OF AMOs AND RELATIONSHIPS TO PARENT PVOs

11.1 Profit and Nonprofit Status

We noted at the outset of this paper that some AMOs are autonomous organizations, either profit-making, limited companies or tax-exempt, nonprofit foundations; and other AMOs operate as divisions or subsidiaries of voluntary agencies. The existing patterns seem to reflect historical circumstances--in particular, a country's tax laws--rather than underlying philosophies or aims. In the U.K., for example, charities can sell donated clothing, but cannot engage in trading on a tax-exempt basis. They can, however, set up a separate trading company which covenants all profits to the charity, thus avoiding taxes on its income. In the U.S., a trading company can obtain tax-exempt status and a charity can set up a trading subsidiary as long as the net profits do not exceed a certain percentage (usually 15%) of the charity's total income. Whatever the legal differences, we did not find them affecting policies or operating strategies in any significant way.

11.2 Structural Relationships to Parent PVOs

Many AMOs are associated in one way or another with a private voluntary organization (the parent PVO). There are four types of relationships, each of which is discussed briefly below.

- (i) department of a PVO: Worldcraft is one of several departments of World Concern, the international relief and development division of CHRISTA Ministries, a Seattle-based Christian organization.
- (ii) separate trading subsidiary of a PVO: a number of AMOs, including ABAL Foundation, FRIDA Marketing Services, Traidcraft, and Bridge/Oxfam are trading companies wholly owned by individual PVOs.
- (iii) separate trading subsidiary of a consortium of PVOs: Afro-Art and GEPA are each governed (and financed) by a consortium of PVOs. Representatives from nine Swedish organizations sit on the board of Afro-Art and representatives from the two largest German PVOs have veto power as members of GEPA's board.
- (iv) separate, independent trading company: Neighbors Crafts was established by World Neighbors, but is governed as an independent entity in which the PVO has no financial position.

An interesting fact to note is that the formal structure apparently is not a very significant issue. Nothing we found suggests that these different relationships

can explain variations in policy or other differences among AMOs. For example, while Worldcraft is a department of a PVO and Neighbors Crafts is an independent organization, both enjoy extremely close and symbiotic relationships with their respective parent PVOs. And both were started by insiders as a way to involve the PVOs more directly in supporting income-generating projects in the Third World.

The Self-Help Program, SERRV and Bridge/Oxfam basically have the same structural relationships with their parent PVOs, but each has developed very different operating relationships. Bridge/Oxfam generates only a small percentage of Oxfam Trading's income and only a miniscule portion of Oxfam's total revenues. Furthermore, Bridge/Oxfam buys from very few Oxfam-sponsored projects in the Third World. In contrast, The Self-Help Program gives priority to MCC-related projects and has worked closely with its parent PVO in setting up and supporting marketing structures in India and Bangladesh. Furthermore, surpluses from the retail sales of The Self-Help Program products are donated to the international program of the MCC; neither SERRV nor Bridge/Oxfam follows that procedure.

11.3 Conflicts Between AMOs and Their Parent Organizations

On the whole, relationships between AMOs and their parent organizations appear untroubled, especially for U.S.-based AMOs which have grown slowly over the years. There have been several instances, however, in which tensions between an AMO and PVO became so strained as to result in the resignation of the AMO's director. There were many factors involved in the build-up of tensions in each case. Personality conflict is one, and the entrepreneurial traits of an AMO's principals is another. These traits are essential to initial success, but they tend to exacerbate whatever philosophical differences might exist. In addition, there are three sources for the tensions which have arisen between AMOs and their parent organizations:

- (1) marketing Third World products within a charity environment;
- (2) selecting suppliers which are appropriate to both a marketing organization and its parent PVO; and
- (3) establishing the importance of "handicraft" vis-a-vis other types of small industry projects.

The underlying nature of these conflicts should be of interest to voluntary agencies contemplating the establishment of a trading subsidiary.

11.3.a Marketing Third World products within a charity environment: The former director of Bridge/Oxfam (who ran Oxfam's handicraft marketing program for 12 years

until he resigned in 1976) argued that a charity environment in general and charity thrift shops in particular were inappropriate channels for marketing Third World products. His arguments were both philosophical and practical. By the late 1960s he had recognized the serious limitations which the Oxfam shops were placing on the handcraft marketing program. He sent proposals to the governing bodies of Oxfam for the establishment of a new subsidiary company in order to carry out the following functions:

- control all Oxfam importing of Third World products;
- control and produce a Third World products mail order operation, with a catalogue and press advertising;
- run strictly 'professional' market places for Third World goods only;
- wholesale Third World products to Oxfam shops and Third World centers in Britain, and Third World shops and sales campaigns in the rest of Europe; and
- prepare supporting promotional and informational materials.

The proposals currently being discussed by the Oxfam Trading staff reflect many of the same concerns and constraints which the former director of Bridge/Oxfam had raised a decade earlier. But, he went one step further than the current proposals. He wanted to separate the Third World trading program completely from Oxfam, the charity. The proposed name for the new company was Bridge (Oxford), Ltd., and no mention was to be made of its association with Oxfam.

The proposal to set up an entirely separate trading company was based on several philosophical positions held at the time by the Oxfam staff involved with the handcraft marketing program. According to the former director of Bridge, he and his colleagues were struck by two incongruities. First, there was a set of criteria which Oxfam insisted be applied in selecting suppliers, namely that they be some type of cooperative arrangement in which individuals have a voice in decisions that affect their lives. On the other hand, there was apparently no concern that the very same principles were not being applied within the marketing program at Oxfam.

The second incongruity revolved around the issue of quality. Oxfam insisted on high standards from its producers, but used highly unprofessional marketing channels which, according to the former Bridge director, "shocked many of the suppliers who visited the shop and saw for the first time the 'second-hand' context within which their products were being sold." Producers need access to a permanent professional sales system because, as stated in the proposal to the governing body

of Oxfam, "a producer does not want to have his product bought out of charity or because of its educational or political message. . . . Producers are trying to break away from charity [and want to have their] production bought simply because the products are good articles at attractive prices." According to Bridge's former director, the name Oxfam was synonymous with charity, and marketing under the Oxfam label "reinforces, if only subconsciously, the whole paternalistic kind of thing which is totally wrong morally."

Some of the proposed changes were accepted by Oxfam: the name Bridge: An Oxfam Initiative, the concept of the producer dividend, and the creation of a separate Bridge unit within the trading company. But the more radical proposals were rejected-- a response which eventually led to the resignation of the man responsible for them.

11.3.b Selecting suppliers appropriate to both a marketing organization and a relief and development organization: The needs and interests of a marketing organization and its parent PVO are not always congruent; the "correctness" of the former's suppliers is one area where conflict may arise. The most dramatic illustration of the tensions which can occur between an AMO and its parent PVO over selection of suppliers resulted in the resignation of the first director of Tearcraft and the subsequent establishment of Traidcraft. We mentioned earlier that among the criteria a group must meet in order to qualify for a TearFund (the parent PVO of Tearcraft) grant was the requirement that its management "be in the hands of those who want to introduce the people they serve to the fullness of life which comes through faith in Jesus Christ alone." In 1978, however, over 85% of Tearcraft's sales were coming from groups which did not fully satisfy this criterion. Furthermore, it became increasingly apparent to the AMO's former director that the survival of Tearcraft as a marketing organization depended on the application of a broader set of criteria. In a 1978 memorandum to the TearFund board he wrote the following:

We have been aware of the difficulties of finding sources of supply in line with our purchasing criteria for some while and every effort has been made to find new producing groups. To date, in spite of hundreds of letters and personal visits and contacts, only one group, set up by advance orders from Tearcraft, looks like turning into a promising source of supplies at reasonable prices. Our difficulties are going to be further compounded by the movement in many developing countries to encourage small handicraft groups to amalgamate either into co-operative export associations, which will be the only organizations to receive export licenses or for the government to take over the exporting of handicrafts to ensure quality control, and

the subsequent channelling of all handicraft supplies through government sources. There seems no question that not only are we going to find it more and more difficult to find sources of supply to keep pace with the development of Tearcraft but that our existing sources of supply are not well balanced, and that they may become subject to constraints from their own governments which would make it impossible for us to guarantee that we are purchasing from Christian run groups.

TearFund acknowledged the fact that as a group developed it would become less and less qualified for TearFund support, even if it remained firmly under the control of evangelical Christians. TearFund also recognized that a group's main concern would unlikely be evangelism and "church planting" and that it would be likely, even desirable, for professionals to take over the business who may well not be Christians.

The decision reached by TearFund, however, was to stop buying from groups which ceased to qualify under its support criteria. In an interview, the former director of Tearcraft expressed his position this way:

. . . When it comes to commercial success, I never saw us hatching out embryonic groups, so that they could then fly away to the commercial world. As far as I was concerned, they would keep selling to us. If they were successful we needed their success to help other groups. This is not a line taken by most alternative marketing organizations. What they say is, if this group is producing something that can sell commercially, let it sell commercially. They don't need our help any longer. But, if you do that then this means that every year or two you lose one of your best clients . . . and that . . . you constantly have a range that is not as attractive as people in the commercial world. So how can you make your organization self-sufficient? It means you're always dependent upon funds coming in, charitable funds in effect, coming in and subsidizing your business operations. Now it seems to me a much healthier position if you can offer a good reliable service to groups who could very well sell to ordinary commercial firms but choose to sell through you, because they're getting as good a deal out of you as they would out of a commercial firm. And you say to them, look you're a nonprofit group. You're in it for community development and so on. We are . . . making money out of your product, but you're getting the price that you want from us. We're making money out of your products and we're using that money to help other groups that were like you were ten years ago. And people are happy to do that.

It was felt that the application of this philosophy would maintain the viability of Tearcraft as a marketing organization and preserve the essence of its alternative character. When TearFund could not accommodate this position, the resignation of

Tearcraft's top management became inevitable, especially since they went even further than the practical arguments, suggesting that it was unchristian to refuse to work with a group because it was no longer under Christian leadership.

The Self-Help Program has enjoyed a much longer and more stable relationship with its parent PVO than had existed between Tearcraft and TearFund, but the issue of supplier selection criteria recently has been raised there, too, and has yet to be resolved. The AMO's single largest supplier is a commercial businessman in India. While the supplier is well known personally to the director of The Self-Help Program, who strongly vouches for his integrity and honesty, members of the AMO's board question the appropriateness of buying in large quantities from a commercial source. According to the director, the issue remains a potential source of friction between the AMO and the Mennonite Central Committee.

11.3.c The role of handcrafts vis-a-vis other small industries projects: Another very basic issue is reflected in the conflict between the proponents of cottage industries and those who see investments in that sector as a highly inefficient use of resources. Several people we interviewed attributed FRIDA's failure to realize its "integrated approach" to project development to this conflict. FRIDA draws a very clear distinction between labor-intensive industrial projects on the one hand and handcraft projects on the other. The industrial projects which FRIDA seeks to promote must meet four criteria, three of which are labor-related: (1) there should be a high labor component in the total product price; (2) the need for imported expertise should be as low as possible; (3) the production process should not be such that it would replace workers by machines; and (4) there should exist a high proportion of domestic raw materials. Based on these criteria, the following industrial activities suggested themselves to FRIDA's directors:

- (a) leather goods (sports goods, leather work, travel bags, shoes)
- (b) wooden products (kitchen, garden furniture)
- (c) toys
- (d) ceramic tiles, dinnerware
- (e) clothing

FRIDA realized that it would be prohibitively expensive and complicated for the organization to develop and control its own channel for each product type. Instead, FRIDA's marketing strategy, as far as the industrial products were concerned, was to function as a catalyst or bridge between producers and existing distribution channels. In its policy documents written two years ago, FRIDA saw such channels taking an equity position in industrial projects assisted by FRIDA.

Handcrafts, on the other hand, were seen as articles whose utilitarian value, if any, is heightened by its ornamental character. In fact, as we have seen, FRIDA defined a handcraft as anything which could be sold in their craft stores. For handcrafts FRIDA developed its own marketing channels.

The distinction drawn by FRIDA between handcrafts and industrial projects was more a result of historical circumstances unique to FRIDA than any set of logical criteria. Clearly, the product types which FRIDA identifies in its goal statements for industrial project promotion can be marketed by a handcraft marketing company, as indeed they are by other AMOs. FRIDA, however, inherited Project Hand which was marketing a particular type of product: ethnic handcrafts and high quality gift items, handmade by traditional methods, using mostly traditional designs. FRIDA, however, according to its former project coordinator, suffered from a false distinction being drawn between the two types of projects. There were profound differences between those within FRIDA who saw handcrafts as basically "undevelopmental" and the pro-handcraft faction which, as expressed by FRIDA's first managing director, was rooted in the ideology and philosophy of a grass-roots approach to development.

The bifurcation within FRIDA eventually led to a kind of paralysis which prevented any link, much less the organic link-up envisaged in its policy documents written in 1978, from being established between the parent PVO and its marketing subsidiary. According to the former marketing director of the AMO, the two field officers appointed in 1979 had the dual role of purchasing crafts and presenting project suggestions to FRIDA. The AMO would either market these products itself or identify markets for them. In Burundi, for example, FRIDA Marketing Services saw good possibilities for banana fiber products like basketware. The situation in Burundi, however, was very difficult since there were no organized production systems. It appeared to be a "clear-cut case" for a FRIDA intervention; the PVO could help establish a small-scale, central marketing facility, for example. FRIDA, however, rejected the proposal. Also, the West African field officer suggested an association with a small pile-rug-weaving workshop which had been started by a Catholic mission some 20 years earlier. The women involved expressed a willingness to continue production if someone could help them organize the marketing among other tasks of the project. The AMO staff were positive about the project because it was small, involved only women on a part-time basis and was village-based. They also saw the possibility for increasing the scale and scope of the project, as demand for the product increased. But, we were told, FRIDA did not act upon their recommendations, nor did FRIDA accept other ideas which were put forward.

The reasons why FRIDA did not accept any of the suggestions coming from its trading subsidiary are not altogether clear. We are hampered in our understanding of the dynamics of the relationship because we were not able to interview any of the principals involved on the FRIDA side. From the perspective of three people who were associated with both organizations there was, first, the philosophical issue-- the viewpoint that the small-scale handcraft projects are basically 'undevelopmental.' It was also suggested that FRIDA was torn between two mutually exclusive goals in the short run; on the one hand, to bring financial and technical assistance to some of the poorest countries in the world and on the other, to consider that expenditure an investment on which the organization would make a "reasonable" return.

The reverse situation also occurred, with FRIDA suggesting areas of involvement which the AMO rejected for both philosophical and operational reasons. According to the integrated approach model, FRIDA Marketing Services should have been marketing products produced by the groups associated with the Kingdom of Lesotho Handcrafts, FRIDA's major field project. To the AMO, however, the products (tapestries woven from mohair) seemed both un-African and too expensive. Besides, the AMO felt its marketing channels were inappropriate in this case and its interest in the products was insufficient to warrant any efforts to establish alternative channels (i.e., exhibitions).

FRIDA also became involved in a World Bank-funded project to help organize the production and marketing of leather products from Niger. FRIDA Marketing Services staff refused to have anything to do with the project because they saw products of the project, expensive leather goods, as having a negative impact on the ecology and economy of Sahel. Whether or not they were right is less important for our purposes than the fact that they held to a position which was diametrically opposed to FRIDA the parent PVO. On the other hand, the FRIDA retail shop in Paris (which operated much more independently of FRIDA, the parent PVO) had considerable success with up-market sales of Lesotho tapestries.

The result of the 'tension' between the two sides of FRIDA was no FRIDA handcraft support projects linked to the AMO at any stage of development by the summer of 1980. FRIDA's experience illustrates the difficulties of successfully integrating opposing handcrafts positions within the same organization as well as the necessity of starting out with limited expectations in the handcraft sector.

12. INTER-ORGANIZATIONAL COOPERATION

There have been a number of efforts to create joint projects and to foster collaboration and cooperation among AMOs. Several have been encouraging and have survived the test of time. Beyond some of the more formal links that have been created, there is a good deal of informal contact and sharing, especially between individual AMOs and the myriad of PVO- and international agency-related networks. SOS-Wereldhandel, for example, makes extensive use of field contacts available through Novib, a large Dutch aid agency, to check on suppliers and producer groups.

In recent years, there has been a major split with the AMO "community" between AMOs which look upon themselves primarily as educational organizations and AMOs whose primary aim is to maximize sales. This bifurcation is a natural result of very different philosophical perspectives and needs. The "educational AMOs" have established a formal network through which they share educational materials and experiences in running advocacy programs, and provide each other with moral and logistical support. Attempts to bring together "trading AMOs" have not met with much success despite, in the opinion of the director of Global Village Crafts, the obvious need for a coordinated effort to address many of the constraints of producers and suppliers. The newsletter, Tradecraft, was a publication of three British AMOs which, according to its former editor, simply wanted to facilitate the creation of such a joint endeavor. Its demise, some people thought, reflected the high level of suspicion and mistrust which exists among the trading AMOs.

We shall briefly review some of the past efforts at inter-organizational cooperation as a way of providing a perspective to the recommendations we make in Chapter 20 on using AMOs to deliver assistance to Third World suppliers and producers.

12.1 Conferences

Two major conferences involving AMOs were held during the 1970s. The first, sponsored by SOS, was held in 1976 in Holland. The second, held in Vienna in the summer of 1977, was sponsored by the Austrian Council for International Cooperation. The conferences aimed to provide a forum for discussing common problems and objectives and to establish and strengthen linkages between producers and AMOs. The Vienna conference was attended by 123 people from 34 countries; 35 participants represented producer groups; many others were from international agencies, including the Inter-American Development Bank.

The issues raised at these conferences focused primarily on supply and communication problems and constraints on producers, most of which have already been discussed in Chapter 7. One of the most recurrent problems, as we have indicated, is the inadequacy of the feedback which producers receive from the market place. Both conferences advocated the position that AMOs take bold and concrete steps to increase the flow of information to producers. The Vienna Conference in 1977 adopted the following nine resolutions:

- (i) Alternative Marketing Organizations (AMOs) and Producer Organizations (Producers) resolve to pursue to their mutual benefit the strengthening and extending of the relationships established between them.
- (ii) AMOs should not limit themselves to buying exclusively from co-operatives but in the trading relationship between AMOs and Producers, the term "cooperatives" should apply not only to the legal entities but also to other structures in which the cooperative spirit prevails.
- (iii) AMOs should adopt as professional approach as possible regarding their operation and maximize sales promotion opportunities through exhibitions and other forms of product displays.
- (iv) Recognizing the need for more effective communication between AMOs and Producers. Producers should provide AMOs with relevant information on price, type and function of products while AMOs supply Producers with information on markets available, the marketability of their products, relevant customs regulations, methods for product adaptation and the availability of training opportunities.
To develop more productively the AMO - Producer partnership, AMOs and Producers should mutually exchange information on their cost-profit ratios and their policies regarding the disposal of their excess of revenue over expenditure.
- (v) AMOs shall buy only from Producers who pay at least the legal minimum wage or have this as their goal, and AMOs will, to the extent possible, make advance payments to Producers when necessary to allow them to purchase materials, develop production potential and meet scheduled delivery dates.
- (vi) AMOs shall pay fair prices set by Producers, and Producers, in setting their prices, shall recognize the full, real costs of production and the necessary returns on capital and investment.
- (vii) A newsletter shall be published four times a year to provide relevant information to all concerned.
- (viii) The Workshop recognizes with deep appreciation the most valuable contributions made by the Austrian Council for International Co-operation, the organizers and all other organizations and individuals toward the success of this Workshop.

- (ix) We aim to meet after a year or more has elapsed in some part of the developing world at a conference organized by local Producers and AMOs for Producers working in that part of the world and for AMOs purchasing or proposing to purchase from that area.

The only other conference we have learned about was held in the United States in 1977 after the Vienna workshop. The only participants were representatives from the small number of U.S. AMOs which existed at the time. Apparently, there was no follow-up to that conference nor was anything of substance accomplished.

Based on the judgments of several participants, the two European conferences seem to have been of little value. The differences between the "educational AMOs" and the "trading AMOs" appear to be irreconcilable. Many of the former, for example, vigorously opposed the content and orientation of the Vienna resolutions; the problems, as well as their resolutions, seem timeless to many. There was also a feeling that further discussion would not be productive. Many felt that no amount of discussion would move AMOs and suppliers to adopt the resolutions--only action would! Still, the conferences did have some positive outcomes: the resolution to publish a newsletter was acted upon, a number of joint ventures grew out of associations made at the meetings and the idea of a network of like-minded AMOs was suggested.

12.2 Toward the Establishment of a Third World Handcraft Resource and Information Center--The Case of Tradecraft

According to its former editor, the British AMOs agreed to publish the newsletter, Tradecraft, so that "the good intentions of the Vienna conference would not vanish into thin air in much the same way they did after the SOS Conference." The newsletter, however, never had sufficient resources in terms of manpower and money to provide the kind of service needed by its readers and to become an effective instrument in narrowing the communications gap. Tradecraft's former editor put much of the blame for its demise on the degree of suspicion with which individual AMOs view each other's motives. The director of Global Village Crafts attributes the failure to the narrowmindedness of AMOs and their parent organizations and to "their preoccupation with their own pet projects." Otherwise, he claims, an organization could have been born to help foster designs, meet some of the information needs, and provide the management assistance required by producers. This has not yet come to pass and it is unlikely that it will result from pressures within the AMOs.

12.3 A Network of Educational Organizations

GEPA was an active participant in both the SOS and Vienna Conferences. Since GEPA considered several of the AMOs not to be alternative marketing organizations, it decided to host a more select gathering as the first step toward building a deliberate, informal network of AMOs. A three-day meeting in September, 1979 was attended by SOS, OS3 and EZA (Swiss and Austrian AMOs, which were not included in our survey), Magasins du Monde, Ideele Import and GEPA. Participants discussed their common concerns and agreed to meet again the following summer.

This second meeting was held in Zurich in June of 1980 and was attended by OS3, the host organization, SOS, Ideele Import from the Netherlands, Oxfam-Belgium, GEPA, EZA, the Coffee Campaign in the United Kingdom, and Tanzaniaimport of Norway. These AMOs agreed to begin planning a joint coffee and tea action. Solidarisk Handel from Sweden, an Italian AMO, and a French AMO have been invited to attend the next meeting together with the current network members.

Whereas the 1976 and 1977 workshops included all kinds of AMOs and agencies, the informal network initiated by GEPA has been purposely confined to participants who already have some rapport with one another. This rapport is based on a feeling that the groups have fairly compatible philosophies and operations. They hope to develop additional joint actions and sufficient knowledge of each other so that they can refer Third World suppliers and other contacts to each other in a more cost-effective manner. If this kind of cooperation is successful, the participants will expand the network to include other AMOs with similar concerns.

12.4 Joint Ventures and Individual Efforts at Cooperation

There have been a number of cooperative efforts between individual AMOs and other organizations with mixed results. In the early 1970s the directors of SOS, Bridge/Oxfam and Project Hand put together plans for a European-wide marketing organization. The proposal was unacceptable to Oxfam. Personality differences prevented Project Hand and Afro-Art from following through on plans to establish a jointly-owned retail shop in London in 1973. Similar problems have resulted in a loss of contact between Tearcraft and Bridge/Oxfam which prior to 1977 considered joint prices and products.

In 1978 Tearcraft and Dritte Welt Läden succeeded in creating a new organization, TEAM (The European Alternative Marketing). Owned jointly by the two AMOs, TEAM was created to market through mail order in Germany. However, when the

principal of Tearcraft, who was responsible for the joint venture, left the AMO in 1979, Tearcraft donated its share to Dritte Welt Läden and dissolved the partnership. Traidcraft has established links with a number of organizations in the U.K. The AMO is marketing tea imported from Sri Lanka by the World Development Movement, and agreed in 1980 to provide assistance to Campaign Coffee, a voluntary group importing instant coffee from Tanzania. Traidcraft also has an arrangement with FRIDA Marketing Services whereby each AMO takes products from the other on special terms. According to the director of Traidcraft, however, it is practically impossible to establish working relationships with voluntary agencies that have bodies of support in the U.K. He claims that they perceive the risk to their fund-raising efforts as simply too great.

The two major AMOs in the United States know each other well. Though they have not worked closely together on either production or market issues, they regularly share information on suppliers, products and prices as well as visit each other's operations every year. Thus, while skepticism runs high, there is, we believe, a basis on which to build an effort that transcends the interests of individual AMOs while addressing those interests as it does the needs of suppliers and producers in the Third World.

13. FINANCING THE MARKETING, DEVELOPMENT ASSISTANCE
AND EDUCATIONAL PROGRAM

Table 13 presents data on funding sources which AMOs have tapped to start and to expand as trading organizations and to finance educational and development assistance programs. The data illustrate three important aspects of AMOs' financial history and diversity. First, start-up and working capital has come from a wide range of traditional and non-traditional sources:

- (1) out-of-sales--All AMOs use surpluses from sales to finance growth, but a number of AMOs have relied very heavily on sales, including Global Village Crafts, Dritte Welt Läden, and Sarvodaya in Europe.
- (2) general public--A few AMOs have gone to the general public for donations and low interest loans. Some of these requests have been for specific purposes (e.g., SOS' effort to assist Guatemalan coffee producers); while others have been for general support (e.g., Global Village Crafts received no-interest loans from local people to purchase its first retail shop, and Traidcraft solicited almost \$30,000 in loans and donations to purchase stock from Tearcraft).
- (3) parent organizations--Parent organizations have been major sources of capital for AMOs. Most often the AMO pays low interest rates or no interest at all (in the case of FRIDA Marketing Services, for example, the initial investment of the parent PVO was written off in 1980). In a few cases the interest rate has been at full-market value (e.g., part of the loans outstanding to Oxfam Trading and Tearcraft, as far as we know, are at the going market rate).
- (4) commercial banks and lending institutions--Commercial loans have been obtained by a few AMOs, notably GEPA and Global Village Crafts, for working capital purposes and not simply to meet short-term cash flow needs.
- (5) individuals--Aid to Artisans and Tanzaniaimport are among a handful of AMOs which have relied upon donations and no-interest loans from their principals or directors.

The second point reflected in Table 13 is the need for continued injections of capital in order to maintain the purchasing programs. Lack of capital to buy in sufficient quantity is a serious constraint on most all small importer/wholesalers. The AMOs with parent organizations which can meet these needs on demand have a clear advantage (an issue we discuss in Part IV). Thirdly, it seems clear from the available data that development assistance and educational programs can be

FINANCING FACILITIES, DEVELOPMENT ASSISTANCE AND EDUCATIONAL SERVICES

	START UP CAPITAL					WORKING CAPITAL - 1980 (excluding loans)		1980 CAPITALISED			
	Initial Capital Base	Year	Source	Type	Rate ^a	Amount	Source	Amount	Year	Source	Rate ^a
<u>United States</u>											
Aid to Artisans	\$30,000	1976	private	loans	6%	\$30,000	private	\$3,000	1981	private	6%
Friends of Third World	1,000	1972	friends	loan	none						
IPHRD											
Third World Handarts	\$ 260	1975	church members	donation							
Jubilee Crafts											
SERRV	\$5,000	1949	parent PVO	grant	none	as needed	parent PVO	1,086,000	1981	parent PVO	none
The Self-Help Program											
Neighbors Crafts	\$ 6,000	1979	individual	loan	none			\$12,000	1980	individual	none
Worldcraft		1980	parent PVO	grant							
<u>United Kingdom</u>											
Bridge/Oxfam			parent PVO	loan	⊖			300,000	1981	parent PVO	⊖
Traincraft	£20,000	1979	stock transfer, general public			£20,000	stock transfer, public, profit	£1,250	1979	general public	none
Teacraft	£10,000		parent PVO					27,534	1979	parent PVO	⊖
Global Village Crafts			general public	loan	none			12,872	1979	parent PVO	+
FRIDA Marketing			U.K. AMOs	credit				92,418	1977	parent PVO	none
<u>Belgium</u>											
Magasins du Monde		1978	parent PVO	loan					1978	parent PVO	
<u>Denmark</u>											
<u>Developing Countries</u>											
<u>Sweden</u>											
Afio-Art	150,000 Kr	1969	2 PVOs & 1 other group	share		150,000 Kr	shares	404,000 Kr		reserve from surplus	
Handelsfront	very little	1970	Swedish individuals	gifts		10,355 Kr	shares	12,000	1979	member mortgage	⊕
Tanzaniaimport	15,000	1972	10 individuals	gifts	none	170,400 Kr	reserve from surplus	10,000	1979		⊕
Solidarisk				loans			dues of members				
Sackeus	1,000,000 Kr	1976	parent PVO	loan	none	3,301 Kr	reserve from surplus	147,000	1981	parent PVO	
<u>Germany</u>											
Dritte Welt Laden	20,000 DM 10,000 DM	1970	6 Germans 1 German	gift loan	none	20,000 DM 450,000 DM	shares reserve from surplus	60,000 100,000	1978 1978	bank member	
GEPA	75,000 DM	1975	2 German PVOs	share		615,000 DM	surplus	1,000,000	1980	bank	+
		1976	Assn. of Action Groups			40,000 DM		1,000,000	1980	PVOs	
<u>Netherlands</u>											
ABAL Foundation	50,000 Dfl	1974	parent PVO	loan	⊖			1,000,000	1980	parent PVO	⊖
Ideele Import	15,000 Dfl 8,000 Dfl	1976	2 commun. Foundation	gifts loan			surplus on export business				
Sarvodaya	1,200 Dfl	1965	founders	gifts		60,000	AMO surplus (in stock)				
SOS-Wereldhandel	very little	1967	founders gen'l. public	gifts gifts		2,850,000	AMO surplus gifts from public		1980	general public	none

^a none = no-interest loan

+ = full-interest loan

⊖ = low-interest loan

TABLE 13 (continued)
FINANCING MARKETING, DEVELOPMENT ASSISTANCE FOR EDUCATIONAL PROGRAMS

	DEVELOPMENT ASSISTANCE FUNDS (cumulative)			EDUCATIONAL PROGRAMMING FUNDS (cumulative)		
	Source	Type	Total Amount	Source	Type	Total Amount
<u>United States</u>						
Aid to Artisans	private		\$10,000			
Friends of Third World						
IPHRD						
Third World Handicrafts						
Jubilee Crafts						
SERRV						
The Self-Help Program						
Neighbors Crafts						
Worldcraft	German PVO parent PVO	grant grant				
<u>United Kingdom</u>						
Bridge/Oxfam	parent PVO	salaries expenses	\$30,000			
Traidcraft	none			combined with sales material		
Tearcraft						
Global Village Craft.						
FRIDA Marketing						
<u>Belgium</u>						
Magasins du Monde						
<u>Denmark</u>						
Developing Countries						
<u>Sweden</u>						
Afro-Art	gov't. agency AMO	grants surplus	1,600,000 125,000	gov't. agency AMO	grants surplus	
Handelsfront						
Tanzania Import	gov't. agency	grants				
Solidarisk						
Sackeus	gov't. agency	grant	30,000			
<u>Germany</u>						
Dritte Welt Laden	AMO	surplus				
GEPA				German PVOs	salaries grants	
<u>Netherlands</u>						
ABAL Foundation	parent PVO	grant				
Ideele Import	gov't. agency PVO	grants contract				
Sarvodaya	AMO	surplus		gov't. agency	grant	
JOS-Wereldhandel						

financed only partially, if at all, from sales. The AMOs which have launched such programs have all sought additional funding from either their parent PVO or outside sources.

All AMOs have relied to one extent or another on "hidden subsidies" which are not generally available to commercial organizations. These subsidies have included the following:

- (1) inexpensive money
- (2) written-off loans
- (3) donated facilities
- (4) no income tax
- (5) lower operating costs (e.g., rent, light, heat, etc. at lower than market costs because of nonprofit status)
- (6) volunteer labor
- (7) lower salary and remuneration scales

The role and significance of these subsidies is a hotly debated subject. Some think that most AMOs could not survive without them. Whether or not this is true is of less importance to many than whether or not the subsidies are likely to continue.

PART IV

GENERAL OBSERVATIONS ABOUT THE CHARACTERISTICS AND EFFECTIVENESS OF AMOs

Generalizations which can be drawn from our present understanding of the experiences of the European and U.S. AMOs constitute no more than a set of hypotheses which need to be further explored and tested. Since a large number of organizations were surveyed in a relatively short period of time, the data base is incomplete. Also, because of the great diversity among AMOs, what holds true for one AMO will not necessarily be true or even relevant for another. With these caveats and qualifiers in mind, we have organized our general observations about AMOs around the following questions:

- (a) What are the salient features of successful AMOs?
- (b) What are the strengths and limitations of efforts by AMOs to address market-related needs and production constraints of producers?
- (c) What are the strengths and limitations of AMO marketing programs?
- (d) What are the strengths and limitations of AMO educational programs?
- (e) What are the prospects for effective cooperation and collaboration among AMOs?
- (f) How viable are AMOs as commercial enterprises; could they exist without subsidies or how important are the subsidies they receive?
- (g) What is known about the impact of AMO marketing and educational programs?

14. MAJOR FEATURES OF AMOs AND THEIR PROGRAMS

14.1 Salient Features of Successful AMOs

Given the diversity among AMOs, conventional criteria for determining the viability of a trading company cannot be generally applied. The survival of one AMO might depend almost entirely on the size of its trading surplus, while to a second AMO this factor might be far less significant to its survival than the strength of its relationship to a parent PVO. To a third AMO the most important

criteria might be the number of people involved in selling its products. Even if criteria could be agreed upon for comparing the effectiveness of AMOs, this study was not intended to collect the kind of comprehensive data that such an assessment would require. Consequently, we have treated most all organizations surveyed for this paper as successful in that they have survived over the past five to ten years as small businesses in a very competitive and difficult field.

Another factor which makes it difficult to determine relative levels of success is the uncertainty of the future of many AMOs. There are some AMOs (e.g., Bridge/Oxfam, The Self-Help Program, The Developing Countries Foundation, SOS-Wereldhandel, ABAL Foundation, and Third World Handarts) which have clearly reached sales and growth plateaus and/or significant crossroads. Some of these AMOs, including Third World Handarts, Bridge/Oxfam and ABAL Foundation, are involved in serious self-analysis and have yet to decide which direction to pursue. Others, including Afro-Art and The Developing Countries Foundation, have decided for the moment against a policy of increased growth. And, for some AMOs, including Neighbors Crafts and Worldcraft, it is too early to make even a subjective appraisal of their future. Only a handful of AMOs, including GEPA, FRIDA Marketing Services, and Global Village Crafts, continue to pursue their individual policies vigorously and with confidence.

Even though the AMOs cannot be put on a single scale for comparative purposes, we do have a sense of those factors which have contributed to the development and success of the AMOs we surveyed. These factors have important implications, particularly for PVOs in the United States which are contemplating establishing a marketing program. There are four such factors which we shall discuss: (1) clarity of purpose; (2) entrepreneurial leadership; (3) a sufficient and secure capital base; and (4) a built-in market and evolutionary growth.

14.1.a Clarity of purpose: It should not be surprising that AMOs which have survived over the past five years have demonstrated the validity of a cardinal rule governing all organizations: know the business you are in. To reiterate, some purposes of different AMOs are: (1) to expand trade with the Third World by maximizing turnover; (2) to provide opportunities for individuals to learn about and establish contacts with other cultures and peoples; (3) to raise the level of awareness about the root causes of the inequities within existing trading systems; (4) to increase awareness of and appreciation for the strength and vitality of Third World cultures; (5) to demonstrate the viability of a system of trade not

based on the maximization of profits; (6) to raise money for a parent PVO; (7) to provide an added dimension to the overall development assistance program of a parent PVO; and (8) to provide income and employment opportunities to particular Third World countries and organizations.

These purposes are not, of course, mutually exclusive. GEPA, for example, sees itself primarily as an educational vehicle and an integral part of a nationwide political movement, but it also happens to be the largest trading AMO we surveyed. Global Village Crafts aims to maximize its sales turnover, but at the same time attempts to promote the image of a strong and resilient Third World. AMOs also recognize that they must address the needs of a wide range of constituents (i.e., small-scale producers, a PVO's board and supporters, and its accountant, volunteers and management staff). Sometimes these needs are in conflict with each other; and sometimes the purposes of an AMO are in conflict with its operational strategies. The successful AMO is the one that has grappled with the very basic underlying issue of the conflict. It makes decisions which both reflect an understanding of the business it is in and which effectively address the needs of the people involved with the organization.

For example, Afro-Art's experience with commercial wholesale was unsuccessful largely because the needs of most retailers, for lower prices and a continuous supply of novelties, were incompatible, either with the objectives of the AMO or with the interests of its staff and their enthusiasm for folk-art and the preservation of folk-art traditions. Afro-Art has since developed a thorough understanding of its market which is stable and small, and whose needs are clearly congruent with the values of the AMO's staff. In the case of Traidcraft, the AMO's emphasis on trading, education and participation has resulted in the development of a set of diverse distribution channels. The opportunity for individuals to express, and do something about, their concern for development is important to the AMO's goals; thus, Traidcraft continues to rely on voluntary representatives and to develop programs for them. Equally important to Traidcraft, however, is sales turnover and maintaining a steady and growing demand for Third World products. Consequently, the AMO is vigorously pursuing commercial wholesale distribution channels.

Dritte Welt Läden has concluded that the active promotion of educational materials in its retail shop has a negative effect on sales. FRIDA Marketing Services shares this view. This AMO eschews what it considers to be the neo-colonialism of many European AMOs which continually make requests for more information from suppliers. GEPA and SOS-Wereldhandel, on the other hand, find just the

opposite to be true. During the middle 1970s, in fact, SOS-Wereldhandel stopped supplying commercial shops entirely and began to generate information about suppliers in response to demands from world shops and action groups which had become the AMO's major customers. Neighbors Crafts has discovered that international fairs and bazaars are not very viable sales outlets, but the AMO continues to participate in such events because they are "a good forum for discussing World Neighbors and its development programs." In each case, the decisions made by a particular AMO have closely reflected its particular purposes and have demonstrated a keen understanding of its different constituencies.

Difficulties have arisen when marketing strategies and goals remain at variance with one another. Bridge/Oxfam, for example, has found that its major distribution channel, the network of Oxfam thrift shops, is not an appropriate vehicle for increasing sales of Third World products. Consequently, it is proposing to establish a wholesale showroom in central London and enter commercial markets. This move involves many risks, but the Oxfam Trading staff contend that its present marketing strategy is manifestly inconsistent with the company's stated purpose. Third World Handarts also faces a major decision. Its sales have reached a volume that necessitates management by full-time, paid staff. The AMO, however, wants to retain the volunteer spirit that has been part of its philosophy and statement of purpose from the beginning. The Developing Countries Foundation has shown that this is possible, though there are limits to sales growth. If Third World Handarts has not yet found a solution, it has at least defined the most important aspect of the problem.

The Self-Help Program is another AMO which expresses concern over the ability of its existing distribution channels to absorb increased production from its suppliers. Since the AMO defines its role in part as helping to increase the sales of its suppliers, it has offered to be a contact point to the commercial market for one of its major suppliers. The AMO is also studying the feasibility of entering the commercial market itself. On the other hand, another AMO in the United States, with many of the same suppliers, has excluded such an option for itself on the grounds that its services would most probably no longer be needed by suppliers once they can sell to commercial wholesalers.

Thus, it is evident that AMOs generally have a very clear idea of the business they are in and of how their marketing strategies in particular fit with

their purposes. These examples illustrate the point that AMOs are very conscious of the fact that, as "altruistic" organizations, they have a range of clients whose needs must be addressed effectively if the organization itself is to survive.

14.1.b Entrepreneurial leadership: AMOs are small businesses and they are risky businesses. It should not be surprising that most AMOs were started and are still managed by true entrepreneurs, i.e., "imaginative, hardworking risk takers who thrive on high uncertainty and are willing to take decisive action based on instinct, intuition and imagination rather than on rational analysis" (Block, 1981). In addition to sharing the classic entrepreneurial characteristics, the individuals who started ABAL Foundation, SOS-Wereldhandel, Bridge/Oxfam, Global Village Crafts, Tearcraft, Dritte Welt Laden, Ideele Import and Afro-Art, for example, exhibit an interesting, if not unique, blend of three sets of opposites.

- (i) love of detail-holistic: Above all, craft importing companies require attention to detail. It is the detail (e.g., the dusty shelf, the misplaced invoice, the late shipment) which can cause so much havoc. AMO leaders have to be involved at all levels and in all aspects of their operations. And, they have to enjoy it. On the other hand, AMO leaders do not see events in isolation from each other; they take a holistic approach to problem solving, thinking through the larger socio-cultural and economic ramifications of their decisions, e.g., asking a producer group to change a particular weaving technology.
- (ii) hard nosed-compassionate: AMO leaders often must make difficult commercial decisions if their companies are to survive. All also consciously try to avoid paternalism and trading on people's pity by being exacting of their suppliers. But, AMO leaders are also compassionate and understanding and operate with very positive assumptions about human nature.
- (iii) task oriented-visionary: AMO entrepreneurs often have to become completely immersed in the particular task or problem of the moment. At the same time they must be able to articulate a very broad vision and higher purpose for themselves and their colleagues because whatever they accomplish must be seen as transcending personal achievement. The AMO entrepreneur must provide that transcending vision as well as many of the tangible links that make its achievement possible.

Successful AMOs are also run by individuals with business backgrounds and experience or with the ability to learn quickly on-the-job. Often, the AMO entrepreneur and businessman or businesswoman is one individual; in some cases, there will be two people who between them provide the proper blend of necessary traits. In the case of the AMOs which have grown slowly over time or those which have spun off from another AMO, the need for entrepreneurial leadership is less apparent. Their directors, however, still tend to exhibit the three sets of opposites.

14.1.c Secure capital base: AMOs have started with very different capital bases and requirements. GEPA was established in 1975 with a capital base of 76,000 DM. Neighbors Crafts started with a \$6,000 loan and Global Village Crafts began with $\text{€}7,500$ in loans and donations, extended credit and personal liabilities. The amount, however, seems less significant than the cost and the source. SERRV attributes its success in part to the security of its capital base and the fact that it can rely on its parent organization to meet its short-term capital requirements. The two largest voluntary agencies in Germany support GEPA in much the same manner as Oxfam continues to back Oxfam Trading. On the other hand, there are some very successful AMOs, notably Global Village Crafts and Dritte Welt Läden, which do not have ready access to money and whose capital base is primarily tied up in inventory. These AMOs, however, face a constant struggle to meet short-term capital needs, expending energies they would rather employ on other tasks.

14.1.d Built-in market and evolutionary growth: Most AMOs started trading with built-in markets and found that they did not have to promote their programs aggressively, as demand continuously outstripped supply. SERRV explicitly cites both church support for its program and the absence of pressure from its parent PVO to meet specified sales levels as two significant factors in its steady and solid growth. GEPA, Tearcraft, Bridge/Oxfam, Neighbors Crafts, Third World Handarts, The Self-Help Program and Sackeus are examples of AMOs which also started with built-in markets that were either constituencies of a parent PVO (e.g., Bridge/Oxfam) or groups already buying from another AMO (e.g., GEPA took over SOS' German market). There are exceptions to this general pattern, most notably Global Village Crafts, FRIDA Marketing Services and Dritte Welt Läden, but some of these AMOs have relied heavily on very strong entrepreneurial leadership or large injections of capital to start their marketing programs.

14.2 Strengths and Limitations of AMO Programs Designed to Address Producer Needs

14.2.a Market-related needs:

(i) the need for initial markets: AMOs are small trading companies; together they constitute a very small (some would say insignificant) part of the market for handcrafts and commodities from the Third World. In the United States, there are approximately 700 commercial importers of handcrafts and only about 20 AMOs; in Holland there are around 150-200 commercial importers of handcrafts and no more than ten AMOs.

A significant question, however, is whether AMOs are particularly appropriate channels for the types of producers who, for one reason or another, are not willing or able to sell through regular commercial channels. From the evidence we have been able to gather, it is clear that AMOs buy from particularly disadvantaged producers (e.g., slum dwellers in Lima, Bihari refugees, etc.) and have opened up markets for groups supported by indigenous and foreign relief and development agencies. We have not been able to estimate the proportion of suppliers to AMOs which cannot (or could not initially) sell through commercial channels. We do know that AMOs can respond positively to only a small percentage of the requests received annually from producers to market their products (e.g., Global Village Crafts received over 200 requests in 1979 and is not buying from any of these groups; The Self-Help Program accepted only 10% of the requests it received in 1980). We also know that generally only a small percentage of an AMO's suppliers is responsible for the lion's share of the sales turnover. Thus, we could surmise that most of the suppliers to AMOs are probably able to sell through commercial channels and that any AMO's ability to be an initial market for small-scale, disadvantaged producers is most probably limited to a large extent by its needs as a marketing organization.

