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Creative Industries
and
Micro & Small Scale Enterprise Development

A Contribution to Poverty Alleviation

UNITED NATIONS
INDUSTRIAL DEVELOPMENT ORGANIZATION

Creative Industries
and
Micro & Small Scale Enterprise Development

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Project XP/RAS/05/002
As a Joint Initiative by UNIDO and UNESCO

Private Sector Development Branch
Programme Development and Technical Cooperation Division

UNITED NATIONS INDUSTRIAL DEVELOPMENT ORGANIZATION

1. Weaving Machine for ZarBaft –Iran
2. ZarBaft Textile – Iran
3. Stone-set-bowl – OTOP Thailand
4. Khes – Pakistan
5. Food Product – OTOP Thailand
6. Artificial Paper – OTOP Thailand
7. Jewel-coloured-Khes – Pakistan
8. Chairpai Legs – Pakistan

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Preface

In an age when competition is ever stronger and must be confronted continuously in order to survive and progress, Creative Industries (CI) can be a source of new employment and provide a medium through which an important contribution can be made to the revitalization of rural and depressed urban communities and to their significant participation in the economy. This document introduces the concept of creative industries, its principal characteristics, its socio-economic significance, essential inputs and the integrated character of policies required to support the sustainable development of these industries.

The craft industries sub-sector is one of the thirteen economic sub-sectors grouped under the definition of creative industries[1]. With the purpose of identifying different avenues to promote craft creative industries, UNIDO, in collaboration with UNESCO has prepared case studies for three Asian countries, Iran, Pakistan and Thailand.

A systems approach with a value chain perspective was applied to the discussion of the craft creative industries and to the case studies. The knowledge, understanding and exploitation of the creative industries with this approach will allow the efficient use of cultural assets and generate wealth and income by linking cultural heritage, skills, and the traditions and creativity that have existed for centuries in rural and urban communities to business and tourism - for example, and to other sectors of the economy. Moreover, creative communities can be linked to national/international value chains, as it is demonstrated by the Thailand case study[2].

A review of the structure and functioning of the ongoing Thailand OTOP project is included in the report, together with the outlines for revitalization pilot projects for specific craft industries in Pakistan and Iran that are derived from the analyses. The results of these studies will assist UNIDO to further promote those Micro and Small Enterprise (MSE) activities related to Creative Industries.

The material in Chapter One describes the context within which creative industries operate and was used to guide the analysis of the case studies presented in Chapter Two and for the format of the recommendations found at the end of this document.

The present document is addressed to policy makers, development specialists, students of economic development and business as well as to the business and financial sectors that are interested in promoting economic growth, innovation and competitiveness through creativity, entrepreneurship and the promotion of creative communities as a mechanism to improve the quality of life.

The document is the outcome of an initiative directed to the examination of creative industries in the context of MSE development programmes, and the identification of the various avenues for the promotion of these industries. It is a follow-up to the Jodhpur Symposium of February 2005 on Asia and Pacific Creative Communities, jointly sponsored by UNESCO, UNIDO and the Government of India.

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[1] Advertising, Art and Antiques, Architecture, Crafts, Design, Designer Fashion, Film, Interactive leisure, Music, Performing Arts, Publishing, Television and Radio

[2] The knowledge of how global value chains operate is required in order to explore the feasibility of entering export markets (H. Schmitz, ILO 2005)

Chapter One - The Context

INTRODUCTION

The material in Chapter One provides guidelines for the analysis of the results of the case studies that are presented in Chapter Two and for the format of the recommendations found in the last chapter of this document. Background information on the concept of creative industries is provided together with the inputs required. Also noted are the economic and social development benefits to be obtained from the support given, from the promotion and provision of assistance to MSEs in selected depressed rural and urban areas. Topics such as market penetration, financing and policymaking are also discussed and examples are given in Part 1 of this chapter. In part 2 emphasis is placed on Crafts, one of the sub-sectors that comprise Creative industries.

"Creativity and creative communities may be the remaining enduring resources in the developing world"[3]; it is considered that if the appropriate policies are adopted, creative industries in developing countries have an important potential for the creation of wealth.

Creative industries are defined as those industries which produce tangible or intangible artistic and creative output, and which have a potential for income generation through the exploitation of cultural assets and the production of knowledge-based goods and services (both traditional and contemporary). The thirteen sub-sectors found within the concept of creative industries are[4]:

Advertising, Art and Antiques, Architecture, Crafts, Design, Designer Fashion, Film, Interactive leisure, Music, Performing Arts, Publishing, Television and Radio.

In some developed and developing countries the promotion of these industries has been included into the industrial and economic policies. Such policies, directed towards the development of rural areas or to renovate depressed inner cities, have contributed to poverty alleviation and job creation, assisted the local economies of individual villages and inner city districts and have promoted self-reliance. Nevertheless the authorities in many developing countries are not aware that in addition to their well-perceived cultural nature[5], these industries have a positive economic value. Given this dual character, the concept of support for cultural/creative industries should be extended to include investment in economic development, in the creation of social capital and as a support for poverty alleviation. It then follows that appropriate support policies and coherent industrial, cultural and trade policies should be introduced in order to establish an environment that will encourage the development of these industries. Recommendations made by UNESCO and other organizations concerning policies are included in Annex 2 and 3.

Successful promotional activities for creative MSEs are found both in urban and rural development programmes, the most striking examples being the programmes in the UK and Thailand. In the UK creative industries comprise one of the fastest growing sectors of the

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[3] Jodhpur Consensus, 2005

[4] The global value of creative industries has been estimated at US $1.3 trillion for 2005. However the principal contributors to this figure are the developed countries (Jodhpur Symposium, 2005)

[5] It is to be noted that not until the end of last century did the UK and later the European countries accept the link between culture and economy and recognized the value of cultural industries within the economy

economy employing 1.3 million people, generating £112.5 billion in revenue and accounting for 9.2% of GDP with exports reaching £10.3 billion, equivalent to 9% of revenue.[6]

In London, the Cultural Industries Development Agency provides a very accessible, integrated support to micro and small creative enterprises. The Tower Hamlets Creative Network Partnership coordinates and delivers a wide range of services to promote culturally diverse and sustainable creative industries, with emphasis on young people, black and ethnic minorities, students and other groups that are disadvantaged and at risk[7].

In Thailand, creative industries, under the concept of "One Tambon[8] One Product" (OTOP) have been promoted to solve the problems caused by the rural economic crisis[9]. The programme provides opportunities and integrated support to people whose main activity until recently was limited to farming and today there are farmers who are also micro and small entrepreneurs, applying local knowledge and skills to the production of handicrafts. Through the programme, the farmers have diversified their sources of income and are contributing to the growth of the Thai economy. In 2004, 29,000 productive communities had joined the programme, a substantial increase from 16,000; in 2003; their sales had reached US$ 874 million and were expected to reach US$ 1 billion by the end of 2005[10].

The Craft Sub-sector

From the sub-sectors included within Creative Industries, the craft sub-sector has been selected for this report because it can function in both rural and urban areas, and producers operate most frequently at the level of MSEs, both in developing and developed countries. The craft sub-sector is the depository of the traditional skills and creativity necessary to penetrate or/and extend markets[11] and can provide stable employment and income generation to the diverse communities and to those with different levels of education.

With the purpose of identifying different avenues to promote these industries, UNIDO, in collaboration with UNESCO has prepared case studies on craft creative industries for three Asian countries, Iran, Pakistan and Thailand.

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[6] See annex 4, and Arts and Creative Industries (2005)

[7] CIDA, http://www.cida.co.uk.pages/services/project z_66.shtml

[8] Tambon is a sub-district that may cover several villages in rural areas of Thailand

[9] Problems caused by the "fluctuation of farm prices year by year, are such that farmers could hardly survive"

[10] Minister of Commerce, Thailand. Further details are given in Chapter Two

[11] There are also aspects that are causes for concern in the craft sub-sector, that need the attention of national and international organizations, among them: the promotion of quality, design, and innovation skills and training needs to serve markets which, for some products are easily saturated

1.1 PART ONE: CREATIVE INDUSTRIES - CULTURAL INDUSTRIES

1.1.1 AN EVOLVING CONCEPT

Cultural industries have long existed in Asia and in Europe – lacquer work and ceramics from Japan and China, the tapestry industry in Florence, the Persian carpets, and the Java batik – and are industrial developments based on handicraft work. In Africa, the textile craft sector tells the story of the meeting of technique (industry) with iconography (art), and their mutual complementation to create what today are being called creative industries[12].

However, more recently during the 20th century in the western world the linkage of culture and art with economics was not always accepted. During the period between 1940 and the 80's the term 'cultural industries' was considered an oxymoron, for it was believed that the terms 'cultural' and 'industry' were incompatible and that subjecting art to external economic rationality undermined the inherent autonomy of the work of art[13].

