

LESSONS LEARNED IN TWENTY YEARS

HONDURAS, GHANA, HUNGARY, RUSSIA,
ARMENIA, CENTRAL ASIA, AND PERU



Blessing a new kiln, Peru

Grant No.: 1020-1485

With a generous grant from the Ford Foundation, ATA returned to seven completed projects to examine the sustainability of ATA's impact and to draw lessons from ATA's global experience.

October 31, 2005

Mary Cockram

Table of Contents

Introduction.....	1
Research Methodology.....	1
ATA’s Project Implementation Methodology.....	2
Selection criteria.....	2
Product development.....	3
Business training.....	3
Sales & Marketing.....	4
ATA’s organizational learning.....	4
Program Outcomes.....	4
Unanticipated outcomes.....	5
Artisan groups that did not succeed in the target market.....	6
Lessons Learned.....	6
Conclusion.....	8
Attachments.....	9
Attachment A: Case Study Summaries.....	9
Attachment B: Factors for Success or Failure of Cultural Enterprise Projects.....	12

Special thanks to:

- Ford Foundation, for their interest in the project and patience when it took much longer than expected
- Board member Susan Ginsburg, for championing the project, recruiting advisors, and tireless review
- Clare Brett Smith, for patience and providing the time to allow this reflection
- The impact advisors who provided guidance on content, methodology, and things to consider: Jean-Eric Aubert, Tyler Biggs, Ray Fisman, Dick Ford, Tamar Gutner, Chris Udry
- ATA’s internal review team: Andrea Leiser, Lane Pollack, and Deb Werner
- Tom Carter of USAID, for thoughtful review
- Jessica Cook and Don Tobin, for interviews and analysis in Ghana
- Susan Strawn, graduate student at the University of Iowa, who compiled much of the background information
- Ann Courtmanche, who tackled editing
- ATA interns: Nena do Nascimento, who gathered financial data and in documented the early history, and Dan Sturm, who gathered background information.

Lessons Learned in Twenty Years

Aid to Artisans' Experience in Artisan Development

October 2005

Aid to Artisans, a nonprofit organization, offers practical assistance to artisan groups worldwide, working in partnerships to foster artistic traditions, cultural vitality, improved livelihoods, and community well-being. Through collaboration in product development, business skills training, and development of new markets, Aid to Artisans provides sustainable economic and social benefits for craftspeople in an environmentally sensitive and culturally respectful manner.

Aid to Artisans' mission statement

INTRODUCTION

Aid to Artisans is a focused organization, specializing in working with poor, often rural craft producers and developing the products, skills, market links and value chains to sell successfully into appropriate local and export markets. Guided by former President Clare Brett Smith's experience as a craft importer, ATA provides the artisan sector with three major services—product development, market links, and business skills. ATA serves artisan producer groups, small and medium enterprises, exporters and non-governmental organizations.

ATA sought and received support from the Ford Foundation to develop seven case studies about projects in Africa (Ghana), Latin America (Honduras, Peru), Eastern Europe (Armenia, Hungary, Russia) and Central Asia (a regional project in Kazakhstan, Kyrgyz Republic, Uzbekistan, Turkmenistan, and Tajikistan) that were initiated between 1984 and 2001. This summary reports on the combined findings of the seven case studies, and is an effort to gain and share more knowledge about craft sector development and to explore the value of institutionalizing a metrics and evaluation process. The case studies are available on ATA's website, with occasional updates as new information is available:

<http://aidtoartisans.org/resources/casestudies.html>

The study findings show that ATA's methodology has been generally effective in promoting measurable, durable success in artisan businesses and expansion of a country's craft sector (four of seven projects) even where there is no history of craft export (Honduras). ATA has also contributed to the establishment of enduring non-governmental organizations and networks, preservation of cultural heritage and vitality, women's development, and environmental stewardship. The studies also show that ATA carried lessons learned from one project into subsequent projects, and that this more systematic examination suggests additional lessons which can improve current and future ATA practice and inform the study and practice of craft sector development generally.

RESEARCH METHODOLOGY

Aid to Artisans sought to examine the impact of its projects over the long term and in a range of different settings. The studies focused on how the craft sectors had changed up to thirteen years after the end of the project. ATA primarily examined measurable economic outcomes, but also focused on less conventionally quantifiable factors important to ATA's mission or to national development as currently understood—artisan capabilities and skills,

women's development, cultural preservation, and environmental impact. Sites were selected for breadth in geography and craft materials; time since program intervention; and different project foci, including a regional project, preservation of cultural heritage, working with small and medium enterprises (rather than with artisan microenterprises), creation of an organization, and the transformation from an organization to a business. Field research for the cases was conducted by a team of two people who interviewed artisans, businesses, organization leaders, buyers, consultants, and staff. The teams usually included one ATA staff and an external researcher or consultant who had worked on the project.