(ii) the need for a secure and expanding market: The stability and potential of AMO distribution channels, especially non-commercial channels, are vigorously debated issues. SERRV appears to be unconcerned about the spectre of market saturation because such little effort went into developing its existing distribution channels. And, the director of Traidcraft who was responsible for creating the voluntary representative schemes at Tearcraft and Traidcraft is convinced that the sales potential within the English church

remains largely untapped. On the other hand, The Self-Help Program has expressed concern about market saturation, since its sales increase for the past three years has come largely from opening additional MCC thrift shops. Bridge/Oxfam is manifestly concerned about the potential of its non-commercial channels to provide a steady and growing market for Third World products. And, Tearcraft has also experienced the constraints of limiting its programs to non-commercial channels. Both Bridge/Oxfam and The Self-Help Program are studying the feasibility of opening commercial wholesale channels. However, a commercial wholesale channel might not be appropriate in all cases; as evidenced by Afro-Art's experience.

The perception clearly exists that an AMO must diversify its distribution channels, if it wishes to maintain relationships with suppliers as their production capabilities expand. At the meeting of European alternative marketing organizations, held in June 1980, a representative from four Bangladesh suppliers, including the Jute Works and the International Union of Child Welfare, made the following proposal:

In the interest of providing stable long-term markets with substantial growth prospects for the products of our producers, the agencies of Bangladesh are agreed that we must move toward commercial markets. At the present time, our sales are almost exclusively to AMOs. We see the role of AMOs as one of pioneering new markets, development education, new project/product development and leading third-world enterprises toward long-term economic viability. We do not envision continued sales to AMOs exclusively especially of those products/projects that have reached sufficient production and management proficiency to be viable in commercial world markets. . . .

Our first preference would be for AMOs to begin or expand efforts to become wholesalers to commercial outlets. By acting as a wholesaler, the AMOs could assist us with gaining commercial markets while protecting us from pricing and production pressures which would result from direct contact with commercial buyers. . .

The benefits of an AMO warehouse/wholesaler include:

- greater sales growth potential
- long term stability
- simplified administration/communication
- combined freight shipments
 - better rates
 - more regular service from shipping companies
 - simplified documentation
 - simplified sample distribution
 - better able to negotiate tariff, duty and quota reductions

A second preference would be for the AMOs to act as a commercial contact referral service. This might include credit checks, advertising, sample distribution, shipping recommendations and information about the producers of Bangladesh. Larger commercial contacts might be interested in this type of service and it eliminates many of the problems inherent in AMOs becoming directly involved with the commercial sector. However, price and production pressures on producers may again be problematic.

These Bangladesh suppliers clearly acknowledge the strengths and limitations of non-commercial and commercial channels as far as secure sales and fair pricing are concerned. To achieve both ends they want to see the European AMOs diversify their distribution channels. We do not know the results of these proposals, but some AMOs on their own account are responding to pressures to diversify their marketing strategies.

(iii) market-related information: The need of small-scale producers for timely, accurate and usable information on potential buyers, market trends, new products, competition and appropriate technologies remains largely unsatisfied. The need for a forum to enable a continuing dialogue and a sharing of ideas and experiences between producers and AMOs and other supportive organizations has also been demonstrated (e.g., the Tradecraft experience).

We have seen that individual marketing organizations simply do not have the resources to collect and disseminate data systematically to most of their own suppliers, much less to address the needs of the ever-increasing number of small-scale producers seeking export markets. None of the AMOs are able to respond positively to more than a small fraction of the inquiries they receive each week. In addition, the World Craft Council receives hundreds of requests for market-related assistance to which it does not have the capacity to respond. And, most export promotion offices in less developed countries are hard pressed to assist merely the large and medium-scale producers. International agencies such as the International Trade Center and the AID-funded World Trade Institute face similar constraints.

The newsletter Tradecraft was an effort to take the first step toward establishing a resource and information center for small-scale exporters of handicrafts and commodities. If AMOs hope to address effectively the needs of such producers for market-related information and information-sharing, it will

most likely have to be through such a center. A center might support groups directly by providing information on buyers, market potential, export procedures for different markets, packaging, shipping, product processing, and other concerns that will not only facilitate their entry into export markets but will also sustain their exporting efforts. A center also might provide the actual link between producer and importer and follow up the initial contact to assure that the producer has a continuing market. If appropriate, a center might merely provide a package of information without any direct linkage or follow-up, or it might suggest both indigenous sources of support, such as a development project, an export promotion institution or a marketing cooperative and foreign sources of support.

In addition, a center could also provide information to individuals and organizations other than producers and suppliers. This might include providing marketing information to importers to help them identify new sources of supply; storing up-to-date reports on small enterprises in specific geographic regions; assembling a library of impact studies, case histories, development education materials and relevant reports on small enterprises and export marketing in less developed countries; and maintaining a list of funding sources, market surveys, market and technical consultants and other resources that could be used to provide additional support to producers.

14.2.b Constraints on producers:

(i) need for working capital and financing receivables: In Chapter 7 we discussed the ways in which AMOs address their suppliers' needs for working capital, namely by making partial payment with an order by leveraging funds and material from parent PVOs and other international donors. For example, in 1979 and 1980, GEPA had 180,000 DM outstanding in prepayments to suppliers. We do not know the extent to which the need for working capital is met by these efforts, but the following proposal from the Bangladesh suppliers suggests that other alternatives should be explored:

One of the chronic and perhaps unavoidable problems of dealing in export markets is the long time lag between delivery of goods and receipt of payment. This lag is often compounded by shipping company delays, slow banking procedures and erratic customs clearance. Receivables are regularly outstanding for three to six months. The high working capital requirements resulting from this time lag create real problems for projects that are struggling to become financially independent of their sponsoring agencies. . . Some of the optional ways in

which AMOs might help in this matter are . . . : use of revolving letters of credit for payment, and all of the AMOs could cooperate to nominate an agency in Dacca to make payment upon shipment from a foreign bank account.

(ii) vulnerability and production constraints: Obviously AMOs cannot address the serious constraints on producers by themselves; they need to work in conjunction with private agencies and organizations which provide the outreach, networks, and financial support they as marketing organizations do not have. These links, in fact, constitute what is believed to be the comparative advantage of the AMO over the commercial importer which cannot afford to maintain a presence beyond a part-time agent in a producing country. While there have been some individual successes, for example, in Thailand, Bangladesh, Colombia, Kenya and India, it is not altogether clear what types of assistance are most cost effective.

There have been a number of attempts to create supra-marketing organizations which deliver a wide range of financial and technical services to their suppliers. Some, such as the Jute Works in Dacca and Asha Handicrafts in Bombay, have been built on existing producer groups with proven track records. Others, for example HEED/Bangladesh, have created production/training centers to create new capabilities. While we have no data on the costs of establishing and maintaining those organizations, the evidence suggests that they are very complex and expensive undertakings. The HEED 1979 annual report, for example, estimated that the number of expatriate and national staff would reach 12 and 127 respectively by 1980. The total number of producers and trainees in the program in 1980 was estimated to be 770. CCAP, though it has not received direct support from AMOs or their parent PVOs, stopped providing a full range of assistance to its suppliers because of the costs involved.

There are AMOs which now question whether it often makes sense to provide intense services to producers. Afro-Art, for example, used to rely heavily on design and production consultants sent to selected producer groups for long periods of time. Several groups have had access to this assistance for up to six years. Afro-Art, however, has found that such an assistance strategy not only is very expensive but often results in unhealthy dependencies. Consequently, the AMO now sends some consultants on short, task-oriented missions to groups that can absorb their advice and assistance in a few weeks. Similarly, the former marketing director of FRIDA Marketing Services claims that beyond a part-time buying agent who works on a commission basis and

carries out the export functions, much of the development assistance provided by AMOs and PVOs goes for naught.

The case for limited amounts of technical assistance and working with proven channels has been argued by Peter Kilby (1977) in a paper based on a review of case histories of ten UNDP technical cooperation projects. We present a brief description of his major arguments and conclusions here because of the similarity between the projects he reviewed and AMO suppliers, and between his findings and the predelictions within much of the AMO community against large-scale interventions.

Kilby supervised the preparation of case histories of ten technical assistance projects in the field of small industry and rural handicrafts. Tables 14-16 present summary descriptions of the projects as well as benefit and cost data on the projects.

Three large-scale projects (E, G and F) are of interest to us. Projects E and F were designed for unemployed youth who lacked specific skills. Permanent and visiting experts provided training and marketing advice at regional centers. It was estimated that the centers trained only 116 people and 170, respectively, over a three-year period. Project G took 3½ years to complete and cost \$221,000. In the end there were 20 commercial craftsmen working with expensive imported clay whose prospects for continued employment were bleak. In sharp contrast to the three large-scale projects was a small craft program designed to revitalize a demoralized tribe of some 35,000 swamp dwellers. Technical assistance in this case was limited to one input: marketing.

What struck Kilby and others as they reviewed the benefit and cost data gathered on the projects was the generally low benefit/cost ratios. These were due, Kilby argues (despite the fact that the procedures he used biased the ratios in a positive direction), to the following factors:

- (a) the relatively small client groups which were assisted
- (b) extensive resources used in constructing physical facilities
- (c) delays in project implementation, employment and training of counterparts
- (d) excessive administrative overheads

Looking at the small sample of projects, Kilby hazarded the following tentative hypotheses to guide further analyses of technical assistance projects:

TABLE 14

TEN RURAL INDUSTRY TECHNICAL ASSISTANCE PROJECTS

Project	Industry	Duration	Project cost (\$,000s)			experts	
			UNDP	Counterpart	Total	Posts	Man-months
A	Woolen carpets	1967-75	246	285	531	3	164
B	Woolen carpets	1964-70	120	1305*	1425	1	72
C	Woolen carpets	1972-76	210	76	286	1	53
D	Rural industries	1970-76	431	800†	1231	10	334‡
E	Artistic handicrafts	1973-76	1215	625	1840	10	308¶
F	Artistic handicrafts	1973-76	1032	767	1799	15	297
G	Ceramics	1972-76	146	75‡	221	1	42
H	Wood carving	1969-74	144	48	192	1	47
I	Farm tools	1971-73	76	-	76	1	36
J	Leather tanning	1959-71	220	38	258	1	128
K	Handicraft promotion	1972-74	60	10	70	1	24

* This includes \$466,000 of in-kind payments provided under the World Food Programme.

† This does not include the provision of physical facilities and an entire counterpart ministry, which the host government values at \$29.5 million.

‡ Of this figure \$20,000 was provided by a private charitable organization.

§ This does not include an additional 120 man-months supplied by UN volunteers. Of the 334 UFI man-months 72 were fulfilled by short-term consultants.

¶ Does not include 38 associate expert man-months provided under bilateral funding.

Source: Kilby, Peter, "Evaluating Technical Assistance," World Development, Vol. 7, p. 312.

TABLE 15

BENEFIT AND COST DATA FOR TEN PROJECTS
(in thousands of U.S. dollars)

	Gross annual benefits	Recurrent costs	Year benefits start	P.V. total costs	P.V. total benefits	Jobs	
						Created	Saved
(Carpets)	152	25.7	2nd	238	1260	274*	8000*
(Carving)	20	--	2nd	127	200	304*	--
(Hides)	7.9	--	3rd	42.6	79	-11	--
[Upper]	19.9				199	26	
(Ceramics)	21	5.3	2nd	203	158	22	--
(Carpets)	257	240	1st	256	170	1000+*	--
(L. Technicians)	1.9	--	2nd	32	19	9	--
[Upper]	2.1				22	9	
[Lower]	0.6				6	3	
(Handicrafts)	145	90	2nd	1535	540	92	--
[Lower]	81				-94		
(Skins)	3.0	--	2nd	128	30	16	--
[Upper]	14.5				145	30	20
[Lower]	1.3				13	20	--
(Handicrafts)	132	125	2nd	1465	65	80	--
(Carpets)	118	166	2nd	226	-480	220	--

Part-time employment.

Source: Kilby, Peter, "Evaluating Technical Assistance," World Development, Vol. 7, p. 320.

TABLE 16

BENEFIT-COST RATIOS

Project	Cost	Duration	Best estimate	Upper/Lower bound
	(\$, 000s)	(years)		
C (Carpets)	286	4 1/2	5.28	
H (Carving)	192	3 1/2	4.34*	-/1.58
J (Tanning hides)	39	2 1/2	1.84	4.67/--
G (Ceramics)	221	3	0.78	
B (Carpets)	1425	6	0.67	
J (Leather technicians)	32	2 1/2	0.61	0.67/0.18
F (Handicrafts)	1799	3	0.35	0.86/-0.06
J (Tanning skins)	149	8	0.24	1.13/0.10
E (Handicrafts)	1840	4	0.04	
A (Carpets)	531	10	-2.13	

* The benefit is comprised of an economic component (used for calculating the lower bound) and a nominal social component valued at one dollar per year per person in the tribe.

Source: Kilby, Peter, "Evaluating Technical Assistance," World Development, Vol. 7, pp. 321.

- (a) successful projects have addressed a situation where only one input or ingredient was missing--a market outlet, a raw material shortage, a new processing technology
- (b) when an integrated set of inputs has to be provided--tapping untried markets, training from scratch, developing an entrepreneurial organization--failure was likely
- (c) projects are more likely to be successful if they are comparatively small, of short (3-4 years) duration, offer training or other services to all members of an established industry, work through proven organizational channels and avoid the creation of new administrative structures

The experiences of the AMOs and their parent PVOs reinforce Kilby's conclusions. AMOs have identified a host of "missing ingredients": training in the diverse aspects of export management, packing and product design; access to new markets and new technologies; catalogue production; contacts to sources of both moral and financial support. The list can be expanded greatly. The fact remains that, because of their market orientation, individual AMOs (or commercial trading organizations for that matter) are in the best position to identify and take advantage of the missing ingredients in any particular case. They do not have the resources, however, to respond to these needs except in an ad hoc fashion.

The importance of intermediary organizations which can absorb technical assistance goes without saying. While there is some debate over the viability and the strengths of many of the so-called social development intermediary organizations in the Third World, the fact remains that they constitute in many instances the only hope for low-income producers to achieve a modicum of control over their own lives. Thus, these organizations must continue to be the targets for assistance which seeks to reach marginal populations, whether it involves AMOs or not.

14.3 Strengths and Limitations of AMO Marketing Programs

14.3.a Non-commercial channels: We have already discussed three important aspects of the non-commercial marketing channels of AMOs from the point of view of sales: (1) the demands these channels place on producers in terms of quality, delivery schedules and volume; (2) their stability; and (3) their growth potential. As we pointed out earlier, all AMOs can single out producer groups which they helped introduce to the market, either directly or in conjunction with a parent PVO. We lack the data to estimate the extent to which individual AMOs actually play the

intermediary role, i.e., nurturing the small-scale producer group while it develops the capacity to expand production. Once an AMO has an established product line, however, it is not likely to be able to play such a role, except on a limited basis. AMO channels, while sufficiently stable, are too limited for some producers (as evidenced by the proposal from the Bangladesh suppliers). Thus, if an AMO seeks to respond to the diverse needs of different suppliers for stable and expanding sales outlets, it should probably develop a flexible response capability, including wholesale distribution and/or contact points to commercial buyers as well as non-commercial channels.

On the other hand, non-commercial channels make their own demands on AMOs. Foremost among these is the demand for information on producers, their socio-economic conditions, their cultures, their products, and what they receive for their labor. This demand, of course, coincides with the educational aims of AMOs; but it also has a sales aspect. Two AMOs have suggested that sales increase measurably when sales representatives can describe the conditions of producers from personal experience. Some AMOs claim that 50% of their buyers request descriptive information. In Europe, at least, the demand from non-commercial channels for coffee and tea is very high because of their educational value--much to the consternation of one AMO which has had difficulties in the coffee market.

Volunteer sales personnel within non-commercial channels do not respond to conventional incentive schemes, but they need to be motivated and assisted just the same. This can be done by increasing the return to a group's local organization, providing opportunities and a forum for personnel to meet one another and discuss mutual concerns, encouraging travel to producer groups, preparing sales displays and offering technical assistance on an ad hoc basis. It is not clear whether volunteer sales representatives need more intense supervision and assistance than commercial representatives, but many AMOs are inclined to believe this is so.

Our study has highlighted a number of additional aspects of the non-commercial marketing channels which bear enumerating:

- regional distribution system: The AMOs which sell directly to individual representatives and groups through a central distribution point (e.g., the catalogues of Tearcraft and SERRV) frequently face the problem of not being able to carry sufficient back-up stock across all products. This results in having to return money and creates complications for distributors who have to set up informal swap networks. A "cash and carry" system which operates from regional warehouses avoids these problems.

- international bazaars and fairs: These outlets generally prove disappointing as far as sales are concerned, but, according to some AMOs, are excellent education vehicles.
- museum shop market: This market has proved to be no less demanding than any commercial outlet for novelty items and low prices.
- consignment sales: In the United States, at least, consignment sales have not proved very successful.
- using volunteers to reach commercial outlets: The experiences of two British AMOs suggest that volunteer sales people need not be limited to purely non-commercial outlets; they can sell products to a wide range of outlets as do any other sales representatives.

14.3.b Retail outlets: A retail shop managed and controlled by an AMO appears to be an important element in the overall marketing strategy and in providing an outlet for the small-scale producer. It is also invaluable for test-marketing purposes. If a retail shop is to generate substantial sales, the range of products offered must be very large (i.e., on the order of 2,000 or more distinct items). This implies buying from a large number of producers or commercial intermediaries. Some AMOs increased the number of retail outlets to three or four during the middle 1970s, but found themselves overextended and have had to cut back. Retail shops need to be carefully located and even more carefully managed--a lesson which at least two AMOs will not soon forget.

14.3.c Mailorder: The experiences AMOs have had with mailorder have been mixed. "Built-in" markets have quickly become saturated; the expenses of production and promotion have turned out to be considerable; the right decisions on products and prices have been very difficult to make; and the demands for products which turn out to be popular have often outstripped supply. Several AMOs continue to use direct mail channels and their experiences over the next several years bear watching.

14.3.d Commercial wholesale distribution: Only a minority of AMOs rely on commercial wholesale channels and have commercial retail channels. They seem to have adequate reputations and there does not appear to be any reason why other AMOs could not sell to the same customers, if they chose to do so.

14.4 Strengths and Limitations of AMO Education Programs

There seems little doubt that craft marketing programs and commodity campaigns are important, if not crucial, elements of the educational programs of AMOs. People who are not interested in foreign cultures, it is claimed, will come to craft exhibitions and participate in campaigns which are built around everyday commodities, such as tea and coffee. Furthermore, buying as well as selling crafts allows a wide spectrum of the population to play a direct role in efforts to promote an awareness of development concerns in the Third World.

There are two lessons which emerge from the experiences of AMOs concerned primarily with education and "consciousness raising." First, there is the apparent need to tie educational materials and programs very closely to specific products. One AMO, for example, anticipated that it would provide general information about Tanzania along with its products. The AMO found that customers had little or no interest in such information, but they were responsive to more specific information which focused on how Tanzania produced and shipped those items being sold. The two-year Jute Statt Plastik (Jute-not-Plastic) campaign which ran in West Germany from 1978 to 1980 included a 32-page illustrated basic information pamphlet which described, among other things, both the production and trade of jute and the "material wastefulness and environmental destructiveness of plastic-centered middle-class life in industrialized countries." Despite the sale of over 1.5 million jute bags, this campaign was seen by the AMOs involved to be an educational, not a marketing, effort. It was able, nonetheless, to integrate product specific information with the much broader value positions taken by its sponsors.

A second lesson which emerges from these experiences is the need to collaborate effectively with local and national religious organizations, schools, trade unions, voluntary organizations and other similar groups. If AMOs are to reach out effectively to a wider audience with both their craft marketing programs and the attendant educational messages, they probably must rely on large-scale campaigns, such as the jute and coffee action campaign in West Germany, which depend on the active participation of a wide range of such local groups.

15. THREE IMPORTANT CONCERNS

15.1 Prospects for Effective Cooperation and Collaboration Among AMOs

There is little a single AMO can do to address the wide range of market-related needs and production constraints on most of its suppliers. By pooling resources and networks AMOs should be able to address more effectively these needs. Among other things, they could generate and disseminate useful market information (e.g., new product ideas, market research data); sponsor joint training programs; identify, select and monitor individual consultants and other sources of support useful to suppliers; and share knowledge about experiences on what works and what does not work. The representative for four Bangladesh suppliers, for example, requested that one AMO serve as a central point for the distribution of samples within Europe; he also proposed that AMOs cooperate to assist suppliers in Bangladesh in meeting their needs for working capital. Furthermore, as the experiences of the European AMOs have shown, collaboration on educational projects is equally important. This collaboration could range from sharing assessments of successes and failures to preparing materials jointly.

Because of widely differing philosophical perspectives and a sense of suspicion and competition which exists in some quarters, there seem to be real limits as to the amount of cooperation possible among AMOs and PVOs. AMOs in Europe have had some success collaborating on educational "actions," but Tradecraft and other efforts to engage the wider AMO community have not had similar success. In the United States there have been no attempts at collaboration beyond the informal contacts between the two major AMOs, so it is difficult to guess what the likely prospects would be for collaboration at any level. The climate in the United States, however, given the present attitudes of the two major AMOs, would seem to be encouraging for increased cooperation and collaboration.

15.2 Commercial Viability of AMOs--the Significance of "Hidden Subsidies"

AMOs all operate as trading companies which take financial risks to buy and sell inventory. AMOs are geared to break even or generate annual net surpluses on those transactions. In few instances that we encountered was an

AMO's ability to break even dependent on so-called "hidden subsidies." "Subsidies," such as volunteers, donations, and cheap money, might have allowed many AMOs to start trading in the first place, and they might have resulted in a few inefficiencies. Of much greater significance to the viability of an AMO, however, is its leadership's ability to make the proper commercial decisions given its market. These decisions affect the profit and loss statements more than any other factor and by and large the AMOs we surveyed seem to be making these decisions correctly.

What is usually cited as an AMO's most significant subsidy, "volunteer labor," may be just as well working against the commercial interests of the organization, since there is evidence that a volunteer sales force has inherent weaknesses, such as inefficiencies, lack of incentives and management problems. Furthermore, as wholesalers to church groups, thrift shops, or other outlets, AMOs provide discounts and margins to their buyers. Thus, as far as many AMOs are concerned, the volunteer labor force is not "free" to them.

Lastly, it is important to point out that, as far as we can tell, AMOs which operate in the commercial wholesale market exhibit all the characteristics of a successful commercial importer/wholesaler. There is no indication that other AMOs which choose to develop this side of their business would be any less successful. To many, of course, this would defeat their primary purpose.

15.3 Impact of Alternative Marketing Organizations

There is little but anecdotal and hearsay evidence on the impact which AMOs have had on producers and their communities. The former director of Bridge has noted that producers do receive some benefits, if for no other reason than the fact that the labor-intensive nature of handcraft production generates employment. But, he contends that "few organizations have examined carefully the social implications of the trade: employment is frequently extremely short term, at low rates of pay and in poor working conditions." We have already mentioned the position taken by a director of a New Zealand AMO that AMOs often work at cross purposes to their own objectives because of the demands they place on suppliers. Others have pointed to unhealthy dependencies created by AMOs and their parent PVOs which continually subsidize inefficient producers and so-called cooperatives.

On the other hand, AMOs can point to incidents of real success. Bangladeshi women who worked on the Jute-not-Plastic campaign, for example, earned enough

money in one year to integrate themselves and their families into the local economy. And, a small weaving cooperative in Colombia which could not interest commercial buyers in its products has built a successful trade through AMO channels. However, until longitudinal and cross-project studies are undertaken, involving participants at all levels of the production and marketing process, the understanding of the nature and determinants of the impact of AMO programs on producers, their families and their communities will remain extremely limited.

With respect to the impact of the AMOs' educational programs we are as much, if not more, in the dark. To our knowledge, no follow-up studies have been made to determine exactly what aspect of the different "actions," campaigns and educational materials are effective in changing attitudes and behaviors among AMO constituencies and staff.

PART V

EXPERIENCES OF GOVERNMENT AGENCIES IN THE U.S.A. AND EUROPE

Most international and national donor agencies have assisted Third World countries to expand their export trade. The Geneva-based International Trade Center (ITC) established in 1964 by the U.N. Commission on Trade and Development (UNCTAD/GATT) has been a major instrumentality for the promotion of exports from developing countries. ITC staff have undertaken or commissioned market studies on everything from handcrafts to pineapples. The ITC handcrafts division has sponsored training and promotional programs for many countries over the past several years. During the past ten years, every major trading nation in Europe has established an "import promotion office" to provide information and technical assistance to Third World exporters. In the United States the World Trade Institute (WTI) under an AID grant provides many of the same services as its European counterparts and the ITC.

The combined experience of these different agencies is broad and varied. Since we could review but a small sample of that experience, our primary purpose was to identify the major types of assistance which have been provided to small-scale exporters (as well as importing agencies) and to highlight some of the major lessons learned. We expected that this exercise would at least help us shed light on the most glaring mistakes of the past as well as suggest appropriate channels for continued assistance to small-scale exporters. Three experiences which we have looked at in some detail are the following:

- (1) IMPOD, the Import Promotion Office for Products from Developing Countries, established in 1975 as a semi-independent agency under the Ministry of Commerce in Sweden;
- (2) FEDEAU, the Federation for the Development of Utilitarian Handcrafts, an EEC-funded agency created in 1978; and
- (3) Agency for International Development export-promotion projects, including the export development assistance project of the World Trade Institute.

16. IMPOD--THE SWEDISH IMPORT PROMOTION OFFICE
FOR PRODUCTS FROM DEVELOPING COUNTRIES

16.1 Background and Major Functions

IMPOD is one of a dozen European import promotion offices established during the 1970s in response to requests from UNCTAD/GATT to create importing agencies that would complement export promotion offices in the Third World. Its activities are part of the official Swedish development aid policy and it is funded from the government's budget for development cooperation. According to some observers, IMPOD is one of the most effective of the European import promotion agencies.

IMPOD's primary aim is to create permanent business relations between exporters in the Third World and the Swedish market. It has worked with Swedish AMOs in order to assist the least able among Third World exporters. Nine IMPOD staff members, located in Stockholm, work in four program areas: Information, Training, Service and Consultation, and Special Projects. A recently published brochure describes the four programs in the following way:

- Information to the developing countries, their export promotion organizations, separate exporters, embassies, etc. A newly started Market Newsletter is one of the means of providing news from the Swedish market. IMPOD is also building up a library, containing information on the Swedish market as well as information on developing countries, such as trade statistics, different types of surveys and more specific trade information.
- Training may involve seminars and training in order to show how the Swedish market functions and how an individual exporter or export promotion organization should approach the Swedish market. IMPOD is not new to this field but more time and money will be devoted to it since the need for training is great in the developing countries. IMPOD will cooperate with ITC, the International Trade Center, and with IMPOD's sister organizations in other industrialized nations.
- Service and consultation is the function with responsibility for a quarterly publication (IMPOD KONTAKT), aimed at Swedish importers and showing the existing opportunities for establishing serious trade relations with firms in developing countries. Besides the business offers listed in the magazine, IMPOD has other means to find suitable suppliers for Swedish importers, e.g., contacts with official export organizations in developing countries and personal contacts with individual exporters. To a certain extent IMPOD can arrange programs for Swedish buyers visiting

developing countries. We also try to assist importers in solving their problems.

- Special projects is the name of the fourth function and this may include assistance in developing products, marketing surveys or other activities to support the introduction of products from developing countries.

IMPOD's budget for its first year of operation, July 1, 1975 to June 30, 1976, was 1,200,000 Swedish crowns (U.S. \$275,220). The agency's annual budget for fiscal year 1980-1981 was 3,800,000 crowns (U.S. \$911,270). No break-down by program area is available.

16.2 Linking Activities with Third World Exporters

Each month IMPOD receives new enquiries from about 100 potential and actual exporters in developing nations. About half of these enquiries come from India. Most are seeking appropriate Swedish importers and advice in finding the most suitable partner for a specific product or task. Firms which make contact with IMPOD are requested to fill out two forms: a Company Profile and an Advertisement Form. The Company Profile form requests the following data:

- year export firm was established
- employee responsible for exporting
- legal status of the firm
- foreign collaborators in equity or technical assistance
- number of employees
- products offered
- names and addresses of firm's bankers
- regular foreign representatives and their addresses
- previous contacts in Sweden
- volume of exports and nations buying in 3 previous years
- capacity of delivery per year, total and to Sweden
- other references
- membership in export promotion council

The IMPOD Advertisement Form indicates what sales aids, including catalogues, price lists, pictures and samples the exporter can supply for each product line. When the agency feels it has sufficient information on a supplier, it begins the search for a suitable partner. According to a speech given by IMPOD's first director at the Vienna conference in 1977, "if we are really lucky, we already have an interested Swedish company registered in our files, or we can find somebody by using some of our contacts with the market." Personal attention, however, is not possible in most cases because of the large number of requests IMPOD receives.

IMPOD's Swedish language bulletin, IMPOD KONTAKT, is the agency's major means for publicizing Third World exporters who are seeking contacts in the Swedish market. This bulletin is distributed to about 3,000 Swedish firms, cooperatives, agents and other potential importers. Of the 100 requests received each month from potential suppliers, between 30 and 40 might eventually be included in the KONTAKT bulletin. It is published four to six times each year and includes a loose-leaf summary in English. A recent 8-page issue included the following items:

- an article about Bangladesh
- an article on the current status of IMPOD
- an article on prospects for importing natural drugs directly from developing nations rather than from West Germany
- a note on two new members of IMPOD's Advisory Board
- a report from two IMPOD representatives visiting India
- announcement of an African textile fair at Abidjan, Ivory Coast
- an article about a large jute exporter from Bangladesh
- a 3 $\frac{1}{2}$ -page list of exporters which have sent satisfactory Company Profiles to IMPOD; the list includes their nations, products, and whatever additional information about them is available from IMPOD

We do not know how many of the suppliers included in the KONTAKT bulletin are linked up with importers in more direct ways or how many actually have developed long-term business relationships with the Swedish market.

In addition to this general publicity, IMPOD helps exporters in several specific ways. Sometimes, for instance, IMPOD staff will assist exporters in planning a marketing strategy in Sweden and in selecting and making contacts with importers. IMPOD press releases indicate that Third World exporters are also supplied with "basic information about the Swedish market, customs duties, import regulations, market legislation and statistical data. In questions of a more complex character IMPOD gives advice on useful sources or consultants for the task." The agency also has compiled a 48-page booklet in English and French entitled Exporter's Guide to Sweden and has produced a 30-minute film with information for Third World suppliers. IMPOD's growing library is open to Swedish importers and to exporters from developing nations.

IMPOD also runs seminars and arranges meetings in Sweden for Third World exporters and Swedish importers. Visitors are brought together with groups of importers who talk about the ways and obstacles to trade with Sweden. At these meetings the importers often emphasize the importance of dependable supply and

quality. IMPOD subsidizes some of the visitors' expenses, but not those of private exporters. Initially IMPOD organized meetings in Sweden for a wide range of exporters from developing nations upon the request of either their government agencies or the potential visitors themselves. In some of these cases, the exporters did not attend the scheduled meetings, thus damaging their reputation among Swedish importers. As a result, the agency prefers to arrange meetings only upon the request of the ITC in Geneva or the export promotion office or embassy of the country involved.

During 1980 IMPOD undertook approximately 20 special projects which link Third World products to Swedish markets. The projects varied greatly in size and content, as the following examples indicate:

- assisted a SIDA consultant in doing a market survey for jewelry from India; the consultant visited a number of retail stores with a collection of samples and then wrote a report on the findings.
- contracted with another consultant to investigate the possibilities of introducing Indian hand-tool manufacturers to the Swedish market by using an umbrella brand name and unified packaging system.
- sent a staff person to visit sporting goods manufacturers in Pakistan in order to collect samples of tennis rackets to determine if the rackets were competitive with European-made ones.
- surveyed the market for coit carpets and then, together with an import agent, hired a designer to develop new designs that would be more appealing to Swedes.
- assisted two of the large Swedish chain stores, ICA and KF, in marketing pineapples from Kenya through their retail stores. Some of the promotion activities were: launching a trademark for Kenyan horticultural produce; bringing a Kenyan dance troupe to Sweden; initiating a consumer competition for a free trip to Kenya; and carrying out an advertising campaign in magazines and newspapers.

The pineapple project was considered highly successful because it not only established the Kenyan product in Sweden, but also expanded the overall demand for fresh pineapples so that an increased quantity was purchased from the Ivory Coast. The pineapple project had been so successful that KF asked IMPOD to participate in another project. IMPOD decided that KF would be an excellent retail store chain to use for creating a significant Swedish market for instant coffee from Tanzania. IMPOD then turned to an alternative marketing organization, Tanzaniaimport, to be the importer and wholesaler between the Tanzanian coffee exporter and KF.

IMPOD currently focuses most of its linking efforts on food commodities and manufactured goods rather than handcrafts. In order to link Third World exporters to conventional marketing channels in Sweden, IMPOD seeks very dependable exporters or works with export promotion organizations which increase the likelihood of dependable supply. Dependability is especially important when the links between a developing nation and Swedish channels are first set up, because the outcome is likely to become widespread knowledge among the 3,000 Swedish importers in IMPOD's KONTAKT bulletin. Table 17 presents the number and type of exporters IMPOD listed in the February 1979 issue of the bulletin:

TABLE 17

Number of Exporters and Kinds of Business Opportunities
Published in IMPOD KONTAKT

<u>nation</u>	<u>1979</u>	<u>kinds of products</u>
India	47	food commodities, jute products, hardware, engineering products, clothing, textiles, rugs, leather goods, sporting goods
Pakistan	8	textiles, clothing, handcrafts, sporting good, musical instruments
Nepal	4	food commodities, clothing, rugs, handcrafts
Thailand	4	jute products, leather goods, bamboo items
Malaysia	3	polyester goods, rubberbands, tape cassettes, perfumed napkins
Philippines	3	food commodities, furniture, clothing, handcrafts
Singapore	3	furniture, imitation flowers, photo albums
Sri Lanka	1	handcrafts
Dominican Republic	1	food commodities

16.3 Relationship with Alternative Marketing Organizations

In the words of its present director, "IMPOD must be strict in judging Third World exporters in order to maintain its credibility with Sweden's commercial sector. . . . Regarding the least developed countries which have very little to offer the Swedish market through the traditional outlets, IMPOD sometimes turns to the AMOs." On a small scale, IMPOD assists the AMOs in performing their importing and wholesaling functions and encourages them to use conventional retail channels rather than trying to compete with them. IMPOD also subsidizes some of the AMOs' information materials and activities that promote products from less developed nations.

In 1977, for example, IMPOD assisted Afro-Art in an attempt to expand its wholesaling operation. In 1978 and 1980 IMPOD assisted Sackeus in producing its product catalogue. The agency also sent speakers to Sackeus' seminar on international trade and serves as a source of information for the AMO. IMPOD provided assistance to Solidarisk Handel in designing and producing tea bags to package Vietnamese tea for the Swedish market. In addition, IMPOD paid Tanzaniaimport for the printing costs of its information materials concerning Tanzanian instant coffee. Because this AMO tolerates delays which most commercial companies would not, IMPOD saw it as a logical agent to establish a link between Tanzania and an established Swedish retailer, the consumer cooperative store chain, KF. KF is experimenting with marketing khangas and kitenges supplied by Tanzaniaimport. If the link between Tanzaniaimport and KF is successful, and if other AMOs demonstrate a serious interest in expanding their wholesaling, IMPOD probably will expand its support to AMOs.

For further information:

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17. FEDEAU--THE FEDERATION FOR THE DEVELOPMENT OF UTILITARIAN HANDICRAFTS

17.1 Background

The Federation for the Development of Utilitarian Handicrafts (FEDEAU) is a nonprofit, international association incorporated under Belgian law. Its board of directors consists of 24 representatives from organizations in Africa, Asia, Latin America and Europe. FEDEAU was established in 1978 by the European Economic Community (EEC) in response to requests from a large number of Asian and Latin American and African countries for assistance in expanding their handcraft exports to Europe.

In 1977, the EEC sponsored a one-week conference in Nice, France, on the distribution and marketing of handcrafts in Europe. The conference was attended by representatives from 50 exporting nations in addition to alternative marketing organizations, European commercial wholesale and retailing companies, and international donor agencies. The purpose of the conference was to explore the whole range of constraints on supplying groups and to suggest concrete ways for the EEC to assist them. Prior to the conference, the EEC had neither the mechanisms nor the policy framework for responding to the myriad of requests for assistance, which ran the gamut from a telex and automobile to market studies and advice on product preparation.

In the opinion of FEDEAU's secretary general, the honest and open discussion of the almost intractable problems facing both producers and importers of handcrafts prevented the conference participants from suggesting dramatic initiatives and from being terribly sanguine about what the new initiatives should accomplish. The conference did, however, propose the establishment of an international body to serve as a link between producers and distribution channels, assisting both in a variety of ways, while helping to maintain the longer-term view of both sides of the marketing chain. It was on the basis of this proposal that FEDEAU was established in June, 1978.

17.2 Philosophy and Aims

FEDEAU focuses exclusively on "utilitarian" handcrafts, i.e., "products which are in everyday use, and made by crafts people from natural materials." The agency is primarily concerned with two interrelated issues: price and quality. FEDEAU

posits that only by emphasizing quality will both importers and suppliers be able to provide a stable and growing source of employment and income to producers. FEDEAU also argues that the long-term interest of producers is compromised when retail prices are set too low, as often happens. FEDEAU's underlying goal, therefore, is to help raise not only the quality of handicrafts sold in Europe, but also their retail prices.

As stated in their own documents, FEDEAU's objectives are four-fold:

- (1) to facilitate contacts between producers and distributors, especially during specialized trade events, so that the knowledge of supply and demand for utilitarian handicrafts in Europe can be improved;
- (2) to help provide technical assistance for producers in developing countries wherever practical aid can improve exports, and especially for the adaptation of products for different consumer markets;
- (3) to improve information and the exchange of experience between the professionals of utilitarian handicrafts as to how the marketing of these products in Europe can be developed;
- (4) to study, at the request of producers from developing countries and European distributors, any subject which could lead to an improvement in the marketing of utilitarian handicrafts from developing countries.

17.3 Activities

FEDEAU undertakes three sets of distinct, but interrelated activities:

(a) it conducts short-term missions to producer countries; (b) it organizes exhibitions of handicrafts in Europe; and (c) it oversees the provision of technical assistance to individual countries.

17.3.a Missions: The mission concept consists of two elements. Individuals from Europe, "who know the market for particular product groups and are known for their ability to design products that reflect traditional designs and skills," are sent on request to producer countries for a period of two weeks. Most often these individuals are commercial wholesalers or retailers. The second crucial ingredient to a FEDEAU mission is the commitment of the host institutions in the producer country. A FEDEAU mission will not be dispatched unless the host institutions meet the following conditions: (1) a collaborative arrangement between government, social or cooperative, and private institutions; (2) first-hand and in-depth knowledge about the conditions and capacities of relevant producer groups; (3) a

detailed program for the mission consultants; and (4) a willingness to keep prices at the same level for at least one year.

The purpose of the missions is to help establish priorities for handcraft production. Mission consultants identify potential products and advise on their selection, taking into account a range of factors, including likely competition in each area. They also suggest priorities for export efforts--e.g., which products could be exported immediately, what areas should be emphasized for future growth and development--and identify areas where specialized expertise might make its most significant contribution.

Initially, FEDEAU thought it would not allow its mission consultants to establish commercial relationships with potential suppliers, because FEDEAU did not want to appear to play favorites. In FEDEAU's view, this turned out to be unnecessary and unwise. Key to FEDEAU's operating philosophy is the exchange of relevant information--information about markets, products, trends, etc. During its first year the agency realized that suggestions to increase production of a particular item carried more weight if they were combined with orders for the product. Thus, FEDEAU not only has changed its policy, but in fact makes it a condition that orders be placed for significant amounts of stock--not just samples.

Between June, 1978 and June, 1979, FEDEAU sent missions to ten countries. Seventeen missions were completed in 1980. Thirty-four countries requested missions, but only 17 were able to satisfy the conditions set down by the agency. The first set of missions had limited results in establishing commercial trade links with mission consultants. More careful selection and planning procedures the second year resulted in the creation of seven direct trade links. In one case, FEDEAU established direct links with a large AMO in Europe in order to get a high enough volume of orders to justify the placement of a resident advisor in Madagascar.

A serious constraint on the mission concept has been the scarcity of appropriate people to send--people who are both familiar with particular products and their markets and who can work effectively with individual producers as well as government bureaucrats. The right combination of skills, attitudes and experience has proved difficult to find, and should not, in FEDEAU's experience, be underestimated.

17.3.b Exhibitions: Exhibitions in European museums, "shopping centers" and other "prestigious venues" are the key to FEDEAU's primary concern: raising the appreciation for and, consequently, the price of Third World handcrafts. In 1980,

FEDEAU organized a series of exhibitions of "containers" from Asia throughout Europe. In the introduction to a stunning brochure produced for the Design Centre in Stuttgart, the Executive Secretary of FEDEAU writes, "The objects are of a quality little guessed-at in industrialized countries, they have a utility common to all men: cooking, going to market, working in the fields." The array of straw, wooden, clay and metal containers exhibited met with great acclaim in Stuttgart and the Kunstgewerbemuseum in Zurich. A similar exhibition on Baskets of the World was held at the Hotel de Sens in Paris at the end of 1980. Both exhibitions are scheduled for European and Canadian museums during the next two years.

In 1979, FEDEAU organized an exhibition of Handcraft Toys from India at the Musée d'Art Moderne in Paris. The exhibition ran for a year and reportedly stimulated a good deal of interest among retailers and consumers. A series of very large exhibitions focusing on "Handcrafts and Everyday Life in Africa" were also designed. The first in the series took place at the Creteil Shopping Center in Paris in October 1980, and a second at the Epinay Shopping Center in the spring of 1981. Both exhibitions were set on over 1,000 square feet of land, involved the participation of hundreds of exhibitors and exhibits, and attracted over a million people during a three-week period.

17.3.c Technical assistance: In its role as a provider of technical assistance to producer countries, FEDEAU selects individual contractors, provides a frame of reference for their operations, and monitors their performance. The "experts" sent by FEDEAU to particular countries are paid for and administered by the EEC, thereby relieving FEDEAU of operational and management responsibilities.

FEDEAU has helped set up two resident advisors in Africa, one in Upper Volta and a second in Madagascar. In the opinion of FEDEAU's secretary general, the success of these efforts depends on the degree to which their objectives can be specified. In Madagascar, for example, the advisor will "increase exports of baskets by a factor of three within six months." The advisor in Upper Volta is responsible for preparing a detailed plan of action within the framework laid down by a short-term mission.

17.4 Relationships with Alternative Marketing Organizations

FEDEAU has not developed very strong relationships with most of the AMOs in Europe, because their basic goals differ. According to its secretary general, most AMOs do not place the same emphasis on quality as FEDEAU does, and they seek

the lowest price possible on their goods instead of working to raise the price of handcrafts. FEDEAU, however, had a productive relationship with the AMO it introduced to basketware from Madagascar. FEDEAU saw the AMO as the most logical importer because "the AMO had a long-term view of things and would not require the volume which (in FEDEAU's experience) often destroys (Third World) projects before they are capable of handling increases in production."

17.5 Staffing and Financing

FEDEAU has one full-time employee, the secretary general. He has two half-time assistants to cover work in Latin America and Asia and in Africa. All other employees are hired on a short-term basis. FEDEAU's budget for 1979-1980 was approximately \$300,000. \$200,000 was spent on missions and exhibitions, and \$100,000 went for overhead and costs not attributable to specific projects or exhibitions. FEDEAU's secretary general estimates that the cost of a 15-day mission might run as high as \$7,000, but most would be somewhat less.

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18. EXPORT DEVELOPMENT PROJECTS AND PROGRAMS OF
THE U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT (AID)

18.1 Background

AID's experience with export-promotion projects has been extremely diverse. The Agency, it would seem, has tried every conceivable means of assisting and encouraging the exportation of nontraditional products, including the revision of extant laws that were disincentives to exporters. AID also made arrangements for a U.S. importer to visit a small project in Paraguay to advise the project on the export possibilities of Indian crafts, and has provided substantial ongoing financial support to a project at the World Trade Institute in New York City which undertakes a variety of activities to promote imports from Third World countries. Many of AID's efforts continue to bear fruit; several of the indigenous structures which were created and/or strengthened over the past 25 years continue to perform valuable functions--e.g., training industrial designers, setting up trade missions, marketing handcrafts, or whatever it is they are intended to do.

Our review of AID's experience in this sector, unfortunately, was hampered by the usual constraints. The breadth of the experience was much greater than we had anticipated and, while individuals in the Agency were most helpful, it proved very difficult to obtain but a small amount of the documentation which at one time must have existed on relevant projects. For example, computer summaries were the only documentation we were able to locate on a six-year project in Ethiopia which aimed to establish an investment and export promotion center. Furthermore, the summaries indicated that no evaluations were ever done on the project. In another case, documentation on the export-development aspects of the ROCAP (Regional Office for Central America and Panama) ends in 1971. And, even though the project is said to have continued through 1975, we found no mention of the project in the Agency's computer system.