In the late 70's in Europe, cultural industries were viewed as cultural and economic threats. There was a reaction against the effects of American culture on the indigenous European culture resulting from the import of American cultural products. These were entering Europe in increasing volumes, supported by powerful commercial interests[14].

It has been suggested that the explanation for the rise of creative industries (as defined today) in the last quarter of the 20th Century is:

> *When income has increased to a level such that basic needs are met, a demand for goods with an ethnic identity is created, leading to market differentiation and thus opening opportunities for creative-cultural industries, located in both industrialized and developing countries.*[15]

1.1.2 DEFINITIONS

1.1.2.1 CREATIVITY

Creativity has been defined as the ability to bring into existence something new, whether it be an artistic object or form, a solution to a problem or a method or device. The creation of a work of art is the bringing about of a new combination of elements pre-existing in the medium.[16] This concept, if applied to the production of crafts would then involve the re-formation of pre-existing elements such as heritage, tradition, skills and raw materials.

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[12] Grosfilley, 2003

[13] A statement made by Theodore Adorno arriving in the United States from Nazi Germany and facing the production and distribution of mass culture in the US. Moreover, UNESCO was using the term in the negative sense until the 80's (A negation of the Bauhaus concept!)

[14] The two terms, creative and cultural industries in this report are considered interchangeable, their definitions are not very different (as indicated in the forthcoming paragraphs) and today, both terms represent "a new relationship between culture and the economy and both are seen as a tool for economic development and poverty reduction" O'Connor, 1999

[15] However, the trade in cultural artefacts that existed between Rome and Ancient Greece (some Romans *just had to have* copies of the famous Greek statues), and between others before and after, would suggest that this statement has a wider application

[16] Encyclopaedia Britannica, vol. 247 and Micropedia, vol. III, 277, 15th edition

Creativity is being promoted as a tool for innovation and economic growth by the academia, businesses and governments. Management schools are at present introducing creativity as a module in their regular programmes and extensive research work is being conducted on the subject. The interest of governments in the promotion of creative activities is illustrated with the examples of the United Kingdom and Thailand, mentioned above and the latter is discussed at length in Chapter Two.

1.1.2.2 CREATIVE INDUSTRIES

In a study prepared by C. Smith of the Department of Culture, Media and Sport in the UK, Creative Industries were defined as "those industries which have their origin in individual creativity, skill and talent and which have the potential of wealth and job creation through the generation and exploitation of intellectual property"[17].

This study led the way to the establishment of an official programme by the British Government under the title "Creative Britain" within which the linkage and cooperation between art and economics was accomplished in practical terms.

UNCTAD uses the term Creative Industries and states that "these industries constitute a complex and heterogeneous field that ranges from artisan products, to visual and performing arts, the recording industry, cinema and audiovisual media as well as multimedia including digital art to publishing and entertainment and represent one of the most dynamic sectors in the global and trading system"[18].

1.1.2.3 CULTURAL INDUSTRIES

The following definition of cultural industries was applied in the Symposium on Asia and the Pacific, in Jodhpur, February 2005:

> *"Those industries which produce tangible or intangible artistic and creative outputs, and which have a potential for wealth creation and income generation through the exploitation of cultural assets and the production of knowledge-based goods and services (both traditional and contemporary). Cultural industries have in common their application of creativity, cultural knowledge and intellectual property to manufacture products and provide services with social and cultural meaning"*[19]

The European Parliament emitted a resolution [2002/2127 (INI)], concerned with Cultural Industries in which emphasis is given to the relationship between culture and the production of cultural products and services, economic development, and employment and training at the national, regional and local levels. The resolution contains 25 recommendations directed towards different bodies of the EU, covering a wide range of the production and marketing aspects of cultural industries. Annex 3 contains those recommendations that are considered to be the most relevant to MSEs and developing countries.

[17] Smith, 1997; This definition is also used in Austria. "Creative Industries in Austria, Erster Oestereicher Kreativwirtschaftsbericht", KMU Forschung Austria (KMFA) Vienna, 2003

[18] UNCTAD, 2005

[19] Definition used at the Symposium, on " Asia-Pacific Creative Communities: Promoting Cultural Industries for Local Socio-economic Development- a Strategy for the 21st Century", Jodhpur, India, February 2005, Office of the UNESCO Regional Advisor for Asia and the Pacific, Bangkok, February 2005

1.1.3 Inputs to Creative Industries

Cunningham includes skill, creativity and talent as the key inputs to each of the 13 sub-sectors that were included in the original definition of creative industries[20]. At the Jodhpur Symposium, the discussion of talent and skills evolved around three main questions:

1. "Is it the human capital that is the defining factor in the growth of the creative sector?"

   In addition to 'Creativity', human capital requires skills and talent, entrepreneurial attitude, ingenuity and motivation. For human capital to produce growth it is necessary that development professionals acknowledge the importance of creativity and innovation in the course of promoting sustainable development.

2. How and where does one find the people with commercial acumen who can manage the creative spirit without damaging it?

   There are two conditions for managing the creative spirit:

   - Programme Promoters who are open to creativity and who recognize creative people, are aware that creativity knows no social barriers and that diversity and inclusion are central to competitive advantages[21];
   - The ability to provide the physical and attitudinal support to create a comprehensive, collective work environment where everyone can make more and better use of other people's knowledge.

   Historically, industry developed through *meisterschaft* training and this system is still applied in Austria and Germany. In Asian countries, and countries from other developing regions, formal and informal mechanisms have been used to transfer craft heritage, tradition and skills. In Africa, for example, trade links established with Asia and Europe, with the accompanying religious influences stimulated textile production[22]. This is the case of the "Wax Hollandaise Technique", with its origins in Java, transferred to West Africa via Holland and today known as "Batik" - an African print - and is considered by Africans to be part of their culture[23].

3. "What are the skills that creative entrepreneurs need and how are these to be developed?"

   It was concluded that to be successful, a creative entrepreneur must understand and apply the arts, together with technology and business skills, because both creative and commercial talents are required in order to succeed in a creative economy. Other requirements listed are: curiosity, imagination, confidence, courage, interpersonal and networking skills, fashion and design sense, emotional intelligence, and flexibility[24]. Austrian creative businesses consider that marketing, technology and design are the three key inputs required for success and that distinguish the products from those of the competitors[25].

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[20] Cunningham, 2003

[21] "Creative Clusters" Belfast 2005: Policy Context

[22] The imposition to wear some type of clothing, created the demand for weavers, dyers, tailors and embroideries Gillow, 2003

[23] Grosfilley, 2004

[24] Creative Clusters, Belfast 2005: Delivering Skills for Creativity

[25] Creative Industries in Austria, First Report, 2003

During the Belfast conference (2005[26]) the discussion was concerned with the problems faced by education and training providers. The conclusion was that most educational infrastructure had evolved in response to a somewhat different economic environment and that changes are required on order that it better satisfy present requirements, by the application of appropriate policies. It was strongly recommended that a creative orientation be introduced into all aspects of education, and that the specialist technical skills required by each sub-sector of the creative industries should be identified and provided for by the system.

The strategies now applied in Singapore for human capital development include education, training, and the enhancement of creativity. These respond to the requirement for long-term investment in order to progressively ensure the development of creativity throughout the education system, from primary education upwards[27]. This statement however, should not be taken to imply that all members of the creative class should be highly educated[28].

In Kyoto, Japanese students at elementary, middle and high schools are made aware of the existence of traditional crafts - for which the demand has been decreasing due to changing tastes and the appearance of low-price imitations. The programme, started in 2002, aims to encourage students to experiment with the crafts at classes instituted in 60 schools, given by recognized expert craft MSEs in silk weaving and ceramics. The local crafters are delighted; they hope that some of the students will become their customers and that others will become artisans and carry their crafts forward[29].

1.1.4 SUB-SECTORS AND MODES OF OPERATION

1.1.4.1 SUB-SECTORS

Creative/cultural industries commonly include activities such as Advertising, Art and Antiques, Architecture, Crafts, Design, Designer Fashion, Film, Interactive Leisure software, Music, Performing Arts, Publishing, Television and Radio.

The studies on creative, cultural industries that have been prepared by various countries do not all consider the same number of sub-sectors or apply a common grouping system[30]. Table 1.1 below, lists those found in studies prepared in the EU, Great Britain, Germany and Austria.

The multiple sub-sectorial nature of creative industries is illustrated in this table. The Mapping document from Great Britain closely follows the sub-sectors included in the original definition of Creative Industries and is the only one to list handicrafts independently.

