

## CRAFT DEVELOPMENT PROGRAM

(TC-99-02-01-7)

### EXECUTIVE SUMMARY

<b>Executing agency:</b>	Fundación Cultural Quipus [Quipus Cultural Foundation] (FCQ)	
<b>Beneficiaries:</b>	Microentrepreneurs in the craft sector	
<b>Objectives:</b>	The general objective of this project is to increase competitiveness and income in Bolivia's craft sector. The specific objectives are to: (i) create a favorable environment so that artisans can increase their sales; (ii) improve the quality and sophistication of Bolivian crafts by incorporating higher-quality inputs and techniques; and (iii) institutionalize a cycle of competitions, fairs, and marketing of the high-quality goods in demand on the market.	
<b>Description:</b>	The program will consist of five interrelated components for sector development: (i) <i>quality and design</i> ; (ii) <i>training</i> ; (iii) <i>competitions</i> ; (iv) <i>fairs</i> ; and (v) <i>marketing</i> . This initiative will result in the implementation of "quality circles" in the craft sector, enabling artisans to increase their competitiveness in the long term. Although an increase in market sales is the final goal, the program's purpose is to address the main problem or bottleneck, which is <i>the supply of high-quality handicrafts in demand on the market</i> .	
<b>Amount and source:</b>	Modality:	Grant
	MIF (Window III-A):	US\$1,000,000
	Local:	US\$ 430,000
	Total:	US\$1,430,000
<b>Execution schedule:</b>	Execution period:	48 months
	Disbursement period:	54 months
<b>Environmental and social review:</b>	At its meeting on April 27, 1999, the Committee on Environment and Social Impact recommended that this operation include features to promote the active participation of female artisans and training in environmental protection and worker health and safety.	

**Special  
contractual  
clauses:**

Up to the equivalent of US\$50,000 will be used to hire the program coordinator, who will assist the FCQ in the activities to fulfill the conditions indicated in the following paragraph. Prior to hiring the coordinator, the FCQ must fulfill all the general conditions precedent to the first disbursement of those funds (see paragraph 8.1).

Prior to the first disbursement of the balance of the funds, the FCQ must submit the following documentation to the Bank: (i) cofinancing agreements signed with other donors for at least 70% of the local counterpart contribution or evidence that the counterpart funding is available; (ii) evidence that the program coordinator has been hired; (iii) evidence that the restricted calls for bids have been issued for the selection and hiring of the consultants for the other main program activities; and (iv) the annual operating plan for year one of the program, including performance and impact indicators for the artisans (see paragraph 8.2).

The annual plans of operation and semiannual progress reports submitted to the satisfaction of the Bank will include performance indicators, in particular income generation targets for the various program components. Should there be any significant shortcomings in the achievement of those targets, the Bank reserves the right to suspend disbursements until the FCQ takes the necessary measures to correct the deficiencies.

## **I. ELIGIBILITY**

- 1.1 The Donors Committee declared Bolivia to be eligible for all financing modalities under the Multilateral Investment Fund on October 6, 1993.

## **II. BACKGROUND**

### **A. Context**

- 2.1 Ninety percent of all Bolivian companies are microenterprises (with less than five employees) or small businesses (from 5 to 49 employees). According to an artisan survey conducted in 1996, <sup>1/</sup> most handicraft businesses are microenterprises or small manufacturing firms, and only 1% employ more than 30 employees. According to the 1996 National Census, of the 357,000 individuals employed as artisans, approximately 200,000 lived in urban areas and 157,000 in rural areas.
- 2.2 Women comprise almost two thirds of all artisans. For example, in the production of handmade textiles in the La Paz basin, nearly 90% of the producers are women. The artisan sector is relatively stable and deeply rooted in the community. Almost two thirds of artisan enterprises have been in business for more than 10 years and only 10% have been in business for less than a year. The highest concentration of urban artisan enterprises is in the La Paz basin with 40% of the total. Chuquisaca and Cochabamba follow, but in smaller proportions. The five largest categories of crafts in urban areas are jewelry and silver and gold work, hat-making, traditional embroidery, wool-weaving, and string and wind instruments. <sup>2/</sup>