Most important of all from our perspective is the dearth of documentation on the regional effort by AID/Washington to develop centers for the promotion and export of artisan handcrafts in the four Andean countries during the middle 1960s. We were able to locate some very interesting end-of-tour reports and a particularly perceptive project appraisal report on the Peruvian component of the project. These documents highlight many of the issues involved in implementing the "integrated approach" to export development projects among low-income artisans and, as we shall

see, include lessons which seem to have been forgotten 15 years later. Unfortunately, we did not locate any documentation on the other three Andean countries involved in the project. It is particularly unfortunate that we could not locate an evaluation of the marketing component of the project (which was not at all successful) or a study undertaken in 1969 (four years after the project started) of the project's impact on the artisans in Peru.

While our data base is anything but complete, we have been able to identify the major types and modes of export development assistance provided by AID over the past 25 years. We also have been able to highlight many of the important lessons learned, however tentative and speculative they might be.

18.2 The Different Phases of USAID's Export Development Assistance

AID's participation in export development projects over the past 25 years can be presented in four phases. There is some overlap, but each phase has a distinct focus and thrust. An interesting point to note is the reflection of the recent emphasis within the Agency on targeted assistance for income and employment generation programs in the language and purpose of small industries and handcrafts promotion projects of the late 1950s and early 1960s. Thus, lessons from projects of that period should have particular relevance today.

18.2.a Late 1950s: Although many handcrafts and small (or rural or cottage) industry projects during this period had an export marketing component, they did not focus exclusively, or even primarily, on exporting. The goal of a project in Iran between 1957-1959, for example, was "to improve the quality of locally-made products to effectively compete with the overwhelming percentage of imports of better quality." One component of the project involved test marketing some of the sample pieces of products developed through the home office of the contractor, a U.S. design firm. A small industries project in Korea which ended in 1961 did aim "to increase the overseas sales of producers in handcraft and small industry," but its primary focus was on increasing the local sales of a large number of Korean industries. Other projects of this era which studied and/or directly assisted cottage and small industries in Indonesia, the Philippines, Jordan and Lebanon also looked upon the export market as part of a much broader picture--even while concluding, as the report on Jordan and Lebanon did, that the "hope for widespread, substantial betterment of the lot of Arab manual craft workers lies in the creation of an export market distributing Arab craft products of beauty and high quality."

18.2.b Middle 1960s: A high priority for AID between 1964-1969 was the export marketing of handcrafts in Latin America. An ambitious project was launched in 1965 "to develop artisan handcrafts in the four Andean countries (with) the emphasis on the export marketing of products to the U.S.A." The project included a separate contract with a New York consulting firm for the provision of marketing services, including the actual distribution of the "products de la Alianza." "From the outset, the project built a close liaison with the largest retail merchandiser in the U.S., Sears, Roebuck and Company, to provide the stimulation of initial and immediate sales volume" (Annual Operations Report, September 1965, CLUSA). According to one observer, a marketing component was included in order to avoid the common mistake made by many similar projects, i.e., neglecting the need "for an adequate and continuing flow of orders to the artisans." Although this reference indicates that there were at the time at least several other small industries projects with an export emphasis, we did not identify them in our search of the Agency's files.

18.2.c Late 1960s - early 1970s: This period was the peak of export development efforts by AID. During the late 1960s, the Agency helped establish a number of governmental and quasi-governmental export promotion centers in Latin America and Asia. The Agency also encouraged the creation of both regional and inter-regional export development institutions, such as PROMECA (the Central American Export Promotion Center) and CIPE, an OAS-related, inter-American export center. In AID/W there was an Export Development Office back-stopping the field missions, many of which had resident export development advisors at one time or another.

The emphasis during this period was on assisting countries to diversify their exports to include non-traditional items; i.e., in the case of Guatemala, for example, items other than coffee, sugar, cotton and meat were promoted. In 1970, the broad spectrum of AID assistance to Latin America in export development included:

- Loans (e.g., program, agriculture sector, capital good imports) which encourage appropriate government action on tax and other policy changes.
- Upgrading of management skills and improvement in government organization.
- Increased availability of agricultural and industrial credit.
- Improvement of specific industries (e.g., technical assistance to livestock and meat processing industries).

- Expanded investment in export companies through comprehensive feasibility studies.
- Upgraded research, analysis and planning capability of government agencies involved in the export sector.
- Capital assistance for infrastructure (e.g., roads, port improvement).
- Loan to the Coffee Diversification Fund.

In 1973 a total of \$11.5 million was proposed for export development loans to Latin America (e.g., \$4.0 million in a loan to Ecuador to create mechanisms and provide seed capital for promoting nontraditional exports) and \$2.5 million was allocated in grants.

18.2.d 1974 to present: Since 1973, there has been a shift within the Agency, away from urban areas and large institutions toward rural areas and projects or institutions which have a direct impact on the rural poor. With this shift has come a de-emphasis on export promotion per se. The World Trade Institute project based in New York City is the only remaining USAID project which focuses exclusively on assisting Third World countries expand their export trade.

The Agency, nonetheless, is still funding individual projects that have export marketing components. One is a project in Sierra Leone to support, develop and expand the domestic and export market for gara cloth; and another is a mohair project in Lesotho which is managed by CARE. AID also continues to support requests for specific, short-term export marketing assistance, as in the case of the importer who advised a project in Uruguay. As a matter of fact, most of the projects started since 1974* encompass some aspect of exporting, although this is not necessarily specified as a project goal of purpose. A small farmer marketing project in Guatemala, for example, is designed to establish a new agricultural marketing organization which will sell to a range of buyers including exporters. Thus, there is every indication to suggest that the conclusion reached by the team which evaluated the World Trade Institute project in 1978 still holds; namely that "USAID missions do not always seem to appreciate the contribution assistance to (the export development) sector can make to AID's goals."

*These projects were located in the Agency's computer using the following descriptions: export promotion, nontraditional export, handcraft promotion, small industries, and export development.

18.3 A Framework for Discussing Projects and Lessons

18.3.a A typology of export development projects and programs: AID export development projects fall into one of three major categories:

- (i) export marketing: these include projects in which export marketing might be a distinct component but, as we have just mentioned, it is not of primary importance; summaries of some of these projects are included in Appendix B.
- (ii) discrete task: AID has undertaken and/or supported highly specific and focused assignments to assist directly a particular export development effort. Many of these assignments have been of the information-generation type (e.g., studies of export promotion for agricultural products and development of agro-industrial activities in Costa Rica, and studies of commodities, functions and institutions contributing to India's export efforts). Other projects have provided short-term technical assistance (e.g., sending an importer to the Paraguay project to advise on the exportation of Indian crafts). AID has also provided loans for everything from aerial surveys to participant training at the World Trade Institute.
- (iii) institution building programs: AID has played a direct role in the creation and/or support of six types of export development institutions:
 - export marketing organizations--e.g., the Artesanias del Peru set up as a subsidiary of the Industrial Development Bank of Peru in 1965
 - technical support institutions--e.g., a fine arts department at Hongik University in Korea and the Ecuadorean National Institute of Standards (INEN)
 - national export promotion offices--e.g., the Colombian export promotion agency (PROEXPRO) and QUATEXPRO (Guatemala's Export Promotion Agency)
 - regional export promotion centers--e.g., ROCAP (Regional Office for Central America and Panama)
 - inter-regional export assistance centers--e.g., CIPE
 - global export assistance agency--e.g., the World Trade Institute's export promotion project

18.3.b A three level decision-making hierarchy: In reviewing project documents for "lessons learned," we tried to find those which related to broad conceptual issues rather than those which either plague most all development programs (e.g., delays in host country funding and staffing) or were project specific (e.g., inadequate preparation for visits to export markets and fairs). The framework we use for this discussion (and which will be used to discuss implications of our findings for future research and actions projects) is borrowed from the state-of-the-art paper on evaluating small-scale enterprise (SSE) promotion prepared for the Office of Urban Development by Development Alternatives, Inc. (DAI). This framework is presented in Figure 1.

(i) the policy level: The basic issue at this level is whether or not export development programs (or components) should be promoted. There are two questions that need to be answered in addressing this issue. First, are the outcomes of export development programs consistent with AID's target groups and basic needs considerations? Second, if the outcomes of export development programs are consistent with AID policies, does the export sector need any foreign assistance or can it take care of itself?

The evaluation of the World Trade Institute project makes the following argument with respect to the first question:

Increased exports (a) provide additional employment opportunities, which are virtually a prerequisite for the poor to satisfy their basic needs and share more equitably in the fruits of growth; (b) stimulate increased production not only in the export sector but also indirectly in other parts of the economy, thus easing the task of making goods available to the poor; and moreover, (c) can be the major source of foreign exchange for LDC imports needed for both economic-social development generally and the direct satisfaction of basic needs. Thus, they help speed up economic growth without excessive dependence on foreign aid or other more costly forms of financial transfers.

We are reminded of FRIDA's argument that, because of the lack of internal markets as well as inadequate regional economic cooperation in Africa, FRIDA's projects at least initially had to be based on the export markets.

The DAI paper on evaluating small-scale enterprise promotion suggests that in order to shed light on the arguments and assumptions made by proponents of export development, an evaluation methodology must permit an aggregation of comparable data (especially impact data) across different export development

FIGURE 1

INFORMATION NEEDS AT DIFFERENT EVALUATION LEVELS

<u>Level</u>	<u>Decision</u>	<u>Evaluation Considerations</u>
Policy:	Continue or expand the promotion of SSEs in order to increase income, employment and production	Data must be aggregated and comparable across programs
Program:	Select specific components of SSE that will be promoted	Data must be collected on alternative strategies and permit a comparative analysis
Project:	Assist the expansion/turn-around/establishment of specific SSEs or SSE institutions	Data must reflect specific project characteristics and unusual features

Source: Evaluating Small-Scale Enterprise Promotion: State-of-the-Art: Methodologies and Future Alternatives, Development Alternatives, Inc., December 1980, p. 17.

programs. These data do not exist. Furthermore, even if the outcomes of export development programs are consistent with AID policies, there is the second policy level question which needs to be answered; namely, does the export sector need any foreign assistance for its development.

Even advocates of export promotion projects recognize that most projects cannot have much of a direct effect on the development of the export sector. The World Trade Institute evaluation, for example, acknowledged that no single program can create all the necessary conditions for export success. A 1971 evaluation of an export promotion program in India admitted that the Indian government was already aware of the major problems of exports. And, the AID manager of the handcraft export marketing efforts in the four Andean countries claimed that the projects themselves could never be justified by the cost-benefit ratio techniques of evaluation. All three of these evaluations suggested that the projects should be assessed on the basis of the respective countries' increased awareness of the problems and prospects of their exports, and their actions as catalysts in correcting or improving the situation (e.g., eliminating restrictive export taxes and demonstrating that markets for particular products exist and can be exploited).

Policy assessments of export development programs, therefore, need to examine both the indirect effects of these programs on the export sector (i.e., an "awareness," relevant legislation, private sector initiatives) and the direct relationships between programs and export targets. But, again, without comparable data on the different export programs and projects, it is not possible even to speculate on cause and effect relationships.

(ii) the program level: At the program level the basic issue is which specific components of an export development strategy should be generally promoted and which components should rarely, if ever, be promoted. Keeping in mind that one putative objective of export development programs is to increase employment and income generating opportunities amongst marginal populations, there are three program-level questions to be asked.

The first question is what is the more appropriate program focus, small industries or handcrafts? We have already discussed the case for and against handcrafts in different sections of this study. We wanted to see whether AID's experience would shed any light on these perennial arguments.

A second question is what is appropriate intervention strategy? In a study of the developmental impact of PVO projects in Niger and Kenya, DAI developed the following typology of intervention strategies:

- Strategy 1: Supplementing a specific community project that is based on self-help, with funds for materials and/or equipment;
- Strategy 2: Low profile support to a project that depends on small groups at the local level to carry out activities and make key decisions;
- Strategy 3: Major commitment of technical assistance, and a high degree of PVO involvement in defining and directing project activities; and
- Strategy 4: Financial and technical support to a project initiated and carried out by the host country government.*

The "appropriateness" of any of these strategies depends on a large number of factors. For example, the elaborate, expensive and complex handcraft export project in the four Andean countries was justified on the grounds that prior to the intervention neither market nor production infra-structure existed. In reviewing export promotion programs, we wanted to see whether or not their experiences would reinforce the lessons drawn from the experiences of AMOs and other international donor agencies.

A third question is what is the most appropriate locus for providing technical assistance, information and other services to exporters? AID has supported national, regional, inter-regional and international institutions as well as public and private agencies, all of which aimed to provide a range of services to exporters. We wanted to see whether available documentation of AID export development programs would shed any light on the effect that the location of services has on their timeliness, appropriateness, dependability, and accessibility.

(iii) the project level: The basic issue at the project level is whether or not a particular approach is expanding export-related activities among its putative beneficiaries and achieving positive development impact relative to project costs. We wanted to see whether AID's experiences would shed light on the important as well as unnecessary inputs of projects which aim to assist marginal populations in expanding their export trade.

The need for continued, directed and intensive assistance to marginal and low-income artisans is a theme which recurs throughout documentation on projects

*Source: FINAL REPORT: The Development Impact of Private Voluntary Organizations: Kenya and Niger, Development Alternatives, Inc., 1979, p. 54.

implemented during the past 25 years. The following quotations are from 1956, 1961, 1964 and 1978 respectively:

- In any effort to create a sizable export market, sales represent only half the problem. The other half consists in obtaining quantities sufficient to fill export orders, and maintaining the products according to sales specifications. Sales will be easiest to solve, but filling orders with a required quantity of items all of uniform quality and standard characteristics, requires real pioneering. It calls for a knowledgeable, alert, widespread organization which understands both the craftsmen and their products. (1956)
- We feel that the craftsmen of Iran, while somewhat "rusty" in their skills, nevertheless indicate an alertness, potential for learning and interest that are most encouraging. With continuing and well-directed technical aid, they can greatly improve their personal and monetary rewards from their skills and also reflect importantly on the improvement of Iranian standards of living and production quality. (1961)
- The major problem in handling artisans is the matter of changing attitudes which takes a long time. Most people tend to underestimate both the time required to accomplish a change in basic attitudes and the huge amount of effort required. (1964)
- [After two and a half years of assistance to a Sierra Leone cooperative and an expenditure of at least \$120,000], there is, currently, no well organized production system which provides for organized ordering and distribution of raw materials. Current co-op facilities for sales and production of goods were inadequate at the time of this evaluation. Many urban Gara Cloth Co-op members have their own separate retail outlets and can make more money on their own than by selling goods through the Co-op. Therefore they do not provide as many goods to the Co-op as is desired. (1978)

AMOs have also testified to the frequent underestimation of both the magnitude of the problems involved in working with low-income artisans and the intensity of the assistance required to address them. It would seem, therefore, that the lessons learned from past experience either are ignored each time a new project is designed or they are the wrong lessons.

A review of AID's project experiences would, we hoped, shed light on additional lessons, if indeed there were any. As the DAI state-of-the-art paper on evaluating small-scale enterprise promotion suggests, "a wealth of good project-level evaluations should serve as the foundation upon which programs and policy evaluations are

later made." At the very least, therefore, we expect our review of project-level documents to suggest hypotheses which would guide subsequent program- and policy-level studies.

18.4 Information-Generation and Other Discrete Projects

Projects which fall into this category are briefly described in Appendix B. The documents we perused gave no indication of the use to which many of the studies and recommendations had been put and, to our knowledge, there have been no impact evaluations of the loans made through ROCAP. Two projects, even though they were comprehensive in scope, offer interesting if familiar lessons about (1) the use of short-term technicians, and (2) the generation of useful market-related information. The following conclusion and recommendations are from the end-of-tour report of the chief of party of the CLUSA contract group for the Andean handcraft project:

- . . . Much of the money spent on short term technicians over the past two years has been wasted. Short term technicians were brought down with the vague hope that something of lasting good would result. Too much time was spent by the technicians on exploration and orientation trips. In some cases the technician had to work out for himself what the problem was before he could attempt to solve it. In order to profit most by these experiences, several specific recommendations are made:
- a. Use short term specialists less frequently.
 - b. Extend the "short term" to at least six months unless some clearly defined specific project is at hand that needs attention.
 - c. Spell out in advance exactly what is to be accomplished. Say where and how it is to be done. Set up specific objectives so that performance can be judged.
 - d. Do not bring a technician down unless adequate logistic support can be guaranteed. This would include: working space, materials, transportation, an interpreter if needed and any specialized equipment required.
 - e. Determine exactly who is to supervise the technician's work and to whom he is to go for help in solving the inevitable problems he will encounter.
 - f. If possible, assign a national counterpart to work along with the outside technician so that continuity of effort can be maintained.

One component of the already-mentioned Indian export promotion program was to undertake studies of commodities, functions and institutions contributing to India's export efforts. The objectives of the studies were: "(a) to diagnose

major impediments to increased export earnings by financing objective analyses of institutional problems affecting both production and marketing of the commodities in which India enjoys a comparative advantage; and (b) to make the findings available to the Government of India for its consideration."

According to the evaluation of this program the studies succeeded in making the Indian government more aware of the problems and prospects of Indian exports. The following criticisms, however, were among those made by the evaluation team:

(a) Insufficient Operational Orientation: The studies appear to lack an operational orientation; and practitioners (businessmen, export promotion councils) were not sufficiently involved in their formulation and conduct. One Export Promotion Council was extremely critical of the naivete of those assigned the job of researching a particular product. In another case, a private research organization challenged the authenticity of recommendations of the study on export houses . . .

(b) Weak on Marketing: The studies could have placed far greater emphasis on the approach to foreign market penetration by Indian companies. . . . For example, the machine tools and the hand and cutting tools teams have already discovered the need to understand the requirements of foreign markets in appointing agents and distributors. . . . In the case of traditional commodities, such as tea, a critical question faced by the Indian tea industry is to increase the unit value of exports. However, such an effort requires an intimate understanding of types of packaging, distribution, promotion and general marketing to penetrate sophisticated foreign markets. The oversight of the marketing problems may result in a false sense of confidence on the part of the Government of India and companies in penetrating foreign markets.

A 1978 evaluation of the World Trade Institute project discussed these same problems. But the evaluation also pointed out that the WTI project "set itself off from so many other export promotion efforts by the practical orientation of its research and information services." Similarly, the International Trade Center of UNCTAD/GATT has found that the addresses of traders and relevant associations included in monographs on foreign trade channels is one feature that is most appreciated by exporters in developing countries.

18.5 Institution Building--Export Marketing Organizations

18.5.a Examples:

Artisanias del Peru (ARTPE) was one of four local central marketing organizations established in the Andean countries of Peru, Colombia, Ecuador and Bolivia under the aegis of an AID/W regional contract with CLUSA. Ten person-years of technical assistance was provided between 1964 and 1966, when the contract with CLUSA was terminated. CLUSA technicians included a product design and development specialist, a production specialist, cooperative organizers and an export advisor. Short-term specialists were used throughout the project to advise on new products and production techniques. At the height of the program, 32 Peace Corps volunteers were assigned to producer groups throughout the country. About one-third of the volunteers were novice designers with academic training while one-half were generalists assigned to assist producers in the areas of raw materials collection, production systems, bookkeeping techniques for artisan clerks and cooperatives. We do not have very accurate figures on project costs, but based on data from several sources we would estimate AID's direct expenditures to have been on the order of \$3-\$5.5 million.

The project was established to improve the standard of living of rural and urban artisans by creating employment opportunities and establishing cooperatives (Annual Operations Report, 1965). The project consisted of four interrelated components, all of which had to be created: (1) permanent in-situ cooperative marketing corporations; (2) field production centers; (3) credit institutions; and (4) permanent administrative and sales organizations in the United States which would include ancillary financing and warehousing operations on a continuing service basis. The inclusion of this fourth element was based on the assumption that the "Agency's historical failures in former handcraft development programs (were due in large measure to the) lack of a marketing structure; (thus the project designer deliberately took) the calculated risk of building the project in the face of pressure from the marketplace rather than attempting to organize the host country central institution and artisan production in the eventual hope of stimulating market demand" (End-of-tour-report, Control No. 513, 1967).

Within each of the four countries the project undertook all the steps needed to take the product from the artisan to the consumer--including numerous field trips to locate existing artisan centers and designing systems and procedures for the following: cataloguing, receipt and placement of orders, extension of credit,

quality control procedures, collection, warehousing, packing, exporting, shipping and invoicing of merchandise. In addition, training center workshops were located at host country corporation headquarters where artisans could come for training and where samples could be made. At the "bottom" of the structure, Peace Corps volunteers helped organize and translate ideas for new products and market demands to local artisans.

At the time that the program was initiated there seemed to be sufficient saleable products already existent and available in Peru to keep the orders going. However, in time it was seen that the old standard products were dropping off in export sales due to such factors as saturation of the market, competition, and interest limited to only specialized buyers. Sales volume could only increase if new and improved products were added to the standby lines.

As the Artesanias staff and Peace Corps volunteers moved out into unexplored areas many new and exciting products were discovered. This gave a boost to the quantity of saleable products. However, the country has now been well covered, and it is doubtful that there are many unknown marketable products or potentially rich craft centers. New discoveries will not at this point add appreciably to expanding production.

The overall product development plan followed by the project consisted of four components. We have reproduced the following paragraphs almost verbatim from the annual report of the chief of party because they articulate clearly the marketing approach which guided the project.

(1) New York Initiated Plan.

By its sales subcontract [the U.S.-based marketing structure] is charged with the responsibility for planning and administering product development. Because of its location on the threshold of the world-wide market in New York City, [it is] in a position to determine market demands. Because sales volume can only result from orders placed for merchandise acceptable in style, quality and price, and for which dependable production schedules can be established, the sales subcontractor initiates product development plans which are then geared to production in the field. These plans, which are completed with the greatest possible degree of specification . . . are then transmitted to the field for analysis and comment. . . .

The CLUSA staff Product Development Coordinator serves as the administrator in the field for the Product Development Program and reports to the Project Manager. Once having incorporated modifications suggested by the field, and if then agreed to by the Director of Marketing and the Product Development Manager, specific target dates are set for field development of samples,

the evaluation of these samples in the market and the particular product development plan is underway.

(2) Field Initiated Plans.

The CLUSA Design Specialist in each country has had, before assuming duties with this program, extensive experience with the U.S. retail market. As a result, each designer, because of this intimate knowledge and experience with the materials and skills available in the country of his assignment, has the capacity for originating ideas for new products. These ideas, together with samples and cost analyses, are submitted for evaluation to Products of the Alianza. Necessary modifications are made, a sample production timetable established, and a Product Development Work Plan implemented.

(3) Short Term Technician Program.

This program has proven to be one of the most crucial and significant aspects of the overall product development effort. Through the recruitment of experienced technicians in various fields for assignments in specific geographic and product areas, an overall economy and efficiency has been obtained. Upon identifying a particular raw material or skill resource, with only a marginal product being produced, the utilization of a short term technician has enabled management to direct artisan efforts toward the production of items with ready market acceptance. . . .

(4) Non-Paid Buyer Visits.

Traditionally, large retail merchandising chains send specialized professional buyers of their merchandise to all parts of the world. South America and Africa are usually omitted from these buying trips because of poor production facilities in the area. Because of their great experience such buyers are able to tell the producer how to design and select colors which will make an item saleable. . . . Following the purchase of Products of the Alianza for 1966 store promotions, it is expected that the services of such experts will become available to the field as part of the product development program. . . .

At present, on a short term basis, the CLUSA Product Development Coordinator has been employed for an initial six-month test period. Management evaluation of this new function will follow this trial period. This individual will spend approximately 75% of her time in the field working directly under the supervision of the Project Manager and, in effect, acting as his field representative in the area of product development. It is the Coordinator's function to administer and generally supervise the product development program agreed upon by the respective managements in New York and Washington. It is anticipated that the

frequently overwhelming problems of the past, as they were affected by communications, on such technical matters as design and production specifications will be significantly reduced by the presence of the Product Development Coordinator in the field.

Another vital ingredient to the project was the policy of obtaining credit for the artisans. Under this policy, small loans to artisans were made by the host country corporations to be repaid upon completion and delivery of an order. And, last but not least, was the promotion and development of producer cooperatives.

From this brief description of its major elements, it is clear that the Artisan Cooperative Project was a complex, yet highly integrated and logical export development scheme. Its achievements and impacts, however, were not so clearly documented. According to a 1969 project appraisal report (PAR), "accurate or even good, estimates of the sales of artisan handicrafts are lacking" (PAR-C1-446). The PAR, however, noted that in Peru some 14,000 artisans were involved in the project by 1968: 33 Peruvians (ranging from general manager to packer) were trained; 900 individual products were identified and samples procured; a local retail outlet was thriving and 375 artisans had received non-interest bearing loans (only 1% of which were delinquent). The sales of ARTPE increased from \$145,000 in 1965 to \$500,000 in 1968 with the export market accounting for 46% of the total. According to the 1969 PAR, ARTPE was returning 8% on the Industrial Bank of Peru's investment--a return, it was believed, which encouraged the government to assume full responsibility for the project in 1969.

The project, however, has been roundly criticized. The same PAR which pointed out the project's achievements noted that by 1967 it had largely failed to meet its objectives: "It was hoped to generate \$1,000,000 of wholesale products by 1967. There was a substantial shortfall of approximately 60% . . . it was hoped to bring substantial economic benefits to 25,000 people, especially in the Sierra; ARTPE now estimates this at 14,000 but the statistics are probably not very reliable." The World Craft Council study referred to earlier in this paper quoted an evaluation of the project (which we could not locate) which claimed that only a portion of the crafts items introduced had price, design and quality acceptance at any level and that no more than 30% were of sufficient quality to merit re-order. According to this evaluation, the project, top heavy with experts and supervision was hounded by such problems as:

1. Inconsistency of quality control
2. Problems of replenishment of inventory
3. Inexperience of American retailers in problems of direct import from Latin America where no stock inventory was available in the United States
4. Problems of credit and accounts receivable
5. Variations in prices
6. Practical selling prices
7. Competition from other Third World areas producing more sophisticated products

In terms of the project's impact the existing evidence is largely anecdotal. The following examples are from the 1965 annual operations report:

- In Ecuador, in the village of San Antonio de Ibarra, the volume of orders placed thus far in the program is equivalent to twice the annual municipal budget for the entire township. In the hot, dusty village of Montecristi where the famed Panama hat originated, the orders placed are equivalent to four times the annual municipal budget and the products ordered revived a dying straw-weaving industry.
- In Peru, in the rural Papuja area, where highly skilled groups of ceramic workers live, the average monthly income of a whole family is estimated to have been 300 Soles (about \$6.00). Orders placed here have brought the average income up about 1,000 Soles per month (\$20 a month additional income). Over a three-month period, one artisan, Damian Paricoto Chambi, has made sales of 9,000 Soles (\$180) to Artesanias del Peru. With this additional income he has purchased a cow and 30 sheets of tin roofing material with which to replace the straw roof on his house. A Peace Corps Volunteer with a group of artisans and financial assistance from Artesanias del Peru designed and developed a spectacular and cheap kiln to be used by the Pucara ceramicists. This will enable them to work through the rainy season to produce an artistic item which has always been in short supply.
- In Colombia, at the Ruana cooperative, in the village of Lenguazaque, orders placed with the artisans have represented some 50% of total production in the first six months of 1965, and have increased sales over 100%. In Usiacuri, a small agricultural town of 2,000 people, some 75 artisans had formed a producers club which faced bankruptcy prior to the arrival of orders from Artesanias de Colombia. Since that time approximately 8,000 Pesos of merchandise have been purchased every month since May. These purchases came at a most opportune time. Not only has the producers' club grown and returned to a healthy

economic position, but the purchases helped to alleviate much suffering and hunger caused by a severe crop-damaging drought. Senor Gabriel Forero, a highly skilled ceramic artisan, lives in Chiquinquira, a small ceramic-producing village in the State of Boyaca. His monthly income, before Artesanias de Colombia began to make purchases from him, was 150 to 200 Pesos. He is now averaging 1,000 Pesos a month and has received assistance from Artesanias de Colombia in product redesign and quality control. He has greatly improved his family's standard of living; he has paid for a parcel of land, built a new kiln, and paid for the installation of electrical lines to and within his house.

Other reports from the same period, however, suggest that the direct impact of the project could not have been very positive. The cooperative organizer wrote the following in his end-of-tour report:

As Artesanias del Peru now exists, how close to the ideal mode of operations has it come?

There is no question whatever that at a national marketing level Artesanias has been a great success. It has now reached the breakeven point on costs of operations with its Lima sales outlet. Even more significantly it has re-awakened national interest in its heritage of crafts.

What it has thus far failed to do is to provide a significant degree of development in limited urban or rural areas (with very few exceptions). Large numbers of products from many insignificant, sporadic purchases throughout the country are now the basis for its sales operations. If the Crafts program is to realize its very great potential, more concentrated development activity will have to be planned and carried out to boost incomes in specific communities. Sufficient continuity of action must be planned to allow in-depth group formation and development.

Another in-house critic of the project claimed that only 3% of ARTPE's sales came from producers organized by Peace Corps volunteers. Thus, if the project was having a positive impact, it was most probably on producers which it did not reach directly.

We know that at least three of the marketing organizations established during the 1960's are still in operation today. We have little idea, however, of their continued viability. According to the director of Aid to Artisans, ARTPE and its Colombian equivalent are not really viable anymore and sell almost exclusively to domestic markets, since the export market is almost entirely dominated by private initiatives and small cooperatives like Cuyamuna

in Colombia. This scenario, however, is exactly what the original project designers had envisioned. The chief of party wrote in 1966 that:

It is important not to lose the pioneering spirit--to seek out existing products from new areas and to continue to develop original products using the old designs and skills. As soon as profit making becomes the primary goal, there is a tendency to slow down exploration and development. For this reason, private individuals or companies should eventually be relied upon to carry on the sale of established products from established producers. An organization such as Artesanias del Peru would be in the background to pick up the slack and to continually push for more extensive and newer uses of native artistic skills and materials . . .

An important criterion on which to judge the effectiveness of ARTPE at the policy and program levels (and by implication the entire project), is its demonstration effect. Even though cause and effect relationships of this kind are very difficult to establish, we need at least to speculate on what the relationships might be. In the final section of this paper, we shall argue that the little evidence which does exist suggests that other factors probably play a much greater role than a project's inputs in developing and expanding a country's export trade, and that there might be little justification for AID (and other international donors) to try to initiate export marketing projects--even on the scale of the project described in the following paragraphs.

In 1976, the government of Sierra Leone signed an initial agreement with AID requesting a total of \$62,000 for the following purposes: (1) to pay for the services of a marketing consultant to analyze and help organize the Gara Cloth Industry; (2) to train members of the women's industry in marketing and design; and (3) to provide logistical support, supplies, and equipment. The project agreement period was for 18 months, from December 1976 through June 1978, with the amount of AID assistance provided totaling \$115,165.

In July 1978, a proposal was submitted to AID requesting additional assistance for the project. This extension was necessary because, in the words of the marketing consultant, the project "failed to make provision for the actual situation faced . . . by most of the rural and urban gara cloth producers, namely lack of capital for raw materials." Furthermore, the very organizational structure which was assumed to be functioning from the outset of the project was "inactive, divided and fragmented" (Final Report, Gara Cloth Industry, 1978). Orders for products had been placed by at least six importers, for example, but none of them were filled on time.

In July 1979, a two-year, bilateral agreement was signed between the U.S. AID and the Government of Sierra Leone, with AID agreeing to provide \$205,000 (Gara Cloth Industry Evaluation Report, 1980). The goal of this project is to increase the employment, income and productivity of rural women in Sierra Leone who are producers of gara cloth. The project designers assumed that the decline of the industry and the slow growth of membership in the Gara Women Industry were due in large measure to the lack of an effective organization and links to an export market. The initial project consisted of the following two phases:

Phase A--Design Phase of approximately two months duration: AID provided the services of a marketing consultant to analyze the gara cloth industry and make suggestions for product diversification, appraisal of export potential, identification of possible markets in the U.S. and elsewhere, basic design of export promotion schemes, and design for market channels.

Phase B--Implementation Phase of approximately ten months duration: the marketing expert helped organize and implement a dynamic marketing program and select appropriate members of the Gara Women's Industry for training in the following: export-oriented functions, rationalizing production for export, establishment of several overseas market channels, and introduction of new design ideas.

Nine months into the extension of the project and after four years of direct assistance, very little seems to have been accomplished. The following is from an evaluation report prepared in May 1980:

- It was anticipated that the craftspeople would receive a cash payment for their goods when they were picked up by the field supervisors on the project staff. This output has not been achieved. Currently, producers deliver finished goods to the coop for sale on consignment. There is often a long delay between the time the goods are produced and when payments from their sale are received by coop producer members. The inability to provide cash payments for finished goods causes a loss of confidence in the operations of the cooperative of members and potential members.
- Delivery of goods to local and foreign markets was another anticipated output. However, at the start of this new project period, five orders, placed in September, 1978, during the first project, had not yet been delivered (Summer 1980). Due to earlier mismanagement, checks and other records of these orders were not properly entered in project accounts and books. Priority was given to filling these orders, but some goods were refused by the purchasers because of the long delay in delivery.

- The U.S. advisor returned to the United States during December, 1979 to deliver the first orders and do additional marketing. She returned to Sierra Leone in late February, 1980 with fifteen additional orders to be filled. At this time, no systemized production schedule exists which will insure that these orders are filled in a timely manner.
- There is, currently, no well-organized production system which provides for organized ordering and distribution of raw materials.
- Current Coop facilities for sales and production of goods were inadequate at the time of this evaluation. Many urban Gara Cloth Coop members have their own separate retail outlets and can make more money on their own than by selling goods through the Coop. Therefore they do not provide as many goods to the Coop as is desired. (Gara Cloth Industry Evaluation Report, 1980)

The Gara Cloth and the Artisan Cooperative projects do more than illustrate the enormous difficulties involved in attempting to pioneer exporting marketing efforts. They suggest other lessons which have implications for decision-makers at all three levels of the decision-making hierarchy. Some of these implications are discussed below.

18.5.b Lessons learned:

(1) marketing: The Peruvian Artisan Cooperative project illustrates two marketing lessons: (a) the importance of flexible marketing strategy (particularly the importance of developing local markets) and (b) the role of direct incentives.

The marketing link to Sears, Roebuck, and Company, which was to provide the pressure from the marketplace that was missing in so many projects, turned out to be a near fatal mistake. According to the design and development specialist assigned to Peru, the project's U.S. marketing arm concentrated its promotion and sales on lower priced, large volume products, and on pushing down prices, even when volume production did not exist. This needlessly resulted, in her opinion, in poorer quality products. Furthermore, she argued, the policy eliminated many highly saleable items because they fell into a more exclusive quality but smaller quantity category. The 1969 PAR concluded that artisan goods cannot be handled with the usual large volume techniques since production did not normally meet standards for volume sales and rarely met scheduled quantities.

As a result of problems with quality control and volume production, ARTPE and individual producers sought other markets. Of particular importance was the domestic

retail outlet which absorbed the starting production of some groups and became, much to the surprise of everyone, the mainstay of the project. In addition, it was claimed that Peace Corps volunteers proved that many of the products rejected by the project's marketing agency had good markets through other channels. By the end of 1966, in fact, the project was allowing commercial buyers, such as Vivian Burns, Inc., to have exclusives on the merchandise that the marketing agency could not handle. Whereas, had the project remained dependent on the single planned marketing channel, the result probably would have been disastrous.

The introduction of individual commercial buyers into the marketing chain was an important step according to some observers. Initially, the Artisan Cooperative project relied heavily on its New York-based marketing agency for product ideas. Out of the ten suggestions for Peru coming from New York in 1965-1966, only one was successful. Ideas proposed by individual buyers, and for which they sought exclusive marketing rights, were apparently more successful. The suggestion has been made that, because of its secure contract, the project's marketing agency had little incentive to get new product ideas right (in contrast to individual buyers whose very survival depended on making the right commercial decision).

(2) product development: The one lesson which clearly stands out from the Peruvian experience is the viability of the incremental approach to product development. According to the design specialist, six of the ten designs sent to Peru were cancelled because of the producers' inability to meet "unrealistic price or volume specification" (e.g. a 3' x 5' handwoven cotton rug in specified weight, inflexible price of \$4.00 with a starting quantity of 1,000 per month). The one successful project, however, was based on "an existant Ayachucho sweater which required slight style changes and was acceptable at its present price and in quantities in which we could assure delivery." (End-of-tour report, U-513, 1966).

The other product development lesson which the Artpe experience illustrates is the almost intractable nature of the communication problems between the marketing side and the production side--even when people from the very same culture are involved. We have already mentioned the tensions which existed between the design and development specialist based in Lima, Peru and the marketing agency in New York. The same lack of communication existed within Peru. The following is taken from the End-of-tour report of the project's cooperative advisor who tries to answer his own question as to why Artesanias del Peru did not succeed:

Undoubtedly, inexperience and recent entry into the market account for the majority of the problem. Planning in this stage has been, I would suspect, extremely difficult.

On the other hand, I believe that equally serious has been the insignificance of design and development activity in relation to the needs of the program.

Apparently a standard format for all participating countries was developed. This was principally geared to a centralized concept of administration. Production was oriented to the export market.

Peru, however, for reasons of great geographical distance and difficulties of transport within specific regions, cries for decentralization of design activity and supervision.

At present I can see no clear alternative to the use of Peace Corps in the person-to-person development activity. Yet many problems can be traced to the fact that buyers-production people have attempted to supervise artistic Peace Corps types when in fact a far more understanding relationship would have resulted from an artist-to-artist type of supervision.

As the system presently stands, slow communications, inadequate direction and sporadic activity mark the relationship between the Peace Corps field workers and the design section. No sense of urgency and excitement is communicated, [not] for a want of it in the home office, but simply because the center is so far from the operation.

The design supervisor has no real idea of the problems confronting the Volunteer with the result that designs fail to comprehend both the difficulties and inherent possibilities of the productive process. No cross fertilization between the designer and worker is now possible in the system. Even basic production equipment and techniques basic to the process . . . have never been either analyzed or standardized on a coherent planned basis. Problems continue to arise as designs are sent down with no attention to this [basic] problem.

The short term designer-specialist concept in so far as it has affected my own part of the program has been both a waste of time and money. A designer cannot come for periods of two weeks, spend four days traveling, learn the productive process, obtain raw materials, teach and then design.

Only after basic production problems have been solved, and groups formed, can the short term specialist be of any value." (End-of-tour-report, Csd-267, 1966)

This final recommendation might hold true for the entire project concept -- a point which we shall discuss below.

(3) addressing constraints on producers: All the end-of-tour reports of the technical staff of the Artisan Cooperative projects underscored the need for high levels of professional inputs to address constraints on producers. Peace Corps volunteers, it was suggested, are unlikely to do any significant product development unless they have on-site personal contact with a good market-knowledgeable designer. At the end of his tour, the production specialist assigned to Peru concluded that the future visability of ARTPE depended on hiring a "professional working tanner . . . and a working weaver who has risen to a supervisory level among cottage weavers in a place like the bleak and cold Shetland Islands" (End-of-tour Report, U-513, 1966).

The Agency officials who monitored the project agreed with the production specialist's conclusions, but they did not implement them. One of the lessons learned from the project, according to the 1969 PAR, was that the "major problem in handling artisans is the matter of changing attitudes which takes a long time . . . most people tend to underestimate both the time required to accomplish change in basic attitudes and the huge amount of effort required" (PAR, U-466, 1969). The necessary resources were not made available, as witnessed in the AID review of the production specialist's recommendations. "The suggestions for longer-term and short-term technicians are well-founded," the review concluded, "but, of necessity, must be tempered by the limited funds available for this purpose."

(4) development of cooperative structures: Reflecting on the very mixed outcomes of the local cooperatives started during the Artisan Cooperative project, the assistant director for international programs at CLUSA concludes that "artisans tend to be too individualistic to organize into cooperatives." The failure of cooperatives in Sierra Leone is generally attributed to a traditionally individualistic society in which the majority still fail to understand the benefits to be derived from cooperative efforts or enterprises. In some of the CLUSA reports, however, there is at least the hint of a suggestion that the continued demand for the products of several co-ops provided a natural pressure on artisans to become more active on a cooperative basis. As far as the marketing cooperative in Sierra Leone was concerned, mismanagement and lack of sales did nothing to assuage "deep-rooted" suspicion and lack of confidence in cooperatives in general.

18.6 Institution Building--Technical Support Institutions

AID has helped establish and supported a host of institutions which it considered to be essential elements in a country's efforts to increase non-traditional

exports. For example, in the early 1970s, AID assisted in the creation of the Ecuadorean National Institute of Standards (INEN). In 1973, three AID technicians in the field of standards were working at the Institute in the areas of ceramics, pesticides and metiology. And, with AID support, CENDES, the Ecuadorean productivity center, conducted market studies in LAFTA countries to determine product concessions made by those nations to Ecuador (AID Assistance to Latin America in Export Development, Mixed, 1973).

As part of its small industries and handcraft development program in the late 1950s, AID often provided assistance to support institutions which had direct effects on a country's exports. The Agency, for example, helped create and support a college-level product design course at Hongik University in Korea. Over a period of two years, participants in the courses developed over 1,200 product designs for the handcraft and small industrial producer in such materials as bamboo, brass, ceramics, fabrics, glassware and stone. According to the end-of-tour report of the chief of party, "the results of the courses are apparent in shops all over Korea and in the volume of both domestic and overseas sales" (Report by industry advisor covering period 7/59-7/61, Control No. M-513).

In Iran in the early 1960s, a private U.S. design company provided technical assistance and services to cottage, handcraft and textile industries through the Industrial Institute of the Iranian Ministry of Industry and Mines. The assistance consisted of two craft designers (specialists in leather and ceramics) who trained craftsmen in some 12 different product fields, helped develop over 55 individual products, assisted in market tests, trained institute management and helped arrange craft-design exhibitions.

We were unable to locate follow-up assessments of these efforts and the lessons learned were for the most part project specific. The Iranian project manager, however, made two observations which have general implications for projects which assist producers and artisans directly. First, he emphasized the importance of developing finished samples of each new design; "drawings alone," he said, "do not provide adequate guidance to the majority of craftsmen who are not trained to understand them" (Final Report, Contract No. Pl0/T 65-28-109-3-60359). The second point he made (which reinforces conclusions others have drawn) was that "craftsmen need continuing and well directed technical aid." In this project modifications of crafts were introduced to make the finished products suitable to an export market; although the project lasted eighteen months, it was felt that continued assistance in the areas of skill training, quality control and product development was indeed to maintain the necessary quality of production.

18.7 Institution Building--National Export Promotion Centers

During the heyday of its involvement with export development programs, AID actively supported the creation of national export promotion centers, especially in Latin America. Centers were established in Guatemala, Colombia, Honduras, Uruguay and Peru. These centers were both quasi-governmental agencies (e.g., GUATEXPRO) and divisions of government institutions (e.g., the export division of the Ministry of Economy in Honduras and Ecuador). Despite the structural differences that existed, these centers aimed to achieve very similar goals and undertook very similar activities.

A good example is GUATEXPRO, the Guatemalan Center for Export Promotion. GUATEXPRO had its roots in a 1969 informal gathering of Guatemalan businessmen who were encouraged by the AID mission to create an export development committee. The purpose of the committee was to provide a forum for the discussion and promotion of export development programs for non-traditional products. Next, on December 8, 1969, a project implementation order for technical services was signed between the USAID/G, the Ministry of Economy, and the Corporation of Industrial, Agricultural, Commercial and Financial Associations of Guatemala (CACIF). The purpose was to assist the Government of Guatemala and the private sector in facilitating the implementation of an integrated program for export development (Final Report, Project No. 520-15-995-201).

A technical advisor assigned to the AID mission in Guatemala during 1970 was instrumental in taking the next step towards GUATEXPRO by obtaining technical assistance for selected exportable agriculture and handcraft products. The advisor introduced potential exporters to the methods of selecting markets and buyers and of preparing products for export. He also helped organize and coordinate the country's participation in several foreign trade fairs and played a leading role in the creation of associations for exporters of flowers, apparel, and timber and wood products.

During 1971, AID participated actively in the final step, the actual creation of GUATEXPRO. The goal of the project was to increase non-traditional exports. The strategy was to create a focal point for all matters pertaining to export development in order to provide market-related information and technical training to the private sector. The specific objectives of GUATEXPRO were as follows:

- (a) Increase exports of Guatemalan non-traditional products to overseas markets.

- (b) Identify all the obstacles, laws, etc. that adversely affect exports.
- (c) Advise the Government of Guatemala on export trade that is not in competition with specialized industries.
- (d) Serve as the contact and channel of communication for accredited commercial attaches as pertains to international trade.

According to AID documents (PAR on Project 520-15-290-201, 1973; and Final Report by General Export Advisor, 1973), GUATEXPRO staff numbered 30 by the end of 1973--"a cadre of personnel acquainted with the intricacies of foreign trade development which did not exist prior to 1971." In addition, 68 businessmen attended GUATEXPRO-sponsored conferences and trade fairs and over 1,000 individuals received direct export assistance. Seminars for self-selected businessmen and agriculturalists included the following subjects: market identification, quality control manufacturing capacity, delivery schedules, design, preparation of correspondence, documentation, tariff and duty computation and pricing.

Although we were unable to locate assessments of the program's impact on individual businesses and employment at the local level, there is documentation which shows that the export of non-traditional products increased substantially during the period of AID's involvement in Guatemala (see Table 18). There was a 28% increase in the overall value of Guatemala's non-traditional exports from 1969 to 1974.