ATA's first attempt at comprehensive studies resulted in some compromises and some unique benefits. Until recently, ATA did not invest in detailed monitoring tools or baseline studies, so project records of income and other measures were often not available to compare to; national level statistics were used instead. In some cases where the project worked with many companies (Ghana, Peru, Central Asia) or where some organizations had disappeared (Hungary, Russia), the teams were not able to interview all the businesses that had participated in the project to provide a comparison of current sales to end-of-project sales. Survey sample groups were fairly small and were selected purposefully. Finally, because the cases reviewed covered a span of 18 years, this series of studies also reveal much about how ATA absorbed and acted on lessons learned. Since ATA staff were involved in the research and writing of the cases, the organization used lessons learned from the field research to adjust practices in active projects during the three years it took to complete the work. Therefore, while the majority of this synthesis document is drawn from the cases, some of the lessons and conclusions were buttressed by observations and evaluations in current projects.

ATA'S PROJECT IMPLEMENTATION METHODOLOGY

ATA was founded in 1976 by James and Mary Plaut and was based on their deep concern for what they called "the endangered artisan". They hoped to bring these crafts into museum shops throughout the United States but this limited market strategy was not successful enough to provide livelihoods for very many artisans and the organization concentrated instead on providing small grants to artisan groups - and still does. The craft sector development strategy described in these studies took shape during Clare Brett Smith's tenure and brought commercial craft market experience to the organization. It was during ATA's first major project in Honduras (1984-86) that the "Market Link" strategy took shape. Since then, ATA's basic methodology has been to provide selected craft-based enterprises with three major types of services—product development, market links, and business skills training. This balanced approach evolves over time and by country but has remained broadly constant.

Selection criteria

ATA has typically been faced with more opportunities than resources to respond to them, requiring criteria to select new projects. In addition to broad goals set by the Board or staff—service in Africa or post-Soviet states, for example—project selection has centered on four specific criteria generally met by the end of the initial assessment for a proposed project. First, projects always involve an expression of interest in ATA, often by artisan businesses. In each of the projects studied, ATA's services were requested by artisan organizations, businesses, government officials, or a donor. Second, ATA seeks out nations, regions, or

artisans who are poor. Third, ATA works with existing groups of artisans, upgrading skills but not usually teaching basic skills. Last, ATA seeks funding for projects. Most often, funding comes from the United States Agency for International Development (USAID).

In addition, ATA seeks an entrepreneurial outlook in key project participants, whether through small or medium businesses (for example, Ricardo Martinez in Honduras or Victor Kurakin in Russia), designers (Kinga Szabo, Hungary), microenterprises and individual artisans, or leaders of organizations (Esther Ocloo in Ghana or Dinara Chochunbaeva in the Kyrgyz Republic). Using these criteria, ATA supports artisan development throughout the spectrum of capabilities—from master artisans who can compete at the top of the market to producers who are best matched to local and regional trends and demands.

Product development

In most projects, ATA starts with product development in order to stimulate interest, excitement and early sales opportunities. Product design consultants, usually experienced in the US or European markets, work directly with artisan entrepreneurs. These consultants help artisans adapt, tweak, or overhaul the products they are already producing or develop new lines that will appeal to the US and European markets. The personal creativity and cultural traditions of artisans are respected and encouraged and often the goal is to help the group revive traditional crafts or create new products from local designs and innovations. At a minimum, this process is built on local traditions and materials to create functional and aesthetically desirable products in the target market. Consultants also assist artisans in developing pricing structures which balance the need for a fair, productive wage and positioning within the marketplace that reflects the perceived value of the product.

Business training

Business skills are the foundation for product development and market links, so nearly every project involves some type of training: formal or informal; in groups, one-on-one or a combination of both; for well-educated entrepreneurs and illiterate artisans. Ongoing improvements and extensions of training materials and delivery are central to ATA's efforts. ATA began by mentoring nascent businesses with appropriate information as they needed it. ATA has long provided general business training in how to run and sustain a business and in marketing craft products. Components of the business training have evolved to now include instruction in costing and pricing, production planning and management, distribution, quality control, packing and shipping, billing and collecting, customer service, export documentation, and US and international buying cycles and trends.