### **B. Problem areas for Bolivian artisans**

#### **1. Major stakeholders**

- 2.3 Bolivia's artisan sector is represented by different guilds and organizations, such as the Asociaciones Departamentales de la Pequeña Industria [Departmental Associations of Small Business] (ADEPI), the Cámaras de la Pequeña Industria y Artesanía [Chambers of Small Business and Crafts], and the Confederación Sindical de Artesanos [Federation of Artisans]. Each of these institutions has supporting agendas, but there is no specific overall coordination mechanism. Neither is there a consensus-based strategy among the trade associations on sector priorities. Other representative regional organizations and associations also exist, some of which are supported by nongovernmental organizations (NGOs). Some government institutions play a part in promoting and establishing pro-sector policies, as is the case with the recently-created Office of the Deputy Minister for

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<sup>1</sup> Artisan survey conducted by FCQ in 1997 with financing from the World Bank.

<sup>2</sup> Ibid.

Microenterprise and the Office of the Deputy Minister for Industry and Domestic Commerce. Others, like the Bolivian Small Business Administration (INBOPIA) and the Technical Assistance Service (SAT), provide training and technical assistance services directly.

- 2.4 Certain private institutions also support the sector through interventions in training, technical assistance, and marketing. This is the case for the Fundación Sartawi [Sartawi Foundation], the Comercializadora Fomento de Iniciativas Económicas [marketing firm for the development of economic initiatives] (COMFIE), the Centro de Investigación y Desarrollo Regional [Regional Center for Research and Development] (CIDRE), and other NGOs and associations. However, most of these institutions have specific geographic focuses and do not work exclusively with the craft sector, but consider such work part of a microenterprise support strategy.
- 2.5 Two institutions that stand out thanks to their support for artisans, among other groups and activities, are ADEPI and La Feria; they provide specific training activities on production and design, as well as the implementation of an annual national fair that will provide direct-marketing opportunities. However, these activities are part of an overall support strategy for small industries and microenterprises.

## **2. The crafts market**

- 2.6 Few studies have been conducted on the handicraft market in Bolivia, and the ones that do exist are not reliable sources of information to estimate aspects of supply and demand. Some important data have been obtained through sector surveys. For example, with regard to the type of sales, 32% of the artisans work by order, 19% without orders, and some 39% with a combination of the two. Local sales dominate the craft sector. The breakdown of sales is as follows: 65% are local; 17% are departmental; and 12% are national. Most artisans, 77%, sell directly to the public and only 22% sell to middlemen. Most sell only for cash; very few sell on credit or consignment. Very few artisans export, and almost 70% of them have never participated in a fair. In short, the Bolivian craft sector is dominated by small enterprises, deeply rooted in the community and operating at a basic economic level with direct sales to the public. Most of these artisans have had practically no formal training in craft-making or production.
- 2.7 Tourists provide a large market for Bolivian crafts. According to government data, visitors to Bolivia have increased by more than one third in the 1990s, from 254,000 in 1990 to 397,000 in 1997, showing a growing market for crafts. A recent poll of foreign tourists, the majority in La Paz, indicated that although 60% spent less than US\$100 on handicrafts during their stay, close to one third spent between US\$100 and US\$500. Tourists expressed an almost unanimous preference for handicrafts that represent Bolivia, that express a local or regional culture, and that have an indigenous design. However, tourists have difficulties finding such crafts

in Bolivian shops and markets. Moreover, there is not a single place in La Paz – which hosts most of the tourists– or in all of Bolivia, where tourists can find a good variety of quality crafts.