A five-year project in Honduras sought to achieve the same objectives as GUATEXPRO, namely to encourage an "export consciousness" and create a central point from which to support export development efforts. The strategy in this case was to create a division within the Ministry of Economy. The project provided for five man-years of technical assistance, nine man-months of off-shore training, \$100,000 in commodities, and \$30,000 in other expenses.

According to an evaluation completed in 1975, the AID project began in 1971 at a time when there was very little consciousness in Honduras of the need to export, and there was no organization to provide assistance to exporters. There seemed to be little realization of the urgent need to export more in order to be able to import more, for both development and consumption. Thus, motivation was lacking, and there was no real means of providing it. Another vital factor was the lack of exportable products. Other than bananas, cotton, sugar, coffee, fresh meat, unprocessed wood and certain minerals, the country had little that could be sold in foreign markets" (Evaluation of AID Assistance in Export Development, World Trade Institute, 1975).

TABLE 18
EXPORTS OF ARTESANIA PRODUCTS
OF GUATEMALA
 1969 - 1974

		% increase per prior year
1969	Q. 377,875.00	85%
1970	Q. 699,641.00	13%
1971	Q. 611,326.00	33%
1972	Q. 818,379.8	16%
1973	Q. 951,526.4	(Projected exports) 13%
1944	Q1,084,673.0	(Projected exports)

1 Quetzal = U.S. \$1

Prepared by: Programa Nacional de Desarrollo de la
 Comunidad, Artesanias de Guatemala
 November 16, 1972.

The project in Honduras provided experts in food and textile products who worked on product supply problems and an advisor who established an information center in the ministry. According to the evaluation, "this center was a source of pride to ministry officials." Ten months after the departure of the advisor, the center had a staff of 6 and was providing Honduran exporters with names and addresses of foreign importers, foreign customs duties, and other vital information. It was said to be serving an average of 30 walk-in visitors per week, and responding weekly to 50 other (mail or telephone) requests for information. In addition certain kinds of trade information, such as specific export opportunities, were communicated by telephone, cable or mail directly to exporters who might utilize them.

The information system seemed to have been the most tangible achievement of the project since the product and standards advisors were only able to "get the ball rolling" in their respective fields of responsibility. The evaluation report indicated that much needed to be done in the areas of product design, standards and quality control, and export marketing. There is no indication, however, that any of the suggestions made by the evaluation team were eventually picked up.

The Uruguay experience with a very similar kind of project appears to have been an almost total failure. After seven years and the expenditure of \$600,000 the project appraisal report (PAR on Project 528-15-230-011.1, 1973) indicated that the mission had decided to suspend activities under the project because of its almost complete lack of success. The PAR noted that during the course of the project personnel changes were common and the government of Uruguay placed little or no emphasis on the improvement of an export promotion institutional framework.

In almost all projects it was argued that government support for the creation of an export awareness in both the public and private sectors was essential to a successful export development project. For instance, the final report on a project in Guatemala notes that ". . . the Government of Guatemala has consciously created an 'export awareness' in both the public and private sectors resulting in a receptive state of mind for the creation of export incentives, assistance and exploration of markets for selected products"; and "the development of an 'export consciousness' in Guatemala can be attributed to the keen interest that GOG officials at all levels have had in export development, combined with the interest of the private sector, particularly the Chamber of Commerce and Industry, and potential exporters" (Final Report on Project 520-15-290-201).

There were two other lessons suggested by the project documents we received. In Honduras all participant trainees eventually left the ministry for higher salaries in the private sector - a perennial problem of virtually all development assistance training. The suggestion was made to continue the training on the grounds that the trainees were likely to remain in Honduras and make use of their new knowledge. And, market orientation tours for businessmen were almost universally characterized as positive and important.

18.8 Institution building - regional export promotion centers

AID has been involved with several regional export promotion efforts: PROMECA (the Central American Export Promotion Center), RTDC (the Regional Trade Development Center in Buenos Aires), and ROCAP (the Regional Office for Central America and Panama). PROMECA folded in 1974 because, in the words of one observer, "the countries concerned could not work things out together very well" (personal communication). The RTDC program also seems to have had little success, for an evaluation of the program noted that of the four anticipated outputs in the form of conferences and seminars only a single trade mission had been held (Final Report by Regional Export Development Assistance for South America; 1973).

The experiences of ROCAP were a little more fruitful. According to a 1971 evaluation of ROCAP's marketing activities, this regional program included two stages of activities over the period 1965-1971:

- In stage 1, effort was mostly devoted to three presentations of a 9-month's course in marketing; to the associated student analyses of about 20 individual business firms; to counseling of manufacturers and distributors on their marketing plans; and to assistance in the formation and development of retailers' buying cooperatives.
- In 1969-1971 (stage 2), efforts were made to "institutionalize" the marketing course at Landivar University; to develop tourism and expand nontraditional exports; to assist in moves toward import substitution; and to conduct miscellaneous seminars and short courses. (Evaluation of project AID/CA-650, 1971)

There were some 14 professionals working from time to time -- two of them continuously -- under contract to ROCAP. According to the evaluation they were most successful in:

- Creating an awareness that marketing is important.

- Providing, through training, an intensive practical introduction to the problems of marketing management for a small group of potential key personnel who, in turn, have done much to pass on their knowledge through formal and informal teaching.
- Helping to extend and strengthen retailers' buying cooperatives, which have progressed despite sizable obstacles.

The following two lessons were drawn from the ROCAP experiences. The first reflects a recurrent theme of all export development projects; the second reflects the particular regional focus of this project.

- When projects must be "produced to order" to meet the special requirements of a market or buyer, a complex combination of promotional efforts and technical assistance may be required. . . . Simpler assistance may suffice for items already being produced in a form and on a scale suitable for initial export shipments.
- The private sector in each country is bound to generate requests for help in developing export ventures, but these are also bound to be mostly local rather than regional in nature. The possibility of satisfying large orders by pooling shipments from suppliers in various parts of the region appears exceptional rather than typical. Given this essentially local pattern for the development of export ventures comprehensive export assistance should begin at the national level. Entrepreneurs who seek export assistance should have quick access to it through an entity in their own country.

18.9 Institution Building--Inter-Regional Export Assistance Centers

AID played a seminal role in the establishment of CIPE (the Inter-American Export Promotion Center). This was an apparently unsuccessful effort to provide training and direct project assistance to exporters in Latin America. According to an evaluation of the World Trade Institute (WTI) project, CIPE had a long history of problems which essentially were reducible to its continued inability to perform and produce results expected of it by its OAS members (Lijewski, et al., 1978). The CIPE program continues to publish a weekly trade opportunities bulletin and market studies on the U.S. market for Latin American exporters. Its New York office also sponsors training programs for trade attaches and trade development officers and responds to requests for market information and contacts. The WTI project, however, took over some of CIPE's activities (e.g., export potential analyses of products from Paraguay and Peru, and institutional analyses of the El Salvodorean institution in charge of export programs). We turn now to a discussion of the WTI project, AID/W's current major commitment to export development.

18.10 Institution Building--A Global Export Assistance Center

In 1973, AID/W signed an agreement with the World Trade Institute to develop the institutional capability to provide and administer assistance to Third World countries in the general area of export expansion. By 1978 the WTI project had six full-time and three part-time professionals. Its budget from AID over the five-year period from June 1973 through September 1978 was \$1.95 million. By 1977, outside revenues amounted to 60% of core expenses and 40% of the total.

The rationale underlying the project was twofold:

- The expansion of exports in general and the diversification from exports of traditional raw materials to those of manufactured and processed goods was increasingly becoming a very important goal in the economic development plans of most LDCs. Such efforts were necessary to earn the foreign exchange required to pay for constantly rising imports that expanding economies and higher standards of living demand, to be able to service rapidly accumulating debt burdens, to provide more and better employment opportunities for skilled and semi-skilled workers, and to train indigenous managerial talent in modern, competitive business and production processes.
- The task of export expansion and diversification required a great variety of specialized activities, appropriate government policies and proper institutional support. Such efforts cover a wide spectrum of undertakings which range from product identification to marketing activities, and must also deal with fiscal and financial policy questions, quality control, transportation, packaging and design, incentives, cooperation between government and business, market research, etc. Most LDCs lack experience in most or all of these fields and do not have specialized institutions with sufficiently trained manpower to assume the responsibility for guiding a comprehensive export development activity. Accordingly, they require assistance in the form of training, consultant and expert services and practical marketing advice (Lijewski, et al., p. 2).

The WTI project developed five major components to address these needs. Borrowing heavily from the evaluation report, each of the components is briefly discussed below.

1. general and specialized training courses and seminars: Between 1973 and 1978 WTI ran seven 6-week courses on export industry development and trade promotion for 182 participants. During the same period 22 people participated in individual tutorials based at the ATI's offices in New York City and six courses were run in-situ for 500 participants. In 1979 WTI ran its general course for ten participants from 13 countries.

2. trade laboratory projects: This type of project is defined as any discrete assistance activity based on a scope of work and contract agreed to by the WTI and

a client. The projects have varied considerably in terms of scope and costs, as they reflect needs of different clients for a particular product, industry, sector, etc. From 1973 to 1981 some 54 projects were undertaken. Examples include: studies of fresh and processed vegetable and fruit exporting from Honduras, a survey of and proposal for assistance to the clothing industry in Honduras, special technical advice to a canning plant producing canned and processed tomatoes for export in Honduras, an investment promotion activity in Honduras, a banana marketing study for Honduras and other member countries of a banana export association, assistance to the handloom industry in Sri Lanka and also to the State Gem Corporation in Sri Lanka.

In 1979, the WTI worked on an agro-juice project with Grace, Kennedy and Co. in Jamaica. WTI's role included an export potential analysis for Chinese vegetables and a pre-investment financial analysis for eight Chinese vegetables and 25 other fresh fruits and vegetables. Technical assistance was also provided during 1979 to the Ministry of Industry and Commerce in Peru in identifying and evaluating small urban manufacturers in the electro-chemical industry and selecting nine which could become spearheads of an export program.

3. export development research: During the period, 1973-1978, WTI undertook the following applied research activities:

- Development of a model and format for using applied market research to develop marketing strategies geared to the needs of the developing countries.
 - This methodology, used in numerous projects by the WTI is called a "Marketing Guide."
- Development of a model and format using applied projection systems and procedures to maintain quality control levels for agro-industry in the developing countries.
 - This methodology, used in numerous projects by the WTI is called a "Production Guide."
- Development of a methodology, integrated curriculum, and instructors' manual to assist students from developing countries in understanding and dealing with the total marketing process for agricultural products and selected non-agricultural consumer products.
- Development of a methodology and "applied model" to enable students to become familiar with using basic statistical information systems in the areas of export profitability.
 - This "Export Market Profiling Workbook" is used by the WTI as a basic teaching tool in all training programs.

- Development of a format to assist students from developing countries in developing a shorthand technique to identify the major elements which must be considered in solving export related market problems.
 - This "Market Background" is used by WTI as a basic tool in its training programs.
- Development of a model and format for an integrated information system for specific products which can provide developing countries with a continuous flow of pricing, product movement and end-usage information.
 - This system has been used by the WTI in assistance to a number of countries for bananas and other agricultural products.

4. specialized library on international trade development topics: The WTI developed its own library and has access to the resources of the Port Authority of New York and New Jersey in order to address needs of its clients for information and technical assistance.

5. provision to Third World agencies and AID missions with consultants and specialized services as required: The following are examples of the type of services (usually of one or two days' duration) provided by WTI during 1977 and 1978:

<u>COUNTRY</u>	<u>ORGANIZATION</u>	<u>NATURE OF SERVICE PERFORMED</u>
NICARAGUA	EXPORTEMOS	Arranged for contacts between Exportemos and potential U.S. buyers of ginger root.
SRI LANKA	STATE GEM CORPORATION	Arranged training visitations in the areas of jewelry design, casting mold making and assembly for the Chief Designer/Head of Fine Jewelry Unit, during his 7-week training period in New York.
NIGERIA	NIGERIAN EXPORT MERCHANTS ASSOCIATION	Arranged for contacts between N.E.M.A. and potential U.S. sellers of cement and wheat.
EL SALVADOR	EL SALVADOR FOREIGN TRADE INSTITUTE (ISCE)	Provided specific market information as requested.
PORTUGAL	INVESTMENT PROMOTION CENTER (FUNDO)	Consultation with human resources executives of major corporations in regard to industry training programs.
ISRAEL	PRODUCTIVITY INSTITUTE	Consultation with deputy director to set up meetings (public/private) with institutions in New York involved with productivity.
MOROCCO	O.C.E. (OFFICE OF COMMERCIALIZATION & EXPORT)	Conducted orientation giving an overview of the of the American market for Moroccan wines.

The evaluation of the WTI project in 1978 was very favorable and recommended that funding be continued. In order to assess the quality and relevance of WTI's services, the evaluation team interviewed people in five countries who had had formal contact with the WTI project. The evaluation report did not include any assessment of the impact on individual businesses and putative beneficiaries, and relied exclusively on subjective appraisals, e.g., "if someone had been asked to build a course for my training needs, it would have been the WTI." The WTI technical assistance and laboratory assistance projects came in for special praise from respondents.

The training was generally rated as satisfactory to good. The principal comments made on the training component included the following:

- Greater efforts should be made to select individuals for participation in the WTI's training courses who can and will use the training in practical and productive ways, whether in actual exporting, or in establishing or implementing government policies, or in teaching/assisting actual exporters.
- Continued efforts should be made to improve in-country programs to better tailor them to specific country and individual needs.
- Training curriculum should include attention to practical matters such as letters of credit, customs invoices and (in the U.S. market particularly) special concerns such as the Consumer Product Safety Regulations, etc.

The evaluation report pointed out that many of the "criticisms" of the training were made by participants who attended courses early in the life of the project, before their suggestions were incorporated to improve subsequent courses.

The overall emphasis and orientation of the WTI project are reflected in the companies to which it provides assistance (e.g., Israel Aircraft Industries, Grace, Kennedy and Company) and the participants in its training programs; of the 18 participants in the 1979 New York-based course, 13 came from government agencies (e.g., National Produce Marketing Board of the Cameroons, the High Council of Trade in Egypt) and five came from private industries (e.g., Jamaica Reinforced Plastics Company). According to the director of the WTI project, the absence of any assistance provided in the handcraft and cottage industry sector is simply a reflection of a general attitude shared by most Third World officials, namely that handcrafts deflect a nation from its path toward industrialization.

18.11 Conclusions

Some of the documentation on USAID's export development projects and programs seems to reinforce observations drawn from the experiences of AMOs and other international donor agencies. It also serves as one basis, however tentative, from which to explore appropriate and feasible approaches to assisting small-scale exporting enterprises expand their export trade. We shall discuss the issues and questions raised by our review of this documentation within each of the three levels of the decision-making hierarchy discussed earlier in section 18.3.

18.11.a Policy level: To our knowledge, impact data which can be aggregated across different programs do not exist. Thus, available data cannot be used to challenge (or confirm) the assumption that export development programs are consistent with the agency's target groups and basic needs considerations. Furthermore, unlike the AMOs which receive initial requests for marketing assistance directly from low-income producers, the available documentation on AID's projects does not indicate where many of the requests for assistance originated.

As to whether or not the Third World export sector can take care of itself, there is some evidence to suggest that in large part it can. First, it would be difficult to attribute a new "export awareness" or changes in national policies to the export development programs that have been launched. Documentation of the projects which have made up some of the USAID programs (e.g., export promotion centers and integrated small industries and marketing projects) do not give any indication that the projects have served as catalysts for substantial changes or been very effective pioneers. Second, there were clearly other forces at work in the Third World, e.g., market demand and tourist trade, which might have been much more significant in explaining changes that did take place. In Peru, for example, the tourist trade doubled during the period of AID's involvement with handcraft and export promotion projects. And, in the Philippines, most observers cite commercial market demand as the leading factor in the dramatic increase in that country's handcraft exports. Furthermore, after two years of operation in Peru, the fact that 97% of ARTPE's turnover came from artisans not reached by the development project suggests that factors over which the project had no control or influence accounted for most of the changes. Therefore, a need exists for studies which explore specifically the relative influence of different catalysts for changes in the value of a nation's export of non-traditional products. If such studies

existed, it would be easier for international donor agencies to determine if and how they might assist the export sectors of Third World nations.

18.11.b Program level: The question whether handicrafts or small industries is the more appropriate focus of an export development program remains unanswered. In part, it is a question of definition; i.e., to some observers the term "handcraft" is synonymous with folk-art and/or decorative crafts, while to others the term can cover a wide range of utilitarian and/or pre-industrial products, including clothing. It is also a question of philosophy; i.e., to many people and governments the handcraft sector is "undevelopmental" and cannot warrant the expenditure of scarce resources, while to other people and governments handcraft projects constitute one of the only ways to reach and assist marginal populations because the projects start where people who live outside the modern sector are able to carry out most activities and make the important decisions. AID's experiences with both types of export development projects add fuel to the perennial debate, but do not resolve it.

The AID experiences on which documentation is available suggest, however, that major commitments of technical assistance and integrated development projects which address a range of needs in the handcraft (small industries) sector are of questionable cost-effectiveness as measured either by their direct impact on immediate beneficiaries or their impact on national economies. On the other hand, we could not find concrete evidence that suggests that the "missing ingredient" or small-scale approach to supporting the handcraft sector is any more cost-effective.

If the "missing ingredient" approach is an appropriate intervention strategy in some situations, the WTI experience suggests that some of the necessary elements can be effectively delivered from a U.S.-based institution, if it is closely linked to and knowledgeable about the appropriate markets in the United States. Whether the WTI itself is an appropriate place from which to provide assistance to exporters within the handcraft and cottage industry sector is a project-level question.

18.11.c Project level: The "missing ingredient" in any particular case can be any one of a large number of elements, most of which we have already mentioned in earlier chapters and sections of this paper. They include market-related information, catalogue design assistance, training in all aspects of export production and marketing (including packing and shipping), exposure to export markets and trade shows, and links to prospective buyers. While the provision of such services could be centralized in a U.S.-based institution, it is not altogether clear which is the

most appropriate venue. The World Trade Institute and the World Crafts Council are two logical candidates, but each has its disadvantages. The World Crafts Council is oriented toward a particular type of handcraft (i.e., traditional folk-art) and it is uncertain whether the World Trade Institute has the philosophical flexibility to incorporate a cottage industry and handcraft dimension within its current focus on established, medium-scale enterprises.

PART VI

INVOLVEMENT OF U.S.-BASED PRIVATE VOLUNTARY ORGANIZATIONS
IN EXPORT MARKETING

19. RESULTS OF A SURVEY OF 625 PVOs

In August 1980 we conducted a survey of 625 U.S.-based PVOs to determine the extent of their involvement in development projects related to exports and the distribution of Third World-produced products. We requested respondents to answer the following questions:

	YES	NO	Not now . . . involved in the past	Not now . . . anticipate involvement
1. Is your organization involved in development projects with an export marketing element?	---	---	---	---
2. Is your organization directly involved in the exporting of Third World produced products?	---	---	---	---
3. Is your organization directly involved in domestic (U.S.) distribution of Third World-produced products?	---	---	---	---

Of the 200 respondents, the following indicated some degree of current or future involvement. The others indicated no involvement.

1. PVO's currently involved in the distribution of Third World produced products:

- AID TO ARTISANS, Chestnut Hill, Massachusetts
- ETHNIC ARTS FOUNDATION, New York, New York
- THE FOUNDATION FOR THE PEOPLE OF THE SOUTH PACIFIC, New York, New York
- FRIENDS OF THE THIRD WORLD, Ft. Wayne, Indiana
- INTERNATIONAL PROGRAM FOR HUMAN RESOURCE DEVELOPMENT (IPHRD), Bethesda, Maryland
- MICHIGAN PARTNERS OF THE AMERICAS, East Lansing, Michigan
- PROJECT PARTNER, Middleton, Ohio
- SAVE THE CHILDREN CRAFTS CENTER, Westport, Connecticut
- UNITARIAN UNIVERSALIST SERVICE COMMITTEE, Boston, Massachusetts
- VIISA, Santa Barbara, California
- WORLD CRAFTS, Seattle, Washington

2. PVO's indicating possible future involvement in the distribution of Third World products:

AMERICAN NEAR EAST REFUGEE AID, INC., Washington, D.C.
 CHRISTIAN REFORMED WORLD RELIEF COMMITTEE, Grand Rapids, Michigan
 CREATIVE ASSOCIATES, Washington, D.C.
 GOODWILL INDUSTRIES, Washington, D.C.
 INTERNATIONAL SERVICES ASSOCIATION OF THE COMMUNITY COLLEGE OF NEW YORK, Suffern, New York
 INTERNATIONAL SOCIAL SERVICE, AMERICAN BRANCH, INC., New York, New York
 NORTH CAROLINA PARTNERS OF THE AMERICAS, Raleigh, North Carolina
 OVERSEAS EDUCATION FUND FOR THE LEAGUE OF WOMEN VOTERS, Washington, D.C.
 PLENTY INTERNATIONAL, Summertown, Tennessee
 ROTARY INTERNATIONAL, Evanston, Illinois
 SEVENTH-DAY ADVENTIST WORLD SERVICE, INC., Washington, D.C.
 YOUNG MEN'S CHRISTIAN ORGANIZATION, New York, New York

3. PVO's indicating some involvement in both development projects and the export of Third World products:

CARE, New York, New York
 CHRISTIAN NATIONALS EVANGELISM COMMISSION, San Jose, California
 LA LECHE LEAGUE, INTERNATIONAL, Franklin Park, Illinois
 NATIONAL COUNCIL FOR APPROPRIATE TECHNOLOGY, Butte, Montana
 PEARL S. BUCK FOUNDATION, Perkasio, Pennsylvania

4. PVO's indicating possible future involvement in the development and/or export of Third World products:

THE ASIAN FOUNDATION, San Francisco, California
 CASH, New York, New York
 COOPERATIVE LEAGUE OF THE U.S.A., Washington, D.C.
 COORDINATING COUNCIL FOR INTERNATIONAL ISSUES, Washington, D.C.
 CUNA GLOBAL PROJECTS, Washington, D.C.
 FOSTER PARENTS PLAN INTERNATIONAL, Warwick, Rhode Island
 INTERNATIONAL INSTITUTE FOR URBAN & HUMAN DEVELOPMENT, San Diego, California
 INTERNATIONAL INSTITUTE FOR ENVIRONMENT AND DEVELOPMENT, Washington, D.C.
 INTERNATIONAL INSTITUTE OF RURAL RECONSTRUCTION, New York, New York
 ISLAND RESOURCES FOUNDATION, St. Thomas, Virgin Islands
 PARTNERSHIP FOR PRODUCTIVITY, Washington, D.C.
 PIACT, Washington, D.C.
 THE SALVATION ARMY WORLD SERVICE OFFICE, Washington, D.C.
 WINROCK INTERNATIONAL INSTITUTE OF RURAL RECONSTRUCTION, Morrilton, Arkansas

5. PVO's indicating involvement in development projects with an export marketing component:

AFRICA INTER-MENNONITE MISSION, Elkhart, Indiana
AMERICAN DENTISTS FOR FOREIGN SERVICE, Brooklyn, New York
AMERICAN FRIENDS SERVICE COMMITTEE, Philadelphia, Pennsylvania
AMERICAN INSTITUTE FOR FREE LABOR DEVELOPMENT, Washington, D.C.
AUROVILLE ASSOCIATION, Aptos, California
BREAD FOR THE WORLD, New York, New York
CATHOLIC RELIEF SERVICES, New York, New York
CONSERVATIVE BAPTIST FOREIGN MISSION, Wheaton, Illinois
CREDIT UNION NATIONAL ASSOCIATION/GPO, Washington, D.C.
CULTURAL SURVIVAL, INC., Cambridge, Massachusetts
FRIENDS WORLD COMMITTEE-SHARING WORLD RESOURCES, Philadelphia, Pennsylvania
HOLY CROSS FOREIGN MISSION SOCIETY, Beltsville, Maryland
INTERNATIONAL AGRICULTURAL DEVELOPMENT SERVICE, New York, New York
INTERNATIONAL HUMAN ASSISTANCE PROGRAMS, INC., New York, New York
INTERNATIONAL VOLUNTARY SERVICES, INC., Washington, D.C.
IRI RESEARCH INSTITUTE, New York, New York
NEAR EAST FOUNDATION, New York, New York
OKLAHOMA-MEXICO PARTNERS OF THE AMERICAS, Oklahoma City, Oklahoma
PROJECT ICONE OF THE ENTREPRENEURSHIP INSTITUTE, Worthington, Ohio
SELF HELP FOUNDATION, Waverly, Iowa
SURGICAL EYE EXPEDITIONS INTERNATIONAL, INC., Santa Barbara, California
TECHNOSERVE, INC., Norwalk, Connecticut
VOLUNTEER DEVELOPMENT CORPS., Washington, D.C.
WORLD VISION INTERNATIONAL, Monrovia, California

PART VII

IMPLICATIONS OF THE STUDY FOR FUTURE COURSES OF ACTION

20. IMPLICATIONS AND RECOMMENDATIONS FOR THE AGENCY FOR INTERNATIONAL DEVELOPMENT

20.1 General Considerations

Our review of government export development assistance projects and the experiences of AMOs suggests that assistance to small-scale exporting enterprises (SSEEs) could be consistent with AID's target groups and basic needs considerations. But the review casts some doubt on whether such assistance by AID is appropriate and necessary. There clearly is a demand from very marginal populations in the Third World for assistance in developing and expanding their export trade. Yet, it might be impossible to influence in any cost-effective way the forces which seem to matter the most (e.g., market demand and the capacity of producers to organize themselves). Intensive, continuing and well-directed assistance might be the answer, as suggested by many observers, but this type of support is not sufficiently cost-effective given the small number of organizations usually reached. Furthermore, government-sponsored projects are seldom subject to the same pressures as private ventures to make certain that their commercial decisions are correct. As for the perennial debate between the advocates of cottage industries and the proponents of small industries, we found no evidence to suggest that either approach is the more appropriate for a foreign assistance program.

If, however, we assume that small-scale exporting enterprises are appropriate targets for assistance, our study throws a modicum of light on two concerns: (1) what measures AID might take to increase the access of SSEEs to market-related information and strengthen their capacities to use that information effectively; and (2) what role AID might expect AMOs to play in helping it reach and assist SSEEs.

To address the second concern first, it is our judgment that AID should treat AMOs as one of many product distribution channels and one of several channels for delivering technical assistance to small-scale exporting enterprises. Thus, we feel that AID should look upon AMOs in much the same manner as FEDEAU and IMPOD do. If AID aims to improve client-oriented assistance in the SSEE area, the focus in determining the nature of the assistance should be the existing Third World

intermediary organizations with both a demonstrated record of reaching and assisting marginal populations and an established export marketing program. AMOs could then be requested to assist in any number of ways (for example, by helping to manage a revolving loan fund for the financing of receivables, opening up appropriate markets for new producer groups, providing new product ideas) which are in keeping with their interests and capabilities.

In terms of an appropriate assistance strategy, it is our judgment that the "missing ingredient" approach makes most sense. The evidence from the experiences we have read and heard about strongly suggests that foreign export development assistance projects which try to address a variety of needs and include a complex of inputs are rarely cost-effective and rarely, if ever, implemented. It does not necessarily follow, though, that the "missing ingredient" approach will be more effective. But, if AID is looking for measures with which to assist SSEEs, the delivery of small amounts of assistance to existing organizations appears to be its most reasonable option.

Before discussing two ways for AID to deliver "missing ingredients," we want to emphasize that underlying our recommendations is an ambivalence about the need for and appropriateness of assistance in the SSEE area. In view of past difficulties encountered by development assistance programs and the absence of field-based, post-hoc evaluations of any of the assistance efforts we have described (including those of the AMOs), future efforts to provide assistance to small-scale exporting enterprises need to be closely monitored.

20.2 Programmatic Recommendations

20.2.a Survey of marketing organizations in Third World countries: A structured questionnaire could be used to identify and rank-order the perceived needs of marketing organizations for everything from names and addresses of buyers to a forum for sharing experiences and mutual concerns. Given the present number of agencies addressing the needs of exporting enterprises (e.g., ITC, AMOs, indigenous export and handcraft promotion agencies, PVOs, etc.), it would be important that respondents identify and assess the sources of assistance and information which they currently employ.

20.2.b A series of research and development projects: There are any number of small projects which could assist small-scale exporting enterprises. Some of the projects are suitable to one group of intermediary organizations in one country,

while some are more appropriate to a wide number of organizations in very different locations. An example of the former is illustrated by the request from a representative of four Bangladesh suppliers for a mechanism to help them finance receivables which are regularly outstanding for three to six months. Examples of the latter type of project would be: (1) the creation of a central point in Europe to which a combined air freight shipment of samples could be sent, and (2) a comprehensive market study of the U.S. toy market, as suggested by the director of an AMO in the United States.

Clearly, there are many sensible individual projects which might assist small-scale exporting enterprises in expanding their export trade. The difficulty is to select projects which provide the maximum opportunities for learning about effective modes of delivering technical assistance in this area. Naturally, a first step would be to establish sets of criteria for selecting the organizations which will be involved in a project (e.g., structural features of the intermediary organization, and numbers and types of producers reached). The survey of marketing organizations and face-to-face discussions with exporting and importing organizations (both commercial and AMOs) should provide most of the data needed to make the final choice of projects and sponsoring agencies or organizations. Depending on the nature of the projects selected, they could be monitored and assessed in much the same way as the PISCES projects.

20.2.c A resource and information center for small-scale exporting enterprises:

It is undoubtedly premature to make any programmatic commitment before a survey of Third World marketing organizations is completed. However, the need of small-scale exporting enterprises for market-related information has been expressed at so many different times and by so many different voices that we feel relatively secure in recommending that AID seriously consider helping to develop a response capacity in the continental United States to address the suppliers' need for information. A central response capacity could provide producers with updated listings of potential buyers and trade channels; it could undertake market forecasts, thus helping producers plan ahead; it could monitor market trends, guide producers in planning new products and suggest product modifications; it could facilitate access to production information, thus helping producers address technical problems; and it could provide information on a range of factors which affect a product's market-ability, including size, weight, quality and price.

In addition to addressing the need for timely, accurate and useable information, a U.S.-based service organization could undertake many of the functions which we have mentioned in this paper. These might include any or all of the following:

- (a) linking--helping to establish direct commercial relationships between buyers and suppliers;
- (b) training--organizing and carrying out training programs on a wide range of products (e.g., bamboo) and process-oriented topics (e.g., shipping and packing);
- (c) market research--sponsoring studies on product groups which are of interest to a large number of producers (e.g., toys);
- (d) exhibitions--organizing and supervising exhibitions in the United States of products and producer organizations;
- (e) technical assistance--selecting and monitoring performances of consultants and advisors to small-scale exporting enterprises;
- (f) exposure--helping suppliers gain first-hand knowledge of U.S. markets by sponsoring and organizing visits to trade fairs and similar events; and
- (g) sharing--helping producers and suppliers exchange information and share ideas by establishing a forum for discussing experiences and mutual concerns.

While the above list is not comprehensive, it at least suggests the range of functions which a central response facility could undertake. The actual configuration of functions would evolve over time in response to requests and needs of suppliers. It would have to begin, however, by providing basic and very practical market-related information and would be assessed, in large part, by how effectively suppliers can use that information to expand their export trade.

Even if we assume that a central response facility makes sense, there is still the major question of where it ought to be located. We do not think that it should be controlled or even operated by AMOs or any other marketing organization (as in the case of the Tradecraft newsletter). One seemingly logical venue is the World Trade Institute project, even though the philosophical orientation of that project might not be supportive of a focus on the cottage-industry-level producer. There are several factors which need to be considered in selecting an appropriate venue, but it is too early in the process to discuss them now.

20.2.d A study of impact on producers: The information gathered during the study indicates that while AMOs express a profound concern for the welfare of producers, and while numerous organizations are personally acquainted with many suppliers and producer groups, they only have incidental and impressionistic data on the

conditions of producers and on the impact their efforts have had on producers and their communities. Most AMOs must struggle to survive and expand as trading enterprises. They do not have the resources to assess systematically the impact of their programs. There are many, in fact, who believe that these programs have a negative impact on Third World groups. The managing director of a U.S.-based PVO, for example, argues that low-income/village-level handcraft producers enjoy relatively marginal increases in income from export projects. He also suggests that efforts to promote handcraft production for export tend to foreclose on considerations of other employment or income generating projects for low-income groups in rural and urban areas. Similarly, the founder of an AMO in the U.K. argues that handcraft employment in the Third World is frequently short-term, at low rates of pay and in poor working environments. And, as handcraft work is often purchased on a piece basis, it is not subject to government minimum rates of pay. These facts, he suggests, apply not only within much of the commercial sector but also in many of the so-called cooperatives and government-controlled export companies.

We have also noted the provocative argument by a director of another AMO, i.e., that AMOs are ignorant for the most part of community power structures that undermine the creation of new socio-economic institutions which would increase the power and welfare of producers. He claims that AMOs often inadvertently help to consolidate existing socio-economic dependency relationships by: (1) requiring a marketing expertise not easily acquired by producers; (2) insisting on regular production, thereby inducing intermediary organizations to exercise a dominance over producers that is not always benign; and (3) insisting upon levels of production which may divert the energy of producers away from tackling the root causes of the local inequalities they experience.

To undertake an impact study a Toronto-based research group suggests a participatory process that includes the following three characteristics:

- (1) the time allowed to the research process must be sufficient to allow researchers to establish relations of trust with informants; the quality of participatory research relies on the quality of relations built between subjects and researchers, and quality relationships take time to build.
- (2) periods of reflection . . . conducted jointly by researchers and members of a culture, if the distortion produced by fragmentation of value patterns is to be reduced.
- (3) a permanent sequence of analysis, statement, action, reflection, analysis, etc. to allow for the process to reach praxis, if participants so choose.

Unfortunately, there are few examples of the participatory research process in action. But the promise of the process is evident in a case history available from the National Institute for Research in Development and African Studies of Botswana. Entitled, Tapestry--Report from OODI Weavers, the study was funded by the Canadian University Service Overseas and inspired by the work of the Participatory Research Project. The case describes a factory project involving some 80 women and men from OODI and two other villages in Botswana. This factory made tapestries that Afro-Art sold until much higher prices were offered on the local market. The factory project was designed so that the workers, mainly women, had economic and management control of the production process. After reviewing the case we agree with the observation that:

The report is remarkable for how the evaluation methodology-- a blend of subjective narrative, quantified survey and participant observation--is transferred into a 297-page document of compelling insight, honesty and narrative impact . . . The main data source for evaluation comes from and through many participants--workers and villagers--whose comments and opinions reveal the social, cultural and economic reality of the project (Grayfer, 1978).

In view of the absence of impact data we recommend a two-year research study with the following objectives:

- (1) to assess the socio-economic impact that export-marketing projects have on individual producers and their communities;
- (2) to shed light on the processes and intermediate structures which effectively reach and address the problems of low-income producers--their economic vulnerability, their ignorance of the market, their lack of access to credit and raw materials, their powerlessness, their sense of isolation, etc.;
- (3) to contribute to the state of knowledge on methods for assessing the impact of development projects in a fashion that actively involves the participation of those affected by the research; and
- (4) to strengthen the capacity of intermediary organizations and groups involved in export-marketing in systematically assessing the effects and effectiveness of their efforts.

The producers themselves should benefit directly from the research process. If this objective is accepted, then a research study should be seen as part of the total educational experience shared by the producers' communities, i.e., an experience which enables communities to articulate their own problems and to

"transform their own reality" (Hall, 1975). The AMOs studied have very little experience in conducting evaluations which directly involve the beneficiaries of development programs (Uphoff, 1977). And, although there are certainly no tried and true strategies for carrying out participatory research efforts, there are groups experimenting with a range of new research methods, some of which are supported by the Participatory Research Project of the International Council for Adult Education in Toronto, Ontario. Some of them are exploring the use of video tapes, popular theatre and collective drawing as means to encourage participation in the research process. These and other experiences of the Participatory Research Project constitute a knowledge base on which the proposed study could draw.

21. IMPLICATIONS AND RECOMMENDATIONS FOR PRIVATE VOLUNTARY ORGANIZATIONS.

21.1 General Considerations

AMOs in Europe and the United States have demonstrated that given certain conditions altruism and commerce can be merged successfully. While the future of some AMOs and their overall impact are uncertain quantities, there are no insuperable difficulties and barriers to prevent a private voluntary organization from developing a self-sufficient marketing program. Whether such a program is appropriate for any given PVO will depend, naturally, on how it views and weighs the different costs and benefits.

We have discussed at length the various reasons which led several PVOs to establish AMOs and to continue to support them. First, marketing Third World products is viewed as a legitimate development activity which generates employment, increases income, raises skill levels and helps to strengthen the integrity of local communities. AMOs point to the numerous requests for markets, technical assistance information and new product ideas which come directly from producers as evidence of room for development and expansion in this sector. In responding directly to these expressed needs, it is argued, a PVO adds a significant dimension to its overall development assistance program. Second, a marketing program is considered to be an excellent development education vehicle because it helps a PVO reach a broad range of people with an equally wide range of messages. Of particular significance, in the experiences of some PVOs, is the opportunity which marketing products gives to volunteers (and paid staff) to make tangible contributions to the educational and assistance programs of their organizations.

Two other benefits to which some observers refer derive from the professional relationship which AMOs establish with suppliers. First, because the relationship has built into it a degree of mutual accountability and parity, it is thought to mitigate the patronage and dependency that too often characterize aid-giving relationships. Second, because the relationship requires a sensitivity to market demands and needs, it is thought to add a sense of realism to a PVO's overall assistance program.

We do not doubt that these outcomes are possible. But, whether a marketing program encourages more realistic programming (especially for income-generating projects) or, indeed, whether it has an overall positive impact on producers are

both questions which cannot yet be answered. They await the results of field-based research among the constituencies and staff of AMOs and their suppliers.

Not only are the benefits of a marketing program sometimes questionable, but the establishment of an AMO involves great difficulties and risks. As we have seen throughout this paper, there are many practical problems which are basically intractable. Guidelines for making the hundreds of commercial decisions regarding product selection, price, quantity and presentation are very elusive; the right decisions are often the result of intuition and luck. In addition, the supply line is extremely fragile, and the difficulties of obtaining the right products, at the right price, and having them delivered on schedule (if at all) cannot be underestimated. In addition to these obstacles, AMOs which rely heavily on volunteer sales people face another set of management problems on the marketing end.

There are also many philosophical and ethical issues which confront PVOs with marketing programs. These organizations often have to buy from suppliers who do not entirely meet the criteria established by their constituencies. There are instances when a PVO might find it necessary to drop "good" groups because their products are no longer marketable. To satisfy their own constituencies PVOs are often forced to pry into the affairs of their suppliers (to their frequent dismay), but because it is difficult to obtain hard information on working conditions, for example, PVOs will always have to be prepared to admit that they were duped from time to time. And, finally, PVOs which develop educational campaigns around everyday commodities (e.g., coffee, tea, sugar) and those which prepare educational materials are forced to identify publicly their position on the "Third World problem"--a position which many PVOs have shown little eagerness to describe in very precise terms.

If there was a single lesson which the established AMOs sought to impress upon us, it was that there are much less risky and probably more efficient ways to raise money than by running a marketing organization. In other words, PVOs should not look upon AMOs as potential money makers for the parent organizations; the existing price structure, even with volunteer labor, does not allow for very large net surpluses to be generated anywhere along the line. Furthermore, if sales maximization is a goal, experiences of the trading AMOs suggest that the following three conditions must be met:

- (i) entrepreneurial leadership: The successful establishment of a trading AMO requires true entrepreneurial leadership--individuals who rely on instinct, intuition and imagination and who thrive on high uncertainty. The individuals who

have built some of the more successful AMOs also have been very forceful personalities with strongly held convictions. These individuals require a degree of independence and latitude which many PVOs might find difficult to accommodate.

- (ii) inter-organizational cooperation: It is clear that AMOs can survive as trading companies without involving themselves in joint projects with other AMOs. Some type of cooperative action seems necessary, however, if an AMO hopes to address effectively some of the serious constraints on suppliers and producers. Working together on certain projects, as suggested by the representative from the four Bangladesh groups, AMOs could assist producers in ways that would be impossible for individual organizations; for example, managing a local revolving credit fund, serving as a single distribution point for consolidated shipments from suppliers, sponsoring training programs for large numbers of producers and undertaking market research studies. Furthermore, the expanding network of educational AMOs suggests that collaborative action in that arena is equally important.
- (iii) flexible and diverse marketing program: The representative from the four Bangladesh producer groups pointed to a third condition which a trading AMO should satisfy. A diverse marketing program which includes a variety of non-commercial channels as well as links to commercial markets seems to constitute a secure strategy--one which both mitigates the risks of market saturation and accommodates small-scale producers and more established suppliers.

As we pointed out in Part IV, one of the most significant steps by a PVO is to formulate explicitly the objectives of its marketing program. For PVOs contemplating the establishment of an AMO, it is absolutely essential to explore adequately the wide range of options open to them in terms of their corporate purposes and their own strengths and limitations. This consideration takes us to the first of our four recommendations for the U.S.-based PVO community.

21.2 Programmatic Recommendations

21.2.a Conference/workshop on export marketing and development: One of the most cost-effective ways for PVOs to obtain an adequate understanding of the strengths and limitations of existing alternative marketing patterns and to explore their implications is to convene a conference/workshop that would include representatives from all relevant organizations--AMOs and commercial importing companies, Third World suppliers and producer groups, and international donor agencies. A conference/workshop with these participants could include discussions of topics ranging from the philosophical to the practical. It also could provide an opportunity for both

importing and exporting organizations to learn more about marketing channels in the United States and possible sources of funding and assistance in the U.S. and European development communities. And, it could offer the opportunity to explore ways of increasing the flow of information among organizations concerned with export marketing and development.

We would expect the following outcomes from a conference/workshop on export marketing and development:

- (i) for suppliers and producers: contacts which lead to increased sales, ideas for new products, increased awareness of needs and constraints of U.S. importers; contacts which lead to funding for development assistance projects and more ideas on appropriate production technologies.
- (ii) for U.S.-based PVOs: deeper understanding of issues, problems and prospects related to playing a direct role in export marketing projects, clearer grasp of appropriate roles for individual organizations, and contacts which lead to increased competence in carrying out those roles.
- (iii) for U.S.-based AMOs: ideas on ways to increase sales and use different marketing strategies, ideas for improving communications with producer groups, contacts which lead to funding for development assistance projects, and a better understanding of ways to mitigate risks to low-income producers.
- (iv) for U.S. and international donor agencies: a more comprehensive understanding of the different ways to support export development projects which involve marginal populations and the conditions under which such support is likely to be effective.

21.2.b Development assistance fund: On the assumption that collaborative projects are needed to address constraints on producers and suppliers, we suggest that interested PVOs and AMOs work together to establish a central funding mechanism that would be used to support projects (e.g., revolving credit fund, market research studies, new product development) which reach a large number of producers and suppliers at the same time as benefiting their own marketing programs. A central fund could be used to finance projects which individual marketing organizations could not afford but which are most appropriately selected by them. Such a fund would also provide the incentive for closer collaboration among AMOs.

21.2.c Product-oriented educational campaign: To our knowledge PVOs and AMOs in the United States have not been involved in nationwide educational "actions" and campaigns, such as the sugar actions and the "Jute-Not-Plastic" campaign organized

in Germany and other European countries. We do not see any reason why organizations in the United States could not organize similar efforts. The Jute Works in Bangladesh has, in fact, approached a number of groups requesting them to consider launching a "Jute-Not-Plastic" campaign. We believe this request constitutes an excellent opportunity for established AMOs as well as for PVOs which do not yet have marketing programs.

21.2.d Research studies on the impact of marketing and educational programs on producers and a PVO's constituency and staff: In view of the concerns expressed throughout this study, it is evident that PVOs should support systematic assessments of the impact of export-marketing programs on producers, their families and communities. The experiences of European AMOs with product-centered educational campaigns also warrant careful assessment. Such evaluations are germane to both the development assistance and development education programs of U.S. private voluntary organizations.

APPENDIX A

CASE DESCRIPTIONS OF TWENTY-SEVEN
ALTERNATIVE MARKETING ORGANIZATIONS IN
THE UNITED STATES AND EUROPE

APPENDIX A

CASE DESCRIPTIONS OF ALTERNATIVE MARKETING ORGANIZATIONS

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ABAL FOUNDATION
(The Netherlands)

ABAL was established in 1974 by HIVOS (the Humanistic Institute for Development Cooperation), a Dutch private voluntary organization (PVO), as part of a three-pronged strategy for assisting Third World groups. HIVOS would help the groups with small enterprise development; ABAL would import and market their products in Europe in order to give them experience in international markets; and, after the groups were strong enough to operate fairly independently in these markets, an "intermittant development consultancy" would advise them on their management and organizational development.

ABAL began its marketing program with a 50,000 guilder working capital loan from HIVOS. By 1978, this loan had grown to 600,000 guilders and by 1980 to over 1 million guilders (\$500,000). In 1974 ABAL's annual sale volume was 113,621 guilders; by 1980, it had reached 1.75 million guilders (\$902,000).