To teach marketing skills, ATA established a market introduction program for selected artisans at the New York International Gift Fair (NYIGF) about 1991 during the Hungary project. It has grown into the formal twice-yearly Market Readiness Program (MRP) for approximately 30 exporters, craft business owners, NGO leaders, and ATA staff. The Market Readiness Program combines guided market immersion with formal seminars. Tools such as the MRP and ATA's *Export Manual* resulted from the requests of project participants for formal training, especially in Hungary and Russia; they also allowed ATA to be efficient in providing a consistent understanding of the US market. Formal seminars provide opportunities for intense personal exchanges with fellow craftspeople, or between merchandising experts and producers. These inspire new ideas and form the basis for lasting business and creative networks.

Sales & Marketing

ATA links artisans to the marketplace, connecting them to customers, importers or businesses with which they can develop lasting professional relationships. Trade show exhibition is central to ATA's marketing activity and the shows are also a key training venue. Around the world, ATA displays artisan products at trade shows such as the New York International Gift Fair (NYIGF), the California Gift Show, Sources, now in California, SARCD A in South Africa, and Ambiente and Tendence in Frankfurt, Germany. ATA follows up US trade show orders by placing purchase orders with artisan businesses, as a form of journeyman training until the artisan groups make independent market links.

ATA's strategy has been to link artisan businesses to the buyers, make sure that the relationship was strong enough to last, and then get out of the way. ATA's reasoning is that buyers provided many of the services that ATA had provided during the project: product development, marketing, and business mentoring as well as the financing that ATA has never provided directly. These relationships take time to build. ATA seeks to remain connected to artisans groups post-project, and where possible recommend new buyers or assist in solving problems with existing buyers.

ATA's organizational learning

ATA has evaluated projects since the early 1990s, to satisfy both donor requests and internal demands. ATA has an entrepreneurial organizational culture that values action, consequently evaluations with specific analyses and results that provide insight and direction. Staff review both internal and external project evaluations carefully and incorporate lessons learned into project activities and new project design. Current projects share information and lessons learned through formal channels and peer learning. ATA plans to share these case study results broadly with peers and development practitioners, which represents the first time the organization has done so in a planned way. Donors often push ATA to think more broadly about how to view craft or to work in new ways—and where ATA has been able to plan to match donor interests with ATA's competencies, the organization has developed new competencies.

P R O G R A M O U T C O M E S

The cases demonstrate that ATA made significant economic and organizational contributions as well as other positive effects on its clients and their communities. A summary of each case with quantitative data is included in Attachment A.

- In Honduras, craft export businesses that started as a result of ATA's 1984-86 project have generated US\$15 million in sales; no artisan businesses existed prior to the project.¹
- In Ghana (1993-1997), there are more than a dozen small- and medium-sized artisan exporters that did not exist prior to the ATA-Aid to Artisans Ghana project, and they credit ATA's design work and US-based training as being pivotal to their success.

¹ All sales described in this document and the case studies are at FOB, the price of the product as it leaves the country of origin. US retail equivalents for the same goods are five to eight times higher, or about US\$90 million from Honduras.

- In Hungary (1991-1995), although many of the cooperatives and master artisans that the project worked with are no longer active, export sales maintained 233 jobs for a decade as a direct result of the project.
- Russian businesses that worked with ATA have grown, diversified into the local market survived the 1998 banking crisis, and note that they are more successful than peers who did not participate in ATA's project (1993-1996).
- In Armenia (1995-1997), where jobs were still scarce more than a decade after the Soviet collapse, a craft-based export business deviates from the norm to pay 200-400 women on time and enable their families to survive.
- In Central Asia (1994-1999), where government policies inhibit export, the regional fairs that ATA started generate US\$150,000 per fair, making them the primary sales venue for many project clients and others.
- In Peru, craft exports were declining when ATA began working with exporters there in 1994; by 2002, annual exports had doubled and were growing, and exporters gave credit to ATA for much of the turnaround.

Average artisan income for past project participants is slightly higher than the national per capita income in four cases (Armenia, Central Asia, Ghana, Peru), equal to minimum wage in one case (Honduras), and less than the national per capita income in two (Hungary, Russia). In all cases, artisan work is often only part time or seasonal. In three cases, artisan work was the only source of cash income, especially for rural families (Central Asia, Honduras, Armenia). Although the data for artisans who did not participate in ATA projects is quite limited, anecdotal evidence indicates that non-participants earn less than artisans who did participate in projects (Peru, Central Asia, Russia).

In four of the seven cases, both the businesses ATA worked with and the entire artisan sector has continued to grow and strengthen; in two, the artisan sector continued to grow post-project but has contracted since 2001 (Ghana) and 2003 (Hungary). In Russia, the businesses ATA worked with have grown since the project end, but ATA's impact on the sector overall was modest.