- 2.8 In brief, the handicrafts sector suffers from: (i) low quality and lack of innovation in most products; (ii) very weak links between production and marketing to export and tourist markets; (iii) little recognition of the value of crafts in generating income, employment, and foreign exchange; and (iv) a lack of production and sales models that could lead the sector to long-term growth. These factors have led to uncompetitive products, producers without any technical capabilities, and a disjointed sector. Given its ethnic and cultural characteristics, Bolivia has a wealth of craft and other cultural products, which have not yet received enough support to ensure their sustainable development. This lack of institutional support contrasts sharply with the positive experience of such countries as Colombia, Mexico, and Japan, which have supported crafts through joint action.
- 2.9 The proposed operation is specifically designed to remedy this problem by training artisans in design, quality standards, market trends and demand, and the production process; increasing interest in quality crafts among both artisans and the public through competitions and fairs; and increasing craft sales at fairs and other commercial venues. The FCQ hopes to play the part of coordinating body with the various other institutions that currently provide partial support for the sector by establishing strategic partnerships to promote active participation by artisans and the institutions supporting them and ensuring coordination of activities for the sector.

### **C. The Bank's strategy in Bolivia**

- 2.10 The Bank's strategy in Bolivia will assign priority to programs that will: (i) promote sustainable growth through support for structural reform, stimulating investment, and increasing productivity; (ii) promote development of the State and decentralization; (iii) improve social conditions through continuing support for the investment strategy and education, health, and housing reforms; and (iv) sustain and recover the environment. The proposed project will support the first line of action, specifically improving productivity and competitiveness in national production, assigning priority to activities that generate income and employment.

## **III. OBJECTIVES AND ACTIVITIES**

### **A. Objectives**

- 3.1 The project's general objective is to increase competitiveness and income for Bolivian artisans. Its specific objectives are to: (i) create a favorable environment so that artisans can increase their sales; (ii) improve the quality and sophistication of Bolivian crafts by incorporating higher-quality inputs and techniques; and

(iii) institutionalize a cycle of competitions, fairs, and promotion of the high-quality goods in demand on the market.

## **B. Program activities**

- 3.2 Using FCQ's institutional infrastructure and experience in the crafts sector, the program will support five interconnected components: (i) *design and quality*; (ii) *training*; (iii) *competitions*; (iv) *fairs*; and (v) *marketing*. This initiative will result in quality circles being institutionalized in the craft sector that help artisans increase their competitiveness in the long term. Although an increase in the volume of sales is the final goal, the program's purpose is to address the central problem or bottleneck, which is *the supply of quality goods in demand on the market*.

### **1. Design and quality**

- 3.3 The activities to be carried out under this component will support the artisans in improving the quality of their products in order to meet market requirements, and will lay the preliminary foundation for the training and competitions. Two types of design activities will be carried out: the first on traditional design, production techniques, iconography, and other artistic aspects; and the second on market requirements and trends. Through contacts with wholesale buyers, market studies, and market trend analysis, the features and quality of the products most in demand will be identified. The information thus produced will also help the organizers decide on the theme for each competition and the quality standards, and to advise artisans on traditions and new possibilities for designing and producing objects for the competitions. The information obtained will be compiled in a database in both print and electronic form and will be made available to the public for use by artisans, trainers, and other interested parties.

### **2. Training**

- 3.4 Based on the findings of the design and quality component, the artisans will be trained in the features and quality of the products with the best market placement and in how to increase sales. The general purpose of the training is to increase the capacity, quality of production, and the participation of the artisans in the market. Its specific purpose is to: (i) improve creative capacity; (ii) increase production quality and sales volume; and (iii) achieve greater competitiveness through business techniques (such as preparing for fairs, serving customers, and presenting products). The theme and schedule of the training will be planned according to the criteria for the competitions. Through the training, the artisans will improve their knowledge of market requirements, enhance their capacity to produce crafts with a higher value added, and use better production and marketing techniques. All of these factors will lead to increased sales potential.

### **3. Competitions**

- 3.5 Craft competitions seek to promote market-based design and production of crafts, encourage the production of high-quality crafts, and showcase the best artisans. The specific goals of the competitions are to: (i) establish standards of excellence and quality in order to define what makes a “good product” and influence both demand (valuation by the public) and supply (emulation by other artisans); (ii) create economic incentives that foster competitiveness; and (iii) give the best artisans the prestige of earning the title of “Master Artisan.” In addition to the possibility of being named Master Artisan in a specific area, another major benefit of the competitions for the artisans is selling their products at the fairs that will follow the competitions.
- 3.6 Organization of the competitions will be linked to the fairs in terms of both planning and promotion, since the competition winners will be awarded their prizes at the beginning of the fairs. The competition cycle itself will last four months from the research stage until the award ceremony.