ABAL began by importing handcrafts from three HIVOS projects. Within a year, over fifty other Third World groups had heard about ABAL through HIVOS and other Dutch PVOs and had asked the AMO to market their goods. ABAL now receives requests each year from over 100 groups. From among these requests, ABAL attempts to select suppliers which pay fair prices to producers and emphasize job creation. The AMO also tries to buy from producers who have many local and foreign markets for their goods or have other means of meeting basic needs. In order to select producers fitting these criteria, ABAL sends potential suppliers questionnaires and investigates them through its large network of contacts in HIVOS, other PVOs, and the United Nations. A staff person from HIVOS or ABAL visits each supplier at least once every year or two.

ABAL currently buys from 25 groups in 23 Asian, African and Latin American nations. Six of these groups are HIVOS development projects and another five or six receive loans from HIVOS. About 75% of the suppliers are associations of cooperatives, another 20% are government-owned agencies, and 5% are small cooperatives, self-help groups or families or producers. ABAL prefers to work with associations of cooperatives because it assumes that advice to one manager of such an entity can reach one or two thousand producers. The supplier accounting for the largest portion (30% to 35%) of ABAL's turnover is a state-owned handcraft firm in Mexico.

ABAL provides development assistance to some suppliers and producer groups by providing loans or advanced payments. In other cases, ABAL helps groups develop proposals for support from HIVOS, which sets aside funds for export-related projects

of Third World groups fitting HIVOS and ABAL's criteria. On several occasions ABAL or HIVOS has sent consultants to assist the groups in modifying their products or developing new ones for European markets. ABAL has found that the Third World groups usually can only make minor product modifications in a manner that is cost-effective to both the groups and the AMO.

ABAL imports over 2,500 distinct handcrafts, food commodities and pre-industrial items. The handcrafts range from wood statues, ceramic pieces and baskets to textiles, rugs and musical instruments; food includes tea, coffee, jam, wine and honey. A typical mark-up pattern for the goods would involve paying the supplier 10 guilders, shippers and customers 2 guilders, ABAL's wholesale operation 3 guilders, the retail operation 15 guilders, and a value-added tax of 5.5 guilders, for a final price of 35.5 guilders. Since the retail price is set at a below average level for similar goods in the Netherlands, the total mark-ups on the prices paid to Third World suppliers range from 180% to 500% (excl. VAT) depending on what the Dutch market will bear.

ABAL has experimented with a variety of market outlets for its products. In 1979, the AMO had five channels: domestic wholesaling (40%), retail shops (32%), exhibitions (10%), export wholesaling (10%), and mail orders (8%). Sales to commercial shops accounted for approximately 35% of the domestic wholesale income, 40% came from over 100 "action groups", and 25% came from two dozen "world shops." "Action groups" are informal associations of people from local churches, adult education centers or elsewhere who sell Third World products and distribute educational materials about Third World development once or more each year; action groups that decide to distribute products and materials on a more regular basis open "world shops;" these shops usually include space for discussion groups as well as exhibits of products and materials.) ABAL had five retail shops of its own in 1979-80. ABAL's exhibitions have been held at such places as museums, commercial fairs, art shows, "Indonesian fairs," and old folks homes; a large museum in Amsterdam has a permanent exhibit of ABAL products. ABAL's exports are to alternative marketing organizations in West Germany (GEPa), England (War on Want and FRIDA) and Belgium (Wereldwinkels and Magasins du Monde) as well as to commercial shops in Germany and Belgium.

When ABAL's general management changed hands in 1978, the AMO focused on finding new ways to expand its turnover. This emphasis reflects ABAL's conviction that it can best assist the Third World by selling more goods from its producers. (ABAL is an abbreviation in Dutch for: "foundation for sales promotion of articles from developing countries.") ABAL also wanted to reduce the stress experienced by its staff from being "pulled in so many directions" by its diverse market outlets. Since ABAL's retail shops in

Amsterdam and Arnhem have not been very productive, and are being phased out. The shops in the Hague and Utrecht will be retained for test marketing purposes and the one in Hengelo will remain because it is operated by volunteers. ABAL also will stop supplying exhibitions because, for the most part, these have not proved cost-effective.

ABAL is governed by a Board of Directors which in turn reports to the HIVOS Board. The ABAL Board includes three people from HIVOS and four citizens from the community. Until 1980, the chairperson of the ABAL Board was the head of the Dutch parliament. The ABAL Board meets about ten times each year to make or review general policy decisions. Operational decisions are made by the general manager and his staff, who meet every other week. Although HIVOS monitors what ABAL does, the PVO has not interfered in the AMO's policies and operations in any significant way.

ABAL has four full-time staff who in 1980 were each paid 32,000 guilders or about \$16,000 per year. In addition, ABAL has three part-time staff paid at rates a little below this level. The AMO also relies upon nine conscientious objectors who work full-time for ABAL as their alternative national service; ABAL pays these youths at the rate of 15,000 guilders per year. Of the sixteen paid staff persons, six are located in ABAL's retail shops.

ABAL anticipates continued expansion with the help of additional working capital loans from HIVOS. The PVO also is expanding its assistance to Third World suppliers by offering them additional loans and more technical assistance. The managements of ABAL and HIVOS are convinced that a much larger supply of crafts, food commodities and pre-industrial goods could be obtained from the Third World. On the other hand, ABAL anticipates a major challenge in selling an increased supply of Third World goods in Dutch markets which, it feels, could soon become saturated.

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ABAL FOUNDATION

Summaries of Profit and Loss Statements
(1000 Dutch guilders)*

	1980	1979	1978	1977	1976
Sales Volume	1,750 (incl. VAT)	1,228 ⁱ (excl. VAT)	1,346 (excl. VAT)	1,160 (excl. VAT)	807 (excl. VAT)
Gross Surplus % of Sales	NA	NA	NA	NA	NA
Net Surplus % of sales	NA	NA	NA	NA	NA
Exchange rates:					
guilder per U.S. dollar: Period	.5157	.4954	.4628		
Average 1980: June					

ⁱThe income shrank in 1979 because the ABAL warehouse was closed for ten months during its move from converted houses in The Hague to a modern warehouse in nearby Voorschoten.

AFRO-ART*

(Sweden)

AFRO-ART was founded in 1967 by the Committee for the Support of African Handicrafts. The Committee had been formed in response to appeals from Swedish missionaries in South Africa, after the "Sharpeville Massacre" in March, 1960. In 1961 the Committee established a weaving workshop for destitute wives of miners who were restricted from visiting their home villages by the South African government. Tapestries from the workshop sold well at exhibits in Sweden during 1962-66. As a result, in 1967 the Committee decided to establish an alternative marketing organization.

Eight other Swedish organizations were represented on the AMO's founding Board. They contributed 159,000 crowns in starting capital. In addition, the City of Stockholm provided a spacious shop rent free and three women volunteered time and travel expenses to get the AMO operating. Three other women were salaried. The AMO was named "AFRO-ART" due to its initial emphasis on high-quality African handicrafts.

The purpose of AFRO-ART is "to support crafts in non-industrial regions and countries." The AMO aims to increase Third World employment and incomes of artisans, especially youth and women, by buying their products. AFRO-ART provides technical assistance and resources to Third World artisans in order to strengthen their socio-economic development in ways consistent with their local resources and culture. Handcraft documentation and preservation is another objective. AFRO-ART also aims to give Third World products and producers a quality image in Sweden as a means to fight racial and cultural prejudices.

AFRO-ART's marketing operations grew steadily until 1976 when they plateaued at the annual turnover level of \$400,000 to \$500,000. Much of the AMO's growth was financed by its annual surplus, which in most years has ranged from 5% to 18% of gross sales. This surplus also has been used to support educational activities in Sweden and research and assistance in the Third World.

AFRO-ART currently markets handicrafts and a few food commodities from over fifty nations and has bought from suppliers in over eighty nations. Although the AMO emphasizes quality utilitarian crafts and buys most of its goods from a few large suppliers, it purposely imports small quantities from many nations in order to represent a wide range of products and cultures. Eighty-five percent of its imports come from non-government, nonprofit intermediaries like cooperatives and secular or church-related development projects. Another 10% come from commercial exporters and the remaining 5% from government emporia. AFRO-ART selects its suppliers primarily

*For an extended discussion of AFRO-ART, see AFRO-ART: A Swedish Alternative Marketing Organization (pp. 27), by L. Allen Parker, Center on Technology and Society, P.O. Box 38-206, Cambridge, MA 02138, USA.

for the quality of their crafts and secondarily on the basis of the socio-economic traits of their producers. The AMO often advances new suppliers 50% of the cost of an order.

Since 1969, AFRO-ART also has assisted Third World producers by giving them development grants and coordinating the activities of Swedish experts providing them technical assistance. Forty of these experts have been funded by SIDA (Sweden's government agency for development aid). Two additional experts were supported by AFRO-ART itself and three by the organizations represented on the AMO's Board. All of these experts were invited by the Third World groups they assisted. Earlier the experts each stayed at least two years, but now some stay only a few months. With its own funds or with support from SIDA, AFRO-ART also has sent fifteen experts to research crafts in twelve African and Latin American countries, and has helped with museum construction in Africa.

Seventy to eighty-five percent of the goods provided by AFRO-ART's suppliers are marketed through its store in Stockholm's main shopping district. After making a surplus its first year, the AMO took over payment of the store's rent. AFRO-ART attempts to operate without subsidies so that its suppliers can have the pride of knowing that their crafts sold in competition with commercial products made in Europe. For the same reason, the shop prices its products at commercial retail prices; on the average, this pricing results in mark-ups of about 100% over the landed cost of the crafts, which in turn averages about double the price paid to Third World suppliers. Third World visitors to the shop usually are impressed by its size, display design, and emphasis on high-quality goods. The shop also has a collection of books on crafts and socio-economic development. Shoppers are encouraged to handle the crafts, play the musical instruments, and discuss crafts and Third World development.

Another 5% to 20% of AFRO-ART's annual marketing income comes from sales at exhibitions, and 4% to 7% of the turnover comes from sales by volunteers at meetings of the organizations represented on AFRO-ART's Board. The AMO's wholesale operation accounts for the remaining 3% to 5% of the turnover. During 1977-78, IMPOD, Sweden's government agency for promoting imports from the Third World, granted AFRO-ART \$11,000 to expand its wholesaling. However, the AMO's staff were less effective at selling to buyers from department stores and commercial shops than to AFRO-ART's retail customers--most of whom are committed to crafts, Third World development or environmental concerns and Appropriate Technology.

AFRO-ART has displayed crafts in over 600 exhibitions in Sweden and eight elsewhere in Europe. It has three big traveling exhibits and several smaller ones for museums, libraries and art galleries. The AMO also has six suitcases full of crafts which it circulates among Swedish schools. In addition, AFRO-ART distributes

educational materials on crafts and sponsors lectures from the Third World. Visitors to exhibits are encouraged to handle the crafts and play the musical instruments. Crafts are sold at about three quarters of the exhibitions, with a 10% commission going to the exhibitor to cover shipping and exhibition costs. AFRO-ART subsidizes the shipping costs to most libraries and small museums, while schools generally pay for the shipping. Through its exhibitions, AFRO-ART aims to reach people who have little interest in international development. Over 30,000 people came to the AMO's tenth anniversary exhibition in 1977 and bought over \$50,000 worth of crafts and commodities.

AFRO-ART is divided into two divisions: the Marketing Organization and the Consultative Service. The latter is split into two units: Information Activities and Development Assistance. During the 1977-78 and 1978-79 fiscal years, the Information unit spent a total of 201,500 crowns on exhibitions and information materials; 75,000 crowns of this money came from SIDA grants and 126,500 crowns from the Marketing Organization's surpluses for the two years. During the same time, the Development Assistance unit spent 503,000 crowns on sending experts to assist Third World producers and 432,000 crowns on grants to Third World groups. SIDA provided the funds for these experts and grants, while the surpluses from AFRO-ART's Marketing Organization contributed an additional 144,000 crowns for the administration of the unit. (All told, SIDA has given the Consultative Service more than 50 grants during twelve years, totalling over \$750,000, but has not made grants to the Marketing Organization.)

Each division is headed by one of AFRO-ART's co-directors. These report formally to the Board, which meets semi-annually, and informally to the Board's Chairperson several other times during the year. The Chairperson is the journalist who founded the Committee for the Support of African Handicrafts and later AFRO-ART. The other eight founding members of the Board each continue to send one representative who has the same voting power as the other representatives. In addition to the non-voting co-directors, the Board includes a non-voting member elected by the rest of AFRO-ART's paid staff.

AFRO-ART has a paid staff of two nearly full-time co-directors and seven part-time employees. The co-directors are each paid 40 crowns per hour, while the other employees receive 25 to 30. (This is little more than the Swedish minimum wage rate of 24 crowns.) The employees combine a strong interest in handicrafts with often first-hand knowledge of the Third World, and a great commitment to the cause of AFRO-ART. Since 1970, the AMO has relied on unpaid volunteers only for staffing some of its exhibitions and for marketing at meetings of the organizations represented on AFRO-ART's Board. Because the AMO was founded by women and has several women's organizations represented on its Board, it has relied almost entirely on women for its staff in Sweden. However, it has sent both women and men to assist producers and research crafts in the Third World.

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AFRO-ART

Summaries of Profit and Loss Statements
(,000 Swedish Crowns)*

	1979-80	1978-79	1977-78	1976-77	1975-76
Sales Volume	1,500	1,601	1,898	1,303	1,600
Gross Surplus & of Sales	789	855	770	715	907
Net Surplus (loss) % of sales	16	125	(88)**	150	213
*Exchange rates: Swedish Crowns per U.S. dollar: Period Average 1980 June	4.17	4.29	4.52	4.48	4.36

** () indicates negative amount

Balance Sheet
August 31, 1979
(000 Swedish Crowns; one Crown equals U.S. 0.24)

<u>Assets</u>	
Cash Resources for Marketing Organization	\$ 264
Cash Resources for Information and Assistance Projects	459
Advance to Suppliers	13
Stock of Goods	466
Other Current Assets	176
Fixed Assets	<u>11</u>
Total Assets	<u>\$ 1,389</u>
<u>Liabilities and Fund Balances</u>	
Commitments for Information and Assistance Projects	544
Accounts Payable	54
Debts	89
Other Current Liabilities	<u>107</u>
Total Current Liabilities	<u>\$ 794</u>
Reserves	404
Fund for Handicraft Development	32
Capital of Afro-Art Founders	159
Balancing Fund	<u>---</u>
Total Liabilities	<u>\$ 1,389</u>

AID TO ARTISANS
(United States)

AID TO ARTISANS was founded in 1976 by the former Secretary General of the World Crafts Council. Its primary aim is the preservation of authentic handcraft production in Third World countries. AID TO ARTISANS hopes to achieve this aim by providing a stable and appreciative market in the United States for the products of disadvantaged artisan communities in the Third World and by educating the American public in the artistry, history and cultural significance of handcrafts from such communities. The AMO originally expected to sell the products it selected exclusively through museum shops and other non-profit organizations, such as hospital shops and college book stores. These markets proved disappointing and by 1978 annual sales had reached only \$33,000. In 1979, AID TO ARTISANS finalized a marketing arrangement with a successful Connecticut-based commercial wholesaler. This arrangement has given the AMO nationwide exposure and a greatly expanded market, increasing its turnover to \$75,000 in 1980.

AID TO ARTISANS was created on the assumption that "the pace of industrial growth has brought about a corresponding diminution both in the production of handcraft items in many areas and the quality thereof. Many of these crafts," continues the argument, "have played a critical role in the history and culture of the regions in which they were created and their near extinction has prompted efforts to support the artisans who create them." As a result of this orientation, merchandise is selected that is both indigenous to the country of origin and appropriate to the American market and not on the basis of the socio-economic conditions of producers. The products imported by AID TO ARTISANS are exclusively folk art pieces defined as "practical expressions of local or national cultures, objects of decorative or utilitarian purpose, all reflecting a shared view of life and embodying a high degree of handskill and technique." Prices for these items range from \$1.00 for a painted Balinese fish to \$36 for a Haitian steel sculpture.

AID TO ARTISANS currently buys from approximately 20 suppliers in 15 countries. Indonesia, Mexico, Guatemala, Haiti, Thailand and the Philippines are the AMO's major suppliers, though no single country or supplier accounts for more than 20% of the AMO's annual sales. Since AID TO ARTISANS deals entirely in traditional folk art, almost all its producers live in rural areas. Thus, the exporting functions are generally carried out by marketing intermediaries. Most of the AMO's suppliers were identified through the organizations' contacts from

the World Crafts Council. Two important suppliers are commercial entrepreneurs who have developed, according to the director of AID TO ARTISANS, long-standing and non-exploitative relationships with their producers.

The museum shop market which AID TO ARTISANS initially expected to develop proved much smaller than anticipated for several reasons. First, AID TO ARTISANS found that only a handful of its 100 regular museum customers (out of a possible 400) placed orders of \$1,000 or more; most placed orders between \$100 and \$300. Secondly, a large museum that indicated it would buy in large quantities dropped its purchases significantly after an initial order of \$14,000. Third, AID TO ARTISANS found itself competing against a large number of suppliers with strong financial foundations and specialized knowledge of a particular geographic region or, even, country. Fourth, a recent IRS ruling prevents museum shops from selling "unrelated business merchandise."

Over the past three years AID TO ARTISANS has worked closely with a number of organizations on both educational and marketing projects. The AMO has supported OXFAM/AMERICA's community development efforts by marketing applique wall hangings produced by socially and politically oppressed women in Chile. AID TO ARTISANS also has undertaken "joint venture" mail order programs with two Boston institutions, the Museum of Fine Arts and the Aquarium. In 1978, the AMO was invited by the Smithsonian to select and procure crafts to be sold during the Smithsonian's 12th annual folklife festival in Washington, D.C.

AID TO ARTISANS has recently initiated a program of financial assistance to crafts producers in Africa, Asia and Latin America who can demonstrate a need for materials and equipment. Initially, grants will range from \$500 to \$1,500 and will be awarded to community organizations rather than individual producers. AID TO ARTISANS is currently discussing with the Ford Foundation to provide such a grant for the purchase of innovative reeling machines for several Indian villages.

AID TO ARTISANS is a non-profit, tax-exempt organization. None of its directors are remunerated. The AMO's president and his wife who are responsible for managing the organization, are also volunteers. The only exceptions to the volunteer status of AID TO ARTISANS staff are a part-time secretary and a part-time marketing consultant, hired for nine months in 1980.

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AID TO ARTISANS
Summaries of Profit and Loss Statements
(U.S. Dollars)

	1980	1979	1978	1977	1976
Sales Volume	75,000	62,873	33,056	20,384	7,778
Gross Surplus % of Sales	NA	18,944 30%	NA	NA	NA
Net Surplus (loss) % of Sales	NA	(.37)	NA	NA	NA

Balance Sheet
September 30, 1979

Assets

Current Assets

Cash - Checking Account	\$ 1,421
Accounts Receivable	26,043
Inventory (Note 2)	32,280
Prepaid Interest	<u>256</u>
Total Assets	<u>\$60,000</u>

Liabilities and Fund Balance

Current Liabilities

Accounts Payable	\$27,718
Notes Payable - Bank (Note 3)	25,000
Notes Payable - Other (Note 4)	41,000
Accrued Interest	<u>1,942</u>
Total Current Liabilities	\$95,660

Fund Balance

Balance (Deficit) (Exhibit "B")	<u>(35,660)</u>
Total Liabilities and Fund Balance	<u>\$60,000</u>

OXFAM TRADING
 BRIDGE: An Oxfam Initiative
 (United Kingdom)

BRIDGE is the brand name for products from the Third World imported into the United Kingdom by OXFAM TRADING, a company owned by OXFAM, the largest charity in the United Kingdom. The company was established in 1964 to allow OXFAM to trade in Christmas cards and other products, while maintaining its tax-exempt status as a charity. All trading profits are covenanted to the charity, thus allowing the company to avoid corporation tax. In 1980-81 the total sales volume of OXFAM TRADING was 3.6 million English pounds (\$7.2 million); its "contribution" including mail order donations to OXFAM's income that year was 888,548 pounds or 5.6% of the charity's total income. Profits from the sale of BRIDGE products are returned to the producer groups in the developing countries as dividends.

OXFAM began importing products from the Third World in 1963. At the suggestion of one of its field directors, OXFAM purchased a consignment of pin cushions and woven articles from Hong Kong. The items were marketed in the four shops through which OXFAM sold donated goods (primarily clothing). At that time, the bulk of OXFAM's income came from sponsored walks and direct appeals for donations. During the late 1960's the charity moved quickly to create a more stable income base by opening OXFAM shops throughout the country, and by 1970 some 300 shops had been opened. The importing program was also growing, though much more slowly. In 1969, under the name, Helping-by-Selling, OXFAM TRADING sold 20,000 pounds of crafts from seven countries. By 1976, however, 600 OXFAM shops were operating in England and sales of Third World products had reached 550,000 pounds; Third World products were being sold through most of the shops and a mail order catalogue. BRIDGE sales reached 950,000 pounds in 1978-79; 1979-80 saw a 5% drop in sales to 905,000 pounds, due primarily, it is believed, to the lack of new products and the constraints of marketing through second-hand thrift shops, but in 1980-81 there was a 15% increase in sales to 1,240,000 pounds.

In the early 1970's, the Helping-by-Selling project staff proposed to OXFAM that it help establish a separate and independent trading company to be called BRIDGE. According to a proposal submitted to the charity, BRIDGE was to be:

- a 'bridge' from producer to consumer (international marketing of products made in developing countries)
- a marketing structure eliminating profiteering middlemen; dedicated to providing the best possible wages and working conditions for the producers; and fair prices, quality and service for the consumer

- a partner for those industries in developing countries which will best provide increased employment opportunities for the otherwise out-of-work or under employed
- a cooperative, partnership, or foundation--its products are to be sold on the basis of fulfilling the needs of the consumer for high standards, quality, and fair price. It is not a charity and does not expect its customers to buy out of charity.

The profits of the new company were to be dedicated to the development of the material, educational, cultural and total well-being of workers and consumers. In particular, three dividends were proposed: a producer dividend, to be spent by each producer group on projects which improve the quality of life of the community; a consumer dividend, to be spent by BRIDGE on educational projects; and an expansion dividend, to be spent by BRIDGE for the expansion of employment creation programs.

Of particular concern to the Helping-by-Selling staff were: (1) the viability of OXFAM shops as marketing channels, and (2) the appropriateness of marketing Third World products through a charity. The staff took the position that producers need access to a permanent professional sales system and that voluntary shops and special sales were an inadequate foundation on which to build a trading business. They also argued that, as the name OXFAM was synonymous with charity, marketing under the OXFAM label simply reinforced, if only subconsciously, the whole paternalistic syndrome from which producers seek to escape.

OXFAM accepted some of the suggestions proposed by the Helping-by-Selling staff, including the name BRIDGE and the dividend scheme. (In 1981, 65,367 pounds--62% of the net profit was made available to present and future suppliers.) The more dramatic proposals, however, were rejected and in 1977 BRIDGE was integrated entirely into OXFAM TRADING. For at least two years prior to 1977, for example, BRIDGE products were sold through a separate mail order catalogue. In 1977, they were included in the one OXFAM TRADING catalogue along with the other product lines of the company.

At present, OXFAM TRADING imports a range of low- to medium-priced handmade products from 60 suppliers in approximately 20 countries. Goods produced in India accounted for 55% of total sales of BRIDGE products in 1980. Bangladesh and the Philippines accounted for another 30% of the turnover that year. The majority of the suppliers of BRIDGE products are non-profit marketing organizations (e.g., CCAP in the Philippines) and non-profit secular or church-related development projects (e.g., Saint Mary's Women's Center in Ahmedabad). OXFAM TRADING says it presently imports from 90% of the groups which were supplying products to the AMO four years ago.

OXFAM TRADING employs a full-time resident representative in North India and part-time representatives in South India and Bangladesh. These representatives identify new sources of supply and serve as critical links to producer groups,

assisting the supply chain in a large number of ways. In addition, OXFAM TRADING employs a designer who spends about half of his time working with producer groups on new product designs, adaptation problems, and production methods. To help producers meet needs for working capital, OXFAM TRADING will pay up to 40% of the costs of a consignment with an order.

BRIDGE products are sold through two distribution channels: a mail order catalogue sent to 250,000 people on the OXFAM mailing list, and about 450 of the network of OXFAM shops. Catalogue sales of BRIDGE products rose from 139,000 pounds in 1978 (46% of the total of BRIDGE sales) to 254,000 pounds (or 48%) in 1980. In the intervening years there was a decline in BRIDGE mail order sales owing to the lack of new products available (it is a long job to alter the merchandise range of producers). BRIDGE sales in the shops rose in the same period from 586,000 pounds to 948,000 pounds despite the fact that some volunteers feel that more emphasis should be placed on the sale of donated goods carrying a much higher profit margin for OXFAM. People do not come to buy new products at OXFAM shops, but the odd second-hand item which is a bargain. OXFAM TRADING is now studying the feasibility of penetrating the commercial wholesale market with a showroom in central London.

OXFAM TRADING has 52 full-time paid staff at its Bicester, Oxon headquarters. There are nine people in the purchasing division, including five who deal exclusively with BRIDGE products--two in the Delhi office and a producer-assistance (and product development) manager. Five people in the sales division handle communications with the OXFAM shops and mail order customers. Warehouse and Accounts staff number 38.

OXFAM TRADING has participated in European conferences on alternative marketing, supported the TRADECRAFT newsletter and worked closely with FEDEAU.

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OXFAM TRADING

Summaries of Profit and Loss Statements
(in ,000 English Pounds)*

OXFAM TRADING	80-81	79-80	78-79	77-78	76-77	75-76
Sales Volume	3,564	2,972	2,184	1,665	1,439	1,050
% Increase (decrease)	20.0	36.0	31.0	16.0	37.0	
Gross Surplus	1,835	1,544	1,038	714	692	607
% of Sales	51	52	48	43	48	58
Net Surplus (loss)	399	259	138	38	136	150
% of Sales	11	9	6	2	9	14
% Increase (decrease)	54	88	263	(.72)	(.09)	N/A
BRIDGE						
Sales Volume	1,224	1,072	990	757	688	541
% of Sales	34	36	45	45	48	52
% Increase (decrease)	14	8	30	10	25	4
Surplus	104	58	NO	NO	NO	55
% of Sales	3	2	PROFIT	PROFIT	PROFIT	5
* Exchange rates:		233	212	191	175	181
U.S. cents per English pound						
Period Average						
1980 June						

THE DEVELOPING COUNTRIES FOUNDATION OF 1962
(Denmark)

THE DEVELOPING COUNTRIES FOUNDATION OF 1962 started as a project of a secondary school in Aarhus, Denmark. A group of students and teachers at the school collected about \$125 and requested an expatriate working in Ghana to purchase a selection of local crafts. Profits from the sale of the articles at the school fair were donated to a folk high school in Ghana and used to purchase additional crafts. The Danish press provided free publicity; as a result other schools requested assistance in arranging similar sales exhibitions. In 1963, the Foundation received a large boost when the secondary school in Aarhus was asked to join a UNESCO exhibition held at the local town hall. The Danish Ministry of Foreign Affairs gave the Foundation a grant of 100,000 Danish crowns (approximately \$18,000 at 1979 exchange rates) and many people volunteered their time to work on the preparation of the exhibition.

While the Foundation's 1979 turnover has reached \$303,456, the AMO has retained its educational focus and its volunteer spirit. In personal correspondence, the director of the Foundation wrote, "the important thing . . . is not the quantity of articles sold and it is not the quantity of money obtained. We hope, through the Foundation," he continued, "to make it possible to a bigger number of people to become active and to establish relations with groups in the developing countries or to develop relations already established. We hope in this way to further the understanding that the problems of development not only are the problems of the developing countries but also ours." The director of THE DEVELOPING COUNTRIES FOUNDATION is a full-time teacher at the secondary school where the marketing program began. All the staff of the Foundation with only one exception are volunteers and no one profits personally from the sales exhibitions.

According to its charter, the aims of THE DEVELOPING COUNTRIES FOUNDATION are two-fold: (1) "to give support to the solution of problems, particularly of an educational nature, in the developing countries"; (2) "to further international understanding." In order to achieve these ends the Foundation imports a range of artistic and functional folk-art and pre-industrial crafts and sells the items through sales exhibitions at local schools, museums, public libraries and other similar associations in Denmark. The Foundation will typically send consignments valued between 10,000 and 15,000 crowns to the organizers of an exhibition. In addition, the AMO has prepared and will lend on request a series of photographs, slides and tapes which describe the socio-economic conditions of some of the

Foundation's suppliers and a few booklets which discuss some of the projects which the Foundation is supporting.

Retail prices which can be charged for the products sold at the exhibitions are set by the Foundation. Organizers of the exhibitions retain 25% of all sales; unsold items can be returned to the Foundation which pays for the transportation costs as well as all sales taxes. A school or association which has organized a sales exhibition can use its proceeds to support a project or activity in the Third World, as long as it is in accordance with the aims of the Foundation. The Foundation itself currently supports directly some 37 projects in 7 countries to which it sent \$92,222 in 1979. Most of the projects are educational in nature. For example, in 1979 the AMO donated 17,573 crowns and 15,000 respectively to two village polytechnics in the Kahameg and Nairobi districts of Kenya. The AMO also supports craft production and training centers; in 1979, 36,000 crowns were donated to two such centers in the Mombassa district of Kenya.

Part of the support which the Foundation has offered has been in the form of low-interest, long-term loans. The Foundation is particularly concerned that the interest on such loans should not leave the country concerned. Consequently, the AMO has set up two small sections in Kenya and Tanzania. The Tanzania section of the Foundation was established in 1979 with the following purposes: (1) "to cooperate with local people and local organizations in promoting handcraft centers, etc."; (2) "to give loans to projects"; and (3) "to avoid that interest and repayments are taken out of Tanzania." The Tanzanian section is governed by a committee consisting of four members appointed by the Community Development Trust Fund of Tanzania and one member appointed by the Danish section of the Foundation. In 1979, the Tanzania section had liquid assets totalling approximately \$3,000 with loans to three primary schools totalling \$4,000.

In addition to preparing descriptive materials on suppliers, the Foundation has undertaken a number of educational activities. In 1974, it organized a 6-week visit to Denmark by a group of 34 Tanzanian farmers and artisans. In 1979, the AMO helped organize a tour of projects in Kenya for a Danish group. A similar trip to Tanzania is planned for 1981.

In 1979 the Foundation sent consignments of crafts to 133 local sales exhibitions throughout Denmark; this channel accounted for 75% of the AMO's turnover. The other 25% was accounted for by sales through two retail shops managed by volunteers.

THE DEVELOPING COUNTRIES FOUNDATION purchases products from 65 different suppliers in approximately 35 countries. Among the AMO's major suppliers over the

past several years have been Kenya, India and Guatemala. Many of the suppliers are commercial exporters and government emporia; very few have been producers and non-profit indigenous non-government organizations. The Foundation imports from so many different sources for two reasons. First, many of its wholesale "customers" have an interest in particular and different cultures and want to have crafts from those areas. Secondly, the AMO wants to avoid building any dependencies and prefers to buy from groups which have many other outlets, especially local markets.

THE DEVELOPING COUNTRIES FOUNDATION is governed by a committee of five members who are elected by and from members of its Working Group. The Working Group consists of all active members of the Foundation; in 1980, there were approximately 30 members. In addition to approving the admission of new members to the Working Group, the committee establishes the major tasks to be carried out, including the placing of large purchases, the principal lines of policy for activities in Denmark and the distribution of surpluses of the Foundation to suitable projects. The staff of the Foundation includes one full-time, paid employee. No members of the committee or the Working Group receive any compensation.

For further information:

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THE DEVELOPING COUNTRIES FOUNDATION OF 1962

Summaries of Profit and Loss Statements
(,000 Danish Crowns)*

	1980	1979	1978	1977	1976
Sales Volume	1,800	1,596	1,517	1,441	1,261
Gross Surplus % of Sales	NA	889 55.7%	NA	NA	NA
Other Income	NA	201	NA	NA	NA
Net Surplus (loss) % of sales and diverse income	NA	799 44%	NA	NA	NA
Funds donated/loaned to Third World projects					
Indirect Support		191			
Direct Support	NA	485	NA	NA	NA
Total		676			
*Exchange rates: Crowns per U.S. dollar Period Average 1980 June	5.49	5.26	5.51	6.00	6.05

Balance Sheet
December 31, 1979Assets

Cash on Hand	66,321
Cash Accounts	437,366
Bonds	169,800
Accounts Receivable	266,492
Goods on Consignment	77,000
Advances for Purchase of Goods	100,790
Stock (valued at 50% of sales price exclusive of V.A.T.)	1,190,000
Assets in Developing Countries	79,563
Other	45,000
Total Assets	<u>2,432,332</u>

Liabilities and Fund Balance

Accounts Payable	38,681
Other Creditors	172,606
Fund for Developing Countries	300,000
Total Current Liabilities	511,287
<u>Fund Balance</u>	
Balance (January 1979)	1,798,000
Carryover from Year's Accounts	122,345
Total Liabilities and Fund Balance	<u>2,432,332</u>

DRITTE-WELT-LÄDEN
(Germany)

DRITTE-WELT-LÄDEN (DWL) was founded in October 1970 to help Third World producers increase their socio-economic welfare through marketing their goods in West Germany. DWL also wanted to give part of the AMO's surplus income to Third World development projects. In addition, DWL aims to increase the awareness among Germans of Third World products and development concerns.

DWL was founded by a former Secretary General of the West German private voluntary organization (PVO) in the Terre des Hommes federation. Earlier he had been manager in a German clothing factory and then had directed the Terre des Hommes Biafran relief work in Nigeria. During a visit to Terre des Hommes' medical project for abandoned Bolivian mothers, he was asked to find ways to market the items these women could knit from lama wool. Due to German legal constraints, he and five friends decided to establish an AMO independent of the PVO. They pledged 20,000 DM in working capital shares and another friend gave a 10,000 DM no-interest loan for start-up capital. DWL's subsequent growth was financed from reinvesting 70% to 80% of the surplus made from selling Third World products.

DWL initially opened a shop next door to the PVO office in Osnabrück and staffed it with conscientious objectors doing alternative national service. At the start, they sold only items made by the Bolivian women. It soon became apparent, however, that a wider range of crafts was needed. DWL then began ordering items from other Third World projects. In 1972, the AMO's founder took over the shop's operation as a full-time volunteer, after resigning from Terre des Hommes. A year later, DWL began paying him at the salary rate of his wife, a teacher in an alternative school. DWL continued to expand and during its 1975-76 fiscal year had a turnover of 956,800 DM (\$380,000). The AMO then moved to its current Osnabrück warehouse and rented a small shop on a fashionable walking street.

In the middle 1970's, DWL opened three additional shops in other German cities. Due to staffing and communication problems, however, these shops did not prove sufficiently profitable and were shut down. Meanwhile, the Osnabrück shop had come to be viewed as DWL's test marketing outlet rather than a major source of income.

Most of DWL's turnover in the middle 1970s came from sales to "action groups" and "world shops", which had begun buying from DWL in 1973. This wholesale operation now serves 500 to 600 actions groups. Many of these groups are based in churches, schools or scout units, while others are independent. They typically sell products from the Third World two or three times a year as part of "educational actions" to

make Germans more aware of Third World problems, as a means to raise money for their own educational activities and for donations to development projects in the Third World. The action groups earn a 15% commission on DWL goods they sell. Some action groups decide to open "world shops" as a means to market Third World products and distribute educational materials several times each week. Between 50 and 60 world shops send representatives to DWL's warehouse to order goods. World shops buy DWL products at approximately a 40% discount. At the end of each fiscal year, DWL also gives world shops a rebate of 1% to 4% of their purchases from the AMO.

In 1978 DWL and the English AMO Tearcraft began a joint mail order business called "The European Alternative Marketing" (TEAM). Tearcraft put up working capital of 10,000 pounds in 1978 and 5,000 pounds in 1979, amounts matched by DWL. The director of Tearcraft also helped create TEAM's first catalogue and its direct mail marketing systems. When this director left Tearcraft in 1979, the AMO's Board withdrew from TEAM and donated its 15,000 pounds in capital shares to DWL for use in marketing jute products from Bangladesh.

DWL has marketed a hundred thousand jute shopping bags and other jute products in conjunction with the "Use Jute Not Plastic" campaign initiated by GEPA, another German AMO, in 1978. In the bags, TEAM included information brochures about jute, plastic, and Bangladesh adapted from a GEPA brochure. The TEAM brochure also included a tear-off section to send to TEAM for additional information and for a catalogue of jute and other Third World products. From the jute campaign and DWL's contacts and an intensive promotional campaign (press releases, radio interviews, etc.), TEAM has compiled a mailing list of over 30,000 names. Only 3,000 of the names have come from the jute campaign.

TEAM's income has expanded from 283,200 DM in the second half of 1978 to 723,500 DM in 1979 to 817,555 in 1980. DWL's wholesale and shop turnover went from 1,241,200 DM in fiscal 1976-77, to 1,480,650 DM in 1977-78, but then shrank to 1,129,150 DM in 1978-79 and 1,174,433 DM in 1979-80. The combined incomes of TEAM and DWL in 1979 totaled almost 2 million DM (1,130,000, 1980 U.S. dollars) and in 1980 rose to 2,145,000 DM. DWL anticipates that TEAM will play an increasingly large role because there is no alternative mail order service in Germany, whereas GEPA is the primary supplier of action groups and world shops.

DWL now buys crafts and commodities from about 45 suppliers in 27 Asian, African and Latin American countries. About 50% of these suppliers are organized as producers' cooperatives and other self-help groups and 20% are missionary projects. The remaining 10% are government-owned firms or individual artisans or families. DWL receives 50 to 100 requests from potential new suppliers each year, but selects only about a dozen--those that both have products of adequate quality for DWL to

sell and are non-commercial or non-exploitative. The suppliers provide a wide range of knitwear and other garments, leather goods, domestic furnishings such as blankets and rugs, baskets, glass and ceramic items, brass and wooden ware, and jewelry.

Throughout its history, DWL has generated an annual surplus. In 1980, the surplus after taxes was 100,000 DMs. DWL shared 4% of the surplus with the world shops, reinvested 76% and, as in the past, gave 20% to Third World development projects. Some of this 20% is given directly to any of the 50 to 100 projects that request donations; the rest is given to PVCs. Although DWL does not share any of the surplus with Third World producers, the AMO assists them by making them loans or advanced payments with its orders. Because DWL prefers to work with cooperatives and self-help groups that are large enough to provide a fairly dependable supply, it refers five or six very small producers each year to action groups and world shops which want direct links to Third World producers. DWL has helped these action groups and world shops work out the necessary arrangements with the producer groups.

In addition to providing crafts and commodities for educational actions, DWL offers brochures about jute and tea. DWL's catalogue also contains brief descriptions of some of the self-help groups that make the AMO's products. In addition, DWL's Osnabrück shop and the mail order catalogue offer books on Third World development. DWL has discovered, however, that most shop customers have little or no interest in educational information about self-help groups and Third World development; in fact, many became angry when DWL clerks earlier attempted to promote such information. As a result, DWL uses a low-key approach to education.

DWL continues to be governed by a six-person Board of the AMO's founder and his friends. They have a formal meeting annually to review the AMO's annual report, and meet informally two or three other times during the year to discuss issues of concern.

On its full-time staff at the warehouse, DWL has a General Manager, a marketing and information specialist, two bookkeepers, two wholesale workers, two mail order workers and a secretary. One full-time and one half-time employee staff the shop. In addition, five to fifteen people work for DWL temporarily each year in periods of high activity. The staff are paid average wages for their work. The General Manager continues at the salary of an alternative school teacher, about one-third what the manager of a commercial marketing operation would earn.

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DRITTE WELT LÄDEN

Summaries of Profit and Loss Statements
(,000 German Marks)*

	1980-81	1979-80	1978-79	1977-78	1976-77	1975-76
Sales Volume	2,145	1,992	1,412	1,481	1,241	957
Gross Surplus % of Sales		35%	17%	48%	46%	NA
Net Surplus % of Sales		6.5%	3%	7.5%	8.5%	NA
Amount donated to Third World development projects	95,000 DM total between 1975-1980					
*Exchange Rate Marks per U.S. dollar Period Average 1980: June		1.77	1.83	2.01	2.32	2.32

FRIDA MARKETING SERVICES, LTD.
(United Kingdom)

FRIDA MARKETING SERVICES is the handcraft marketing subsidiary of the Fund for Investment and Development of Africa, Ltd. (FRIDA), an independent charity incorporated in the United Kingdom in 1976. FRIDA's primary aim is the creation of "productive employment in developing countries and particularly in the smallest and least privileged countries in Africa and other selected regions." FRIDA MARKETING SERVICES was established in 1976 "to create and expand channels of distribution adapted to handcrafts from FRIDA countries as well as to maximize sales of African handcrafts, create and expand handcraft production in Africa and (generate) employment in the handcraft sector in FRIDA countries."

FRIDA was originally created from two existing organizations. One was a small consultancy firm in Geneva, called SEDI, which had been involved in studying characteristics of developing countries in order to rank them in order of their appropriateness for small-scale business development projects. The other was PROJECT HAND, an importing company established in 1972, importing "ethnic handcrafts, high quality gift items, handmade by traditional methods, and using, broadly speaking, traditional designs." PROJECT HAND ceased operation as an independent operation in 1975. Its founder and director became managing director of FRIDA, LTD. The name PROJECT HAND was retained for the wholesale marketing division of FRIDA MARKETING SERVICES which in 1980 was also running two retail shops. By 1980 the combined sales volume of the two marketing operations was £650,000 (\$1,514,500).

From the outset, FRIDA drew a distinction between handcraft and small industries projects. Handcrafts became defined as "anything which can be sold at its crafts stores." Small-industry activities which FRIDA sought to encourage included leather goods, wooden products, toys, ceramic products and clothing. It was initially hoped that FRIDA would act as a catalyst or bridge between handcraft projects and commercial importer/wholesalers in the U.K. According to its policy documents, however, FRIDA found that "handcraft marketing organizations in Europe and North America are generally small, do not know the market very well, and do not know what they want (except for good quality, appropriately priced, supply-guaranteed novelty items) . . . and most are unwilling to commit themselves to buying the production of a project in Africa for a long-term period." Consequently, FRIDA developed its own marketing network.

In 1976, FRIDA MARKETING SERVICES decided to continue both the retail and wholesale operations which it inherited from PROJECT HAND. According to FRIDA's former managing director, the wholesaling effort was continued to accommodate the position that large volumes could be moved with basically the same overhead as it takes to move smaller volumes and the retailing operation was continued to accommodate the position that only a retail shop could effectively respond to the needs of the very small producer. When FRIDA MARKETING SERVICES started its retail operation with a small shop in the Africa Centre in London, it continued to purchase products from producers who had been suppliers to PROJECT HAND. Most of these suppliers had been identified through contacts with British and other voluntary agencies and were local, community-based groups of one type or another. Suppliers to the AMO's wholesale operation, however, had to supply much larger volumes and were identified for the AMO by the former director of BRIDGE/OXFAM. Many of these sources were based in the Philippines and India. According to its former marketing director, FRIDA MARKETING SERVICES does not buy from most of its original suppliers any more: "They were run by priests or volunteers of one type of another . . . all very nice people but very difficult to work with, as they were neither production nor marketing people."

FRIDA MARKETING SERVICES uses three distribution channels: two retail shops, commercial wholesale, and cash and carry. In 1979, the AMO's wholesale division had 19 major accounts, some of which had as many as 50 individual groups associated with them. The retail division deals directly with more producer groups and in 1979 was supplied by approximately 100 groups. The distribution of producer groups/suppliers by continent and across the different marketing channels is shown in the following table:

<u>Marketing Channel</u>	<u>Continent</u>			
	<u>Africa</u>	<u>Asia</u>	<u>South America</u>	<u>Europe</u>
Wholesale	15	50	35	
Cash/carry	45	25	35	
Retail	40	25	20	15

At present 20% of the suppliers account for 80% of the sales volume--across the three distribution channels. In addition, the contribution of African suppliers to sales volume has dropped off considerably and will continue to drop off, as FRIDA continues to develop suppliers in the Philippines and India. In 1979, 50% of the AMO's wholesale volume was accounted for by products from CCAP, the one Philippines supplier. Kenya and Pakistan accounted for 10% of retail sales volume.

Without a built-in constituency, and because it sought to reach significant volume as quickly as possible, FRIDA MARKETING SERVICES established commercial marketing channels. While cash and carry is a type of wholesaling, in the sense that products are sold to retailers, it avoids two of the major problems associated with a wholesale operation: not having sufficient stock in a particular line to fulfill orders and collecting receivables. The cash and carry channel has worked well for FRIDA MARKETING SERVICES because of its central location and the planned renovation for the entire Covent Garden area of London. At present, FRIDA MARKETING SERVICES has two retail outlets in London--a shop on Long Acre Street in the Covent Garden area, and a shop on Kensington High Street, a fashionable shopping area in west London. Both shops are professionally designed and attractively laid out with crafts beautifully displayed. The Long Acre shop turned over £170,000 in 1979 but the Kensington High Street shop has not been able to generate sufficient sales to justify its location.