Investment in development is by nature slow. Project funders often seek a return of new sales equal to the project funding, which often did not happen in during the project. In two projects, sales exceeded the project investment during the life of the project (Hungary, Peru); in three more, the project investment was exceeded within two years of the end of the project (Ghana, Honduras, Armenia); and it was exceeded in four years in the last two (Russia, Central Asia). Projects often have initial funding that is less than needed and are then extended after initial positive results (Hungary, Peru, Central Asia, Armenia). An unwavering dedication that sales at least match budget during the life of the project would encourage project planners to avoid working with the poorest of the poor or in places that are difficult for lack of infrastructure or prohibitive environment.

Unanticipated positive outcomes

Two significant unintended positive outcomes stand out from the case studies:

- ATA incubated several US importers as part of its efforts to assist the artisan groups and the craft sector in particular projects. Successful companies such as Volga River Trading (Russia), Sandor Collection (Hungary), and Groovy Holiday (Central Asia) started with

ATA guidance and sometimes trade show exhibition space. Dozens of other US businesses have grown based on products and artisans they found through ATA projects. Many can be seen at the trade shows in which ATA participates. Incubating importers was an idea that came from within ATA.

- Although ATA's focus has always been to build business, related non-governmental organizations and trade associations have been founded with ATA support and assistance in Central Asia (CACSA) and Ghana (ATAG), and they remain vital. The value of bringing artisans together to learn from each other was most clearly demonstrated in Russia and Central Asia, and the lack of this type of connection in the Hungarian sector is another reason that commercial craft is no longer viable. Strengthening or spinning off local organizations was an idea that came both from ATA and from external sources.

Artisan groups that did not succeed in the target market

ATA was not able to provide long-term economic benefits to everyone it sought to include in projects. A subset of artisans in several projects did not see sales increases during the project, or did not last over the long term are:

- In Armenia, men's products were dropped from marketing efforts at the end of the project in 1997, because they were not selling in the international market. By 2000, however, the wood workshop was revived for primarily local markets, and several of the original project participants are employed there.
- Women weavers in Tallamac, Peru, were too physically distant and not organized enough to respond effectively to export orders. The market was interested in their expensive but unusual technique, but the expense of working in such a remote region combined with a high percentage of rugs were below quality standards led to both Peruvian exporters and US importers regretfully stopping work with the weavers.
- After Honduran cornhusk products were enormously successful for about five years, the producers, some of ATA's poorest clients, faced a demand that shrunk to about 1% of the previous high. As with Armenian men's products, this shows that a key challenge for the craft sector generally is how to cope with an ever-changing market, and raises questions for ATA about what its long-term role with clients should be.
- In Hungary, the project goal was to reverse the loss of employment in the craft sector. At the end of the project, sales and business relationships were very strong and continued steadily until 2002. By 2004, artisans were actively dissuading their children from entering the profession and craft-based work was declining as a viable source of income due to macroeconomic factors. Further, many of the Hungary program participants are of a generation where they are not willing to learn to adapt their businesses and products to current trends.

LESSONS LEARNED

Several of the most important and most common lessons from the cases are presented here, although the cases contain many more. Lessons that have been confirmed or incorporated in current projects are included. Attachment B provides a more detailed list, broken down by major success factors.

Changing market requires additional training products: Historically, ATA “handed off” artisan businesses to buyers they acquire during the project and little subsequent assistance from ATA was needed. However, an increasingly competitive global market compels ATA to provide a higher level of training, particularly in product design and in identifying new markets. Teaching innovation as a process is becoming a more central part of ATA’s training.

Growth requires reinvention: Growth poses a potential challenge to organizational values and practices. ATA’s entrepreneurial organizational culture that values action. When ATA was small, heavily reliant on volunteer labor, and had low overhead it could initiate projects with almost no funding. This led to a mutually respectful relationship with partners, but sometimes a superficial response. By 2000, ATA was not as quick to initiate projects—there were many more opportunities from which to select—but was able to respond with systems and information, such as the Export Manual, by then translated into more than half a dozen languages. To retain a nimble approach continues to be ATA’s intention.

Dialogue with the development community is positive: Much of ATA’s knowledge and skill growth has come from internal innovation. However, part of ATA’s learning comes from taking on new tasks presented by funders, sponsors, and members of the larger development community. ATA has successfully maintained its tight focus on the artisan sector, and believes that this has contributed to its success. By combining such new activities with tried and true skills, external and donor pressures have proved generally useful experiences for the organization and made lasting methodological contributions to the work, despite sometimes having been challenging to implement (Central Asia, Peru)

Consultant competencies: Consultants with production expertise (e.g., who are weavers or ceramicists) are more able to design products that reflect the artisan’s production conditions (Hungary, Peru, Armenia). In addition, rather than using multiple designers, repeat visits from the same consultant result in deeper personal ties and better quality work because the consultant and artisan develop a mutual understanding and ability to communicate and work together (Ghana, Russia).