### **4. Fairs**

- 3.7 The objective of the fairs is to open up new marketing channels for the crafts, increase sales, and promote high-quality products. The specific activities are to: (i) establish contacts between producers and national and international buyers; (ii) provide open spaces for local and international tourists and the local population to find high-quality products and have direct contact with producers; and (iii) institutionalize the fairs in order to attract the greatest number of exhibitors and buyers.
- 3.8 The fairs will be organized based on previous successful experiences in Bolivia. It should be noted that the annual small and medium-sized manufacturers’ fair in La Paz attracts 450 companies. It is self-sustaining thanks to the income from stand rental, admission charges, and corporate sponsorships, and receives over 72,000 visitors over a 15-day period. The most successful manufacturers make US\$20,000 to US\$30,000 in sales during the fair. Conservative estimates of projected total sales, consumer and buyer services, and cost coverage under this component of the proposed program are shown in the tables on performance indicators and projected income and expenditures that can be found in the technical files.

### **5. Marketing**

- 3.9 The objectives of the marketing component are to generate increased income for the artisans, through national and international sales, and to have permanent spaces where high-quality products can be found. The specific objectives are to: (i) build two shops for exhibiting and selling traditional handicrafts; (ii) create a Web page for information on, promotion, and the sale of handicrafts endorsed by the program; and (iii) eventually open up international markets for Bolivian crafts. The

accounting and other records for each sales point will be kept separately from the other program activities. Likewise, costs will be broken down by sales point so that the general and financial performance of each one can be measured. The FCQ will hire a marketing manager who will be in charge of implementing the business strategy.

- 3.10 In order to articulate the whole process, FCQ will sponsor an annual seminar/workshop to establish a forum for consensus-building, dialogue, and joint strategic planning, in which both artisan groups and supporting institutions will participate. This event will ensure maximum attendance and participation by inviting the entire gamut of craft groups, guilds and associations, and individual artisans to participate in the training, competitions, and fairs.

#### **IV. THE EXECUTING AGENCY AND BENEFICIARIES**

##### **A. Fundación Cultural Quipus**

- 4.1 Founded in 1985, Fundación Cultural Quipus [Quipus Cultural Foundation] (FCQ) is a not-for-profit institution whose purpose is to preserve the artistic values and cultural heritage of Bolivia. Its two main projects are the Laikakota Cultural Complex in La Paz and the Recoleta Cultural Complex in Sucre, which include children's museums of art and culture, and museum shops.
- 4.2 FCQ activities are directly connected with the proposed craft development program. FCQ has organized exhibits of masks, feather art, textiles, and traditional dress both in Bolivia and abroad, and has published illustrated books on Bolivian crafts and culture. The most important direct connection was the pilot program for Bolivian crafts sponsored by the World Bank from 1995 to 1997. Under this program, FCQ compiled Andean iconography, conducted a survey of artisans on their opinions and needs, organized a national seminar on art and handicrafts, and developed a methodology for training in design. The program also financed pilot training courses for artisans and a craft fair and competition. The lessons learned from the program were used as the basis for the design of the proposed project.
- 4.3 Among its comparative advantages, the FCQ has: (i) a proven capacity to successfully implement visionary business initiatives for grassroots Bolivians; (ii) concrete experience in organizing competitions, fairs, and crafts marketing; (iii) recognized leadership in research on Bolivian crafts and Bolivian culture in general and their preservation and promotion; and (iv) a non partisan position that helps ensure broad-based coordination with private institutions and government agencies.
- 4.4 An example of a successful FCQ initiative is the Kusillo Museum, the first children's museum in Bolivia. The FCQ arranged and coordinated the participation of the Governments of Bolivia, Spain, and the Netherlands, the Municipality of La



Paz, international development agencies, NGOs, individuals, and private businesses to make the project a reality. After only 18 months of operation, the museum already covers 67% of its operating expenses with the revenue generated by admission charges, space rental, and the sale of services. Its philosophy is to serve the entire population, including low-income groups, and that no one gets free admission. It established a corporate sponsorship program to cover admission for low-income groups. According to the museum's business plan, 100% of its operating costs should be covered within another 18 months.