FRIDA MARKETING SERVICES is very careful to downplay its relationship to FRIDA. The only reference in its catalogue to the "non-profit" status is one line inside the front cover that states: "PROJECT HAND is the U.K. wholesale division of FRIDA MARKETING SERVICES, LTD., a subsidiary of FRIDA, a registered charity to which all profits are covenanted." The context within which all products are marketed is commercial. There is no statement of FRIDA's goals and objectives in any of the AMO's literature and there are no references to the context within which products are made or to who makes them.

In 1978, FRIDA decided to establish two field offices in Africa in addition to a Lesotho office which had existed since 1976. In 1979, a field officer was sent to East Africa (based in Nairobi) and one to West Africa. They were responsible to the managing director of FRIDA MARKETING SERVICES and had very specific instructions from the AMO's buyer. The two field officers were also asked to identify prospective projects for FRIDA's involvement at the production end, though initially they were principally buyers for FRIDA MARKETING. The costs of maintaining the two field officers, however, were borne by the parent organization, not the marketing subsidiary. According to the AMO's former marketing director, they found a large array of very exciting crafts (e.g., basketware from the Takaro region in Kenya) which could be sold retail at reasonable prices. No prospective FRIDA development projects, however, were identified and started.

As part of a general retrenchment in 1980, the posts of the two field officers, the marketing manager and project coordinator (who managed the field officers) were abolished. According to available figures, the AMO's losses in 1979-80 were £90,000. It is our understanding that FRIDA has written off its no-interest loan

to FRIDA MARKETING SERVICES which in 1980 totalled £108,540. As of 1980, the AMO is to break even or cease trading.

In 1980 there were 16 staff at FRIDA MARKETING SERVICES. There was a marketing director who coordinated buying and selling in the U.K. and continental Europe, a buyer for both the retail and the wholesale lines, a wholesale manager, a warehouse manager, four support and administrative staff and two people responsible for stock. Each shop has a permanent manager, with a total of five full-time staff. FRIDA's overall legal structure in 1980 was rather complex, as it stretched across several countries and consisted of a number of separate entities.

For further information:

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FRIENDS OF THE THIRD WORLD
(United States)

FRIENDS OF THE THIRD WORLD was incorporated in 1972 as a non-profit, tax-exempt organization for the following purposes:

- (1) to sponsor and support projects and programs designed to assist poor and needy persons in their social and economic development
- (2) to initiate and support programs of information for the (U.S.) public about the problems of hunger, malnutrition, unemployment population and related social phenomena throughout the world and to cooperate with interested organizations and groups in carrying on this informational function
- (3) to provide facilities for the dissemination of information including printed, audio and visual, to member local groups and other non-profit organizations and groups

Since 1972, FRIENDS OF THE THIRD WORLD has established three separate projects to achieve these purposes. The first is a handcraft marketing effort which began with a retail shop in Ft. Wayne, Indiana, and has grown over the years to include a network of 20 shops in the U.S., known as the Union of Third World Shoppes. The second project provides printing facilities and services to local non-profit organizations, and is known as Delta Communications. The third project, an effort to develop and disseminate development educational materials, is called Whole World Books. The organizational structure of FRIENDS OF THE THIRD WORLD is shown on page A-33.

The three projects (i.e., marketing, printing, and education) grew out of the interest and experiences of a group who had been involved with hunger marches sponsored by the American Freedom for Hunger Foundation in the Ft. Wayne area during the late 1960's. One of the group, a high school teacher in Ft. Wayne, had heard about the Third World Shoppes and action groups in Europe and wrote to the SOS, the Dutch AMO, for information on starting an alternative marketing organization. Another member wanted to emphasize and continue the educational aspect of the hunger walks. The printing project was "a natural extension of the group's experiences with publishing brochures, flyers and other materials used during the sponsored walks."

FRIENDS OF THE THIRD WORLD defines a Third World person as one with very few, if any, alternatives in housing, schooling and employment. No geographic or national boundaries are used in the definition. Consequently, the Union of Third World Shoppes markets many crafts from Appalachian, Indian and other disadvantaged groups in the U.S. FRIENDS OF THE THIRD WORLD and the Union of Third World Shoppes emphasize both trading and education. The two are seen as complementary and

self-reinforcing. Underlying this dual focus is the ultimate aim of the AMO: to demonstrate the existence and viability of an "alternate system of trade (alternative to those built solely on the maximization of profit) as an effective way to address problems of poverty and unemployment." In seeking to address "the need for justice in trade," FRIENDS OF THE THIRD WORLD has two objectives: (1) to sell products at low prices so that the producers retain a larger portion of the selling price; and (2) to promote the understanding that by purchasing an article from FRIENDS OF THE THIRD WORLD one "is taking direct action, however small, to reverse a major inequity in the world."

By 1978, Delta Communications was providing printing services to over 100 community organizations which benefit low-income or poor people and/or provide information and education to the public about problems faced by low-income people. Printing services are provided at cost plus 25% for non-commercial clients and at cost plus 100% for commercial clients. By 1979-80, sales had reached \$30,800. By 1978, Whole World Books had set up a national mail order distribution system and in 1978 produced a catalogue of 800 titles of books dealing with various social issues. The catalogue was advertised in over 4,000 food co-ops in the U.S. Books are sold at half list price plus 10% to groups or at list price to individuals by mail order. In 1979-80 the sales volume of Whole World Books was \$5,000. FRIENDS OF THE THIRD WORLD began its handcraft marketing project by opening a retail shop in Fort Wayne. SERRV provided most of the initial inventory of the shop; Peace Corps projects served as major sources of supply during the first two years of the project.

In 1975 FRIENDS OF THE THIRD WORLD prepared a four-page article on alternative marketing for the third edition of the Alternate Celebrations catalogue. The article described the creation of a national Union of Third World Shoppes and encouraged more people to set up local shops and to help the shops that had already been started. The piece in the catalogue resulted in requests from approximately 40 individuals for help in setting up Third World shops. Many of the people were involved with SERRV as managers of annual bazaars at their local churches; they almost all wanted to be involved in crafts marketing on a more permanent basis. And they expressed the need for more informational materials on Third World groups and larger issues as well as personal contact with others involved with export marketing. By 1978, there were some 20 Third World shops in the Union. Three (including THIRD WORLD HANDARTS) were incorporated as a non-profit organization; the other shops are member organizations and pay an annual membership fee of \$10.

The sales volumes of the 20 shops in 1978 ranged from approximately \$8-10,000 to \$50,000. In 1980, THIRD WORLD HANDARTS' annual turnover had reached \$75,000.

Several are permanent shops; other shops are open only one or two days a week on a seasonal basis. Most of the shops specialize in products from one or two producer groups or geographic areas. A shop in South Bend, Indiana, for example, only buys from certain regions in Mexico and Thailand. Each shop also has its own marketing channels. THIRD WORLD HANDARTS sells at "Sunday sales" (in addition to its retail store); the South Bend shop sells out of two trailers near the Notre Dame University campus and through Catholic churches. The Ft. Wayne shop has a retail outlet and sells at local events such as the International Fair and Three Rivers Festival in Ft. Wayne. This shop also sells directly through "home parties" and at church functions.

All shops in the Union sell handcrafts along with materials which at least "are explanatory of the product, the culture of the producers and general trade issues." Furthermore, the Union views a shop as not merely a store with Third World crafts, but "an action center offering cross-cultural experiences via films, speakers and musical groups." Staff members of FRIENDS OF THE THIRD WORLD are engaged in a range of educational activities, including training CETA workers and developing global educational curricula with local high school teachers.

In order to create a much broader and extensive base for alternative marketing in the United States, FRIENDS OF THE THIRD WORLD laid plans in 1977 for an alternative marketing week. A national publicity campaign was planned and aimed to reach food co-ops, labor unions, churches and educational organizations through their own media (e.g., union magazines). FRIENDS OF THE THIRD WORLD received assistance in publicizing plans from the Public Media Center, a national, non-profit organization which provides technical assistance to other non-profits. The alternative marketing week, however, never materialized. On February 26, 1978 the building which housed the print shop, the library and the Third World shop burned down. The years 1978-1980 were spent regrouping and trying to survive the impact of the fire. Six new groups were added to the Union in 1978; but expansion was well below expectations. And plans for an alternative marketing week were shelved indefinitely.

In 1979-80, 35-40 "Third World" groups were supplying the Union shops. Most of the suppliers are local cooperatives or community-based groups and are either church-related, have a PVO affiliation or deal with an intermediary like a U.S. Peace Corps volunteer. FRIENDS OF THE THIRD WORLD also buys from U.S.-based community groups. The Kiononia Farms in Americus, Georgia, an integrated community established in 1942 as an experiment in Christian living, is a good example. FRIENDS OF THE THIRD WORLD claims it uses no "absolute criteria" to exclude any

supplier except the "blatant exploiters." Two criteria, however, are stressed: producers should be "low-income producers and should receive as much of the proceeds from their labor as possible." Requests to market products will come directly to Ft. Wayne from producers or a particular shop will often express an interest in an area, producer group or product. After a potential supplier is identified, it is asked to fill out one of three questionnaires, depending on whether it is a family, commercial agent, or cooperative and community-based group. Information received from potential suppliers is subsequently sent around to member shops which might be interested in particular products. Very often, individual shops will order directly from producer groups once a relationship is established. As many of the shops do less than \$10,000 in sales volume annually, they request orders valued at \$250 or less F.O.B. so they can be received directly by parcel post.

FRIENDS OF THE THIRD WORLD is staffed with two full-time professionals, CETA trainees, work study students from Purdue University and other colleges in the Ft. Wayne area and full-time volunteers. In addition, FRIENDS OF THE THIRD WORLD draws upon local part-time volunteers for a variety of services, including participation on an advisory board which meets once a month and gives advice on products, product presentation, merchandising and selling techniques. The organization is governed by a board which consists of representatives from each of the three projects and some of the local Third World shops. All volunteers and members (including the associate members) can vote for members of the board.

Despite the almost fatal effects of the 1978 fire, FRIENDS OF THE THIRD WORLD survived. On September 27, 1980, it opened the New World Center (the name of the Ft. Wayne Building)--the first permanent home for the three projects of the organization since February, 1978. Bouyed and encouraged by the tenacity with which FRIENDS OF THE THIRD WORLD has hung on over the past 2½ years, its leadership is once again looking with enthusiasm toward the future and has revived plans for a National Alternative Marketing Week in the fall of 1981.

For further information:

Mr. Jim Goetsch
Administrative Coordinator
FRIENDS OF THE THIRD WORLD
611 W. Wayne Street
Ft. Wayne, IN 46802

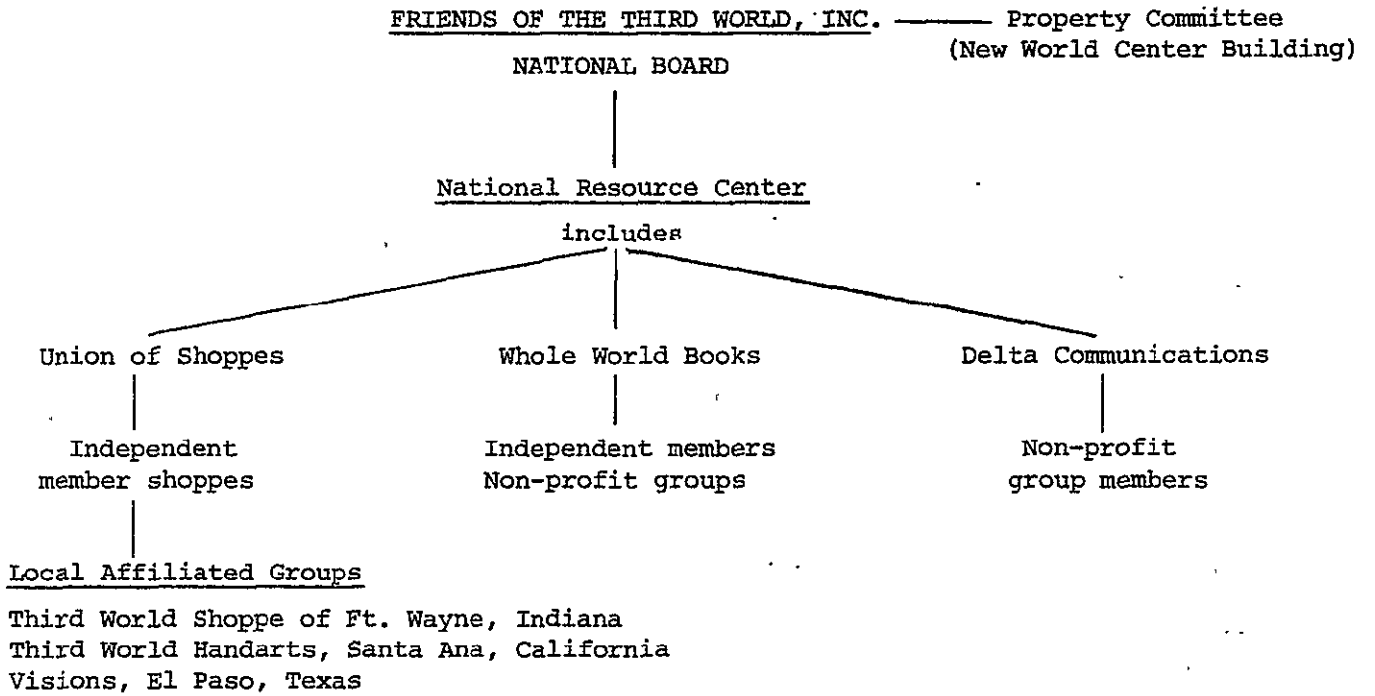
FRIENDS OF THE THIRD WORLD
Summaries of Profit and Loss Statement
(U.S. Dollars)

	1979-80	1978-79	1977-78	1976
Gross Income	73,465	54,489	45,340	
Gross Surplus % of Income	NA	NA	NA	
Net Surplus (loss) % of Income	NA	NA	NA	

UNION OF THIRD WORLD SHOPPES
Membership and Sales History

	1980	1979	1978	1977	1976
Incorporated members	3	3	3	3	2
Associated members	20	20	14	10	5
Total Sales Volume	\$150,000				

FRIENDS OF THE THIRD WORLD
Organizational Chart



GEPA*
(West Germany)

"GEPA" (Gesellschaft zur Förderung der Partnerschaft mit der Dritten Welt mbH) aims to contribute "realistically and symbolically towards political, economic, social and cultural liberation from 'underdevelopment' and towards the promotion of self-reliance in the countries of the Third World." To achieve these aims GEPA uses "development-directed trade" and "development-oriented awareness." GEPA defines development-directed trade as trade which offers producers opportunities "to free themselves at least partly from exploitation by middlemen and moneylenders and from endless debt." Development-oriented awareness programs use Third World goods as means:

to spread information about the unjust structures of world trade and the devastating situation in the developing countries and to awaken understanding in our society for the causes of underdevelopment and through this to set up conditions in which change can take place: change towards social justice, towards more independence and self-determination.

GEPA grew out of a movement which began with a hunger march in 1970, sponsored by the Catholic and Protestant youth federations in West Germany (BDKJ and AEJ). Following the successful march, the director of SOS, the Dutch AMO, persuaded the federation's leaders to concentrate future "actions" on Third World products and trade in order to give educational campaigns a broader appeal. After a second "action," which focused on sugar from the Third World, a number of groups created an informal organization called "Aktion Dritte Welt Handel." This organization began to assist local "action groups" (e.g., church youth groups, scout troupes, etc.) to undertake educational and trade actions. The large Protestant and Catholic voluntary organizations, AGKED and Misereor, assigned staff to "Aktion Dritte Welt Handel." SOS supplied Third World products.

Educational and trade actions proved popular and the number of action groups grew rapidly to over 1,500 by the end of 1973. By 1974 a few action groups had started "world shops" with permanent facilities for displays of products and educational materials, and accommodating reading and study groups. The facilities often are provided rent free or at reduced rent by churches, town halls or other institutions. In the spring of 1975, the twenty world shops which had been established formed their own association, Arbeitsgemeinschaft Dritte Welt Läden, e.V. (AG 3WL). Throughout this period of growth, SOS continued to supply the action groups

*For an extended discussion of GEPA, see GEPA, Ltd.: A German Marketing Organization (32 pp.) by L. Allen Parker, Center on Technology and Society, P.O. Box 38-206, Cambridge, MA 02138, USA.

and world shops, reaching an annual turnover of DM 2,200,000 in 1974. This constituted over half of SOS' sales that year.

In July, 1973, SOS agreed to establish a "daughter" firm to handle its marketing activities in West Germany. SOS refused, however, to give Aktion 3W Handel a controlling interest in the new AMO. In response, Aktion 3W Handel and Ag KED, which supports Third World development projects and development-oriented education, founded GEPA in May, 1975. Shortly thereafter, SOS and GEPA signed a contract for SOS to supply 80% of GEPA's handicrafts in 1976, 60% in 1977, and 30% in 1978, and to give GEPA direct access to SOS' suppliers.

Two other organizations joined GEPA's Board of Directors during 1976: AG 3WL and Misereor. By March 1978, Misereor and AG KED each held DM 141,000 worth of capital shares, while Aktion 3W Handel and AG 3WL each held DM 9,000. Misereor and AGKED also provided working capital loans of DM 900,000 and DM 800,000 respectively; the interest from these loans was reinvested in GEPA.

GEPA's annual turnover grew from 2.7 million DM during its first nine months (1975-76) to 9.4 million DM (over \$5 million) in fiscal 1980-81. The AMO had net surpluses of 2.6% and 4.9% in 1978-79 and 1979-80. The surpluses are divided up among the AMO's Board members and reinvested in its operations.

GEPA has developed a list of 26 criteria for selecting suppliers and products. The most important criterion is a preference for "self-help groups," groups which are working toward economic and political independence from indigenous middlemen and foreign advisors. GEPA also encourages such groups to export only as long as their exports do not represent the primary source of income for the producers. GEPA also buys from state-owned firms to show solidarity with certain Third World governments or to obtain otherwise unavailable products being requested by groups in Germany for educational actions.

GEPA buys four kinds of products: (1) "political goods" like coffee, tea and jute for use in educational campaigns; (2) "cultural goods" that help explain other cultures; (3) "consumer goods" for utilitarian uses; and (4) "solidarity goods" from an oppressed group or a nation having difficulty in international trade (e.g., jute from Bangladesh, coffee from Nicaragua, and candles from Soweto in South Africa). GEPA's price to suppliers includes a 10% to 30% surplus for producers to use in their development projects. The AMO also advances DM 150,000 to DM 300,000 to suppliers every year.

Most products are marked up 3 to 3½ times their F.O.B. price; some solidarity goods, however, cannot carry that much of a mark-up. The resulting hidden subsidy to oppressed groups is possible because GEPA is able to mark up a few other products as much as five times.

Over thirty self-help groups and five or six state-owned firms located in twenty nations currently supply GEPA. However, coffee from a state-owned firm in Nicaragua and a cooperative federation in Guatemala constitute over 35% of the AMO's annual turnover. Four other suppliers, with jute bags, tea and honey, provide an additional 33% of the turnover.

The products are imported to a central warehouse in Wuppertal and distributed through five regional warehouses. About 4,000 action groups and 130 to 150 world shops buy from these warehouses. Action groups may return unsold goods, while world shops may not. GEPA helps finance many groups and shops by accepting delayed payments; in March 1980 the groups and shops owed GEPA DM 1.1 million. The groups and shops typically receive a rebate of around 20% of the retail price of the products they sell. The annual turnover of most of the world shops falls between 10,000 DM and 100,000 DM. All of the action groups and all but the largest world shops rely entirely on volunteers.

The majority of action groups and world shops give any net surplus they earn to Misereor or AG KED for education, health and other development projects in the Third World. Most of this assistance does not go to GEPA's suppliers, who, it is thought, already benefit from the high prices GEPA pays for their products. A few action groups and world shops, however, provide assistance directly to Third World producers in response to requests for direct linkages.

GEPA stocks a variety of information materials (books, pamphlets, posters, etc.) for world shop and action group members which focus on Third World trade and development issues. GEPA publishes a 40-page illustrated newsletter two to four times a year. The AMO also prepares two-page descriptions of each supplier and self-help group, including any exploitation their communities may have faced at the hands of colonial powers or indigenous elites.

GEPA's first major trade action, begun in 1978, promoted the use of jute from Bangladesh. This campaign has sold over 1,500,000 jute shopping bags with "Jute Statt Plastik" (jute instead of plastic) printed on the side. Each bag contained a small brochure about the economic and ecological advantages of jute over plastic, an order form for additional information materials, and a breakdown of the costs of the bags. The additional materials included an illustrated 32-page "basic information" booklet about: Bangladesh, jute trade and production, the Jute Works which supplied the bags, the story of a poor woman making jute items, the variety of articles made with jute, the material wastefulness of plastic-centered life, and the politics and economics of trade with the Third World. This information is further elaborated in an illustrated 48-page workbook for teachers and clergy preparing for classroom and study group discussions.

In June of 1980, GEPA began a similar information campaign with 250 gram bags of Nicaraguan coffee. The jute and coffee bags are distributed through action groups and world shops and at regional and national church youth conferences. At the same time, GEPA encourages the action groups and world shops to start study groups in the topic areas of its educational campaigns.

GEPA's policies are set by a seven-member Board of Directors, which meets three to five times a year. Three committees with representatives from the Board's member organizations have the following responsibilities: the Project Partner Committee approves the initial selection by the AMO's staff of products and self-help groups; the Information Committee monitors the development of GEPA's information materials and educational activities; and, the Finance and Administration Committee oversees business aspects. There are over 28 paid staff members and many temporary workers and volunteers in GEPA's headquarters and five regional warehouses. Salaries are set according to the pay scale of the Catholic and Protestant churches, which is similar to the civil servant pay scale in Germany.

GEPA and SOS have continued to cooperate closely. GEPA also works closely with OS3 and EZA, Swiss and Austrian AMOs with which it developed some of the information materials for the Nicaraguan coffee action. In 1979, GEPA initiated an informal network of European AMOs including SOS, ABAL and Ideele Import from Holland, Oxfam-Belgique, OSS and EZA. This group met again in June of 1980 when the network expanded to include the Coffee Campaign of the United Kingdom and Tanzaniaimport of Norway. Future meetings will include other European AMOs with concerns and philosophies similar to those of the initial members.

GEPA is working to strengthen both its development-directed trade and its development-oriented education in a number of ways. The AMO is increasing its warehousing capacity. It has employed a product-design specialist to work with producers. It plans to increase technical assistance provided to action groups and world shops and to improve its educational materials by up-grading the information specialist position in its warehouses.

For further information:

Gerd Nickoleit
Project Officer
GEPA
Talstrasse 20
5830 Schwelm
Federal Republic of Germany

GEPA

Summaries of Profit and Loss Statements
(,000 Deutsch Marks)*

	1979-80	1978-79	1977-78	1976-77	1975-76 (9 months)
Sales Volume	7,199	5,296	4,190	4,466	2,692
Gross Surplus	3,209	2,187	1,288	1,346	715
% of sales	44.6%	41.3%	30.7%	30.1%	26.6%
Net Surplus	355	139	1	8	10
% of sales	4.9%	2.6%	-	-	-
*Exchange rates: Deutsch Marks/U.S.\$	1.77	1.85	2.04	2.33	

Balance Sheet
March 31, 1980
(000 Deutsch Marks; 1.77 DM = US \$1)

Assets

Investments	DM 83
Stock of Goods	1,702
Accounts Receivable	1,122
Cash in Hand	75
Credit at Credit Institutions	992
Other Assets	330
Total Assets	<u>DM 4,304</u>

Liabilities

Start-up Capital	DM 300
Claims and Debts	673
Accounts Payable	393
Business Loan	1,650
Other Liabilities	933
Annual Net Surplus Added to Capital	355
Total Liabilities	<u>DM 4,304</u>

GLOBAL VILLAGE CRAFTS, LTD.
(United Kingdom)

GLOBAL VILLAGE CRAFTS was started in 1975 as a way to finance a system which would provide basic information to village communities in the Third World. The idea to create such a communication system and base it in South Petherton, a rural village of 3,000 people in Southeast England, was the inspiration of a Methodist missionary who had worked in Kenya and India. His experiences there convinced him "there was an enormous reservoir of grass-roots, practical information (on such things as how to make a low-cost road, put a roof on a school and conserve water) untaught and unsupplied to village workers." He argued further that the only way to provide such information directly would be through very simple newsletters, visual aids, models and other similar media. Consequently, in 1973, he began compiling a data bank on different aspects of village technology and responding to requests for information from contacts made while working for Christian Aid.

What he soon uncovered was "a large unmet demand for assistance in marketing products produced by groups reached by the information service." In response to this demand, he decided to set up a trading company. OXFAM TRADING and FRIDA MARKETING SERVICES, two British AMOs, assisted his efforts by providing stock on generous credit terms and the people of South Petherton offered donations and no-interest loans toward the purchase of a High Street shop. In 1975, GLOBAL VILLAGE CRAFTS was incorporated and began trading. For two years, 80% to 90% of the AMO's stock was purchased from other importers. As of 1977, GLOBAL VILLAGE CRAFTS has developed its own sources of supply in the Third World.

The marketing organization was created for three reasons: (1) to respond directly to expressed needs in the Third World for markets in the United Kingdom; (2) to generate funds for a service which could never be self-supporting; (3) to provide opportunities for local people in their rural community "to get involved in the real issues of our age." GLOBAL VILLAGE CRAFTS places strong emphasis on its trading function and it has been very successful. Since 1975, sales have increased at an average annual rate of 65%, from a turnover of £35,000 in 1975 to a turnover of £345,000 in 1980. GLOBAL VILLAGE CRAFTS, however, looks upon the production of crafts as more than a source of employment. One of its important assumptions is captured in the following quotation from Abinindraneth Tagore which is prominently displayed on the AMO's premises:

The function of arts and crafts is to free man's soul and body from the bondage of inactivity, increase his ability to rejoice and enjoy and to make him skilled in the creative arts of emotion and beauty.

From the outset, GLOBAL VILLAGE CRAFTS sought to create an image of uniqueness and creativity. The director would buy only things which he, his wife and their friends liked themselves. He also demonstrated an acute awareness of the importance of displaying products in ways that would present a refreshing and encouraging picture of the Third World and underscore "the skills, imagination, flair, and depths of its cultures." In 1976, The Manchester Guardian did a small piece on the South Petherton shop, and described the display of goods in the window of the shop as "a refreshing break away from the second-hand clothes image of many charity shops." GLOBAL VILLAGE CRAFTS takes the position that "if we are truly concerned about craftsmanship and about village craftsmen, then we are obliged to show their crafts off in our context in the best possible way." This concern for aesthetic excellence is reflected in all aspects of GLOBAL VILLAGE CRAFTS' work, from selection of products to catalogue design. The concern, as the AMO's director himself has pointed out, is self-serving: "When producers remark on how lovely it is to see all things displayed so well, the chances are that consumers feel likewise."

GLOBAL VILLAGE CRAFTS is divided into three parts. In 1977 the AMO established two operational centers: Rural Communications Service (RCS) and Global Village Print and Graphics (GVPG). RCS was created to implement the original concept to help village communities share and access appropriate technical information. While the lion's share of volunteer energy and other resources went into establishing the marketing infrastructure during GLOBAL VILLAGE CRAFTS' first three years, the AMO's director and his colleagues kept alive the original idea for a rural communications system. They continued to build up an information bank of different aspects of village technology, including grain storage systems, water pumps and local paper making techniques. They also compiled a handbook on village technology for the Lutheran World Service; the handbook contained a list of some 80 contact groups and individuals in the Third World with annotations indicating the research and development projects and plans of the particular groups, an annotated list of appropriate technology books and periodicals and a listing of major international organizations. In 1978, GLOBAL VILLAGE CRAFTS' Rural Communications Service began publishing an 8-page newsletter called BASICS. The newsletter contains articles under four main headings: (1) agriculture and food; (2) health and preventive medicine; (3) settlements and housing; and (4) education and training. Six issues of BASICS were published in 1978; each issue was mailed free of charge to approximately 3,000 people. Since 1978, Rural Communications Service has ceased publishing BASICS. Much of the technical copy and many of the illustrations in the newsletter had been based on a wide variety of sources which publish in this field (e.g., The Intermediate Technology Development Group).

Global Village Print and Graphics was established in 1977 in response to the escalating costs of having all the AMO's design work done outside, and, according to its director, "to meet the need for better graphic presentation of Third World issues and the positive ways they can be tackled." GVPG does work on a strictly commercial basis as well as catalogues and brochures for non-commercial organizations such as Cottage Industries of the National Council of Churches in Kenya. In 1978, total billings reached £20,000.

GLOBAL VILLAGE CRAFTS has three marketing channels: 1,200 wholesale customers in the U.K. and Europe, two retail shops and a mail order catalogue. GLOBAL VILLAGE CRAFTS' wholesale marketing program began in 1976 with its first participation in one of the major trade shows in England. For two years, GLOBAL VILLAGE CRAFTS shared a booth at commercial trade shows with TEARCRAFT, another British AMO. This arrangement did not last, but GLOBAL VILLAGE CRAFTS has continued its trade show participation and now goes to all three major annual shows in the U.K. In 1980, its 1,200 customers accounted for 50% of the AMO's total sales volume. In 1979, GLOBAL VILLAGE CRAFTS opened a second shop in a larger town some 35 miles from South Petherton. Together the two shops accounted for 43% of total sales in 1980. GLOBAL VILLAGE CRAFTS' mail order started almost by accident in 1976 when a Guardian article mentioned that a catalogue (which did not exist at the time) would be sent on request for 20 pence. GLOBAL VILLAGE CRAFTS has not advertised its catalogue, nor bought mailing lists. By 1980, its mailing list had grown to 12,000 names and accounted for 7% of total sales.

GLOBAL VILLAGE CRAFTS initially relied heavily on volunteers. In the first year; all shop staff were volunteers and volunteers contributed to other aspects of the operation as well. As GLOBAL VILLAGE CRAFTS grew and prospered, the contribution of volunteers was deliberately cut back. At present, individuals can volunteer for only one morning a week in the shop. GLOBAL VILLAGE CRAFTS initially structured itself as a cooperative, on the premise that it was only by being a cooperative that the AMO would be consistent with its original buying philosophy--to buy primarily from cooperatives. The AMO's staff soon found, however, that cooperative decision-making fit neither the type of business they were in nor the personalities involved.

GLOBAL VILLAGE CRAFTS has started and has grown rapidly without the financial and physical resources available to many alternative marketing organizations. It has drawn rather on the immense dynamism, flair, aggressiveness and pure chutzpah of its director--a man who has managed to attract and keep involved people whose motives are humanitarian and commercial institutions whose interests are to maximize profits.

For further information: Victor Lamont, GLOBAL VILLAGE CRAFTS, LTD.,
Roundwell Street, South Petherton, Somerset, England.

HANDELSFRONT FOR ANTI-IMPERIALIST TRADE*
(Sweden)

HANDELSFRONT was founded in 1970 by several people who opened a small shop in a residential part of Stockholm. They imported only from socialist developing nations, starting with China and adding Vietnam, Albania and Tanzania. In 1972, however, HANDELSFRONT decided to market goods only from nations and groups that were both socialistic and anti-imperialistic.

China currently supplies about 60% of HANDELSFRONT's imports, Albania 25%, Tanzania 10%, and Nicaragua 5%. Approximately 80% of the AMO's goods come directly from several suppliers in China and Albania; the remaining Third World products are bought from commercial importers and another alternative marketing organization, Tanzaniaimport. A few items are purchased from a dressmaking cooperative in northern Sweden and from a Swedish lobby against nuclear power plants. HANDELSFRONT markets through both commercial and alternative channels to achieve the widest possible distribution of the goods its imports. By involving commercial channels, HANDELSFRONT aims to help break down trade blockades earlier erected against most of its Third World clients.

In 1973, and again in 1975, HANDELSFRONT moved to larger, better-located shops. In addition to expanding its retail sales, the AMO began wholesaling to political book stores and to commercial shops in small towns. Until 1978, HANDELSFRONT also supplied sales representatives who sold to friends and colleagues. In 1978, the AMO moved to a shop at the edge of Stockholm's shopping district and its retail trade expanded to over 75% of its total turnover. The remaining income comes from wholesaling to approximately 50 book stores and 15 commercial shops.

The founders of Handelsfront formed an economic society as a vehicle for involving other people interested in anti-imperialist trade. This society, which rapidly grew to about fifty members before plateauing, is not affiliated with any political party. It annually elects a Board of Directors, which includes some staff members. HANDELSFRONT's five staff are paid equally at approximately \$8 per hour.

HANDELSFRONT has a secondary objective of educating Swedes about its trading partners. However, the AMO so far has focused attention on expanding its marketing operations, which until 1978 had to rely entirely upon annual surpluses and loans from society members to meet working capital needs. HANDELSFRONT now has an on-going credit line with a commercial bank. The annual turnover of the AMO grew from about \$1,000 in 1970 to over \$60,000 in 1974 to about \$240,000 in 1979 where it has plateaued.

For further information: HANDELSFRONT, Drottninggatan 73C, S-111 36 Stockholm.

*For an extended discussion of HANDELSFRONT, see Handelsfront: A Swedish AMO (12 pp.), by L. Allen Parker, Center on Technology and Society, P.O. Box 38-206, Cambridge, MA 02138, USA.

HANDELSFRONT

Summaries of Profit and Loss Statement
(,000 Swedish Crowns)*

	1980	1979	1978	1977	1976
Sales Volume	1,013	1,016	816	746	535
Gross Surplus					
Net Surplus		32	(13)		
*Exchange rates: Crowns per U.S. Dollar: Period Average June: 1980	417	4.29	4.52	4.48	4.36

Balance Sheet
December 31, 1979

<u>Assets</u>	
Cash Resources	\$ 16,262
Stock of Goods	274,393
Other Current Assets	38,257
Fixed Assets	<u>66,787</u>
Total Assets	<u>\$ 395,700</u>
<u>Liabilities and Fund Balances</u>	
Accounts Payable	\$ 37,593
Other Current Liabilities	<u>126,236</u>
Total Current Liabilities	\$ 163,829
Loans	41,875
Stock Reserve	164,635
Investment Contributions	10,355
Reserve Fund	5,785
Balancing Fund	8,392
Surplus	<u>829</u>
Total Liabilities	<u>\$ 395,700</u>

IDEELE IMPORT
(The Netherlands)

STICHTING IDEELE IMPORT or SII was founded in 1976 by a man who, since 1971, had been importing tea from Sri Lanka to his home and selling it at cost to friends and acquaintances. In 1974, he started working for the Mondland Foundation, which was supporting liberation movements in former Portuguese colonies. During visits to these nations in 1974 and 1975, local groups and government agencies asked him to arrange for importing their products into the Netherlands. He responded by founding IDEELE IMPORT with five other Dutchmen who shared his concern for helping governments, unions and cooperatives in the Third World committed to socialist policies. The AMO limited its focus to food commodities, since its founders considered the Dutch market for Third World handcrafts to be small and near saturation. In order to generate additional income, IDEELE IMPORT sought to expedite exports from developed nations to its partners in the Third World.

Two Dutch communes called "Emmaus" gave the AMO start-up grants totalling 15,000 guilders. Start-up loans totalling 8,000 guilders were given by Mondlane Foundation and the Dutch Association of World Shops. IDEELE IMPORT uses several means to increase its working capital. The AMO insists on advanced payments for its exporting activities; it waits 70 days after importing commodities from state-owned firms before paying them; and it has food processed by Dutch firms that agree to wait for payment until the AMO has sold the goods. It also charges commercial rates for its exporting in order to off-set deficits incurred by its importing.

In 1977, IDEELE IMPORT had an income of 40,000 guilders generated almost entirely from its importing and marketing. By 1979, IDEELE IMPORT's export operations were in full swing and generated about 1,200,000 guilders (\$600,000) in income while its importing operation had risen to 300,000 guilders in sales. In 1980 the AMO's total income was approximately 4,000,000 guilders. About 1,000,000 guilders (\$500,000) came from importing.

IDEELE IMPORT initially bought from government agencies, government-organized cooperatives and unions in Sri Lanka, Mozambique, Angola, Guinea-Bissau and Cape Verde. Later the AMO added Vietnam, Algeria, Tanzania and Nicaragua as sources of supply. In Europe, IDEELE IMPORT has bought from a wine cooperative in Portugal, Vietnamese commodities imported by the Swedish AMO Solidarisk Handel, and Algerian wine imported by the AMO branches of Oxfam-Belgium. The commodities the AMO buys include coffee, tea, wine, fish, pineapple, jam, cheese, peanuts and vegetable oil.

In addition to marketing their products, IDEELE IMPORT assists its Third World clients in several ways. First, it helps their government agencies or cooperatives

enter international markets. For example, IDEELE IMPORT expedited the sale of 20 tons of nuts from Cape Verde to a Dutch food processing firm even though European firms will not ordinarily accept less than 100 tons for processing vegetable oil. Second, IDEELE IMPORT arranges for four major Dutch private and voluntary organizations (PVOs) to support projects of Third World groups. For instance, the AMO arranged for a grant for the printing of all the elementary school texts for Cape Verde. Third, IDEELE IMPORT sends consultants overseas to advise on different technical problems. Fourth, it provides answers for Third World government agencies to a variety of their questions involving international trade. And fifth, it occasionally pays higher prices as a form of hidden subsidy.

IDEELE IMPORT sells to retail outlets, food processing firms, and volunteers who start world shops or form action groups in churches, adult education centers and elsewhere. In addition, IDEELE IMPORT sells to other AMOs, including SOS and ABAL in the Netherlands, GEPA in West Germany, and Solidarisk Handel in Sweden. The various retail outlets sell the AMO's food commodities for prices twice to three times the F.O.B. price to suppliers. This low mark-up is possible because only 5% to 15% of the retail price goes to IDEELE IMPORT for its overhead costs and staff.

IDEELE IMPORT relies mainly upon the Dutch Association of World Shops for educational materials. Brochures and booklets have been developed by the Association for such products as tea from Sri Lanka, wine from Algeria, and jam from Guinea-Bissau. IDEELE IMPORT also paid for the translation and printing of a booklet on Vietnam developed by Solidarisk Handel in Sweden. The Dutch AMO sells "consciousness-raising" posters, greeting cards, flags, stickers and T-shirts.

IDEELE IMPORT's entry into exporting was facilitated by the Chairperson of its Board of Directors, who owns a shipping agency. At commercial rates, his firm ships 80% of the belongings Dutch people take with them overseas. Another division does non-profit exporting for groups in the Third World.

IDEELE IMPORT has expedited the exporting of several large orders. For example, the AMO arranged for the printing and shipping of the textbooks for Cape Verde. Another example is six million pencils for school children ordered by Mozambique and paid for by NOVIB, the Dutch PVO. IDEELE IMPORT also has arranged shipping for the other major Dutch PVOs as well as the foreign PVOs, Oxfam-Canada, Oxfam-Belgium, and the World Council of Churches. The largest exporting effort so far is being done for the Dutch government, which is having IDEELE IMPORT handle the exportation of materials for the building of a modern port in Cape Verde's largest harbor. The AMO charges only 2% commission, but paid in advance, for such work because it is much easier to arrange shipping from developed nations to the Third World than the other way around.

The Board of Directors of IDEELE IMPORT meets officially twice a year. Every two weeks, the AMO also has a meeting of a management committee which includes the four Board members living in the Netherlands.

Until recently, IDEELE IMPORT had only one paid staff person, a half-time office manager receiving the Dutch minimum wage. The AMO also paid two translators at the minimum wage who each worked about one day a week. The AMO's founder used to volunteer over four days a week to the AMO, while making his living as a part-time producer for a broadcasting company. Nine other volunteers each donated time weekly, and occasionally have been paid as consultants when the AMO received advanced payments from PVOs or the Dutch government for large projects. In October 1980, the founder began receiving half-time pay from IDEELE IMPORT and stopped his work for the broadcasting company. He is paid above the Dutch minimum wage, but below the salary of an elementary school teacher. He continues to volunteer three or four days a week and the other volunteers continue as well.

Although IDEELE IMPORT relies mainly upon volunteers, it operates in as commercial a manner as possible. In the future, it will place more emphasis on expanding its imports and its marketing efforts in the Netherlands.

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INTERNATIONAL PROGRAM FOR HUMAN RESOURCE DEVELOPMENT
(United States)

The INTERNATIONAL PROGRAM FOR HUMAN RESOURCE DEVELOPMENT (IPHRD) was established in 1972 as a way to generate employment opportunities at the grass roots in developing countries. Job creation has remained the AMO's primary emphasis.

In 1971, the present director of IPHRD was doing employment research in Beirut, Lebanon, for the United Nations. He recommended the establishment of a handcraft production project for a group of unemployed women and a direct link to export markets. This project was the foundation on which IPHRD was established. A \$100,000 grant from Church World United enabled IPHRD to expand its project in Lebanon and begin building a marketing program in the United States. While the AMO's total sales increased from \$61,000 in 1975 to \$165,000 in 1979 the last several years have been a constant struggle. IPHRD was running a \$45,000 deficit in 1979 and had to borrow additional money to service its debt.

IPHRD consists of a number of entities. First, IPHRD operates a retail shop in Bethesda, Maryland, called the World of Crafts. The shop carries merchandise bought through IPHRD's wholesale arm as well as from other suppliers in the U.S., primarily AMOs. The shop is non-profit and solicits contributions in exchange for discounts. However, very few contributions have been received. The second entity which is legally distinct from IPHRD is a wholesale operation called Aid and Trade International (ATI). ATI is a profit-making corporation with its own board of directors. It was made profit-making in order to facilitate borrowing from commercial financial institutions. Sixty percent of wholesale sales are to SERRV and the SELF-HELP RPOGRAM of the MCC. The other major customer is the World of Crafts. The third IPHRD component is a Human Resource Development Center in Kerala, India. The Center was founded in 1975 with a grant of \$300 from IPHRD. Among other things, the Center runs a dairy development project, a demonstration farm, a technical school and cotton spinning project. IPHRD continues to provide marketing advice to the Center. IPHRD also has provided marketing assistance on an ad hoc basis to U.S.-based PVOs. In 1980, for example, its director assessed the export potential of an Indian craft project in Paraguay sponsored by Catholic Relief Services.

Approximately 75% of IPHRD's annual sales are accounted for by products from India. Pakistan is the source of an additional 15% of annual sales. IPHRD also imports from the Philippines, Mexico, Bolivia, Thailand, Tanzania and Kenya.

Currently fifteen different groups supply IPHRD. The groups in India and Pakistan have been identified by the director of IPHRD. Other groups have been identified through correspondence with church missions or other AMOs. Most suppliers are government-controlled intermediaries. For instance, IPHRD works closely with a government handcraft organization in the northern Indian state of Uttar Pradesh and hopes eventually to serve as their sole American outlet. This organization alone accounts for 50% of IPHRD's annual sales. Other suppliers are a family in Pakistan, the Government Development Corporation in Tanzania, the National Christian Council in Kenya, a producer/marketing cooperative in Mexico and a local cooperative and state trading corporation in Bolivia.

IPHRD's first major marketing program was based on street sales at local colleges and fairs and exhibitions. A plan to travel the country in a van with college interns and recent college graduates never materialized. In 1976, IPHRD moved into its present Bethesda offices which serve as its administrative and marketing center. The turnover at the AMO's retail shop in 1979 was \$65,256, down from a 1978 high of \$75,983. The decrease in sales was due in part to changes in the merchandise offered and to having dropped UNICEF cards. Only non-profit organizations carry UNICEF cards on which they receive only a 10% discount. The cards, however, attract customers who might otherwise not know of a shop since UNICEF publishes the locations where its cards can be obtained. IPHRD's wholesale operation (ATI) grossed \$95,758 in sales in 1979. Approximately 50% of its sales are to SERRV, the largest American AMO. By 1980 total sales had reached \$183,000.

IPHRD's marketing and product development philosophy are best exemplified by its efforts to supply a leather pocket calendar to a U.S. company that will produce the actual calendar and market the finished product. IPHRD is presently developing a ten-item stationary line, working with U.S. businessmen in identifying components of products which could be produced more cheaply elsewhere and locating communities capable of producing them. The AMO hopes to extend this concept to a wide range of products, including furniture.

In addition to the director, IPHRD has three part-time, paid staff. They are responsible for managing the retail shop. In 1976, there were approximately 10 interns and volunteers working for IPHRD, but the AMO found it too expensive and difficult to train and manage them. Since 1978, only paid staff have been employed.

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JUBILEE CRAFTS
(United States)

JUBILEE CRAFTS was founded in 1979 by four young couples who were concerned about economic disparities in the world. JUBILEE CRAFTS is a ministry of 'The Ohter Side,' an evangelical publication with a circulation of approximately 10,000. While JUBILEE CRAFTS operates independently, the two entities are under the same act of incorporation, Jubilee, Inc.