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[26] Simon Evans, Conference Chair, Belfast 2005, Report on the Conference on Creative Clusters, Belfast 2005

[27] Cunningham, 2003

[28] Observations made by Florida and others demonstrates that this is not so

[29] Htpp://web-japan.org/trends01/article/030221 sci_r.html

[30] Differences may be due to variations among national statistical systems. The sub-sectors most frequently listed in the four reports are Performing Arts, Audiovisual Services, Books, Literature and Printing, followed by Architecture, Cultural Heritage, Art and Design with related branches, listed separately in three of the reports. It is assumed that handicrafts are included in the latter. Music Industries and Visual Art appear in two of the studies. The remaining sub-sectors that are listed only once are Multimedia, Design and Fashion, Computer Services, Archives and Libraries and Advertising

Table 1.1 Sub-sectors of Creative Industries in Different European Documents

European Union Exploitation & Development of the Job Potential in the cultural Sector (2001)	Great Britain Mapping Document (1998)	Germany Kulturwirtschafts-Bericht, Nordrhein-Westfalen (2001)	Austria Erster Oestereicher Kreativwirtschaftsbericht (2003)
Cultural Sector	**Creative Industries**	**Cultural Industries**	**Creative Industries**
Books & Printing Visual Art Architecture Performing Arts Audiovisual Services Multimedia Cultural Heritage Archives Libraries	Advertising Architecture Arts and Antiques Handicraft Art Design Mode Film Interactive Computer Services Music Performing Arts Publishing Software TV and Radio	Music Industries, Literature and Publishing Art and Design (including Architecture and Advertising) Audiovisual Media (Film, Radio and TV) Performing Arts and Interactive Art	Cultural Heritage Performing Arts Audiovisual Enterprises Visual Art Books and Publishing Interdisciplinary Activities

Source: KMU Forschung Austria, 2003

1.1.4.2 MODES OF OPERATION – CREATIVE CLUSTERS

Creative clusters are defined as a combination of production and distribution activities operating within a common structure, capable of promoting creativity, research applications and distribution systems and sponsored by both private and public financing. They have also been defined as a concentration of competitors working together, or dissimilar workers and institutions that share an economic system.

Although many creative industries operate individually as MSEs, others cooperate in small groups for sourcing raw materials and marketing. Cultural/creative clusters have been identified as an important mode of operation, helping MSEs to obtain higher levels of growth through mutual stimulation, making use of others' knowledge and establishing integrated services and markets.

The economic development of creative clusters depends on the availability of support systems that respond to the needs of the cluster. In the first report on creative-cultural industries in Austria the promotion of creative clusters is proposed and it is observed that the future of those clusters depends on[31]:

- The supply of 'creative products';
- Marketing, together with tourism;
- Regional development; and
- Innovative inspiration and transfer of know-how.

[31] Creative Industries in Austria- First Report, 2003

Clusters are not recent inventions. Today's European clusters such as stool production and shoe manufacture in Italy have precursors in antiquity such as the Chinese silk and the Persian carpet production clusters. Examples of different types of modern creative clusters are found in the EU, UK, and Austria and in several developing countries. The Thailand OTOP project provides the following example of a creative cluster:

Thawai Village in Chiang Mai Province is a major craft production centre in Thailand and was selected as the first OTOP[32] village. There are many different craft producers in the village and contests are held to identify the best wood carvers and competitions are held for performances of folk artists and religious ceremonies, all of which may be observed by the many tourists that come to the village. The structure of this cluster appears to correspond to the definition given above and has shown impressive results in growth: 35% in sales between 2003 and 2004 together with a 30% rise in the number of tourists[33].

Other modes of operation of creative clusters are under the sponsorship of Heritage Foundations, with adjacent schools for guaranteeing a supply of young specialists who are trained by experienced craftsmen. An example of this type of fine craft production is the Gobelin carpet and tapestry factory in Paris[34]. Moreover, a creative pilot cluster is being proposed for the production of ZarBaft[35] in Kashan, Iran (see the case study, Chapter 2).

1.1.5 ECONOMIC IMPORTANCE OF CREATIVE INDUSTRIES

1.1.5.1 ECONOMIC SIGNIFICANCE

At 5% per year - twice the rate of the total economy - creative industries were the fastest growing sector of the UK economy in 2001, generating £112.5 billion and employing 1.3 million people, with a contribution to exports of £10.3 billion. In Austria, creative industries are comprised of 30,000 businesses, are growing at a rate of 30% per year and in 2004 created 110,000 jobs[36]. These figures refer to the sub-sectors included under the definition of Creative Industries, in which the craft sub-sector is often a relatively minor contributor compared with the film, music and printing sub-sectors.

An appreciation of the economic significance of the craft sub-sector is found in the following examples that correspond to the US and to the OTOP project in Thailand (See Box 1.1 and the case study in Chapter Two). In both cases, MSEs are the main actors.

For the US in 1999 the direct economic impact of the crafts sector was estimated by CODA (Craft Organization Directors Association) to be between 8.1 and 9.6 billion, based on national average annual gross sales/revenues. An additional 4.2 billion would come from the mark up in the retail sales, totalling 12.3 –13.8 billion annually. Moreover, the median annual household income of crafts people was estimated at $50,000, more than $10,000 higher than the national median[37].

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[32] One Tambon One Product

[33] Thailand, OTOP, 2004

[34] Named after its founders, the 15th-century Gobelin family of weavers and dyers

[35] Persian ZarBaft – an ancient traditional brocaded silk fabric; Included as a Case Study in Chapter Two

[36] No disaggregated information on the contribution of the different sub-sectors was available at the time of preparing this document

[37] The Crafts Report: www.craftsreport.com

Box 1.1 The OTOP Project in Thailand (2004)

Communities: 29,000 craft productive communities (in which MSEs predominate);
A substantial increase from 16,000 villages in 2002*.

Income: The income produced from the sale of OTOP products grew by a factor of 6 between 2002 and the middle of 2004, equivalent to US$ 125 million in 2004

Employment:

Existing sustainable employments:	11,224
New employees:	8,729
Value of Sales:	US$ 874 million

Product Upgrading: Since 2002, the grading of 6,932 products had been increased to the following levels: In 2004, 626 products had attained 5* classification; 2,583 to 4*; and 3,723 at 3*. To be able to participate in the OTOP Programme, the product must reach level 3* by complying with the product standards. Five and Four stars are required in products destined to the national and the export markets.[38]

Website Thaitambol.com: 12,000 OTOP goods sold out of 38,000 posted.

Source: Thailand, 2004

1.1.5.2 ADDITIONAL BENEFITS OBTAINED FROM CREATIVE INDUSTRIES

The benefits obtained from creative industries are generally expressed in terms of employment creation and economic progress. Box 1.2 lists some benefits additional to these, related to the quality of life, social inclusion and the environment.

Box 1.2 Additional Benefits of Creative Industries

Quality of life:

- Employment is higher paid then the rest of the local economy; the availability of education and training is improved providing personal development opportunities.
- Recreation opportunities to the local population are provided when creative industries are promoted within a cluster or a village and include performing arts and other high quality businesses.

Social inclusion and cultural diversity:

- New opportunities for work are opened to those that were excluded.
- The creation and operation of Community-based organizations strengthen the communities.
- Minority communities are able to assess the value of their heritage and use it to derive economic and social benefit.

Environmental:

- Creative industries are often associated with a high quality environment and the development of social responsibility.

Source: Creative@Derby, 2002

[38] There is no precise explanation of the significance of a * star. However, Figure 3 of Chapter 2 Case study-1 (OTOP) provides an indication of the complicated process that is followed for a product to be selected as an OTOP Product Champion. This requires that the product had been graded as 4* or 5*

1.1.6 POLICIES

As for any industry, creative industries require a strategic policy framework to support the improvement of their development potential and to address the constraints and barriers to growth. This section is concerned with the recommendations made by various multilateral and national institutions for a policy framework for the promotion of creative industries.

UNESCO proposed a conceptual framework for policy making to promote and sustain the development of cultural/creative industries that is considered to be applicable to a variety of countries.

The framework defines the sector and sub-sectors and provides a model for needs assessment and project development, and illustrates the type of institutional and physical infrastructure needed. For each step in the process of policy development the activities required and the modalities for support are listed. Annex 2 contains the principal steps proposed and some of the activities required at each step.

The European Parliament issued a resolution on Cultural Industries, with recommendations. Annex 3 lists those recommendations considered more relevant to developing countries. The following are considered to be of particular interest:

- Ensuring that creative businesses have access to appropriate financial support and that the financial sector is aware of the opportunities and benefits of investing in creative industries;
- Provide adequate financing for MSEs;
- Continue the promotion of awards,
- Cross-border festivals, exhibitions, cultural routes and itineraries;
- Instruments for the mutual enhancement of culture and tourism,
- Incorporating the promotion of cultural industries into development policies, as a means of stimulating employment and local economies in developing countries.