**B. Execution**

- 4.5 Given the goals for coverage and sustainability of the services, the project requires a long execution period. Accordingly, the execution period will be 48 months and the disbursement period, 54 months.
- 4.6 The FCQ will create an Operations Unit to carry out the program and will hire a program coordinator to coordinate all the technical-assistance activities under the various program components.
- 4.7 FCQ will hire expert consultants to carry out the project activities. Most of the contracts will be short-term for specific tasks, such as training in particular areas, studies, and advisory services in design and marketing. The terms of reference for the main consultants can be found in the technical files.
- 4.8 FCQ will use the project resources to hire consultants for the proposed activities and procure equipment and materials. FCQ will be responsible for all hiring and procurement and will follow all applicable Bank rules, procedures, and policies. It will use competitive methods consistent with market practice and its own needs.

**C. Beneficiaries**

- 4.9 The project activities will directly reach over 2,000 artisans, an estimated 65% of whom will be women. Most of the artisans who produce objects with cultural significance are concentrated in gold and silver work, jewelry-making, traditional embroidery, traditional aguayo weaving, leather goods, string and wind instruments, hat-making, and painting, among other crafts.

**D. Environment and social impact**

- 4.10 The Bank's Committee on Environment and Social Impact considered this operation at its meeting TRG/15-99 on April 27, 1999, and recommended that the training include the topics of working conditions, worker health and safety, waste management, and sustainable sources of raw materials. It also recommended a number of measures to ensure the active participation of women in the program activities. Even though the content of the training is to be designed based on the needs expressed by the artisans and their willingness to pay, FCQ will make a special effort to include environmental and labor issues in the courses given.

- 4.11 Moreover, given that a large percentage of the artisans are women, it would be helpful for program performance as well as for the women themselves, if FCQ could ensure that the information provided under the program used gender-inclusive language, the working hours met the needs of craftswomen, and the training was given in easily accessible venues. FCQ was to make child care arrangements for small children to the extent possible during program activities, so that parents could attend. Implementation of these recommendations was to be part of the monitoring and evaluation process.

## **V. COST AND FINANCING**

### **A. Cost**

- 5.1 The total cost of the project is an estimated US\$1,430,000, as shown in the table below. The MIF will provide nonreimbursable funding under Window III-A, in the amount of up to US\$1 million over the four-year project execution period. The counterpart funding will be provided by FCQ, of which at least 70% will be in kind. FCQ will seek to enter into cofinancing agreements with another donors, and such resources will be considered part of the local counterpart funding.<sup>3/</sup> The income generated by the program activities and the contributions made by the beneficiaries to participate in them will not be considered part of the counterpart funding.

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<sup>3</sup> Negotiations with the Andean Development Corporation (ADC) to cofinance the program are well advanced. The FCQ is also seeking support from other national and international agencies for cooperation. The FCQ board has committed to providing the necessary funds using either its own resources or cofinancing.

**Budget (in US\$)**

	<b>MIF</b>	<b>FCQ</b>	<b>TOTAL</b>	<b>%</b>
<u>Design and Quality</u>				
Technical Assistance	93,000	15,000	108,000	8%
<u>Training (2,160 Artisans)</u>				
Technical Assistance	13,500	0	13,500	
Materials/Direct Costs	153,000	0	153,000	12%
<u>Competitions (18)</u>				
Technical Assistance	72,500	0	72,500	
Prizes, Organization, Support	48,000	9,000	57,000	9%
<u>Fairs (24)</u>				
Technical Assistance	94,000	0	94,000	
Equipment	57,000	58,000	115,000	
Promotion/Execution	72,000	0	72,000	20%
Annual Seminars (4)	30,000	0	30,000	2%
<u>Marketing</u>				
Technical Assistance	59,000	1,000	60,000	
Inventory/Miscellaneous *	52,000	0	52,000	
Equipment/Investment	22,000	10,000	32,000	
Marketing firm Startup Costs	0	45,000	45,000	13%
Program Coordinator (4 years)	156,000	0	156,000	11%
General Support (4 years)	0	292,000	292,000	20%
Evaluation and Outside Auditing	40,000	0	40,000	3%
Contingencies	38,000	0	38,000	3%
<b>TOTAL</b>	<b>1,000,000</b>	<b>430,000</b>	<b>1,430,000</b>	

\*Includes the cost of the Internet site and catalogues.