JUBILEE CRAFTS has two purposes which it considers equally important. The first is to create a fair market for crafts made by Third World producers. The second is to "act as an educational tool for the First World." The AMO prefers to import products which can be used for educational purposes, i.e., products which increase buyers' exposure to and understanding of crafts and the cultures where they originate or carry a political message (e.g., bone pendants made by political prisoners in the Philippines). JUBILEE CRAFTS is a small marketing organization. In 1979, its total sales were \$44,000.

JUBILEE CRAFTS' original suppliers were identified through missionary contacts. More recently, other AMOs, principally the SELF-HELP PROGRAM, have provided suppliers. JUBILEE CRAFTS currently has five suppliers: The Council of Evangelical Churches in Haiti, the Philippine Missionary Institute in the Philippines, Jute Works in Bangladesh, Thai Tribal Crafts in Thailand and an American-based intermediary called the Evangelical Association for the Promotion of Education, which works with producers in the Dominican Republic. The AMO does not deal with commercial intermediaries. With the exception of the Jute Works, all its suppliers are sponsored by Christian organizations.

JUBILEE CRAFTS has several marketing channels. The most significant is Jubilee Partners, an association of approximately one hundred volunteer distributors. Partners sell handcrafts through home sales, flea markets, educational presentations about JUBILEE CRAFTS, and, in a few cases, through part-time retail shops. Individuals interested in becoming a Partner simply apply to the AMO. Once accepted, Partners receive a \$50 starter kit of samples that can be sold directly or used as samples for orders. Items that do not sell can be sold back to JUBILEE CRAFTS. In 1979, Partners sold a total of \$28,000 worth of merchandise, with individual Partners selling up to \$3,000. Partners may mark up above JUBILEE CRAFTS' price slightly in order to cover their operating costs. In addition to printed material on tags and in catalogues and other mailings, JUBILEE CRAFTS provides Partners with a script for a slide presentation on its suppliers. While providing background

information, the emphasis is placed on showing the viewers that their life styles are dependent on the fact that other people live with very little.

JUBILEE CRAFTS' second largest marketing channel is a mail order catalogue with a circulation of around 3,500. About sixty different products are sold through the catalogue which includes material about the AMO's suppliers. Two other channels are the main retail shop in Philadelphia, which grossed \$2,000 in 1979, and sales that were made as part of church presentations on the work of JUBILEE CRAFTS, an activity that grossed approximately \$3,000 in 1979. In addition to the main retail shop there are JUBILEE shops located in Dorchester, Massachusetts, and Ithaca, New York. These shops operate independently, but obtain most of their inventory from JUBILEE CRAFTS.

JUBILEE CRAFTS uses no set formula for determining retail prices. The AMO tends to charge what the market can bear. The Haitian products, for example, cannot generally get a full commercial mark-up, whereas the Jute Works products can be marked up as much as three times landed cost. JUBILEE CRAFTS does not try to give American consumers a good price. In acknowledging that some of their prices may be higher than in commercial retail outlets, the AMO's catalogue states: "Keep in mind that many Third World products are bought without regard for the craftspeople's welfare. The prices we pay are often barely minimum wage. But they are many times the payment that craftspeople receive through normal commercial channels."

JUBILEE CRAFTS has two full-time, paid staff members. Their salaries are determined by need and are low in comparison with positions in similar organizations. In addition, a bookkeeper and warehouse assistant are paid on a part-time basis.

JUBILEE CRAFTS enjoys a good working relationship with both the SELF-HELP PROGRAM, which has recommended suppliers, and SERRV. JUBILEE CRAFTS buys from these two AMOs to supplement stock when it is low and its staff visits their headquarters from time to time.

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MAGASINS DU MONDE-OXFAM AND WERELDWINKELS-OXFAM
(Belgium)

Monde-Oxfam and Wereldwindels-Oxfam are the French and Flemish speaking alternative marketing branches of Oxfam/Belgium. Oxfam/Belgium was founded in the 1960's to provide assistance to Third World development projects from donations solicited in Belgium and from surplus income made by several shops selling secondhand goods in a manner similar to that of the Oxfam shops in the United Kingdom. Wereldwindels was established in early 1970 as Oxfam's vehicle for collaboration with several small church-related PVOs that had begun to import handcrafts from missionary projects in the Third World. These PVOs and Wereldwindels formed a joint AMO called "AVAP." In 1973, Wereldwindels began to buy food commodities directly from Third World suppliers and to sell these commodities along with the handcrafts imported by AVAP. Oxfam in Belgium supported Wereldwindels with working capital for these ventures.

AVAP and Wereldwindels initially sold mainly through churches. During the middle 1970's Wereldwindels helped establish Oxfam "world shops" similar to the world shops in the Netherlands and West Germany. These Belgian shops, which usually included "Oxfam" in their titles, combined the marketing of Third World crafts and food commodities with the distribution of books and other educational materials focused on Third World development concerns. The world shops obtained their products not only from AVAP and Wereldwindels, but also from the Belgian branch of SOS, the Dutch AMO. "Action groups" also emerged in churches, adult education centers and other organizations to distribute Third World products and educational materials once or more each year. Although some of the action groups bought directly from the warehouses of AVAP, Wereldwinkel and SOS, most relied upon the growing number of world shops.

By 1977 tensions emerged between Wereldwindels and other organizations in AVAP. Wereldwindels wanted AVAP to be more careful in selecting Third World suppliers in order to "avoid paternalistic missionaries and middlemen who exploited producers." In addition, Wereldwindels wanted AVAP to encourage consciousness-raising activities in Belgium about the Third World. Early in 1978, Wereldwindels paid 800,000 BF (about \$251,000) to leave AVAP. The remaining members of AVAP reorganized as "Centre de Coordination des Ceuvres Sociales," and continued to sell crafts through local churches.

During 1978, Wereldwindels split into two branches--Wereldwindels-Oxfam for the Flemish speaking parts of the nation and Magasins due Monde-Oxfam for the French parts. Oxfam and two large world shops provided loans to Magasins du Monde for its start-up capital. In 1980, Oxfam also loaned Wereldwindels funds to expand its

coffee purchases. Wereldwinkels became the primary importer of food commodities for both branches, while Magasins du Monde took over primary responsibility for importing and distributing crafts. Each branch focused on developing and distributing educational materials in its own language.

The primary purpose of the branches became the promotion of education and consciousness raising in Belgium about Third World development. The AMO's secondary aim is to assist Third World development projects through buying products of development and liberation-oriented cooperatives and self-help groups and through donating part of the surpluses from the AMOs and the world shops to Oxfam and other PVOs for their development assistance activities.

In October of 1978, Magasins du Monde began selling goods imported by SOS from five of its projects which fit the AMO's criteria. Through SOS and Oxfam, Magasins du Monde began identifying additional Third World suppliers. In 1979, the AMO began identifying additional Third World suppliers. In 1979, the AMO began importing directly, and today is supplied by 28 groups in 17 countries, including five in India, four in Bolivia, three in the Philippines, and two in Columbia. Magasins du Monde seeks to purchase from suppliers who are organized as development- and liberation-oriented cooperatives, self-help groups of non-exploitative government agencies. The AMO is very concerned about dependencies on foreign markets, and, therefore, insists that its suppliers produce for more than one export product or sell to local markets. Magasins du Monde assists most of the groups by making advanced payments for the products it orders.

Wereldwinkels and Magasins du Monde market a variety of Third World goods ranging from coffee, tea and wine to baskets, blankets and ceramics. Over 90% of the AMO's turnover is generated by 30 Flemish-speaking world shops and 25 French-speaking ones. The AMO gives these shops credit worth about 250,000 BF and gives them discounts of 22% to 27%. The prices set by the AMO are three to four times the prices paid to Third World suppliers. Several hundred action groups buy from the world shops. The world shops also market to the general public from trucks or stalls at open air markets on Saturdays. In addition, the world shops are attempting to raise 6,000,000 BF in no-interest loans for the AMO to use in buying additional coffee. The remainder of the turnover for the AMO comes from marketing books at lectures on development issues.

During 1978, their first year as an independent AMO, Wereldwinkels and Magasins du Monde sold 25,600,000 BF in food commodities. In 1979, the AMO sold 3,652,000 BF in crafts, 3,000 BF in books and 28,190,000 BF in food commodities for a total turnover of 34,842,000 BF (\$1,161,000). The AMO's 1980 surplus is being used to

strengthen its marketing operations and develop educational materials. The world shops use their surplus income for educational actions, donations to Oxfam and other PVOs for Third World projects, or for direct support of such projects.

The Belgian government awarded grants to the AMO during 1978 through 1980 for the development of educational materials. Now that this source of support has ended, the AMO has asked the world shops to give 1% to 3% of their surpluses for materials development. The AMO also gets assistance from Belgium's PVOs in developing educational materials. In addition to distributing information sheets and posters about Third World groups and development issues, Wereldwinkels and Magasins du Monde each publish a 20- to 30-page bulletin four or five times a year. These bulletins contain brief articles on political-economic issues in Third World nations as well as annotated listings of books, video cassettes and other educational materials. These materials are said to be especially popular in the world shops in smaller communities because these shops offer the only source of information on development issues and Third World nations for many of these communities.

Wereldwinkels and Magasins du Monde each hold general assemblies of their world shops twice a year. At these assemblies, the world shops choose representatives who meet monthly with managers from the AMO's branches to determine basic policies and procedures. Wereldwinkels has ten staff at its central warehouse in Ghent, and Magasins du Monde has eight at its Brussels warehouse and three who provide technical assistance to the world shops from offices in Liege and Namur. Some of the staff are not on the AMO's payroll because they either are doing two years of national service or are collecting unemployment for one or two years. Other staff are paid at a basic rate 10% below the salary of an elementary school teacher. Staff with children receive an additional allowance. Reflecting the general spirit of volunteerism in Wereldwinkels and Magasins du Monde, one of the AMO's managers donates his entire salary back to the AMO. Similarly, the world shops are each staffed entirely by 10 to 30 volunteers.

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NEIGHBORS CRAFTS
(United States)

NEIGHBORS CRAFTS began in 1978 as a handcraft marketing project of WORLD NEIGHBORS, an international, non-sectarian and non-governmental development organization with headquarters in Oklahoma City. In 1979, NEIGHBORS CRAFTS was incorporated as a private foundation, separate in all legal respect from its parent PVO. Over the past two years, growth has been deliberately slow, as NEIGHBORS CRAFTS experimented with different marketing approaches and gained the knowledge and experience on which to build its marketing program. NEIGHBORS CRAFTS has relied almost entirely upon volunteers and a part-time manager, seconded from WORLD NEIGHBORS. In 1980, total sales were approximately \$40,000.

WORLD NEIGHBORS started its handcraft marketing program in response to suggestions from area representatives and the co-ordinator of its "Responsible Parenthood" program. WORLD NEIGHBORS has been involved in a range of programs overseas, including family planning, health and nutrition, agricultural production and cottage industry. It has had very little experience, however, with handcraft projects and had never before been involved directly with assisting the cottage industry groups it supported to market their products. In the early 1970's, for example, WORLD NEIGHBORS provided the start-up capital for a revolving loan fund for a small cooperative of Guatemalan weavers. Six years later, the WORLD NEIGHBORS area representative in Guatemala was one of the people arguing for another level of involvement on the part of WORLD NEIGHBORS--helping the weavers sell their pillow covers and wall-hangings.

With the moral and financial support of one member of the board of trustees, WORLD NEIGHBORS took its first tentative step toward developing this capacity. A loan of \$5,000 was used to purchase a consignment of crafts and set up a booth at the Oklahoma State Fair in May, 1978. The response was sufficiently encouraging so that in late 1978 WORLD NEIGHBORS began marketing crafts through the retail shop of a local church. In early 1979, the PVO agreed to allocate 25% of the time of its Family Planning program co-ordinator to the newly incorporated AMO. Also in 1979, area representatives were requested to identify prospective suppliers, a small retail shop was opened at the PVO's headquarters and a one-page, color mailing was sent to 1,000 of WORLD NEIGHBORS' supporters.

NEIGHBORS CRAFTS was incorporated to achieve the following purposes:

- (1) provide a fair marketing outlet for producers overseas;

- (2) acquaint more people with WORLD NEIGHBORS and provide platforms for discussing WORLD NEIGHBORS' programs overseas;
- (3) add to the types of and channels for direct assistance provided by WORLD NEIGHBORS programs; and
- (4) raise additional revenues for WORLD NEIGHBORS' programs.

NEIGHBORS CRAFTS initially sought to buy directly and only from producers who exercised a modicum of control over their own lives. The AMO, however, found it necessary to "compromise" very early on because it could not find enough of those groups with sufficient variation in their product lines and the ability as well as the interest to ship internationally. And, while NEIGHBORS CRAFTS is an integral part of WORLD NEIGHBORS' development assistance programs overseas and its educational program in the United States, most of the suppliers of NEIGHBORS CRAFTS have only an indirect relationship to WORLD NEIGHBORS' projects. In Peru, for example, WORLD NEIGHBORS has had a long-standing involvement with sheep herders, helping to plan and improve pastures, cross-breeding and other ways to increase wool production. NEIGHBORS CRAFTS purchases woolen products from EPPA, the government marketing organization. A recent and more direct relationship has been established with a group of slum women in Lima who pressured WORLD NEIGHBORS to assist them in starting an income generating project. The PVO helped set up a revolving loan fund and NEIGHBORS CRAFTS provided suggestions and designs for Christmas ornaments which it is presently trying to market.

At present, suppliers to NEIGHBORS CRAFTS are a very diverse lot; they include producers, a government marketing organization, a European-based PVO project, individuals related to WORLD NEIGHBORS programs, local entrepreneurs and commercial agents. NEIGHBORS CRAFTS claims it does not prejudge any prospective supplier and will visit each one in order to be reasonably assured that all parties involved "feel good about their participation." In Indonesia, for example, NEIGHBORS CRAFTS buys batik products from a commercial firm. According to the AMO, batik production is usually done in real sweatshops, since the women in batik factories work over cauldrons of boiling wax. NEIGHBORS CRAFTS spent several weeks locating its supplier who apparently had organized a fairly benign production system in which the women do all the work in their own homes.

NEIGHBORS CRAFTS imports a range of products, including clothing (Guatemalan shirts and batik skirts from Indonesia), decorative crafts, basketware, household accessories and jewelry. Most of the articles retail for under \$10 to \$15. NEIGHBORS CRAFTS contends that for its marketing program there is a sufficient number of readily available crafts which do not need to be altered to make them

marketable. Only where potential suppliers do not have any craft tradition to speak of does NEIGHBORS CRAFTS expect to introduce products. A good example of what the AMO would like to do is the SATA project in Nepal. The AMO describes the wooden utensils sold by the project as "a pleasant blend of East and West."

NEIGHBORS CRAFTS' marketing program is based on a personalized selling strategy. Since one of the goals of NEIGHBORS CRAFTS is to generate wider exposure for WORLD NEIGHBORS and to engage more people in discussions of its overseas programs and Third World issues in general, the context in which a craft is produced is considered as important to marketing as the physical characteristics and price of the item. This orientation is reflected in all the marketing materials produced by NEIGHBORS CRAFTS as well as in its choice of salespeople and retail outlets.

NEIGHBORS CRAFTS uses six different types of marketing channels: (1) a retail shop at WORLD NEIGHBORS headquarters; (2) a mail order catalogue sent to the 12,000-name WORLD NEIGHBORS mailing list; (3) participation in local fairs, bazaars and exhibitions; (4) participation at weekend and evening seminars sponsored by WORLD NEIGHBORS; (5) consignment arrangements with a local church shop and several craft retail shops around the country; and (6) "free-standing" NEIGHBORS CRAFTS retail shops. The retail shop at the WORLD NEIGHBORS headquarters is staffed entirely by volunteers. The AMO has found that over half the customers at the shop want information on the producers and their conditions. A small brochure briefly describes the major suppliers and includes additional information on WORLD NEIGHBORS. NEIGHBORS CRAFTS has also prepared an eight-page, full color brochure on the textile weaving cooperative which supplies pillow covers, handbags and wall coverings. It is provided free with a purchase of an article from the cooperative.

The shops where NEIGHBORS CRAFTS products are currently on consignment are run by people familiar with WORLD NEIGHBORS and who share the goals of NEIGHBORS CRAFTS. As the "consignment" shops are seen more as a way to increase exposure than sales, NEIGHBORS CRAFTS this past year opened its first retail shop in the resort town of Eureka Springs, Arkansas. Based on the experience of this shop, NEIGHBORS CRAFTS expects to open a second outlet in Taos, New Mexico in 1981. The Eureka Springs shop is run by three women who are members of the Episcopal church organization. They are guaranteed a minimum wage or 15% commission on sales, whichever is higher.

While NEIGHBORS CRAFTS acknowledges the limitations of international bazaars and fairs as marketing channels, it will continue to participate in them, because

they have been excellent platforms for discussing WORLD NEIGHBORS programs. Hand-crafts are now displayed at weekend seminars on international development issues which WORLD NEIGHBORS runs periodically in various parts of the U.S. WORLD NEIGHBORS has discovered that the products serve as an excellent springboard for discussing WORLD NEIGHBORS programs at these seminars, even though there are no direct programmatic links to particular producers.

The past two years have been an exploratory learning phase for WORLD NEIGHBORS and NEIGHBORS CRAFTS. The cautious and evolutionary approach WORLD NEIGHBORS takes in all its projects is reflected in the very modest sales figures achieved during the past 18 months by NEIGHBORS CRAFTS. The results of the experimental shop and the 1980 mailing are not yet in, and the question of staffing a larger effort also remains unanswered. Thus, while there is a basis on which to build a significant marketing effort, several important elements remain to be worked out. When they are, the future direction of NEIGHBORS CRAFTS will become clearer.

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SACKEUS
(Sweden)

SACKEUS is a project of Swedish Free Church Aid (SFCA), a private and voluntary organization (PVO) of non-state Protestant churches in Sweden. SFCA generally supports development projects of church-related groups in such areas as health and education. However, in the spring of 1976, staff of SFCA were impressed by the work of Asha Handicrafts in Bombay and decided to give it some financial support. SFCA subsequently initiated an experiment in alternative marketing by buying some goods from Tearcraft, the British AMO.

SFCA's first consignment consisted of 500 "standard parcels" of assorted handicrafts from the Jute Works in Bangladesh. The parcels, offered to non-State Protestant churches on the condition that all surpluses were to be donated to SFCA or its development projects, were all sold within a few weeks. A second shipment of 200 parcels was equally successful. The PVO subsequently decided to set up a separate organization to continue the marketing effort, but on an experimental basis. In 1976 SFCA established SACKEUS with an interest-free loan of 400,000 Swedish crowns. The purpose and rationale of the AMO were described as follows:

Sackeus (from the Gospel of St. Luke) was a customs collector who (after meeting Jesus) vowed to give half of his possessions to the poor and to give fourfold again to the people whom he had cheated. He broke with the unjust system that in his time plundered the poor.

In our time there also is a tariff system, a trade system and an international division of labor which favors the rich industrial nations at the expense of poor developing lands. Swedish Free Church Aid through SACKEUS will strike a blow for just world trade.

- Through importing goods from developing nations, the project contributes to increasing employment there.
- Through making a surplus for developing lands, the project contributes to reducing the division between rich and poor.
- Through information about trade and employment, the project contributes to shaping opinion for a new economic world order.

Some members on SACKEUS' Board of Directors wanted to expand as rapidly as possible. The majority, however, were wary of the PVO becoming involved with a large marketing operation because of the business-oriented mentality that they feared might result. They wanted to place more emphasis on the education objective of SACKEUS and keep the trading function as a "symbolic action" in support of its educational programs.

During its first three years, SACKEUS' sales totalled about one million Swedish crowns. Sales in 1979 were 600,000 Swedish crowns (about \$150,000 U.S.).

SACKEUS has relied almost entirely on volunteers or SFCA subsidies. The six full-time employees and three part-time staff at the SFCA home office near Stockholm

placed orders, handled shipments, prepared catalogues and information materials, and dealt with finances and payments. A few of the headquarters staff and SFCA's field representatives (located in Bangladesh, Jerusalem, and Latin America) made occasional visits to suppliers in the Third World. Since the SFCA Board has made SACKEUS a permanent project of the PVO, one part-time staff member has been employed.

SACKEUS has carefully selected a small number of suppliers. In 1977, the AMO began importing directly from Jute Works and Karika in Bangladesh and an evangelical church group in Chile. The first two suppliers provided "standard parcels" of assorted jute goods, leather pen-holders, straw cards and cloth items, while the latter shipped applique and embroidered arpilleras made by the wives of political prisoners. In 1978, SACKEUS expanded its sources of supply to include Asha Handicrafts and Manjira Exporters in India and Thai Tribal Crafts and the UN Thai Program for reducing drug abuse. As with other suppliers, SACKEUS selected these because the SFCA staff and their contacts in the development community maintained that the suppliers did not exploit their producers. The suppliers also were selected because they were said to sell to other marketing organizations and thus would not become dependent on sales to SACKEUS. Mouvement Social Lebanon through l'Artisan du Liban were added as suppliers in 1979, along with two groups in Africa. However, delivery from the African groups proved so undependable that the AMO might not continue with these suppliers. The AMO's purchases from Lebanon also are being cut back because the items are too expensive.

With the exception of Asha Handicrafts, Mouvement Social Lebanon, and a health care and employment project for women in Bangladesh, SFCA and SACKEUS have not given development grants to suppliers of handcrafts for export. The AMO does assist them financially on some occasions, however, by paying the entire price of its purchases in advance and then waiting as long as six months to receive the products. The AMO also states that it helps suppliers by paying a fair price for their products.

The wholesale cost of the parcels ranged from one half to two thirds of the total retail prices of the goods in them. Since 25% to 45% of the retail price was paid to the suppliers and another 12% to 21% to shippers from the Third World and for customs fees and turnover taxes, SACKEUS ended with only 6% to 9% of the retail price for its administrative costs and freight in Sweden. The arpillera mark-up structure is as follows: 45% going to Chilean handcraft groups, 26% to soup kitchens for children in Chile, 22% to shipping and taxes, and only 7% to SACKEUS. The AMO has kept its costs low by relying upon many SFCA in-kind subsidies, such as staff time, as well as by the use of standard parcels.

SACKEUS wholesales to 250 groups and individual sales representatives as well as four permanent shops. Most of the groups and individual representatives are

associated with a church. Sixty percent of SACKEUS' income is from groups and agents that retail only once or twice a year, typically at "Development Week" in November and at Christmas. The four permanent shops were opened by members of groups which were selling more frequently during the year. Groups are given thirty days to pay for goods. They order from catalogues the AMO sends to its previous buyers and to other non-state Protestant churches in Sweden once or twice a year. (IMPOD, the Swedish government agency promoting imports from the Third World, has paid 50% of the costs for printing two of the catalogues.)

One of the basic tenets of SACKEUS is that none of its retailers should use the sale of Third World goods as a means of livelihood. Because the goods are sold by volunteers, 25% to 85% of the retail mark-up ends up being surplus income. SACKEUS will not wholesale to groups unless they donate this surplus to Third World development projects, preferably those of SFCA.

SACKEUS first relied mainly on the "standard parcel" as a means to reduce handling time by the PVO staff and to provide more employment in the Third World. These parcels are being phased out, however, because of an increase in unsold items and the difficulties suppliers have in putting together parcels with all the required items included.

SACKEUS provides information materials with the goods it ships to its retail outlets. The materials emphasize SFCA's conviction that the current world order in trade subsidizes industrial nations at the expense of poor ones. In addition to its general consciousness-raising activities during Development Week and throughout the year, SFCA and SACKEUS have participated in a campaign called "Instead of Opium." This campaign, financed in part by the Swedish development agency, SIDA, was a joint effort of SFCA, the Swedish U.N. Society, and the YMCA-YWCA in Sweden. The project developed a 24-page booklet, 8-poster exhibit and slide show about opium production and trade, drug abuses, Thai village life, and Thai coffee and craft production. SACKEUS placed a large order for crafts from the Thai villages on the assumption that the goods would be marketed not only through the AMO's retail outlets, but also through local chapters of the U.N. Society and the YMCA-YWCA in Sweden. Some U.N. Society chapters did market a good deal, but the YMCA and YWCA branches sold very few. SACKEUS consequently was left with a large unsold stock of Thai goods that depleted its working capital and reinforced the decision of the SFCA Board to limit the AMO's size as a trading organization.

SACKEUS' role in the use of Chilean arpilleras for educational purposes has proved more successful. In addition to translating the political messages written on the cloth pictures, SFCA developed posters and brochures about the plight of the prisoners and their families. Like the messages on the arpilleras, the posters and

brochures speak of unemployment, slum living and human rights. SFCA and SACKEUS also have collected the most artistic and politically striking arpilleras into an exhibition. Churches, public libraries and Chile societies pay SACKEUS to send them the exhibition for a week or two. Arpilleras and picture postcards of them are sold at many of the exhibitions and have proved to be very popular in Sweden. The continuing positive response of church groups and individuals to the product-based information campaigns such as the one with arpilleras keeps reconfirming the SFCA decision to make SACKEUS a permanent program.

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SARVODAYA SHRAMADANA IN EUROPE
(The Netherlands)

An alternative marketing organization (AMO) for the Sarvodāya Śhrāmadāra movement of Sri Lanka was established in the Netherlands in 1965. A Dutch educator/development expert who was visiting Sri Lanka was impressed by the movement's principles and suggested to its leaders that some of the 1,000 villages in the movement could produce handcrafts for export as a means to increase employment and skills. To market the handcrafts, he offered to organize other volunteers in Europe. The movement leaders accepted and also agreed that the volunteers should sell the handcrafts at a surplus for a few years in order to generate working capital. The founder and fourteen of his colleagues donated a total of 1,200 guilders in start-up capital.

Within a few years, the movement was exporting a variety of goods to the European volunteers. In addition to 1,000 to 2,000 kilos of tea per year, by 1975 the AMO was importing scarfs, textiles, shirts, wrap-around skirts, batiks, hankies, black carved elephants, masks, and small wood items like egg cups and letter openers. Scarfs, textiles, shirts, and wrap-around skirts proved popular in Europe. On the other hand, the AMO was unable to sell copperware, cushion covers, dumbara mats, and baskets at prices competitive with similar products imported directly through commercial channels.

The AMO has assisted the movement's efforts in several ways. It has arranged for the movement to import raw materials such as cotton and dye for use in its production projects. And, it has used some of its small surpluses to send the producers spare parts for a Land Rover, sewing machines, etc. A Dutch artisan spent two months helping batik producers develop new designs. In the late 1960s, the AMO, through the assistance of a donor organization, organized two six-month training programs to upgrade the quality and increase the quantity of batik making; 25 villagers participated in each of these programs. The AMO also found ways to provide scholarships for several youths from the movement to study abroad. In addition, many villages have received money contributions and other resources directly from the schools, action groups and world shops which the AMO involves in its marketing and educational activities.

The primary market outlets for the AMO's products continue to be action groups in Europe that specialize in studying and assisting Sri Lanka or the Sarvodaya movement. The action groups marketing for Sarvodaya usually do so for two to four years before they break up or move on to some other cause. The groups develop mailing lists of other people willing to buy items or give donations; they also sell at

weekly open-air markets, meetings of women's guilds, and other gatherings. By 1975, the AMO was supplying 10 to 15 action groups each year in the Netherlands, 10 to 12 in Belgium, and smaller numbers in West Germany, Switzerland, and England.

The AMO also has marketed tea to dozens of Dutch world shops. For test marketing of new handicrafts, the AMO regularly uses a commercial textile and gift shop in the resort town of Bergen, the headquarters of the AMO. The founder used his basement as the AMO's warehouse until 1977, when a nearby warehouse donated space for this purpose.

The AMO's income reached a peak of about 75,000 guilders per year from sales during 1976 and 1977. In 1976, it generated a peak surplus of about 20,000 guilders. This large surplus resulted from being able to mark up tea as much as five times the amount paid F.O.B. Sri Lanka. The black elephant carvings also could be marked up 500%. The actual costs of shipping and handling the movement's products combined with the duties and taxes involved required a mark-up of only 200% to 300% to break even. By 1977, the AMO had accumulated working capital of about 60,000 guilders in the form of goods in its warehouse and advanced payments made to the movement. The AMO's Board then decided to stop accumulating working capital and expanding, because its volunteers were having trouble handling the amount of shipping, billing and bookkeeping already required. Rather than turn to paid staff, the AMO chose to continue a modest operation relying upon volunteers who practice "shramadana," the principle of sharing.

For several reasons the AMO's turnover began to shrink to its current plateau of about 30,000 guilders (\$15,000) per year. In 1976, Sri Lanka nationalized tea exporting and tripled the price of tea. The AMO stopped importing tea because it could not be obtained directly from the movement's growers and because it no longer could be sold at cost or a profit. At the same time, the AMO's branch in Belgium decided to buy directly from the movement. Since Sarvodaya promotes decentralization, the AMO responded by encouraging all of its foreign branches to buy directly from the movement. The Belgian AMO expanded so that it now markets over 60,000 guilders of the movement's products each year. The total European purchases from the movement have actually expanded so that the movement's leaders remain unresponsive to the long-standing complaint that many villages produce only for the European market rather than diversifying their production so as to include regional and local markets.

During the middle 1970s, the AMO's leadership decided to focus increasingly on educational activities in the Netherlands. In particular, the AMO gets individual schools to "establish linkages with" individual villages in the movement. Some of the schools devote an entire two-week period to studying Sri Lanka. In order to develop instructional materials for these intense programs and to assist the schools in planning and implementing them, the AMO obtained support from the Dutch National Commission for Development Assistance to employ a teacher/program developer half time.

Since the Autumn of 1977, this woman has been working with two retired teachers who volunteer half time. Teachers, parents and pupils are all involved in the planning process and in carrying out the programs. These included both products from the Sarvodaya movement and educational materials about Sri Lanka and development in general. For schools, churches and other groups wanting a less intensive program, the AMO provides volunteers to give lectures.

The non-profit AMO has a Board of Trustees including six individuals from various action groups. The Board meets at least twice a year. In order to assure the AMO's regular operation, it also has one paid staff person. This woman is an administrative assistant, paid one day a week at a low wage. She is assisted by five or six active volunteers and several other occasional helpers.

The Sarvodaya Foundation is now in the process of changing to an association. The national agency has recently stopped supporting the half-time teacher, but the AMO continues to emphasize intensive educational activities by relying upon its volunteers. Sarvodaya's volunteers in Europe also will assure the continuation of the AMO's modest importing and marketing operation.

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THE SELF-HELP PROGRAM OF THE MENNONITE CENTRAL COMMITTEE
(United States)

The SELF-HELP PROGRAM OF THE MENNONITE CENTRAL COMMITTEE (MCC) began in the late 1940's to help provide supplementary income to women skilled in cross-stitching in Puerto Rico. The MCC workers in Puerto Rico brought samples with them on trips home and took orders. A similar program on the West Bank followed the 1947 war there. These two projects constituted the extent of the SELF-HELP PROGRAM until the 1960's, when a wood working cooperative in Haiti was included in the marketing activities. Significant expansion did not come until 1970, when a new warehouse was built in Ephrata, Pennsylvania, to house the SELF-HELP PROGRAM and other MCC projects. Annual sales have grown from \$1,815 in 1962 to \$900,000 in 1980. Since 1976, the SELF-HELP PROGRAM has grown at an annual rate of 40 percent.

The primary objective of the SELF-HELP PROGRAM is "to provide employment for Third World producers of homemade crafts by operating a marketing and sales program in North America." Specifically, the AMO aims to assist the producer by (1) setting retail prices to maximize unit sales; (2) carrying as wide a range of items as possible; (3) purchasing whenever possible directly from the actual producers or cooperatives formed by craftspeople (or "where that is not possible, by purchasing) only from those individuals or organizations that can assure us that the producers are receiving their fair share of the selling price); (4) being producer-oriented rather than profit- or product-oriented; and (5) promoting the continuation of ancient arts and indigenous crafts. The SELF-HELP PROGRAM also aims to "help people of North America better understand the people from developing countries and factors causing their different circumstances."

The SELF-HELP PROGRAM currently buys from approximately 50 suppliers in 30 different countries. Six suppliers in India account for 23.7% of total annual sales; three suppliers in Haiti for 17.6% and one supplier in Bangladesh (the Jute Works) for 14.5%. According to the director of the SELF-HELP PROGRAM, 97% of its suppliers are either "producer-controlled intermediaries or non-profit, indigenous non-government organizations." The AMO's purchasing priorities are: to buy first from suppliers who have a direct association with MCC field projects, second from suppliers with an association with other Mennonite groups, and third from suppliers associated with other churches. The SELF-HELP PROGRAM buys primarily in countries where there is an MCC presence and involvement with income and employment generation projects. There is little involvement in Africa, for example, where MCC

personnel are generally educators. The SELF-HELP PROGRAM, however, does purchase from many groups which are not church-related. Whatever the case, the AMO prefers to work with groups where employment creation is only one element of a set of broader development objectives. The SELF-HELP PROGRAM will also purchase from commercial exporters who are known personally to MCC staff and who provide, in their judgment, the only viable alternative in a particular situation.

The present director of the SELF-HELP PROGRAM spent his first year on the job travelling to 31 countries and acquainting himself with MCC projects and his suppliers. Since then he has made annual visits to suppliers and producers, an important factor, he believes, in the continuing success of the program. Coming from a business background, the AMO's director is most likely to deal with suppliers in a straightforward and businesslike way. He is very critical of some missions "which allowed craftsmen to do shoddy work because they were poor" and he refuses to "subsidize" suppliers by selling their products at reduced prices. The SELF-HELP PROGRAM encourages producers to increase their capacities and diversify their markets. The AMO, for example, has offered to assist the Jute Works to enter the commercial market in the United States, by acting as a sales representative or contact point to commercial buyers.

In selecting products, the SELF-HELP PROGRAM chooses items it believes will have a long, if not dramatic, life span. Theoretically, this should mean an emphasis on utilitarian products as opposed to decorative and folk-art articles. The AMO's director, however, is not convinced that such an approach is valid since many so-called utilitarian items are equally "trendy" and many handmade utilitarian items can be made so cheaply by machine (e.g., baskets).

Until 1975, the main marketing channel of the SELF-HELP PROGRAM was a retail shop located at the MCC headquarters in Ephrata, Pennsylvania. In 1975 the AMO began a wholesale program to MCC thrift shops which sell donated clothing. There are now 67 MCC thrift shops, accounting for 63.1% of the AMO's annual sales in 1979. Each shop is staffed by volunteers. The SELF-HELP PROGRAM determines suppliers, products and retail prices. The shops select from the range offered and are given a 15% discount off the suggested retail price. All surpluses generated by the shops are sent to MCC to support its international programs.

The rapid growth of the SELF-HELP PROGRAM over the past five years is due primarily to the expansion of the network of thrift shops. The AMO's product line has been fairly consistent since the mid-1960's. In the words of the present director, "one of the biggest fears I have over the next ten years is how we are

going to change products quickly enough to keep the market going and support producers." In an effort to increase its own operations, the SELF-HELP PROGRAM is exploring the feasibility of entering commercial markets.

In addition to selling products the SELF-HELP PROGRAM wants to educate buyers about where the articles come from and who produces them. The MCC thrift shops publicize MCC overseas projects and the SELF-HELP PROGRAM through brochures and other promotional materials. The SELF-HELP PROGRAM has prepared small, descriptive brochures describing producers and their products as "bag stuffers" that go with every purchase. It has also produced a series of short slide and tape presentations which can be used in automatic equipment at SELF-HELP shops and relief sales. In 1980, the AMO sponsored a tour to India and Bangladesh for people involved in the program in the U.S.

The headquarters staff of the SELF-HELP PROGRAM consists of 5 full-time, paid employees and 7 full-time volunteers. The AMO's director, who came to the program in 1976 from a business background in retailing and construction, rejects the notion that volunteers cannot work as effectively as paid employees and is equally demanding of both.

Seventeen groups of Mennonites have joined together to form the Mennonite Central Committee. Each group sends representatives to an annual meeting of about 35 people from which the SELF-HELP PROGRAM receives its mandate. An executive committee of 8 people forms the working group to which the AMO is accountable. It meets four times a year and sets broad policy goals and objectives and monitors the AMO's budget.

The SELF-HELP PROGRAM and SERRV, the other large AMO in the U.S., have a mutually supporting relationship. Both organizations have discussed the possibility of consolidating shipments to reduce transportation costs. Their staffs also exchange visits once a year. The director of SERRV is participating in the tour sponsored by the SELF-HELP PROGRAM to India and Bangladesh in 1981. The AMOs share producer information and inform each other regarding policy or price changes. The SELF-HELP PROGRAM provides advice and sells to other AMOs, including JUBILEE CRAFTS and IPHRD.

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SERRV
(United States)

SERRV is a program of the Church of the Brethren. It is the largest alternative marketing organization in the United States in terms of annual sales volume and variety of products offered.

SERRV began marketing handcrafts in 1949 as part of the relief and reconstruction work carried out in post-war Germany by the Church of the Brethren. Growth of the marketing program was slow during the first ten years, as financing was difficult and personnel worked only part-time. The flourishing of overseas mission work in the late 1950's and early 1960's encouraged local congregations to increase their knowledge of overseas communities and their concerns. SERRV added a concrete dimension to these efforts by offering a parcel of handcrafts to local churches. With the growing awareness among the overseas ministries of the potential and validity of handcraft and cottage industry development, direct sales to local churches became the foundation of an expanding SERRV program. SERRV increasingly began to emerge as the agency through which missionaries of many denominations, including Lutherans, Methodists and Presbyterians, would market handcrafts produced by groups they supported in the Third World. By 1964, annual sales were only \$50,000 and SERRV did not have a full-time director. In view of the increasing demand for SERRV's program, Church World Service (CWS), the overseas program of the National Council of Churches in the U.S., provided the AMO with a grant of \$50,000 to hire a full-time director and increase its operational capacity. The CWS association also offered a broad international base. During the late 1960's sales volume rapidly increased. By 1975, annual sales were over \$1 million; the sales turnover in 1980 was \$1.8 million.

SERRV began its marketing program to support refugees in Germany; it continues that focus today, in Thailand, for example. Throughout its history, SERRV's basic objective has been to offer a market to people "caught in the backlash of war, natural disaster or chronic poverty"--people, SERRV believes, who often would not have access to overseas markets. By encouraging the participation of church groups in the education and sales programs, SERRV also hopes to provide "an awareness for Christian involvement and an opportunity for participation in a humanitarian gesture." SERRV operates as an activity of the Christian church but does not preclude the participation of non-Christians. But, SERRV feels that there is a religious basis for its service.

In 1980 SERRV carried approximately 2,000 different articles from 200 suppliers in 48 countries. Jordan was the largest source, accounting for 17% of the AMO's sales volume; India was second with 14%; Hong Kong third with 9%; Kenya fourth with 5%

and Thailand fifth with almost 5%. SERRV divides its suppliers into the following three categories: (1) Group A, self-help groups, individual producers, families or producer and marketing cooperatives; (2) Group B, "mixed profit groups," i.e., "sympathetic intermediaries" who handle goods for producers who do not have the capability to export themselves and who SERRV has reason to believe are providing economic and/or social benefits above those of "normal commercial channels"; and (3) Group C, commercial exporters and importers. Approximately 35% of the groups which supply SERRV are producer controlled (Group A); 45% are mixed profit/producer (Group B), and 20% are commercial exporters or importers (Group C). SERRV buys from commercial importers in order to make its entire line more attractive and to be able to carry similar items made by small-scale producers.

SERRV's marketing philosophy is to work as much as possible with indigenous designs and traditional crafts. SERRV does not provide designs for reproduction and it does not identify market needs and then try to find a group to address them. The AMO does, however, offer minor design suggestions (e.g., size and color of an item) to enhance its marketability.

SERRV has two marketing channels: four retail shops and resale distribution. The retail shops are located at SERRV's New Windsor, Maryland, center; the headquarters of the Church of the Brethren in Elgin, Illinois, and two other cities. Retail sales account for 25% of SERRV's annual sales volume. The New Windsor shop alone accounted for \$511,725 in sales in 1980 (or 28% of the total). SERRV's resale channel includes approximately 2,400 church-related groups (53% of annual sales) and a few museum and other specialty shops (7% of annual sales). SERRV publishes a resale catalogue and information bulletin twice a year. Resale customers are offered two plans. On wholesale orders customers must place a \$150 minimum order on which they receive a 20% and 25% discount off the suggested retail price; those customers pay shipping charges and cannot return unsold items. On consignment orders, there is no discount offered, but SERRV pays shipping costs, there is a \$50 minimum order and customers can return unsold goods (paying only for shipping costs). Because of increasing numbers of returned, unsold goods, SERRV is thinking of altering the consignment plan.

SERRV's price structure depends on the nature of the group from which a product is purchased. The most favorable mark-up is for Group A suppliers, 76% minimum over landed/duty-paid. Products purchased from Group B suppliers are marked up a minimum 85% and from Group C suppliers the mark-up is 95%.

SERRV has a staff of 35 employees at the New Windsor center; only four of them are volunteers. As SERRV is a program of the Church of the Brethren, its broad policy is set by the Church. On day-to-day matters, SERRV acts independently of its parent

organization. While the Church of the Brethren will advance funds to SERRV to help finance inventory and other activities, the AMO is currently self-supporting. It has received little outside funding since the Church World Service grant of \$50,000 in 1964.

SERRV cooperates with other AMOs by providing information about suppliers and exchanging merchandise. SERRV and The Self-Help Program of the Mennonite Central Committee staffs maintain a close relationship by visiting each other's facilities once a year and by supporting each other's programs. These two organizations are currently considering consolidating some shipments received from the same suppliers. SERRV also cooperates with IPHRD by buying some of its merchandise to support IPHRD programs and by selling to IPHRD's retail shop.

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SOLIDARISK HANDEL
(Sweden)

SOLIDARISK HANDEL was founded in 1970 by several Stockholm youths who were concerned about the obstacles "Capitalist" nations had erected against China in world trade. Seeking a way to help China, they began to buy and distribute Chinese goods from a man who was running an alternative importing organization. During the summer of 1970, he supplied four of SOLIDARISK HANDEL's founders with candies, tea and soy sauce which they sold at a large music gathering in a Stockholm park. This marketing effort was highly successful, and even attracted a fifth permanent volunteer who emerged from the crowd at the festival to help with the selling.

That autumn, the five youths and three of their friends opened a small shop in a residential area of Stockholm. These four men and four women also established "Solidarisk Handel" as a trading company in which each held equal shares. The aims of the trading company were twofold. First, it sought to help correct what the founders saw as an imbalance in trade that favored industrialized nations over Third World countries; they wanted to market Third World products on terms more favorable to the Third World and help open up markets for certain Socialist nations. Second, it aimed to educate the Swedish public about the trade imbalance and other concerns related to underdevelopment in the Third World. Several years later, SOLIDARISK HANDEL established education and information as its priority aim. From the outset the AMO did not plan to make any profit; the founders were to remain volunteers and all surpluses were to be reoriented in goods or educational materials.

Using money from the eight founders, SOLIDARISK HANDEL continued to buy goods from the alternative importer. The AMO also began to market stamps from a Hanoi exporter. When these sold well, they expanded to include graphic arts and cards from the same Vietnamese exporter. In its early years, the AMO would accept and try to market anything an exporter from Vietnam or China sent it. SOLIDARISK HANDEL also expanded its range of products by contacting additional exporters, which it learned about from its current suppliers, the embassies of China and Vietnam in Sweden, and the embassies of Sweden in China and Vietnam. By 1976 the AMO's volume of annual sales had expanded to its current range of 150,000 to 200,000 Swedish crowns (about \$38,000 to \$50,000). As a means to assist the Third World exporters, SOLIDARISK HANDEL paid the exporters in advance for part or all of the AMO's orders. The AMO currently has 35,000 to 40,000 Swedish crowns outstanding in advances to Third World exporters.

Since this volume was about the most eight volunteers could handle, they faced a choice between limiting their imports and employing paid staff. They chose the

former. It was a choice that contributed to a decision in 1977 to stop importing from China; other factors were that by 1977 products from China were being marketed widely in Sweden by both commercial and alternative importers and that the AMO sided with Vietnam during its border conflict with China. SOLIDARISK HANDEL has continued to limit its size by encouraging other groups to import directly from the Third World rather than buying from the AMO.

SOLIDARISK HANDEL currently markets the following products from Vietnam: baskets, pineapples, natural medicine, paintings, prints, postcards, candy, black tea, music records, maps, sweaters, and stamps. The AMO also sells embroidered wall hangings and other textiles from Laos and coffee from Tanzania. Sixty to seventy percent of its turnover comes from sales of these goods and related educational items at exhibitions, music festivals and meetings of political and church groups. Another 10% to 20% is marketed through the AMO's small shop which is open two afternoons each week. The remainder of SOLIDARISK HANDEL's turnover comes from wholesaling to other AMOs and to 35 to 60 Socialist-leaning book stores and groups such as "Solidarity with Vietnam."

Most of the AMO's goods are marked up from 50% to 200% F.O.B., depending on what the market will bear and what seems fair. A few items, e.g., Vietnamese stamps, are marked up as much as 400% because the resulting price still is far below prices for similar goods in Swedish commercial shops.