The Mapping Report on Creative Industries, produced by the UK in 2001 identifies a series of issues (rated on a national scale of importance) related to the promotion of creative industries. These issues are also considered to be relevant to policy-making for the promotion of creative industries in developing countries (Box 1.3).

Box 1.3 Issues Concerning Promoting the Development of Creative Industries

- Stimulating creativity and innovation in young people to ensure a long-term supply of creative talent;
- To establish stronger connections between culture, education and training;
- Ensuring that talent is identified and developed in primary, secondary and tertiary education;
- Ensuring that people have both the creative and business skills necessary to succeed;
- The need to assist MSE creative industries with their business management and marketing skills;
- Ensuring wide public awareness of the importance of intellectual property rights to longer-term creativity.

Source: CIFT, Mapping Document 2001; in Creative@Derby, 2002

Creative industries require a constant, long-term supply of creative talent and this must be ensured via linkages with the educational system. It is necessary to detect creative talent in students at all levels of education, and to stimulate creativity and innovation in young people by establishing stronger connections between culture, education and training.

An awareness of the importance of the relationship between Intellectual Property Rights (IPR) and longer-term creativity is considered essential in all countries. In the case of artisan products, an alternative to IPR that is being applied in countries such as Thailand is the registration of a Brand for each artisan product and this would appear to be an appropriate path to the protection of craft products.

A further discussion of policies and their interrelated nature is included in the discussion of the Craft Creative Industries Value Chain in section 1.2.1 below.

1.1.6.1 THE REQUIREMENT FOR MAPPING CREATIVE INDUSTRIES

To facilitate policy making for promoting the development of creative industries and to assess their potential to induce socio-economic development in a country or in a region, it is necessary to identify those creative branches that have a potential for growth, their location in the country or region, and to quantify their potential for inducing socio-economic growth. This information is obtained from mapping exercises and the mapping of creative industries has been performed in a number of countries; some examples:

- The Exploitation and Development of the Job Potential in the Cultural Sector prepared by the EU in 2001;
- The Mapping Document of Great Britain produced in the same year;
- The first Austrian Study on Creative Industries produced in 2003;
- The CODA survey in the US.

Some countries in the Asia-Pacific region have conducted mapping exercises and prepared studies linked to policy design for these industries. Several have concentrated on the paper and printing sub-sectors, and copyright. New Zealand, Singapore and Hong Kong - China have dealt with creative industries as a whole[39].

In Latin America, the Organization of American States (OAS) has stressed the requirement to develop cultural indicators and to prepare appropriate and reliable statistics for the countries in the region, in order to assess the economic significance and potential of creative industries, follow up their development and thus to be able to formulate the appropriate policies for the promotion of cultural industries as agents of economic growth[40].

The Global Alliance for Cultural Industries, a four-year-old UNESCO initiative, sponsored a seminar in Bogotá, Colombia, October 20-21 2005 to discuss challenges and advantages of developing statistical indicators to support policy formulation in the cultural industries sector. With a similar concern, UNESCO and UNIDO are supporting work on the design of statistical databases covering craft and heritage-based industries together with social

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[39] UNESCO, 2005

[40] OAS, 2005

indicators, to measure the impact of these industries on patterns of employment and the welfare of communities[41].

1.1.6.2 Financing Creative Enterprises

Creative businesses can sometimes access funds/benefits from such sources as personal investments[42], grants for promoting creativity, for business start up, private R&D spending, tax deductions, loans and philanthropy, amongst others. However, as may be expected the lack of financing is impeding the growth of the sector, even in developed economies. The capital required for the development and implementation of promising ideas is frequently lacking[43].

Cunningham indicates that synergy between financial and creative inputs along the value chain (development, production to distribution and marketing) determines success or failure in creative industries, both in developed and developing countries[44]. Support and export-promotional policies by themselves are not sufficient if this synergy is not created. Although Cunningham's comments refer mainly to high-value export creative sectors such as films and music, the same should be applicable to handicraft industries.
Examples of two financing strategies presently used to support creative industries follow:

London: A ten-year action plan to support creative industries, through which London's social, economic and cultural health is expected to improve, consists of:

- A £50 million seed fund to support business growth and provide venture capital;
- An initial ten Creative Hubs - creative industry centres to be established across London to provide flexible workspace, training, mentoring, exhibition, showcasing, marketing and networking facilities.
- In addition to the above, services are provided in the following areas:
  - Creative property advice;
  - Legal support for IPR[45];
  - Marketing for the attraction of private sector investment;
  - A brokering agency to access vacant space for exhibitions, marketing, and showcasing for the arts world[46].

Thailand: The OTOP Revolving Fund was established to promote cottage and handicraft creative industries by providing credit to community enterprises for business investment and

[41] UNIDO-UNESCO collaboration to promote Cultural Industries for local economic development, Project XP/05/002

[42] During the Belfast conference 2005, there was a wide discussion on the application of the term 'investment'. Should it for example refer to commercial investment into businesses capable of yielding profit, or should the term also include capacity-building and cultural subsidy. It was agreed that a more sophisticated understanding was needed on the role of public money in the creative sector. It was stated that further discussion on financial instruments to deal with risks, rewards and ownership was necessary. UK arts organizations now differentiate between investment and subsidy

[43] The IP Impuls programme creative wirtschaft service (AWS) in Vienna provides selective sponsorship to established talents for the development of product and services in creative industries sectors such as music, multimedia and design (Creativity Made in Austria, First Book, 2005)

[44] Cunningham, 2005

[45] Intellectual Property Rights

[46] http://www.ides21.co.uk

job creation. Enterprises produce handicrafts for national and international markets generate income and promote income distribution within the community participating in the programme. See Table 1.2 for some outcomes of OTOP.

Table 1.2 Revolving Fund Provision (February, 2005)

Number of people that have received loans:	18,867
Total cash loaned:	US$ 30 Million
Recovery rate:	95%

1.2 PART TWO: CRAFT CREATIVE INDUSTRIES

1.2.1 THE CRAFT CREATIVE INDUSTRIES VALUE CHAIN

The crafts that are sold throughout the world today are products of an integrated industrial value chain. They are the results of a long and varied process based on tradition, cultural heritage and history and whose origins may go back many centuries. The quality and commercial success of the crafts is determined by a number of factors in the successive stages of the chain:

- The level of preservation of the region's cultural heritage during the design of the product concept,
- The selection of raw materials,
- The production process and the competence of the craftspeople
- Marketing and distribution
- And finally by consumer demand at home and abroad.

The craft creative industries value chain is represented in figure 1.1. The main components of the chain, *inputs, manufacturing and marketing*, are pictured at the top of the figure and the support policies and services required for the proper functioning of the chain appear below.

The *inputs* to the chain are pre-existing elements in a given region such as history, the cultural heritage, traditions and raw materials. Local human resources will exhibit the required characteristics of creativity, skill and innovation. Continuous innovation and entrepreneurial skills are required in order to be able to compete in the market. Information and physical infrastructure, technology and basic equipment are also essential inputs.

The *manufacturing component* includes the processing of raw materials and the production of the crafts. There is a variety of raw materials that require some degree of processing, for example the drying of wood, herbs, flowers, grains, and the manufacture of fibres and leather and metal processing. (The crafts are listed in figure 1.1. are examples of final products, a much larger number of products are classified as crafts).

Marketing: In any value chain the market is the most critical component, and market information should feed the chain in a continuous manner[47]. The starting markets for crafts are the local and the tourist markets; the export market is an option looked for by craft producers both in industrialized and developing countries, competition being strong and these markets being easily saturated for some products.

Marketing mechanisms and outlets are many, ranging from craft exhibition centres to craft villages; national and international fairs[48] to specialised stores and home furniture importers in industrialised countries. E-commerce offers an interesting option to the craft marketing system and is being used with some degree of success.