Multiple markets reduce risk: As an American organization, the US market has always been ATA’s primary focus. Both funders and artisans are attracted by ATA’s US market network. Access to multiple markets lowers artisan risk. Product development for North American markets often spills over to upscale expatriate and tourist markets as well. A project is able to target appropriate markets for artisan producers only if staff or consultants have or develop a thorough knowledge of export and local markets (Central Asia).

Personal knowledge of market important: Success in the export market is more easily obtained with firsthand knowledge of the market. For both local designers and exporters, understanding and regularly visiting the market and clients is essential to long-term success. For ATA, this means an increased investment and emphasis on buyer visits and artisan travel.

Reasonable expectations for results: ATA’s strategy has always been to have time-limited interventions, but project goals need to be realistic for the time frame. In a three year project, a reasonable goal is developing solid export market links, assuming that craft sector

is reasonably organized with existing exporters. The time frame for linking businesses to international markets stretches to five years or more if the export services are missing; if the enabling environment makes business particularly complicated or expensive; or if the craft sector has poor internal connections and mistrust. The larger goal of building capacity for businesses to develop marketable products and to find new buyers independently is a longer term goal and depends upon successful market links; ATA does not yet have enough experience to estimate an appropriate time frame.

High return on modest pre- and post-project funding: Modest funding before and after projects can leverage substantially higher return on the total investment. Pre- and post-activities, on a very modest scale (US\$5,000 to 50,000) in Armenia, Ghana, and Central Asia yielded results that were proportionally much greater than the major project, but depended on the big project for their effectiveness.

C O N C L U S I O N

ATA's methodologies for serving artisans and innovation have been successful by economic and non-economic measures. Above all, the studies confirm that investment in artisan development can be cost-effective levers of development. It is already established that the artisan sector often contributes substantially to national economies, although data are often not informative. Regional analyses report craft work as the largest source of rural employment after agriculture, and often associated with higher income.² Two examples from UNESCO's data show that Morocco, with a very strong craft tradition, craft contributed more than US\$6 billion to the economy, and employed 2 million craft workers; and in Malaysia, which is not particularly known for craft, the artisan sector contributed nearly half a billion dollars to the economy and supported 13,500 families.³ In this context, ATA's work, which allows artisan organizations to expand their markets, deserves to be continued.

² Basu, Kunal, 1995 "Marketing Developing Society Crafts: A Framework for Analysis and Change" in Janeen Arnold Costa and Gary J. Bamossy, eds., *Marketing in a Multicultural World: Ethnicity, Nationalism, and Cultural Identity*. Sage Publications, Thousand Oaks.

³ Bouchart, Dominique, 2004. *UNESCO Crafts/Tourism Index*. UNESCO, Paris.

A T T A C H M E N T S

Attachment A: Case Study Summaries

This attachment summarizes the projects that are profiled in the case studies (see Table 1 below): budget and return on investment, including breakeven points; key inputs; long-term growth of ATA partner businesses and the artisan sector; and artisan livelihood results. In addition, some additional themes emerge in studying the seven projects together, at the sector level, at the business level, and at the artisan level.

Table 1. Summary of Case Study Results

<i>Country, Dates (Field research date) "Case theme"</i>	<i>ATA Budget (and total budget, if applicable) Key inputs (After staff, the order indicates relative importance in project)</i>	<i>Sales Created and Artisans Clients During Project</i>	<i>Results Post-Project: Sales, Jobs, Organizations, Sector Strength</i>	<i>Artisan income and as % of national per capita income reported at the time of field research</i>
Honduras/ 1 st project 1984-1986 "Long time frame"	US\$510,000 In-country staff of 3 Product design and production consultancies Trade show exhibition (details not available)	\$272,500 ⁴ 530 artisan clients Sales surpassed ATA budget two years after project end	First project results in one company, Amano that grows to \$500,000 in annual sales; Amano folded six years post-project. ATA staff Holland Millis starts successor company with annual sales of \$1 million.	Artisans reported earning about the national per capita income (US\$960). In addition, 27% of artisans surveyed earned more than twice the minimum wage (US\$3,240 /year), 35% earned 1-2 times the minimum wage, and 38% (like many Hondurans) earn less than minimum wage (US\$1,080 /year).
Honduras/ HACER 2001-2003 (Oct 2003)	US\$1.2 million In-country staff of 3 17 trade shows 162 consultant days Formal training and informal mentoring 7 buyer trips	US\$525,223 (77% of project goal) 2,029 artisan clients; 250 jobs expected to be maintained at end of project	Long-term 20-year sales total US\$15 million.	Although pay is low, craft pays better than other jobs; accepting other work often meant that rural women would have to leave the rural areas.