In 1975, SOLIDARISK HANDEL compiled a booklet on Vietnamese art, including pictures with a revolutionary political emphasis and more traditional items. Sweden's foreign aid agency, SIDA, funded the printing of the booklet in 1975 and an enlarged edition in 1981. It is sold in the shop and at educational actions. Most of the AMO's educational actions take place at music festivals, exhibitions, and meetings of political groups. At meetings, SOLIDARISK HANDEL's members will give presentations on Vietnam and Vietnamese music, show a film on Vietnam and usually sell Third World products.

SOLIDARISK HANDEL also coordinates educational campaigns in Sweden. The eight members can play this role because they have a reputation among Sweden's diverse political groups of being a neutral catalyst rather than an advocate of a particular Socialist stance. In the late 1970s, for example, the AMO organized a campaign to make Swedes aware that the United States had not lived up to agreements it made in a truce with Vietnam. Similarly, when China invaded Vietnam in 1978, SOLIDARISK HANDEL organized demonstrations against China.

The eight members (six of whom were among the founders) of SOLIDARISK HANDEL meet every Sunday afternoon to make importing and marketing decisions and review educational actions. The members include five women and three men who range in age

from 29 to 37 years old. Their growing number of children (now up to 10) and the resulting family responsibilities contributed to their decision to maintain the AMO at its current size. A few of the children are old enough to help in the shop occasionally.

SOLIDARISK HANDEL fosters cooperation with other organizations not only in its educational campaigns, but also in marketing. It helped Ideele Import in Holland link with Vietnamese exporters and let this Dutch AMO translate its book on Vietnamese art. As the members see it, SOLIDARISK HANDEL ideally would link enough groups to Third World exporters so that the AMO could greatly reduce its importing and focus instead on education. But, the members do not anticipate this change because very few other groups will take responsibility for the paperwork, product handling, and financing that alternative marketing requires.

On several occasions, the AMO has received small grants from SIDA and from IMPOD, the Swedish government agency which promotes imports from the Third World. To expand the appeal of Vietnamese tea in Sweden, IMPOD gave the AMO a grant to package some of the tea in 250 gram parcels. In addition, IMPOD paid the license fee for the AMO to register a natural drug before beginning to import it from Vietnam. IMPOD also has given the AMO leads to new exporters and products in Vietnam.

The eight members of SOLIDARISK HANDEL have relied almost entirely upon their own time and resources to develop the AMO. They anticipate no change in this situation in the future. Instead, they intend to continue SOLIDARISK HANDEL in the same mode of operation for years to come.

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SOS--WERELDHANDEL*
(The Netherlands)

SOS aims to assist poor people in the Third World by buying the products of their cooperatives and self-help groups as means to provide them "a more stable and just income" for increasing their welfare and independence. SOS also increases the awareness of Dutch and Belgian people about Third World producers and the inequalities they and their nations experience in world trade.

SOS was founded by a man who started raising funds for Dutch missionary projects in 1959. In 1967, a missionary in Haiti suggested to him that the Third World needed European outlets for its handicrafts more than it needed donations. The missionary offered to supply Haitian wood statues to the fundraiser for sale in Europe. The founder of SOS and several volunteers initially used their own money to buy crafts from the missionary and others in the Third World. They marketed these crafts through churches and exhibitions in the Netherlands where they were able to sell them for large mark-ups and use the resulting surpluses to buy more crafts. These were imported to a warehouse in the founder's home town, Kerkrade, in the southwestern corner of Holland.

By 1970, SOS had grown to a 450,000 guilder annual operation. At this time, SOS' founder recruited volunteers from other European nations to establish branches in West Germany, Belgium, Switzerland and Austria. SOS also began importing coffee in 1972 and, later, other food commodities. By then the AMO was selling goods through 150 Dutch outlets, mainly churches and a few commercial shops, as well as a larger number of outlets abroad. Sales continued to expand until 1976 when SOS reached its current level of an annual turnover of approximately 7,500,000 guilders (about \$2,850,000 in 1976 dollars and \$3,850,000 in 1980 dollars). By the end of 1976, SOS' working capital had grown to 3,860,000 guilders from surpluses and donations; the latter had peaked at 120,000 guilders per year in 1975. Over half of SOS' income in 1976 came from West German outlets, one third from Dutch ones, and the rest from other SOS branches.

During the middle 1970s, SOS experienced a major policy transition. Increasing numbers of Dutch action groups and world shops began buying from the AMO; they put pressure on SOS to import only from self-help groups using export marketing as a means to increase their welfare and independence of middlemen and foreign advisors. The

*For an extended discussion of SOS see SOS-Wereldhandel: A Dutch Alternative Marketing Organization (21 pp.), by L. Allen Parker, Center on Technology and Society, Cambridge, MA 02138, USA.

action groups and world shops also objected to SOS selling to commercial outlets, even though these constituted but a small percentage of SOS' total sales. In addition, the groups and shops wanted SOS to place more emphasis on compiling educational materials about the projects and Third World producers and to take a more active role in promoting awareness of Third World issues. At the same time, SOS' West German outlets were founding GEPA, a German AMO, to replace SOS as their source of Third World products.

In 1977, SOS changed its marketing policies to place greater emphasis on marketing through action groups and world shops in the Netherlands. The AMO also decided to limit its sources of supply to self-help groups or government firms in countries judged to be implementing policies beneficial to the welfare and independence of grass roots groups throughout their nations. And, finally, it established a policy of refusing to sell to commercial outlets.

In addition to the impending loss of its West German branch, the Swiss branch, called OS3, and the Austrian branch, EZA, began to spin off. The Flemish-speaking Belgian branch, however, wished to remain with SOS and became an integral part of the AMO. SOS survived the loss of the German, Swiss and Austrian markets in part by appealing to Dutch and Belgian action groups and world shops to intensify their sales of crafts; the groups and shops responded so positively that their handcraft sales rose 40% during 1978-79. In addition, SOS appealed to the general public for donations and no-interest loans. Over 1,000,000 guilders from over 1,000 people were loaned in one year, and SOS currently has about 1,800,000 guilders (930,000 1980 U.S. dollars) outstanding in no-interest loans. Since 1978, about one fifth of the no-interest loans have been changed to outright donations. SOS' annual turnover increased from 7.38 million guilders in 1976 to 7.5 million guilders in 1979, a slight increase in money terms. However, taking price inflation into account, SOS' real income shrank approximately 12% during 1976-79. A fall in the world price level for coffee between when SOS bought and sold a large shipment in 1978 also had a negative impact. The AMO's staff consequently was decreased from 40 to 25 members during these years and its working capital declined by one million guilders. By 1980, SOS had begun to stabilize with a new configuration of staff and market outlets.

SOS currently buys from 35 suppliers in fifteen nations, mainly in Asia and Latin America. The 35 include two state-owned firms, 27 cooperatives and self-help groups, church-related projects, and extended families. SOS buys coffee and tea from state-operated firms in Nicaragua and Tanzania. The AMO prepays 50% to 100% for shipments from its non-government suppliers. It also has assisted a number of self-help groups by linking them with private and voluntary organizations which provide funding or technical assistance.

SOS imports Third World crafts and commodities to its central warehouse in Kerkrade and distributes them to four other warehouses in Holland and one in Belgium. These regional warehouses, in turn, market to 1,500 to 2,000 action groups and 130 to 180 world shops each year. The warehouses also supply three SOS-operated shops in the Netherlands and one in Belgium. Prices are set at levels similar to those in commercial shops, which typically result in a mark-up of 300% to 350% over the F.O.B. cost. Action groups and world shops receive a 25% rebate which they use for expenses and educational activities.

The majority of the action groups are associated with churches, schools or adult education centers; the others are independent. Many action groups sell crafts and commodities only two or three times a year, while others become so involved that they establish world shops which market several days each week. The groups and shops emphasize the provision of educational materials and consciousness-raising more than selling products. SOS distributes a newsletter to over 15,000 people with educational information about the self-help groups and Third World development. The AMO also prepares small booklets and shorter materials about individual groups, and monographs about coffee and tea production, the producers, and their roles in world trade.

The Catholic diocese in the Kerkrade area offered to support the AMO early in its development, but the founder refused and instead established an independent Board of Trustees with his friends. In 1977 the Board began changing and now includes three SOS staff members and six representatives from the community. SOS also has a Management Committee with the heads of various SOS operations. This Committee selects the SOS Coordinator, who currently is Belgian. SOS has 12 paid staff in Kerkrade, 13 in its other warehouses and shops, and over 100 volunteers. SOS cooperates closely with its former branches, GEPA, OS3 and EZA, and participates in the larger informal network of European AMOs begun by GEPA in 1979. Sporadic informal cooperation happens with the other Dutch AMOs, but extensive joint efforts have been precluded by their competition with each other.

SOS anticipates continuing slow shrinkage in its income in real prices due to inflation and saturation of some markets. The AMO expects, however, that there will be significant expansion of its educational materials production and its consciousness-raising activities.

For further information:

Piet Elands, Director
Projects Department
SOS-WERELDHANDEL
Holzstraat 19
6460 AA Kerkrade
The Netherlands

TANZANIAIMPORT
(Sweden)

Tanzaniaimport is an independent cooperative society started in 1972 by Swedes who had worked in Tanzania or wished to assist its development. The goals of this AMO are to link Tanzania's industrial and handcraft exporters with Swedish markets and to foster educational activities in Sweden about Tanzania. The AMO maintains close contacts with Tanzanian officials in order to facilitate the supply of quality Tanzanian products.

Relying upon member donations and small annual surpluses, Tanzaniaimport has expanded its annual income from \$5,000 in 1972 to \$120,000 in 1980. Its turnover initially came almost entirely from members of the AMO who acted as sales representatives. Currently about 60% of the AMO's turnover comes from over fifty of these representatives, who receive 20% rebates for their sales. An additional 20% of the turnover comes from sales to the other four AMOs in Sweden and to small shops in folk high schools and political "book cafes." Another 10% results from one-time retail efforts, such as exhibitions. Five per cent of the turnover is sold through "KF," a large Swedish consumers cooperative. And the remaining 5% is generated by retail sales in Linköping and sales through Third World shops and study groups.

Tanzaniaimport buys manufactured goods, handcrafts and processed food primarily from state-owned firms in Tanzania and sometimes from cooperatives. The goods are distributed to market outlets by one full-time employee and two part-time staff at the Linköping warehouse who are paid at below average Swedish wages. They are helped extensively by volunteers from the AMO's Board of Directors. All of Tanzaniaimport's members are expected to donate time as Directors or sales representatives. Once or twice a year a seminar is held to bring together the members to discuss the AMO's operations and plans as well as Tanzania's export sector.

Through a grant from the Swedish International Development Agency (SIDA) to another Swedish AMO, Afro-art, two members of Tanzaniaimport helped a women's sewing cooperative in Tanzania to develop clothing for local markets. SIDA also has given small grants to Tanzaniaimport to subsidize printing costs for information materials about coffee and tea. Another government agency, IMPOD, is now supporting the AMO in developing additional educational materials about Tanzanian instant coffee. Tanzaniaimport also uses its own resources for disseminating information about Tanzania and the products its exports.

For further information:

Lillemor Hakeman
TANZANIAIMPORT
P.O. Box 4030
S-580 04 Linköping
Sweden

TEARCRAFT, LTD.*
(United Kingdom)

TEARCRAFT, LTD. was established in 1976 by TEARFund, the Evangelical Alliance Relief Fund, as a way to assist overseas projects supported by the PVO. TEARFund began its marketing program with the purchase of 10,000 pounds worth of jute products from the Jute Works and other sources in Bangladesh. By 1977, the annual sales turnover of TEARCRAFT had reached 179,000 pounds. Products from the Jute Works alone accounted for 70% of total sales during that year. By 1979 TEARCRAFT had diversified its sources of supply somewhat and increased its turnover to 580,000 pounds. In 1979, as a result of a number of problems, TEARCRAFT incurred an 85,000 pound loss.

The development of TEARCRAFT is characterized by a rapid growth in sales volume (from 85,000 pounds in 1975-76 to 580,000 pounds in 1978-79), experimentation with a variety of marketing channels and conflict between the TEARCRAFT staff and the TEARFund board over philosophy, aims and marketing strategies. TEARFund is different from most Christian aid organizations and purely humanitarian agencies because of its narrowly defined sphere of operations, "limiting its work to groups whose main concern is evangelism and church planting." In practice this means limiting aid grants to groups where the management is "in the hands of those who want to introduce the people they serve to that fullness of life which comes through faith in Jesus Christ alone." According to TEARCRAFT's former managing director, by 1978 over 85% of sales were coming from groups which did not satisfy this criterion. This led TEARFund to decide to stop purchasing from those groups whose management no longer included known evangelicals. TEARFund also decided to stop using commercial wholesale channels, thus limiting its marketing program to non-commercial, church-related outlets. Both decisions were anathema to the TEARCRAFT staff, on philosophical as well as practical grounds.

In 1978, TEARCRAFT's former managing director wrote to TEARFund of the difficulties of finding new sources of supply in line with TEARFund's purchasing criterion: "To date," he wrote, "in spite of hundreds of letters and personal visits and contacts, only one group, set up by advanced orders from TEARCRAFT, looks like turning into a promising source of supplies at reasonable prices." He also argued that it was simply unethical to cease supporting a group on the grounds it was no longer Christian-run. Furthermore, he pointed out that, by eliminating its commercial wholesale channels, TEARCRAFT was running the risk of oversaturating its market for many of its products, chiefly sikahs from Bangladesh. (This is indeed what occurred and was a major factor in the 85,000 pound loss in

*Note: Information on TEARCRAFT was supplied by former members of TEARCRAFT's staff who now work for Traidcraft.

1979). By 1979, differences between the managing director of TEARCRAFT and TEARFund had become irreconcilable; in June of that year he resigned along with six other members of the TEARCRAFT staff and set up another marketing organization, TRAUDCRAFT.

TEARCRAFT's marketing efforts began in March 1975 with the distribution of a small black and white catalogue to 7,000 people on TEARFund's mailing list. By August 1975, TEARCRAFT was advertising its first color catalogue in a number of Christian magazines. As a result of that and other efforts, 25,000 copies of the catalogue were distributed by the end of 1975. From the outset, however, TEARCRAFT had problems with mail order. Without access to a large mailing list, it was necessary to spend "considerable funds" on advertising and promotion. Ads were run in general women's magazines and production costs rose. TEARCRAFT also had to cover some costs of fulfilling order to avoid deterring prospective customers. Two other problems with mail order encouraged TEARCRAFT to develop other marketing channels: first, with mail order 75% of annual sales were being turned over in the 10 weeks between mid-September and 20 December; second, mail order required TEARCRAFT to carry large reserve stocks because it simply could not afford to run out of very many items.

In 1976 TEARCRAFT began to explore other marketing channels and hit upon a scheme unique among British AMOs at that time - a network of voluntary representatives who buy into the philosophy of the organization, associate themselves with its name and sell its products. TEARCRAFT wrote to individuals who had ordered more than 30 pounds of merchandise and proposed a plan whereby individuals could receive 25% cash discounts and encourage local groups to talk about problems in the Third World, an individual's role and responsibilities and the nature of the existing trading system. The response was not overwhelming at first, but by 1977 there were over 92 representatives who accounted for 35,800 pounds in sales. By 1979 TEARCRAFT had 500 representatives who sold over 174,000 pounds worth of goods.

Managing voluntary representatives and providing them with sufficient information about products, producers and TEARCRAFT itself proved to be difficult and time-consuming tasks. And only one third of them turned out to be "very active" (selling more than 500 pounds) while one third were pretty useless. As a result, TEARCRAFT looked to commercial wholesale channels, attracting customers through participation in trade fairs and direct mail solicitations. By 1979, therefore, TEARCRAFT had a diversified and balanced marketing program: mail order, wholesale and voluntary representatives accounted for 30%, 35% and 30% of total sales respectively.

In 1979 TEARCRAFT imported products from 21 suppliers in 11 countries. Eight suppliers in Bangladesh, India and Haiti accounted for 86% of that year's turnover.

TEARCRAFT's board of directors meets only once a year. A TEARCRAFT committee, made up of members of the board, policy-making employees of TEARCRAFT and members of the non-executive board of TEARFund, meets bi-monthly. At present, TEARCRAFT's general manager, responsible for the U.K. operations, works from the Newcastle-upon-Tyne offices. The organization's managing director, responsible for liaison with TEARFund and overseas activities, is based just outside of London. In 1979, TEARCRAFT full-time, paid staff numbered 16; the AMO also had its own photographic studio and a canteen run exclusively for its employees.

During the tenure of the former managing director, TEARCRAFT participated in the two conference on alternative marketing held in Europe and supported the newsletter TRADECRAFT with editorial and financial assistance. TEARCRAFT also entered into a joint venture with a German marketing organization, DRITTE WELT LADEN, to market products in Germany under the name TEAM (The European Alternative Marketing). This arrangement was subsequently terminated by TEARFund.

For further information:

TEARCRAFT, Ltd.
Carlisle Square
Newcastle upon Tyne NE1 6UF
ENGLAND

TEARCRAFT, LTD.

Summaries of Profit and Loss Statements
(,000 English Pounds)

	1978-89	1977-78	1976-77	1975-76
Sales Volume	585	376	187	67
Gross Surplus % of Sales		160	72	
Net Surplus (loss) % of Sales	(84)	3	10	(7)
*Exchange rates: U.S. centers per English Pound: Period Average 1980 June	212	191	175	181

Balance Sheet
March 31, 1979

	£	£	£	1978	£
<u>FIXED ASSETS</u> (Note 1)		30,678			
<u>CURRENT ASSETS</u>					
Stocks	131,477		100,500		
Debtors and Prepayments	68,078		58,461		
Cash at Bank and in Hand	3,377		5,488		
	<u>202,932</u>		<u>164,449</u>		
<u>LESS: CURRENT LIABILITIES</u>					
Bank Overdraft	4,397		-		
Creditors	66,342		44,339		
Holding Company - Current Account	27,534		5,473		
	<u>98,273</u>		<u>49,812</u>		
		104,659			114,637
		<u>£ 135,337</u>			<u>£ 133,977</u>
<u>REPRESENTED BY:</u>					
<u>SHARE CAPITAL</u>					
Authorized, Issues and Fully Paid		100			100
<u>PROFIT AND LOSS ACCOUNT BALANCE</u>					
- (ALVERSE) (1978 FAVOURABLE)		(17,640)			6,675
		(77,540)			6,775
<u>HOLDING COMPANY - LOSS ACCOUNT</u>		212,877			127,202
		<u>£ 135,337</u>			<u>£ 133,977</u>

THIRD WORLD HANDARTS
(United States)

THIRD WORLD HANDARTS was established in 1975 by a young woman in southern California who was seeking to make a concrete and positive contribution to the alleviation of poverty in the Third World. From the outset, THIRD WORLD HANDARTS has seen itself as a non-profit, volunteer endeavor which eliminates the middleman and (allows) all monies collected to go directly to the artists. The AMO also aims to reach a wide spectrum of ideological and philosophical perspectives, viewing the purchase of a handcrafted item as a first step toward acquiring a deeper understanding of some of the structural and root causes of poverty in the Third World.

Starting in 1975 with a small consignment of products purchased from a producer group in Bangladesh, THIRD WORLD HANDARTS has grown to an organization with an annual turnover of \$100,000. In 1976, the AMO was incorporated as part of the Union of Third World Shoppes, an association of non-profit marketing organizations based in Fort Wayne, Indiana. In 1977, THIRD WORLD HANDARTS with some reluctance added a 10% mark-up over landed/duty-paid costs to cover some of its overhead expenses; and in 1980, with even greater reluctance, the figure was raised to 15%.

The founder of THIRD WORLD HANDARTS had been involved in hunger walks sponsored by her local church during the early 1970's. Her enthusiasm for the marches began to wane after several years for a number of reasons. They did not, in her opinion, constitute a very tangible or concrete contribution to Third World development for the majority of the participants. A march was something one did once or twice a year with the proceeds going to places determined by people unknown to the participants. Furthermore, she found most hunger walks dominated by one part of the political spectrum. This eliminated large segments of the population who either were uncomfortable or in disagreement with the position that industrialized nations contribute to the perpetuation of poverty in the Third World.

Craft marketing was suggested as an alternative mode for participation to the local hunger group. A CONCERN (an Irish Relief and development organization) volunteer in Bangladesh proposed that the hunger group market crafts from a project his organization was sponsoring. THIRD WORLD HANDARTS' marketing program began in 1975 with a fundraising event at a local church in Orange County, California. The event brought in \$200--the value of the first consignment of articles from Bangladesh.

THIRD WORLD HANDARTS first sold products through the homes of members of the hunger group. Demand, however, quickly outstripped the selling capacity of volunteer-run home parties. Therefore, in 1976, the AMO started setting up table displays on Sunday mornings in the parking lots of one or two local churches. The "Sunday Sales" remained the AMO's major distribution channel until 1979. It is a simple concept. A table of crafts is set up in the church parking lot and the congregation is informed about the sale during the service. THIRD WORLD HANDARTS has found that the most effective announcements are made by visiting missionaries who encourage members of the congregation to simply touch (not necessarily "buy") the products on display and through that "experience God's presence in the Third World." On good days, sales can exceed \$2,000!

In 1978, THIRD WORLD HANDARTS opened a small retail shop in Santa Ana. The shop is not in a commercial area and has little walk-in business. While the shop is very attractive and the crafts are well displayed and represented, its primary purpose in the beginning was educational. CONCERN "hunger kits", family board games about cooperation, self-sufficiency and conservation, National Geographic articles and publications on world hunger from the Paulist Press were all displayed alongside crafts from overseas, Appalachia and U.S. Indian reservations. In 1979, two articles on THIRD WORLD HANDARTS were published in the Los Angeles Times. Since their publication, sales in the retail shop have increased to the point where they account for over one half of the AMO's turnover. In order to accommodate this success, most educational materials have been moved to a small room at the rear of the shop.

In 1980, THIRD WORLD HANDARTS published its first mailorder catalogue. The catalogue is a test effort and was sent to only 500 people on the CONCERN mailing list; an advertisement in the CONCERN newsletter brought approximately 150 requests for the catalogue. The catalogue unequivocally reflects THIRD WORLD HANDARTS' marketing philosophy. It describes the AMO as "a non-profit venture that eliminates the middleman and provides a market for Third World people who are seeking ways to work and live." The catalogue also explicitly identifies the altruistic motive for buying handcrafts from THIRD WORLD HANDARTS, noting that buyers are "participating in an effort to keep tens of thousands of women employed - a matter of survival for the majority of these women and their families". The catalogue also includes descriptions of the major supplier organizations: Jute Works and KARIKA and MCC in Bangladesh, The Women's Cooperative in Guatemala, and a group of Peruvian weavers. These descriptions are accompanied by photographs. And, finally, the unslick format and design are testimony to the non-professional and person-to-person

approach of a volunteer organization.

THIRD WORLD HANDARTS tries to buy as directly as possible from producers and has not purchased crafts (even when supplies have been low) from SERRV or other AMOs. THIRD WORLD HANDARTS also does not purchase from commercial exporters or importers. All the AMO's suppliers have been identified by intermediaries - CONCERN volunteers in Bangladesh and Thailand, an expatriate nutrition expert in Guatemala and a priest in Mexico. Products from four projects in Bangladesh accounted for 80% of the sales in 1979. The AMO also imports from several other individual projects around the world. Peruvian weavings come from a small weaving cooperative established in 1977 with a grant from the Irish Bishops. Guatemalan crafts come from a cooperative of 32 women in Santiago, Guatemala. These Indian women who had children at a nutrition recuperation center, formed a cooperative on their own initiative in order to generate income to buy food for the children once they left the center. The women buy their own materials, set their own prices and make all weaving-related decisions themselves. THIRD WORLD HANDARTS also buys a few items from a project in Thailand, one in Turkey, and one in Mexico.

THIRD WORLD HANDARTS is currently at a major crossroads. With annual sales at \$100,000, problems with maintaining sufficiently high levels of inventory to meet present demand, and the likelihood that that demand may increase, the AMO has to decide whether it wants to move on to the next sales plateau. The principals behind THIRD WORLD HANDARTS acknowledge that the AMO has already evolved into a time-consuming business which needs full-time attention, if it is to survive.

For further information contact:

Ms. Jeanne Favreau
THIRD WORLD HANDARTS
1618 N. French Street
Santa Ana, California 92701

TRAIDCRAFT, LTD.
(United Kingdom)

TRAIDCRAFT, LTD. was founded in June 1979 by the former director of TEARCRAFT, another British AMO. TR AidCRAFT, LTD. is wholly owned by the Traidcraft Trust, a charity registered under English law to which it covenants all profits. Membership in the Trust is open to all who are interested in the work of TR AidCRAFT, LTD. and who are in sympathy with its Basis of Faith.* TR AidCRAFT "sees its particular area of activity as part of the global commitment of Christians to bring about peace, reconciliation, justice and wholeness in the world." The company seeks to work with groups in the Third World which share this perspective and the company's Basis of Faith. It does not, however, exclude groups that do not have a declared Christian basis.

The present director of TR AidCRAFT left TEARCRAFT in June 1979 with an agreement that TEARFund, the parent PVO of TEARCRAFT, would sell him 120,000 English pounds of inventory over a two-year period at 33-1/3% discount and transfer to him all TEARCRAFT's wholesale accounts. TR AidCRAFT also obtained 30,000 pounds in donations and no-interest loans from the general public and persons who had had contact with TEARCRAFT. Very favorable credit terms from the Jute Works in Bangladesh was another source of needed working capital. In 1979-80, its first year of trading, TR AidCRAFT sold £123,000 worth of goods from 27 suppliers in 11 countries. TR AidCRAFT sells through three channels: voluntary representatives, commercial wholesale and mail order. In 1980-81 the AMO sold £116,000 through commercial wholesale channels, £130,000 through a network of voluntary representatives and £ 60,000 by mail order, for a total turnover of £306,000. In 1980 TR AidCRAFT began marketing tea and coffee; sales of the two commodities were £30,000 and £84,000 respectively.

TR AidCRAFT aims to put into action the call for justice between the world's nations by "offering a responsible marketing service to self-help, communally-beneficial craft and cottage industry producing groups in developing countries." According to the director of TR AidCRAFT, its suppliers should have the following characteristics:

- (a) organized for the benefit of its members
- (b) concerned for the personal welfare of individual producers
- (c) paying wages and providing working conditions which are above the average in its locality
- (d) making products which are now or potentially viable commercially
- (e) paying no more than a reasonable service fee to agents (if they are involved)

*See page A-88.

Four of TRAIDCRAFT's suppliers are marketing organizations; the remainder are primary producer groups. All the producer groups are known personally to TRAIDCRAFT staff, as many are suppliers to TEARCRAFT. An example of a TRAIDCRAFT supplier is KARIKA, the Bangladesh Handicraft Co-operative Federation. KARIKA was formed in 1974 as a non-profit organization to provide training, materials and design and marketing assistance to local artisans. It currently assists 2,500 craft producers and has design shops in Dacca and Chittagong. Another supplier in Bangladesh is the Christian Health Care Project, a church-sponsored family planning project which provides assistance in handicrafts, weaving and spice grinding. TRAIDCRAFT is buying tea from an estate in Sri Lanka "which is unique in that earnings go to support homes for the physically and mentally handicapped in Sri Lanka."

TRAIDCRAFT's range of 200 handmade crafts include ceramics from Mexico, leather purses from India, a variety of kitchen items and jute products, including sikahs from Bangladesh. Very few of the items are ethnic crafts, but all are produced by labor-intensive methods. They range in price from 15p for a small jute angel to 10 pounds for a bead and bamboo curtain from the Philippines. The maximum number of items TRAIDCRAFT can carry at this moment is around 200, since it cannot afford to stock back-up supplies for a larger range.

TRAIDCRAFT uses three distribution channels: (1) a network of over 400 voluntary representatives (up from 170 in 1980); (2) a mail order catalogue; and (3) commercial wholesale. TRAIDCRAFT's voluntary representative scheme was built on the experiences of TEARCRAFT. Voluntary representatives are individuals who buy into the philosophy and aims of the organization and function as sales representatives, selling products through a variety of channels. TRAIDCRAFT representatives are encouraged to maintain high levels of stock from which they fulfill orders directly. They receive a 25% cash discount for orders of 200 pounds or more, a 20% cash discount for orders of 60 to 200 pounds and an additional 5% discount if they pick up orders from the TRAIDCRAFT warehouse. TRAIDCRAFT representatives use a variety of channels to sell products. There is no breakdown across these different channels, but they include the "Tupperware" (or home) party, agricultural and flower shows, bazaars and garden parties, local markets (where some rent stalls), schools and regular retail outlets. At least two representatives have their own retail shops; one is part of a parish church, the other is in the commercial district of Glasgow. One successful representative has put together an exhibition of crafts which she takes around to building societies and other similar organizations.

Voluntary representatives are motivated primarily by the concept of Christian service and the opportunity to display their selling abilities. Most all voluntary representatives donate profits to their local church or other charities; many have

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NO. A-87 and A-88

TRAIDCRAFT, LTD.

Trading and Profit and Loss Account for
the Year Ending 31st March 1981

		£	£
9 months to 31.3.80			
£	<u>SALES</u>		
14795	Mail Order	55781	
46399	Voluntary Representatives	126950	
61487	Wholesale	<u>107636</u>	290367
--	Instant Coffee	87995	
--	Ground Coffee	6152	
--	Tea	<u>33613</u>	<u>127760</u>
			418127
LESS:			
	<u>COST OF SALES</u>		
65532	Goods & Freight	227085	
8263	Packing, Distribution & Commission	25081	
1157	Damaged & Rejected Stock	1228	
--	Commodities - 10% Distribution	<u>11964</u>	<u>265358</u>
47729	<u>SURPLUS ON SALES</u>		<u>152769</u>
11400	<u>SPECIAL DISCOUNT</u>		7770
59129	<u>GROSS SURPLUS</u> 38.39%		<u>160539</u>
1527	<u>SUNDRY INCOME</u>		2206
60656			<u>162745</u>
LESS:			
	<u>EXPENDITURE</u>		
12672	Promotion Advertising & Catalogue	22953	
23093	Salaries Payroll Expenses & Fees	76342	
4586	Property & Equipment Expenses	13610	
2158	Travel	3906	
5503	Administration Expenses	13697	
748	Miscellaneous Expenses	<u>4763</u>	<u>135271</u>
11896	<u>NET SURPLUS</u>		<u>27474</u>

Traidcraft TrustIncome and Expenditure Account
for the Year Ended 31st March 1981

	£	£
<u>INCOME</u>		
Subscriptions	2,306	
Donations	10,342	
Interest Received	<u>515</u>	13,163
Less		
<u>EXPENDITURE</u>		
Donation to Gospel House Handicrafts, Sri Lanka	116	
Trust Secretarial Services and Administration	1,351	
Trustee Meetings--Travel and Expenses	343	
Education--Materials and Expenses	<u>1,515</u>	<u>3,325</u>
<u>SURPLUS FOR THE YEAR</u>		<u><u>9,838</u></u>

Balance Sheet as at 31st March 1981

<u>INVESTMENT</u>		
5096 Shares of £1 each in Traidcraft, Ltd. at cost		5,096
<u>OTHER ASSETS</u>		
Cash at Bank on Deposit Account	479	
Cash at Bank on Current Account	2	
Due by Traidcraft Ltd.: Current Account	6,367	
Due by Traidcraft Ltd.: Medium Term Loan (Interest free)	<u>10,000</u>	
	16,848	
Less: Creditor	<u>101</u>	<u>16,747</u>
		<u><u>21,843</u></u>
<u>FINANCED BY:</u>		
<u>LOANS</u>		
Repayable within one year (Interest free)		1,550
<u>ACCUMULATED SURPLUS</u>		
As at 31st March 1980	10,455	
Surplus for the Year	<u>9,838</u>	<u>20,293</u>
		<u><u>21,843</u></u>

WORLDCRAFT
(UNITED STATES)

WORLDCRAFT is a department of WORLD CONCERN, the International Relief Development Division of CRISTA Ministries, a Seattle-based Christian organization. WORLDCRAFT started its handcraft program in January, 1980, after approximately 12 months of planning, market research and testing. The WORLDCRAFT program, therefore, is very much in its development phase and, while much of its strategy has been established, there are many aspects that are still evolving. Furthermore, as the program has been in operation less than a year, major elements of its strategy remain to be implemented.

WORLD CONCERN is one program of CRISTA Ministries, "a professionally staffed, non-profit organization engaged in a growing ministry of diverse Christian, humanitarian and community services designed to meet the needs of the whole person . . . physical, intellectual and spiritual." CRISTA Ministries has a number of programs, including counselling services, elderly care, camping and printing (a full-service graphics, photographic and printing service to church-related and commercial clients). CRISTA also owns and operates three radio stations with inspirational, informational and entertaining programming. CRISTA, which stands for Christianity in Action, was incorporated in 1948 as King's Incorporated, started by Washington men who were running a home for homeless boys and girls.

WORLD CONCERN is described as a multi-faceted Christian, humanitarian international relief and development service. It works through existing church and international agencies to provide medical, agricultural, child care, nutritional, veterinary, disaster and technical self-help assistance. WORLD CONCERN's income has grown from about \$25,000 in 1976 to \$3,990,000 in 1980.

WORLD CONCERN has been supporting handcraft projects in Bangladesh, Ecuador, Guatemala, Pakistan, the Philippines and Thailand. In 1978, the PVO decided to increase its level of support to such projects by developing a U.S. marketing program; in 1979 it hired a director for WORLD CRAFTS. WORLD CRAFTS began marketing products in 1980 and expects to sell approximately \$60,000 worth of goods by the end of its first year of operation.

WORLDCRAFT's program has three primary objectives: (1) to assist producers in developing countries organize themselves, their skills and their natural resources into a production (unit) suited for both a local and overseas market; (2) to explore the North American market and provide maximum possibilities for the sale of products

from the production groups; with whom WORLDCRAFT is involved; (3) to educate market target groups (through audio-visuals, overseas visits, publications, etc.) to the realities of production in developing countries and the needs of the people involved. The WORLDCRAFT program reflects an integrated approach to handicrafts marketing. According to its director, the program will have the following elements:

Buying: producers who have been previously identified will be visited and a sample order for products will be made; at that time an assessment is made of production capacity, design and market potential, on-time delivery capabilities, quality control procedures, etc. In addition, the quality standards and delivery expectations of WORLD CRAFTS are explained.

Product development: as a result of initial assessments plans will be developed to provide financial and technical assistance to particular suppliers on an on-going basis.

Program development: upon requests from individual groups or development organizations for a craft program, WORLD CRAFTS will undertake an on-the-spot needs and feasibility assessment and design an appropriate response.

In 1980, WORLDCRAFT imported products from 21 producer groups in 8 countries. Pakistan, India and the Philippines accounted for 30%, 20% and 15% of total sales respectively. Imports also came from Sri Lanka, Bangladesh, Nepal, Haiti and Panama. One half of the suppliers are "producer-controlled or influenced intermediary organizations", such as Tibetan cooperative in New Delhi which supplies rugs and Asha handicrafts in Bombay. Two producer groups handle the exporting function themselves and the rest are part of indigenous or foreign-run development organizations. While there are no written, explicit criteria for the selection of suppliers "the Christian motivation of WORLD CONCERN, being an evangelical-based organization, is an important consideration."

WORLDCRAFT imports a range of decorative, functional and household products, including baskets, carved figures, table lamps, leather items, jewelry and woven products. WORLDCRAFT distinguishes between traditional products and new products produced with traditional methods, e.g. bedcovers and placemats done on backstrap looms. A third and fourth category used to classify imports are "introduced goods" and special orders. Unlike most AMOs, WORLDCRAFT imports clothing and expensive carpets, which it considers "special orders".

WORLDCRAFT expects to use both commercial and wholesale distribution channels as well as non-commercial channels based on local churches and voluntary organizations and WORLD CONCERN membership. During its first year of operation WORLDCRAFT has concentrated on experimenting with its own retail shop in a local shopping center and establishing contact as a wholesaler to specialty shops and department stores in the Seattle area. In June 1980, WORLD CONCERN purchased

a Christian bookstore in Edmonds, Washington, a few miles from the CRISTA headquarters. About one third of the inventory consists of products from WORLDCRAFT's lines; it is still too early to assess the viability of merging the two concepts. A small mail order catalogue is being test-marketed to a portion of CONCERN's 40-50,000-person mailing list.

WORLDCRAFT has found the prices of its products to be competitive with a few exceptions, notably placemats made on backstrap looms by Manipuri weavers in Bangladesh, because much cheaper, though lower quality, substitutes are available. The AMO contends that the U.S. consumer of handcrafts is used to cheap products from overseas, is looking for inexpensive items and will not trade upward for quality. On the other hand, WORLDCRAFT claims that the market for some items, such as jute sikas, which many observers say is saturated, is still growing at a 15-20% annual rate.

WORLDCRAFT has 7 full-time staff and 2 part-time volunteer staff. The AMO has 2 full-time, paid managers, 2 full-time and 3 part-time, paid staff for its 2 retail shops. WORLDCRAFT has not yet begun to tap the volunteer market, but expects to do so over the next year, as it develops non-commercial marketing channels. The relationship between WORLD CONCERN and WORLDCRAFT is extremely close, as WORLDCRAFT is viewed as an integral part of the PVO's economic development program.

In 1981 WORLDCRAFT was restructured. The AMO developed sales strategies that relate directly to the public (e.g., home parties) and to the evangelical mission of WORLD CONCERN. Once the distribution channel is set up, it is handed over to the Resource Development Department of CRISTA Ministries as an on-going sales program. Sales channels which do not reach the public directly (e.g., wholesale) are retained by the AMO.

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APPENDIX B

SUMMARIES OF USAID EXPORT DEVELOPMENT
PROJECTS AND PROGRAMS

APPENDIX B

SUMMARIES OF USAID EXPORT DEVELOPMENT
PROJECTS AND PROGRAMS REVIEWED DURING PREPARATION OF PAPERB. I. 1950's

- 0 IRAN PIO/T 65-28-109-3-60359 (report dated 4/14/59)

Technical assistance to the handicrafts and small industries of Iran. Developed product brochure, provided field training for craftsmen with development of products and test marketing in 12 craft areas, developed 50 categories of products with many variations in design classification, sale of samples, local test marketing, accomplished some import sub. in apparel production, craft design exhibitions organized for craftsmen and merchants.

- 0 PHILIPPINES (1951-1953) Small Industry Series, CI.I. Bulletin No. 3

Study of cottage industries. Five industries recommended for modernization and development--woodworking, weaving, fiber working, ceramics and straw. Products were developed and presented to market. Tools were introduced to increase productivity.

- 0 JORDAN AND LEBANON (1956) Small Industry Series, C.I. Bulletin No. 9

Study entitled Crafts of Jordan and Lebanon, 1956. Investigation of craft industries of the two countries. Concluded that neither nation alone possesses a volume of crafts production sufficient to support an adequate developmental effort, nor do they possess internal markets capable of absorbing greatly expanded craft production. In combination they can create a volume of output that will help supplant imports, redress unfavorable balances and command respect in world markets. Problem would be national interests and resultant competition.

- 0 INDONESIA (1957) Small Industry Series, C.I. Bulletin No. 4

Study entitled Cottage and Small Industries in Indonesia. Evaluation of C.I. in Indonesia and International Cooperation Administration assistance. Experts provided for training in fields of ceramics, glass, leather, textiles and other industries. Support to Centrals which in turn support the cooperatives in purchase of raw materials, sale of raw materials, preparation and processing of raw materials, technical guidance and product standardization. This was in response to middlemen supplying raw materials at a high price and then buying the finished product at cut rates. Training institutes were set up in batik, ceramics, leather and textiles.

0 KOREA - Report by industry advisor covering period 7/59-7/61

Overall objective was to assist producers in handicrafts and small industries, to turn over acceptable goods at prices attractive enough to increase domestic and export sales and to contribute to a favorable balance of trade. Assisted in design and market techniques, trained Korean participants in project management and marketing to assure the continued operation of the Handicrafts Development Center. 200 firms received assistance in design in ten production areas, in production techniques and marketing. Also conducted seminars, field assistance and provided marketing specialist. Exhibits at trade fairs in New York and Chicago were organized.

B. II. Middle 1960's (Handicraft development during the Alliance for Progress)

- 0 During the Alliance for Progress, a project in handicraft development was formulated in the mid 1960's. USAID asked the Cooperative League of the U.S.A. (CLUSA) to implement it. USAID also contracted with a private firm, Scherr & McDermott in New York, to implement the marketing component. They did so primarily through a retail shop in New York and through Sears Roebuch catalogue sales. CLUSA's involvement in the project ended in 1966.

B. III. Late 1960's to mid 1970's

0 PERU 527-270-058.3 Export and Industrial Management and Promotion, 1969-71

Objective was to develop Peru's non-traditional export capabilities through investment in the development and improvement of productive operations and the expansion of foreign markets.

0 GUATEMALA 520-15-290-201 Export Development 1970-73

Project assisted GUATEXPRO (Guatemala Export Development Center) in identifying external markets for non-traditional exports. It also assisted in product development including upgrading handicrafts and agricultural products. Businessmen were trained in export development, trade missions were sent to Miami and Puerto Rico and a trade office was established in Montreal.

0 INDIA 3860384 Export Promotion 1968-74

A series of studies were conducted to evaluate India's exports and export potential. The project helped develop an information infrastructure and provided market orientation tours.

0 URUGUAY 528-15-011.1 Export Promotion and Regional Integration 1966-73

The project objective was to reform and centralize foreign commerce activities by establishing and supporting an export promotion center and by supporting Latin American export activities.

B. IV. Mid to late 1970's

- 0 PARAGUAY Short term contract to investigate exportable crafts.

An expert was sent to Paraguay to investigate the possibility of exporting Indian crafts. It was found that their products were not exportable due to price and supply constraints.

- 0 SIERRA LEONE 698-0388.2 Gara Cloth Industry, 1976-

The project objective is to support, develop and expand the domestic and export market for gara cloth produced by the rural women of Sierra Leone. It was first implemented by hiring a marketing consultant to analyze and help organize the industry, to train members of the industry to marketing and design and to provide logistical support. Additional assistance was requested in 1978 to assist the growth and further development of the industry for a consistent flow of goods. The project was developed through the Sierra Leone Arts and Crafts Cooperative. The raw materials must be imported from India and the Ivory Coast.

- 0 CHAD Handicraft training

The government of Chad requested assistance for two years to provide income producing handicraft training and production to the curriculum of fundamental education taught at training centers for illiterate Chadian women between the ages of 14 and 40. The project became operational in 1977 but was disrupted due to political trouble in Chad and the subsequent withdrawal of USAID personnel.

- 0 HONDURAS 522-0120

The objective of the project is to expand the markets for small farmers in Honduras.

- 0 COSTA RICA 505-0130 Urban Employment/Community Improvement, 1978=

The project is to help small urban industries. There has been no evaluation to date.

- 0 BOLIVIA 51100472 Agribusiness and Artisanry 1977-

The objective of the project is to support artisan projects that relate to agricultural raw materials (wool, leather, wood) produced by small farmers including the artisans themselves. The project is a loan to the Government of Bolivia to be administered through Central Bank.

- 0 EGYPT Port Said Saline Production 2630072 1977-

The objective is to help expand an existing salt plant. The project is primarily to increase domestic production.

- 0 CENTRAL AND WEST AFRICA REGIONAL 6250715 Entente States: African Enterprises 1973-1980

Support of Entente Fund (Togo, Niger, Upper Volta, Ivory Coast and Benin) for development banks for creation and expansion of private industry, agricultural commercial, artisan and tourism enterprises. Basically provided credit.

- 0 TANZANIA 6210133 Agricultural Section Loan I 1975-76

Primarily institution building. The primary objective was to increase agricultural output. This included the investigation of export taxes as a disincentive to increase production.

- 0 BURMA 482-123 Expansion of Teak Production 1962-74

The objective was to increase teak production by constructing a modernized industry and developing Burmese forestry practices to improve teak quality and increase teak production and export.

- 0 ROCAP ACTIVITIES Evaluation of ROCAP activities in Marketing by Chechhi, dated 5/71.

Evaluation of seven contracts with Marketing Resources International from 2/65 to 3/71. Up to 2/69 the emphasis was mostly on training, analysis of business firms, market counseling and establishment of retailer buying coops. Notes that ROCAP has consistently emphasized a regional approach to institution building (e.g. marketing courses) instead of formation institutions themselves with the hope that appropriate activities would follow. Post 2/69 ROCAP efforts were in university marketing courses, development of tourism and non-traditional exports, import substitution, seminars and short courses.

- 0 LATIN AMERICA Regional Export Development Project

Report by Leon Bepaloff, Regional Export Development Assistance Advisor for South America, dated 6/73. The regional office was established in response to requests for export development assistance. It was located in Buenos Aires to coordinate activities with the Regional Trade Development Center. However, RTDC activities and facilities were found inadequate for training and exhibitions.

- 0 HONDURAS 522005310 Export Promotion 1965-75

Technical and commodity assistance to create an export development division to help expand exports.

- 0 GLOBAL World Trade Institute

Provides training and project support in export development and marketing. Has designed and implemented 61 export development programs in 8 developing countries and has provided training programs for representatives of 65 countries.

APPENDIX C

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APPENDIX C

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