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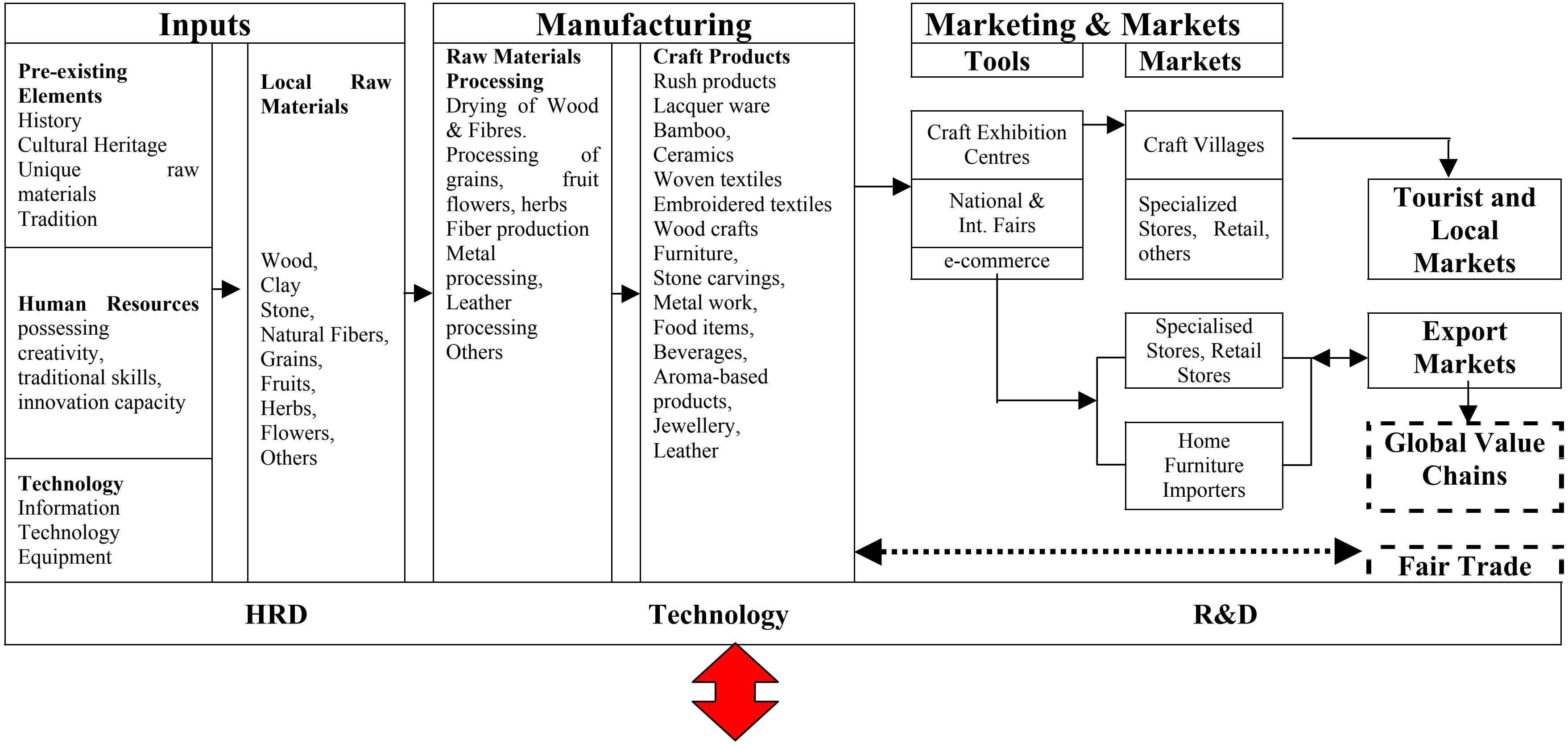
[47] An electronic market information system operates in Thailand to serve the OTOP project and e- commerce and has obtained interesting responses

[48] Used for promoting sales in the tourist and local markets and for testing products in the market

Figure 1.1 The Crafts Value Chain



POLICIES AND SUPPORT ACTIVITIES

Strategy	**Human Resources Development**	**Quality Promotion**	**Business Development**	**Marketing**
Development Surveys, needs assessment, Base lines. Sub-sector priorities, targets and programmes for MSEs, and marketing	Institutionalisation of innovative and traditional training opportunities for creative industries. Strengthening entrepreneurship, management and skills development, Stimulation of creativity and innovation in the young from primary education onwards	Standards Product certification Quality benchmarking Competitions and Awards Trade Capacity Building	Services Entrepreneurship Finance & credit Self-help Clusters Registration of Brands Mapping Craft Industries	Establish a Market /Craft Information System; Reinforce the available institutional infrastructure for trade development. Establish and update market intelligence services on opportunities for craft products, raw materials and appropriate technologies

1.2.1.1 Policies and Services Required to Support Operation of the Chain

Services and direct support, backed by adequate policies are required for the efficient operation of the chain. Human resources development, technology and R&D are to provide support to all the components of the chain to drive the innovation and learning process necessary to compete in the global market as is described in Figure 1.1; more specific policies and support activities are discussed below:

The establishment of a *Craft Development Strategy* requires surveys, assessment of needs and the establishment of objectives. The assessment of the potential of the craft sub-sector to serve national, regional and export markets will allow the identification of priority lines, the setting of targets and programmes for MSEs, and marketing[49] together with the strengthening of the institutional infrastructure and the protection of property rights.

Human resource development requires the institutionalisation of traditional and innovative training opportunities for creative industries, together with the further development of entrepreneurship, management and artisan skills for MSEs.

In order to maintain a pool of craftsmen and artists, it is recommended that policies be applied throughout the educational system to stimulate creativity and innovation in young people. Partnership projects with design institutions and universities and the formal educational system are also appropriate.

The introduction and establishment of the *Concept of Quality*[50] should start at the stage of product-concept development and should be applied throughout each of the stages of the chain, up to final delivery to the market. This requires the establishment and rigorous application of standards and benchmarking, within the concept of trade capacity building services.

The introduction of *social and environmental standards*, via a supplier's codes of conduct, (and also as a consequence of fair trade and eco-labelling rules and regulations) should be considered.

Business support services include such as: assistance to promote entrepreneurship, self-help, the strengthening of clusters and the registration of brands. Finance and credit at accessible rates is of course a critical element within this group of policies and services.

Marketing: A thorough knowledge of the markets is essential. The establishment of market intelligence services and current information on opportunities for craft products is necessary. Because access to the craft export markets is an objective of the craft systems, policies to reinforce and coordinate the available institutional infrastructure for trade development are often required.

Further discussion of markets for the products of the Craft Creative Industries Value Chain is found in section 1.2.3.

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[49] UNESCO, Annex 2

[50] 'Quality' should also be included into the Craft Development Strategy and the human resource development programmes

1.2.2 THE ROLE OF UNIDO

To illustrate the role of UNIDO, selected activities are briefly described that are considered to be applicable to the needs identified for the craft value chain:[51]

Policy studies are prepared with the objective of supporting policy makers and stakeholders in the improvement of industrial governance system and formulation, implementation and monitoring of strategies, policies and programmes to enhance productivity, innovation and learning. Specific priority sectors are subject to analysis and policy formulation.

Creativity and innovation: Most, if not all of UNIDO projects and activities in the field of MSEs promote creativity and innovation in components of the value chains. Craft development projects have been and are being implemented in several countries, for example Vietnam[52], craft-related clusters in Nicaragua, textiles in Kenya and India.

Technical Assistance/Cooperation for MSEs - UNIDO support programmes:

- Support the integration of more advanced small and medium enterprises into global values chains and procurement networks
- Promote horizontal, vertical and regional networks of enterprises and improve the collective efficiency of existing clusters of enterprises.
- Strengthen specialized public and private service providers seeking to address market failures working against MSEs in areas such as:
  - Business information;
  - Technology management;
  - Access to finance;
  - Registration of Brands;
- Enhance the entrepreneurial and managerial skills of micro-enterprises with emphasis on disadvantaged rural areas in order to reduce potential development disparities and to harness the potential of women entrepreneurs.

Structural Development Clusters: Individual MSEs can rarely compete for market opportunities that require large production capacities, homogeneous standards and regular deliveries. Increased competitiveness can be obtained through the establishment of networks of enterprises within which each can make use of common support services and can together enhance their productivity and achieve economies of scale. UNIDO has developed a unique MSE cluster/network development approach that has proven to be an effective tool for improving competitiveness and the growth of value chains. It may also function as a support to poverty reduction systems that target rural and semi-urban MSEs and handicraft producers.

Information Services Gateway: The principal objective of the Gateway Initiative, recently launched by UNIDO is to support producers within UNIDO assisted clusters to improve their marketing strategies and to increase their opportunities for entering *responsible* trade distribution channels and the global value chains, and markets.

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[51] UNIDO, "Operationalizing UNIDO Corporate Strategy - Services and priorities for the medium term 2004-2007", Vienna, 2004

[52] Susuki in UNIDO, 2002

UNIDO facilitates the matching of offers with demand and will assist by:

- Mapping partners at the local and the international level, in order to stimulate cooperation with institutions, schools, NGO´s and intermediaries that are already interactive in the downstream development of the value chain;
- Helping to establish an information platform on the Internet accessible to cluster participants and market representatives, thus providing a showcase for products available from the producers of each cluster;
- The provision of tailored assistance to clusters, addressing collective needs in product development and design, marketing approaches and preparation for export;
- Exposure framework. This activity will facilitate the participation of cluster members in international trade shows and study tours.