⁴ All sales described in this document and the case studies are at FOB, the price of the product as it leaves the country of origin. US retail equivalents for the same goods are five to eight times higher, or about US\$90 million from Honduras.

<i>Country, Dates (Field research date) "Case theme"</i>	<i>ATA Budget (and total budget, if applicable) Key inputs (After staff, the order indicates relative importance in project)</i>	<i>Sales Created and Artisans Clients During Project</i>	<i>Results Post-Project: Sales, Jobs, Organizations, Sector Strength</i>	<i>Artisan income and as % of national per capita income reported at the time of field research</i>
Ghana , 1993-1997 (May 2003) "Creation of an organization"	US\$666,000 (plus approximately the same to ATAG directly) In-country partner, ATAG 424 days of design 8 trade shows 30 MRP participants	US\$859,300 Sales surpassed ATA budget during project and surpassed total ATA & ATAG budget two years after project end	The founding of Aid to Artisans Ghana was inspired by ATA in 1989. Ghana's exports increased from US\$160,000 in 1989 to US\$11 million in 2002; 60% of this increase was attributed to ATAG and ATA. Sales slowed from 2001 but remain much larger than at project end.	Artisans reported earning US\$605/year (155% of national per capita income). However, half of artisans surveyed did not have work for three months per year, eroding the ability to save.
Hungary , 1991-1995 (May 2004) "Cultural preservation"	US\$729,000 No in-country staff 19 buyers visited (many came 2-4 times) 101 consultant days 8 Trade shows Formal workshops	US\$1.1 million Sales surpassed ATA budget during project	One US importer still buying extensively from Hungary, but other US companies that depended on Hungarian craft have gone out of business or found other sources of production. Macro factors, especially a 40% increase in wages from 2002-2004, are squeezing out most craft businesses and coops.	Artisan wages were low: US\$1,200-4,200/year in 2004, when national per capita income was increasing from US\$5,100 in 2002 to US\$8,270 in 2004. However, 233 jobs created and maintained for ten years as a direct result of the project
Russia , 1993-1996 (May 2004) "Changing macro-economy"	US\$555,000 1 in-country coordinator Formal workshops Lead consultant 5 trade shows	US\$56,000 Sales surpassed ATA budget four years after project end	In 2004, there were 369 jobs directly attributable to the project. Businesses had found new markets, mostly domestic, to replace shrinking export markets.	Business owners reported wages for home-based workers of 35%-53% of national per capita income; artisans reported that this was more than other work alternatives available to them.
Armenia , 1995-1997 (Sept 2002) "Project that became a business"	US\$537,000 1 in-country staff 101 consulting days by 3 people 4 trade shows, plus 4 prior to project start Training by informal mentoring	US\$180,000 Artisan clients: 500 at end of project earning US\$30/month Sales surpassed ATA budget two years after project end	The highly successful business that resulted from project has annual sales of US\$600,000 in 2002. Two years of assisting the Armenians to market made the short, two-year project more productive.	In 2002, 500 women are actively employed (200-400 women were employed at a time) in a context where jobs were extremely scarce. Textile artisans earn 94% to 164% of the national per capita income, a higher percentage than at the end of the project. However, many still struggle to do more than meet basic needs

Country, Dates (Field research date) "Case theme"	ATA Budget (and total budget, if applicable) Key inputs (After staff, the order indicates relative importance in project)	Sales Created and Artisans Clients During Project	Results Post-Project: Sales, Jobs, Organizations, Sector Strength	Artisan income and as % of national per capita income reported at the time of field research
Central Asia, 1995-1999 (Nov 2003) "Regional project"	US\$1.6 million (plus office space) 1 in-country staff/country plus regional director Formal training 16 regional fairs 507 consultant days 8 trade shows	US\$490,000 Sales surpassed ATA budget four years after project end	Regional organization, CACSA, formed at end of project and continues to thrive. CACSA organizes fairs that generate stable source of income for artisans, US\$150,000/fair twice annually.	Artisans reported earning US\$240-600/year (77% to 194% of national per capita income), up to US\$2,000 /year (645% per capita income). Artisans consistently state they are "somewhat" or "considerably" better off than non-artisans; rural families may have no other source of income.
Peru, 1994-2002 (Mar 2004) "Work with medium-sized exporters"	US\$1.2 million (plus about the same directly to ADEX) In-country partner 925 consultant days, mostly in first half of project 19 trade shows No training	US\$23 million Sales surpassed total ATA & ADEX budget during project	Craft exports in 1994 were US\$16 million and declining. This trend was reversed and in 2003 exports reached \$30 million.	Artisans reported wages from 51% to 305% of national per capita income, although the biggest percentage were in the 76% to 152% group. Program clients earned an average of 134% of national per capita income, whereas artisans who did not participate in the project averaged 90% (note that data are limited for this control group)

Attachment B: Factors for Success or Failure of Cultural Enterprise Projects

The table below is organized by program element or constraint. Lessons learned that confirm industry best practices are only mentioned briefly (for example, that developing local partners can result in the availability of good quality services over the long term).