- 5.2 The project was sized based on the coverage goals in the performance indicators (see Annex III), and is considered appropriate to be able to achieve the expected impact in terms of artisan training, promotion of competitions and fairs, and marketing goals. One of the key goals for the success of the program is replication of the training-competition-fair-marketing cycle until sufficient national and international recognition is achieved to attract participating artisans, buyers, and visitors on an ongoing basis so that it can become self-sustainable in the long term.

**B. Sustainability strategy**

- 5.3 The sustainability strategy is based on gradually increasing the income received from other project participants, such as the beneficiaries, prospective sponsors, visitors to fairs, and patrons, as well as income for services rendered. The project has three specific components for action. The first, which includes the design and training activities, will be self-financing after project completion. However, it will show a distinct trend towards self-sustainability, since it will involve gradually larger financial participation by the beneficiaries, who will pay an increasing proportion of the training costs. The second component, for the fairs, is linked to this one and also shows a clear trend towards self-financing. It will eventually contribute to the sustainability of the other activities. By year four of the project, total income from the training and fairs is expected to cover 107% of the direct

costs of all three components,<sup>4</sup> and 85% of total costs. Third, the marketing component shows a clear trend towards increased income, and will begin to generate profits in year four.<sup>5</sup> The projected income and expenditures of the program, based on conservative assumptions, can be found in the technical files.

## **VI. JUSTIFICATION AND RISKS**

### **A. Justification**

- 6.1 The program is justified because it will improve income and business opportunities for approximately 2,000 artisans, who will expand their businesses and gain access to a previously neglected market niche with great economic potential. Quality crafts represent a stable, permanent market niche. The program will thus help preserve crafts as an element of national identity and a significant source of employment and income generation.

### **B. Complementarity with other Bank projects**

- 6.2 The program for comprehensive support for small business and microenterprise (BO-0171) includes a component under which support will be given to the Technical Assistance Service (SAT), a national government agency that finances specific second-tier nonfinancial services. Since the proposed project has certain limitations with respect to budget and scope, some of the specific training activities that FCQ cannot cover entirely may be channeled through the SAT when they are targeted to the crafts sector.
- 6.3 The FCQ has signed a letter of intent with BOLINVEST, a company that promotes the opening up of marketing channels for nontraditional exports. BOLINVEST will provide support and advisory services for the FCQ on marketing of the three types of crafts that they have in common. BOLINVEST is the executing agency for project ATN/ME-6242-BO, financed in 1999 with MIF funds.

### **C. Risks**

- 6.4 One of the main project risks is that only certain groups of artisans may benefit instead of the entire sector. Since there are various guilds and associations of artisans, which sometimes have political differences, there is the possibility that some groups might receive program benefits to the detriment of others. Moreover, it is possible that the groups that already have a certain quality standard may be the only ones to benefit from the project, leaving behind the ones that find the training

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<sup>4</sup> Design and quality, competitions, and fairs.

<sup>5</sup> This component takes into account sales by shops, Internet sales, and consignment sales. The sales made by the artisans at the fairs, which were calculated separately, can be found in the technical files and are summarized in Annex I.

more difficult to assimilate. Thus, there could even be “discrimination” in favor of only the best ones for participation in fairs when they are organized. These risks are expected to be mitigated through an aggressive campaign for participation in the program at many levels, through the many guilds and other associations of artisans. FCQ is a respected institution in many Bolivian circles because of its activities to support culture and its nonpartisan position, and this will facilitate its work with most of the sector associations and guilds and with the respective government agencies.