Gateway will bring buyers into the cluster development by emphasising the introduction of international buyers to UNIDO clusters, thus strengthening the position of their products in a variety of markets.

1.2.3 MARKETS FOR CRAFTS

Craft products were traditionally produced for use at work, for play or for use in the home, but throughout history they have served not only the local market but also regional and international markets.

The markets for craft products have been principally driven by quality and design, together with their historical, artistic, ethnic and regional significance and the unique characteristics of the artefacts. Today the producers can develop, and add modern and contemporary markets to the traditional and ethnic markets for craft products. However this move should be permanently guided by knowledge of the market trends, which may be obtained through contact with specialized buyers or brokers at national and international specialized fairs. The market grades the products according to ethnicity, uniqueness, the preservation of traditional elements and technology in their production, and the markets they address, as indicated in Table 1.3.

To the first category - *Traditional Fine Crafts* **-** belong those unique pieces that demonstrate ethnic and traditional heritage. These are classified as works of art, address the high-end market, are exhibited in museums and art galleries and are purchased by collectors.

Artisanal Crafts are hand made and preserve traditional elements. The difference between these and the *Traditional Fine Crafts* is that the crafters may work with design consultants and other, to help them to adjust their work to market requirements whilst ensuring that the ethnic appearance and historical background is maintained. Large volumes can be produced for the medium-high market.

Commercial Crafts are also made in the traditional style but the buyers may be consulted and the crafts are more obviously adapted to the needs and tastes of the mass market. Large volumes may be produced for the low-medium end of the market. The number and types of outlets is larger; it includes specialized stores and exhibition centres - as for the previous categories, but will consist principally of tourist shops, design centres and mainstream buyers.

The last group is that of *Manufactured Crafts - Mass Production Crafts*. The principal differences between this group and the others is that:

- They are produced in large quantities, using machines or networks of crafters;
- The producers do not adhere to tradition, but the crafts have an ethnic appearance based on patterns taken from various sources;
- Emphasis in the design is on value for money;
- This type of craft is destined for tourist shops and can connect to mainstream buyers and global chains.

Table 1.3 Craft Types, Markets and Outlets

Type	Description	Product Characteristics	Price/Volume	Market/Outlet
Traditional Fine Crafts	Ethnic products, works of art produced by an individual master/artist following the traditional design. Very often unique pieces.	Uniqueness Ethnic appearance from the national heritage Historical value	High-end market. High price - Low volume	Museums, Galleries, Private Collectors, Foundations
Artisanal Crafts	Crafts produced using traditional methods. Generally hand-made using traditional raw materials and technology. The design is historically based, but adjusted to greater volume production. Workshops/artisans willing/able to collaborate with design consultant to obtain market advantage.	Ethnic appearance Historical relevance Design adapted to reflect national heritage	Medium to high-end market Medium- high price Larger volume is possible and planned for	Specialised Stores Craft Exhibition Design Centres
Commercial Crafts	Items made in the traditional manner but adapted to needs and tastes of the buyer market. Foreign professional buyers, designers redesign to adapt products to market needs, highly influences by trends in fashion.	Ethnic appearance Design adapted to reflect national heritage.	Low to Medium Price dictated by market demand Planned for large volumes	Specialised Stores Life-style shops, Importers Tourist shops Craft Exhibition Design Centres Mainstream buyers
Manufactured Crafts – Mass Production Crafts	Products manufactured in larger volumes, using machinery and/or larger organised networks of crafters. Crafts are ordered by tradesmen in large quantity, often do not follow tradition. Patterns and designs borrowed from different sources.	Ethnic appearance Adapted design to reflect buyer market needs Accessories to extend other trendy products	Low to Medium Price dictated by market demand High emphasis on value for money, as required by buyer market Well developed value chain accommodating large volumes	Mainstream buyers, Global chains, Tourist Shops

It is necessary to be aware of and react to consumer tastes and the changing trends in importing countries. Information on trends and market possibilities has to be transferred to producers and to those agents that provide technical and business support to the artisans. This is one of the most important roles of the Craft Information system and is included as a major support requirement in the Craft Creative Industries Value chain (Figure 1.1).

The buyers in the value chain may however apply additional conditions to the commercial criteria of tradition, quality, safety and price. As indicated in paragraph 1.2.1.1 and annex 5, social and environmental standards are being applied by the importing countries and include the social and environmental codes of conduct that the suppliers must follow in order to be accepted by the importing countries. Examples of such codes are those that regulate Fair Trade programmes, and the eco-labelling codes now being required by many industrialized countries. Craft creative MSEs should be aware of the need to comply with those regulations, even if not presently required in the markets they serve.

Crafts produced by MSEs in developing countries have been included in Fair Trade commerce for many years. It appears however that the markets are growing steadily for giftware and crafts that are not included in the Fair Trade and that fair-traded hand-made crafts have lost ground. At present they represent only a small market share and it is not profitable to the ATO (Alternative Trade Organization)[53]

1.2.3.1 LOCAL AND REGIONAL MARKETS

Culture and tourism have been termed "two of the pillars for economic development". Crafts are contributing to rural development and modernization in Thailand and two thirds of the total craft production was sold in the local and tourist markets to a value of US$ 655 million in 2004, increased from US$ 400 million in 2002.

Japan is a major export market for the Thai OTOP programme and Thailand has the expertise and techniques that Japanese craft buyers require for their market. Japan is also a traditional handicraft importer from Vietnam and in 2005 this country ranked third among handicraft suppliers, after Thailand and China.[54] India exported US$ 12 million to Japan during the period 2002-2003[55].

1.2 3.2 GLOBAL MARKET[56]

The value of the global handicraft trade is currently estimated to be some US$ 200 billion[57] and the relative importance of this trade is illustrated by the examples of India and Thailand.

[53] ATO markets and distributes fair trade goods to consumers. Northern ATO includes OXFAM, TRADECRAFT and others. Oxfam Fair Trade Co. decided in 2001 to stop buying directly from 18 producer groups and to buy instead from importers such as Tradecraft (Bigworld, March 2002, p. 9)

[54] "Handicraft industry moves to boost exports amid challenges" News Discovery Indochina, 2005, http://www.vov.org.vn

[55] Indian Dta, Indian Arts, Crafts and Handicrafts-Indian´s Trade, 2006, http://indiandata.com/india-trade/handicrafts-india

[56] Part of the information presented is based on work sponsored by ITC on trade potential of craft products for a group of six ASEAN countries: Indonesia, Lao PDR, Malaysia, the Philippines, Thailand and Vietnam. ITC (2001 a, b)

[57] Derived from the Indian export contribution to the global craft trade in 2004-2005

- India's contribution to the world handicraft trade was 1.5% in 2004, and the Export Promotion Council for Handicrafts aims to raise it to 4% over three years[58]. During the period 2004-2005 exports were valued in US$ 2.98 billion. Annual growth in handicraft trade in India is around 10%[59].
- Thailand's OTOP programme exports reached a value of US$ 102.5 million in 2003 to be compared to just US$ 2 million in 2002. The OTOP programme was initiated middle 2002 and is responsible for this increase.

1.2.3.3 MAIN IMPORTERS

The European Union, the US and Japan are the world's largest importers.

The EU: The largest craft importing countries of the EU are in descending order of importance: Germany, the UK, France, Italy and Spain. Smaller importers are Belgium, Luxembourg, the Netherlands and Switzerland. These nine countries may be selected as target countries for craft exports to the EU; their markets are known to be interested in the product categories listed in Table1.3 under Traditional Fine Art Craft, High End and Commercial or Mass Consumption. Those craft lines that have a market in the EU are listed in Box 1.4.

Box 1.4 Craft Lines for Export into the EU

- Textiles woven: cotton and silk;
- Garments: cotton and silk;
- Basketry: all raw materials;
- Wood and non-forest products;
- Carvings, lacquer ware, and small household furniture;
- Ceramics and pottery;
- Jewellery;
- Paper products;
- Artificial Flowers;
- Musical Instruments;
- Puppets.

Source: UNCTAD, 2001a

Specialty craft products such as embroidery, vegetable fibre textiles, chairs and other furniture have export possibilities in most of the nine EU countries listed above.

Most of the crafts from the six ASEAN countries are located in the middle segment of the EU craft market[60]. Some of the crafts produced in Thailand are well located in the high segment of

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[58] Hindu Business The Hindu Business Line: "India eyes 4% share in global handicraft", Monday, September 19, 2005, Internet Edition

[59] Art metal ware 8%; crocheted and embroidered 11%; hand-printed textiles and scarves 8.6%

[60] Evaluation made by ITC; 2001

the market. Enhanced product design and quality would improve the market share in the upper segment in all cases.