<i>Success factors</i>	<i>Lessons learned</i>
<p>Local Partner</p> <ul style="list-style-type: none"> ▪ Entrepreneurial local partner with a specific request for ATA services ▪ Staff available ▪ Previous understanding and experience of craft development ▪ Knowledge of business practices ▪ Market experience 	<p>ATA worked with both businesses and organizations as local partners. In addition to the considerable added value that a competent local partner can add, two interrelated factors stand out as increasing program effectiveness:</p> <ol style="list-style-type: none"> 1. Entrepreneurial drive and problem-solving ability of the local partner, as shown by its leader. ATA provided other skills to complement a problem-solving approach, such as training on, for example, the US market (Armenia), business skills (Central Asia), market skills (Ghana), or design (Peru). 2. A clear, stated request for ATA services by program clients (Armenia, Ghana) or other local leaders (Central Asia, Hungary, Peru)
<p>Project personnel</p> <ul style="list-style-type: none"> ▪ Appropriate consultant skills—design ability, cultural sensitivity ▪ Preparation of consultant ▪ Staff experience and credibility ▪ Personality fit 	<p>Although ATA sought to have home office staff with relevant language and country experience, this was not always possible given ATA's small staff and multiple project responsibilities. However, matching in-country project leader skills and personality to the local culture and project life cycle is important in Central Asia.</p> <p>Since ATA conducts product development through consultants, ATA looked especially at which consultancies were identified as most useful. Repeat trips by the same consultant were seen as more effective than trips by multiple consultants, primarily because a lead design consultant would better understand how to work with a group (Ghana, Armenia, Honduras, Peru). Over several years, however, multiple designers are desirable to avoid a single look or style.</p> <p>Technically proficient consultants were often more successful than generalist designers because they were better able to understand the technical constraints faced by artisans, and thus more likely to generate feasible designs (Hungary, Armenia, Ghana). Generalist designers, on the other hand, were most successful with local technical production support or when a large number of craft materials are required (Peru, Central Asia).</p>
<p>Enabling Environment</p> <ul style="list-style-type: none"> ▪ Strength of economy overall and availability of jobs ▪ Currency convertibility and relative buying power of currency ▪ Legal environment for small business and export 	<p>Artisans in several countries (Central Asia, Armenia, Honduras, Russia), especially rural women, had few employment options. In addition, artisans surveyed in all the cases valued the ability to create and do interesting work.</p> <p>With the exception of Central Asia, none of ATA's projects have attempted to address policy issues, although national policies can have a large impact on business and export. Instead, ATA adapts project design to address a difficult business climate, particularly by targeting local and tourist markets as viable and profitable sales venues.</p> <p>Four projects (Armenia, Hungary, Russia, Central Asia) took place in a transition to a free-market economy. These projects required considerably more business training, specifically formal workshops that addressed the lack of market experience. While Hungary's economy has developed such that craft is only marginally competitive, craft jobs in Armenia remain highly valued.</p>
Marketing and Distribution	As an American organization, the US market has always been ATA's primary