- 6.5 Another risk is that the FCQ may not carry out the program with as business-oriented an attitude as necessary. Since a large part of the program’s start-up costs are being financed with technical-cooperation funding, the FCQ may not recognize the need to operate the program according to the business principles of cost recovery and profitability. This risk will be mitigated by the following two measures: (i) the program was designed based on the principles of similar experiences that were successful by gradually charging the participants for services rendered; (ii) program monitoring includes indicators on income generated and cost coverage levels, which will be used to measure progress in program implementation and determine eligibility for disbursement of Bank funds.

## **VII. PERFORMANCE INDICATORS AND EVALUATION**

- 7.1 The technical files include a table on performance and impact indicators for the program. The indicators include targets for the direct benefits accruing to the artisans, in terms of their volume of sales, business contacts, and participation in training events. It also includes targets that will help measure the sustainability of the proposed activities, such as the number of participants in the events, the income received, and coverage of direct and indirect costs. These goals were established based on previous FCQ experience in similar activities, the experience of other institutions, a market analysis, and the projected capacity of the FCQ staff. They may be adjusted each year during the review of the annual operating plan that FCQ will prepare based on the results of the previous period.
- 7.2 Project monitoring will be based on the annual operating plans that FCQ will prepare yearly throughout the four-year project execution period, to be submitted within 30 days after the end of each year. The plans must include, among other information: (i) the activities to be carried out and goals to be achieved during the year, based on the table of performance indicators and the logical framework (see Annex I); (ii) the gender- and environment-related activities planned; (iii) the consulting services to be hired during the year; and (iv) a schedule of the activities planned. In addition, an annual audit will be conducted beginning in year two of the project.
- 7.3 FCQ will submit semiannual progress reports to the Bank within 60 days after the end of each calendar year. The reports must include the following information at a

minimum: (i) the goals achieved in terms of quality and quantity indicators; (ii) the status of budget execution; and (iii) the general status of project execution. Should the reports indicate any significant problems in program execution, the Bank reserves the right to suspend disbursements until FCQ takes the necessary measures to correct the deficiencies.

- 7.4 The program will be evaluated twice. The first evaluation will be conducted 18 months after signature of the agreement by the Bank and will review: (i) the progress made according to the performance indicators, including income generation and program sustainability; (ii) the progress made in the gender- and environment-related activities; and (iii) the marketing component strategy and its results. The second evaluation will be conducted 36 months after signature of the agreement, and will review the impact of the project on the competitiveness of the participating artisans and the program sustainability strategy, including recommendations. Both evaluations will measure the quality of the services provided and client satisfaction, and will describe the type of clientele reached by the project. If the Bank deems the evaluations satisfactory, it will authorize commitment of the resources to continue. If not, the necessary adjustments must be made before the Bank will authorize any new disbursements.

### **VIII. SPECIAL CONTRACTUAL CONDITIONS**

- 8.1 Up to the equivalent of US\$50,000 will be used to hire the program coordinator who will assist the FCQ in the activities required for fulfillment of the specific conditions indicated in the following paragraph. Prior to hiring the coordinator, the FCQ must fulfill all the general conditions precedent to disbursement of those funds.
- 8.2 Prior to the first disbursement of the balance of the funds, the FCQ will submit the following documentation to the Bank: (i) cofinancing agreements signed with other donors for at least 70% of the local counterpart contribution or evidence that the counterpart funding is available; (ii) evidence that the program coordinator has been hired; (iii) evidence that the restricted calls for bids have been issued for the selection and hiring of the consultants for the other main program activities; and (iv) the annual operating plan for year one of the program, including performance and impact indicators for the artisans.
- 8.3 The annual plans of operation and semiannual progress reports submitted to the satisfaction of the Bank will include performance indicators, in particular income generation targets for the various program components. Should there be any significant shortcomings in the achievement of those targets, the Bank reserves the right to suspend disbursements until the FCQ takes the necessary measures to correct the deficiencies.