The *Overseas Trade Statistics (UK)* indicate that in 1999, £1.8 billion of giftware items were imported from outside the EU, while imports intra-EU were valued at £585.1 million. Products included: toys, jewellery, china and & earthenware, glassware, and small leather goods. China, Hong Kong and Indonesia were the main non-EU exporters of traditional toys; China, the US, Japan, Taiwan and Hong Kong were the main exporters of china and earthen-ware, while Thailand, and China were the main suppliers of small leather goods. Furniture imported from outside the EU accounted for £645.4 million, coming in many cases from developing countries[61].

The United States: In the US, crafts are included into the home furnishing market, which has eight retail distribution channels, three of these accounting for 73% of the market share. These generally require large quantities of each product and therefore may not be relevant to the craft sector, perhaps with the exception of the manufactured Crafts 'Mass Consumption' listed in Table 1.3. (See also Annex 1).

Box 1.5 Craft Lines for Export into the US

- Textiles and natural fibres: abaca, banana, pineapple and others;
- Basketry (contemporary, turned into new products such as lamp bases);
- Wood and non-forest products (bamboo, coconut, pandanus, rattan, water hyacinth). Non-endangered wood should be used;
- New art ceramics using traditional methods such as smoked fire and raku pottery. Garden accessories are a strong category;
- Hand-made paper. A booming market. Paper with petals and scents from different flowers;
- There is a huge market for flowers and wreaths from natural materials;
- Musical instruments and puppets: small niche markets among collectors.

Source: UNCTAD, 2001b

The most appropriate US channel for crafts is considered to be the Independent Specialty Retailers. This group is comprised of 150,000 independent stores with a 7% market share and has the advantage of having sale points that serve consumers with different tastes, income and quality requirements. An additional advantage is that they do not place large orders. Buyers for these stores purchase from importers at fairs and trade shows.

Products that are handcrafted, made from natural materials, have imperfections derived from handwork and have an aged finish are still popular in the US. Environmentally friendly products per-se do not sell as well as they do in Europe, but if the products are of interest to the consumer and are also advertised as environmentally-friendly, they have an advantage.

[61] Bigworld, 2002, pp 26-27

Trends in 'Wellness Spas' have expanded the demand for health-related, stress relieving products; these include items such as herbal products; scented candles and aromatherapy; products for the bath; products related to yoga; and nature-inspired designs.

E-commerce for hand-made products is expected to grow in the US and it appears to be an appropriate channel for handicrafts. It has already been tested in Thailand with some success.

Japan: No recent analysis of the characteristics of the demand for imported crafts in Japan was available at the time of preparing this chapter. It has however been observed that young women in their 20's are seeking Southeast Asian handicrafts. Favoured are Thai and Vietnamese crafts such as hand-made bamboo sheath baskets and silk mufflers, tight fitting women's wear and colourful chopsticks.

Older women also favour Indian and Malayan crafts and gifts. In fashionable districts there is demand for lacquer and silverware, bags and tableware, napkin rings, silk shawls and tapestries as well as for Pashmina shawls. Moreover, there are specialised shops selling traditional handicrafts made by handicapped people from Vietnam and Thailand[62].

1.2.3.4 ICT E-COMMERCE

The function of the market place is to facilitate payments and the exchange of information, goods and services. E-commerce may:

- Provide on-line catalogues;
- Match buyers and suppliers through dynamic trading processes;
- Facilitate the closing of inter-firm transactions by providing access to financial and logistics services.

> *"How can craft producers in developing countries take advantage of the Internet and e-mail opportunities to sell their goods and benefit their families and communities?"*

To answer this question a study was commissioned by DFID of the UK and the final report was produced in March 2002 by Gamos and Bigworld (DFID 2002). Some of the conclusions and recommendations derived from the study are:

B2C e-commerce[63]: Selling craft goods through the Internet in B2C has not been successful. Several enterprises created around 1999 that established on line stores for craft goods have had disappointing experiences, such as "Peoplelink", and "Eziba", a direct marketer that specialized in crafts from developing countries. This company was launched in 1999 but had to liquidate its assets in 2005.[64] Box 1.6 lists some of the barriers to B2C e-commerce.

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[62] http//web-japan.org/trends01//article/030221sci_r.htm

[63] B2C - Business to Consumer

[64] htpp://wwwdirectmag/comnews, March 13, 2006

Box 1.6 Barriers to B2C E-commerce

- You can see but not touch, feel or smell;
- Digital photographs are not colour accurate;
- Consumers expect high service standards (expect redress, replacement, refund);
- Trusting company and brand
- Financial security;
- The need to disclose your personal data while purchasing.

B2B e-commerce[65]**:** the use of the Internet and e-mail offers opportunities for craft producers and can improve effectiveness and efficiency at the different stages of a value chain.

Recommendations for developing countries include:

- *On-line catalogues:* Catalogue-based web sites can provide advantages when dealing with wholesale and retail B2B buyers, particularly if background information is included concerning the producers.
- *Design:* Design inputs from professional designers in the EU and US are considered essential inputs by crafters in developing countries who wish to develop suitable crafts for export. Designers can offer real time consultation via the Internet, throughout the design process. This modality can provide a much more efficient advice than the one given/obtained during an overseas visit.
- *E-mail:* Investing in e-mail is one of the most cost effective services provided by the Internet because:
    - It is significantly cheaper than the telephone and fax;
    - It can be accessed through a tele-centre or an Internet Café;
    - Digital messages sent and received via e-mail can accelerate product development;
    - Lists of buyers and contacts, and e-mail newsletters can be established as a preparation for e-commerce.
- *Video and other multimedia formats* offer additional, cost-effective means for promoting crafts, particularly when they include information and background stories concerning the local traditions and the artisans.
- *Market Information:* While the Internet allows the potential buyers in the national and international markets to see on-line the crafts being produced and offered to the market, the crafters can also see what crafts and giftware are being offered and sold. The regular production and distribution of CDs with this type of information to groups of crafters that do not have access to Internet offers a useful complementary tool to the market information system[66].

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[65] B2B: Business to Business

[66] "E- Commerce Options for Third World Craft Producers"- Final Technical Report DFID, Bigworld, Gamos, London, England, 2002

1.2.3.5 EXPERIENCES IN THE USE OF ICT IN CRAFT INDUSTRIES

Thailand has successfully applied information technology and e-commerce to the Craft Creative Industries. The OTOP project[67] has a database (www.thaitambon.com) that contains general information from every tambon in Thailand, gives information on the OTOP project and can be used to facilitate sale-purchase procedures and e-commerce. A programme termed "One Computer one Tambon" is being implemented with the purpose of familiarizing villagers with the use of computers, the internet and websites. Internet access has helped rural communities to exchange information and ideas concerning raw materials, prices and markets.

Unites States: The results of a survey conducted in 2001 in the US by *Whereoware.com,* showed that craft retailers identify the Internet as an increasingly important tool for communication and for ordering goods. The survey covered 1,110 retailers attending 7 gift-shows in different locations in the West Coast and in Washington and Boston[68]. In the US, e-commerce has demonstrated a greater success selling the more expensive items (average price $150 for ceramics and jewellery and $500 for furniture). An example: *Guild.co* obtains half of its revenue from artwork priced above $1,000.

The survey indicated that the traditional methods of sourcing and ordering such as: trade shows attendance, telephone and fax orders, and sales representative's in-store visits are still used. However a core group that includes retailers in remote areas, new companies and internationally based stores uses the internet as a primary channel for placing orders.

England: A survey conducted by the Arts Councils of England and Wales (2003) indicated that new technology for business promotion has been adopted by the crafts sector: 42% of respondents are using web and e-mail for their business promotion; 60% use the Internet more than once a week and 70% favour it as an education tool. The respondents considered that the Internet is becoming a marketing and information tool that is as important as promotional print, editorial and direct sales[69].

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[67] Discussed in detail in the following chapter

[68] Wheroware.com (2004). Respondents were buyers from specialty and department stores, gift shops, jewellery stores mail order catalogues, museums and galleries, stationery stores, craft retailers, garden centres and book stores; interior designers: importers; and distributors of home products. Retailers surveyed had the following characteristics: 70% had e-mail; 61% use e-mail to communicate with suppliers and sales representatives; 39% have ordered products from a supplier Web site; 15% have ordered products from a business to business Web site; 12% of all retailers are registered with a business-to-business Web site

[69] Morris Hargreaves McIntyre, April 2004

1.2.4. TRENDS

Products

Products that are handcrafted, made from natural materials with an aged finish are still popular in the US. Environmentally friendly products per-se do not sell as well in the US as they do in Europe, but if the products are of interest to the consumer and are also advertised as environmentally-friendly, they have an advantage.

Trends in 'Wellness Spas' have expanded the demand in both the US and the EU for health-related and stress relieving products. These include items such as herbal products, scented candles and aromatherapy, products for the bath, products related to yoga and nature-inspired designs.