<i>Success factors</i>	<i>Lessons learned</i>
<ul style="list-style-type: none"> ▪ Selecting appropriate markets (US, EU, regional, tourist, local) ▪ Scale of local or tourist market ▪ Proximity to markets ▪ Transportation ▪ Promotion ▪ Communication systems ▪ Local, regional tourist export 	<p>focus. ATA's US market network appeals to both funders and artisans. Export markets require organized production, competent export services and quality control that may differ from artisans' cultural norms. Projects can effectively access multiple markets for artisan producers only when staff or consultants have a thorough knowledge of those markets.</p> <p>There is often a local, high-end market; targeting the diplomatic community (which the foreign NGO can access more easily than local producers) allows artisans to gain first-hand market feedback on products. Local markets were often overlooked, but formed the mainstay in Central Asia and an important percentage of sales in most projects. Local market spillover from ATA design work in Peru was estimated at a volume equal to the US\$23 million in export sales during the life of the project. Although these markets are more accessible, reaching high-end local markets requires the same kind of product development that export markets do.</p> <p>Artisan proximity to markets can keep costs down, but rural production is sometimes more cost-effective than urban workshops, particularly when it is closer to sources of materials or if rural labor is much less expensive than urban or peri-urban labor (Honduras, Peru). Projects should be prepared to address potential transportation bottlenecks—to a port and on to an export market—particularly in the absence of a strong exporter or artisan sector organization.</p> <p>Despite constant shifts in the structure of the market and advances in the internet, trade shows remain an essential opportunity to vet new products and talk with buyers. Exposure to the market, selling at the show, and ATA's show-based training, the Market Readiness Program were together identified as "a five-day MBA" and as providing information fundamental to understanding the market and to business growth (Armenia, Ghana).</p> <p>Buyer trips are the single most effective way to solidify a producer-buyer relationship (Hungary, Peru, Ghana), but some buyers require a year or more before they to commit to travel.</p>
<p>Functioning value chain</p> <ul style="list-style-type: none"> ▪ availability of export services for the craft sector 	<p>All of the case study projects had an export market focus. In several, craft exporters did not exist (Armenia, Hungary, Russia, Central Asia, Honduras, and many of ATA's current projects). In this context, identifying an entrepreneur and getting that business able to export is a critical program activity. In a three year project, going from no exporters to even one good exporter is a huge accomplishment. One exporter is inherently risky (Honduras). The ideal—multiple companies to provide services to artisan producers—is an unrealistic expectation in a three year project, and may dilute the efforts with each company so much that none are strong enough to survive for long post-project (Peru, Ghana).</p>
<p>Production</p> <ul style="list-style-type: none"> ▪ Production methods and tools; available appropriate technology ▪ Quality control ▪ Access to capital 	<p>ATA's strategy has been to address production on an as-needed basis, when growing market demand requires improved processes and quality or lower prices. Production issues can be solved, but this takes time, and design must take production limitations into account.</p> <p>Merely providing tools isn't enough; as good practice writings suggest, the most useful tools are ones that the artisan wants and either knows or learns how to use (Armenia, Peru).</p>
<p>Price</p> <ul style="list-style-type: none"> ▪ Perceived value of product ▪ Relative cost of labor 	<p>Price competition from China and other countries is a reality of the market, and successful new products are quickly and cheaply copied by others. Product design can greatly enhance perceived value of the product, and the trendy, stylish products (the most difficult for in-country designers to produce) offer</p>

<i>Success factors</i>	<i>Lessons learned</i>
	the biggest margins. For long-term success, artisan businesses need to identify how they can stand out: their ability to innovate; exceptional customer service; unusual materials; novel techniques; responsive samplemaking; the ability to respond to small production runs; high quality; or other competitive advantage.
Product <ul style="list-style-type: none"> ▪ Market interest in traditional products, designs and skills ▪ Sustainable access to raw materials ▪ Knowledge and ability to produce in volume ▪ Artisan technical skill level, and literacy and numeracy ▪ Availability and sophistication of local design talent 	<p>As one of ATA's strengths is developing new products from almost nothing, the lack of marketable products at the start of the project can be solved. It is often easier to develop a new product than to address all the business skills that might be lacking. Product design can add value and showcase unusual skills, motifs or materials. Consistently across projects, product design is what entices buyers to take a risk on a new artisan supplier.</p> <p>Over the long term, buyers replace the project in providing new product design, but producers need to be able to develop new ideas as well. Product life cycles dictate that eventually sales for any product will drop. After seeing that Hungarian and Russian producers were still selling ten-year-old designs from the project, the need for locally-based design was reaffirmed. However, to successfully design for any market, the designer needs to visit the market annually to understand changes and trends.</p>
Environmental impact	ATA has always sought to use raw materials sustainably and provide training on updated techniques to reduce negative environmental or health impacts of craft production. Perhaps what is most striking in the cases was the absence of negative environmental results such as the degradation of a wood or dye plant due to high demand.
Time frame of external intervention	<p>ATA's strategy has focused on time-limited interventions. The duration of the project affects the kind of goal that can be achieved. Linking businesses to international buyers is a reasonable expectation in three years if the craft sector is reasonably organized with existing exporters. The time frame for linking businesses to international markets stretches to five years or more if the export services are missing; if the enabling environment makes business particularly complicated or expensive; or if the craft sector has poor internal connections and mistrust. The goal of building capacity for businesses to develop marketable products and to identify new buyers independently is a longer term process and depends upon successful market links.</p> <p>ATA saw the biggest sales results in Peru, during an eight-year project where it worked with many exporters. Pre- and post-project activities, on a very modest scale (US\$5,000 to 50,000) in Armenia, Ghana, and Central Asia yielded meaningful results.</p>