**LOGICAL FRAMEWORK**  
**CRAFT DEVELOPMENT PROGRAM – TC-99-02-01-7**

OBJECTIVES	INDICATORS	MEANS OF VERIFICATION	ASSUMPTION
<p>the competitiveness and income of the sector in Bolivia</p>	<p>Increased sales by artisans and prices reflecting the products and their respective quality</p>	<p>FCQ reports and artisan surveys</p>	<p>The artisans and their associations participate well in the program and gradually contribute to its development</p>
<p><b>Objective 2:</b> Create a favorable environment so that artisans can increase their sales.</p>	<p>New marketing channels opened through fairs and direct sales</p>	<p>Volume and amount of craft sales at fairs, in stores, and on Internet</p> <p>Amount of direct sales by artisans made through contacts established with buyers at fairs.</p> <p>Artisan survey and case studies</p>	<p>The program is well managed and coordinated with the various artisans' organizations</p>
<p>improve the quality and sophistication of Bolivian crafts by incorporating higher-quality inputs and techniques</p> <p>institutionalize a cycle of fairs, competitions, and production development</p>	<p>Higher average prices for crafts and more diverse designs</p> <p>Fairs and competitions partially financed by artisans themselves and sponsored by solid patrons</p>	<p>Fair and competition statistics and FCQ financial and accounting reports</p>	
<p><b>Outputs</b></p> <p><i>Design and Training:</i> increase artisan knowledge of products in demand on the market and of cultural, iconographic, and design implications; improve quality and quantity of production; successfully implement workshops</p> <p><i>Competitions:</i> establish standards of excellence, rank products and quality, and award prizes</p>	<p>Greater product diversification and higher quality. Database on designs and iconography; 162 workshops on various topics covering both business and production are held, with the active participation of the artisans and their associations</p> <p>18 competitions are held in which products, artisans, and leading styles are identified by category</p>	<p>Evaluation forms for the workshops and participation records; statement of income and expenditures of training component; physical and virtual database; FCQ reports.</p> <p>FCQ reports; artisan surveys and case studies</p>	<p>A good promotional campaign for the workshops is carried out</p> <p>The consultants demonstrate the competitiveness and creativity of the artisans</p>

OBJECTIVES	INDICATORS	MEANS OF VERIFICATION	ASSUMPTION
<p><b>Marketing:</b> open market to new clients, both local residents and tourists and international buyers, create spaces for direct purchase and sales</p>	<p>24 fairs are held, with the participation of 2,340 artisans and 150,000 visitors; fair sales by artisans increase from US\$90,000 in year one to US\$300,000 in year four; direct contacts and direct sales between artisans and buyers</p>	<p>Statement of income and expenditures of each fair, and exhibitor and visitor statistics Surveys of artisans and buyers participating in the fairs</p>	<p>Demand for crafts and tourist interest in the products continues</p>
<p><b>Marketing:</b> increase craft sales; establish two stores for exhibiting and direct sales; open new spaces for online Internet sales; incorporate direct national and international marketing systems</p>	<p>Annual sales under this component increase from US\$23,000 in year one to US\$180,000 in year four; two stores are established and their sales generate sufficient income to cover expenses and yield a return; Web site in operation</p>	<p>Statement of income and expenditures of the stores and FCQ reports; reports on Web site sales</p>	<p>Economic conditions in El Salvador remain stable and this component well managed</p>



PROPOSED RESOLUTION

BOLIVIA. NONREIMBURSABLE TECHNICAL COOPERATION FOR  
AN ARTISAN DEVELOPMENT PROGRAM IN BOLIVIA

The Donors Committee of the Multilateral Investment Fund

RESOLVES:

1. That the President of the Inter-American Development Bank, or such representative as he shall designate, is authorized, on behalf of the Multilateral Investment Fund, to enter into such agreements as may be necessary with the Fundación Cultural Quipus (FCQ) and to adopt such other measures as may be pertinent for the execution of the plan of operations incorporated in Document MIF/AT-\_\_\_\_\_ with respect to a technical cooperation, the purpose of which is an Artisan Development Program in Bolivia.
2. That up to the amount of US\$1,000,000 is authorized for the purpose of this resolution, chargeable to the Small Enterprise Development Facility of the Multilateral Investment Fund.
3. That the above mentioned sum is to be provided on a nonreimbursable basis.