In the, UK textiles continue to be the dominant, locally produced craft type followed by ceramics, jewellery, wood, metals, glass and furniture. Of the crafters surveyed in 2003, 63% classified their products as contemporary, 18% as traditional and the remainder as a mixture of both[70].

Markets

Markets for crafts in the US are affected by the economic situation (at the time of writing) and local sales are falling. People tend to spend less on art when they feel that their lives and world are threatened and this influences purchasers at craft shows and price points. But crafters and retailers consider that competent merchandising can compensate somewhat.

Artists can benefit from some considerable repeat business depending on the artist's experience and exposure, but concern is being expressed for "the growing amount of mass produced work creeping into handmade sections of wholesale shows and diminishing its distinctive appeal"[71].

At the global level, it would appear that the equitable market for crafts has not grown, while that of foods is expanding.

Global Players

The result of the continuing expansion of the operations of global players – who exercise some control over world marketing - is that large orders for crafts products are coming from many countries. These quantities are then distributed amongst the 1,000-2,000 stores in the industrialised and middle-income countries.

As noted above, some crafters in the developing countries should be able to respond to such a demand and the experience of UNIDO in upgrading clusters to obtain improvements in operations - the production process and capacity - can help to prepare the crafters to participate in this market.

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[70] Arts Council, England, 2002-2003

[71] This is a mass production robbery of cultural heritage being practiced by some countries, within a dumping policy approach

Equitable trade - Fair Trade

Interviews with Fair Trade marketing agencies were conducted for a recent UNIDO[72] study. This was to examine the possibilities of including into fair trade and equitable trade channels, selected craft products manufactured by small and medium enterprises in Nicaragua and Senegal (produced in projects assisted by UNIDO). The results to date indicate that market conditions and trends for would-be new market entrants are generally unfavourable.

Three major factors have been identified:

- International demand for *fairly traded* handicraft products has been growing only slowly for a number of years.
- Fair Trade marketing agencies are characterised by a high level of loyalty towards their existing clients; they maintain the relationships with groups of producers over relatively long periods of time and thus opportunities for new entrants rarely arise, particularly if the demand is not growing.
- A number of the fair trade marketers also provide technical assistance to their client MSEs and associations, helping them to improve the design, production and quality necessary to reach new markets.

In summary, the only significant comparative advantage that may open up market niches appears to lie in product distinctiveness.

The results also suggest that to attain success in the export market, the strategies for promotion and assistance should include the detection of and solutions to the problems found in all the components of the chain[73], from conception, during production, at the presentation in the specialized fairs and at the final sale.

A more effective strategy to “open” the doors of equitable commerce for crafts could be to establish a distribution network with the cooperation of producers' organizations and with a local buying agent. Failing this, the route to be followed for marketing crafts is to rely on the open commerce (that does not apply ethical criteria) through which 99% of marketing is conducted.

An additional constraint for newcomers to enter *equitable trade programmes* for crafts is that equitable trade organizations are at present placing emphasis on increasing the value-added of the crafts with which they are already engaged, in order to improve the profitability of the organisation’s operations[74].

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[72] Draft internal document, 2005

[73] This approach followed by “Aid to Artisans”, a specialized NGO

[74] The organization set purchasing prices to the producers above the regular market price and return an important part of the profits to the producers associations. At the time of writing, this procedure has problems

1.3 CONCLUSIONS

Creative industries can contribute to poverty alleviation through income diversification and employment creation. The examples of the OTOP case study, Thailand (Chapter Two) and the London Hamlets Creative Network Partnership support this statement.

This document will assist governments to recognize that creative industries have a positive economic value in addition to their well-perceived cultural nature. Given this dual character, the support for creative industries should add to the traditional support for culture by designing and implementing integrated economic policies that will support the improvement of their development potential, and address the constraints and barriers to growth present in various components of the system. The results obtained by the OTOP project that is operating in rural communities, and by the UK programmes run in depressed urban communities illustrate the effectiveness of integrated policies.

The multiple characteristics of the policies and support actions required for the operation of the craft creative industries value chain are covered in Figure 1.1[75].

Creativity knows no social or educational barriers, particularly in craft creative industries. There is a however a need to include the enhancement of creativity within the educational system. The strategies being applied in Singapore for human capital development that include education, training, and the enhancement of creativity are interesting and useful examples.

A good knowledge of markets is essential and it is strongly recommended that market intelligence services be established, to detect and quantify opportunities for craft products. Because access to the craft export markets is very frequently one of the objectives of the craft systems, linking global buyers to local development projects is essential. Buyers will provide information and occasionally assistance to producers, to help them to adjust to the characteristics of the demand from the global markets[76].

UNIDO has an extensive and very useful experience with MSE policies and with the strategies and technical and entrepreneurial development services. These have been and can be applied to the promotion of creative industries value chains in such as business services, product development, quality management, strengthening of internal and external linkages through clustering and other mechanisms, trade development and others.

[75] Most of these services are available in the countries. There is however a need to coordinate them to serve the chain

[76] H. Schmitz, 2005

Chapter Two - The Case Studies

INTRODUCTION

This report for Project XP RAS/05/002 includes case studies for Iran, Pakistan and Thailand. These countries have an old and ample cultural heritage and their governments wish to promote and develop craft creative industries as one of the channels for improving the socio-economic conditions of depressed rural and urban communities. The case studies, particularly those carried out in Iran and Pakistan, are directed towards the determination of the viability of the concept of creative industries for revitalizing the craft sector within specific regions. In the case of Thailand, the main objective of the study was to analyse the structure and principal characteristics of the existing large and comprehensive programme that promotes craft industries in rural areas, and that provides a mechanism for income generation among agricultural communities. It is considered that the results of this analysis could be of use to the promotion of craft creative industries in other countries.

The standard methodology applied to the case studies was recommended by UNIDO and was used in the analysis of the ongoing Thailand programme and for Pakistan and Iran. In the last two cases, the methodology applied additional criteria for the identification of the area and for the selection of the craft sector.

In each case the characteristics of the system within which the crafts are being produced were analysed, together with present problems affecting the production-marketing system and the identification of possible solutions. Constraints and solutions were discussed during workshops in which the participants were taken from the producers and representatives of the different institutions connected with the operation of the system, and those interested in cooperating in a plan of action for revitalizing the production and marketing of the craft.

Thailand

The Thailand case study describes the mode of operation and main characteristics of the OTOP project; this is an example of the successful promotion and operation of micro and MSEs creative industries in rural areas. The project provides employment and additional income to rural communities that possess a wealth of traditional skills and creativity, which they apply to produce crafts that are readily accepted by the national and export markets.

The study found a well-designed project that nevertheless requires additional investment and a more effective coordination of the activities of those private and public agencies now active in the project.

The inclusion of the OTOP project as a case study demonstrates conclusively the function that creative industries - based on traditional cultural assets and following a market-oriented approach - can play in the processes of rural modernization and poverty alleviation.

Developing countries willing to take advantage of their cultural heritage and of the traditional skills and creativity of communities to produce crafts to serve known local and export markets, will find the OTOP project to be a very useful example.

The complex coordination required by the project and some of the constraints detected during the analysis of OTOP should be taken into consideration by interested developing countries when evaluating the potential of applying a similar strategy.

Iran and Pakistan

The Iran case study was concerned with ZarBaft, an antique and precious textile from Kashan, a small ancient city that has a long and important history as a craft production centre.

In Pakistan the area selected was the district of Khairpur, an area famous for its handicraft tradition. The case study was made for selected rural communities that are well known for the production of a variety of traditional crafts, today in need of revitalization.

In both cases the results of the analysis lead to proposals for Plans of Action to revitalize ancient crafts that are in decline. In Pakistan, the producers and institutions that participated in the workshop sessions selected the creation of rural creative cooperative societies as the framework for improving the functioning of the craft system. Amongst the joint cooperative actions to be carried out are access to raw materials, joint production and the opening of markets.

In Iran the concept of a creative cluster was proposed as the nucleus for a pilot project for the preservation of the tradition of Persian ZarBaft and for the collective support and promotion of creative industries.

Although the action plans are preliminary they provide a format for discussion with those local institutions already identified as possible partners and supporters of the projects.

In a medium term the action plans for Iran and Pakistan could be further developed within the concept of the marketing of creative regions[77].

In both cases the cooperation and alliance with the tourist sector and the export promotion agencies is as essential as are the requirements for support for entrepreneurial development and for the establishment of financing schemes.

[77] Marketing of creative regions - Enhance perceptions of the region; focused marketing campaigns to highlight a region’s strengths of cultural heritage, intellectual capital, regional identities and the pool of skilled craft workers

2.1 THE OTOP PROJECT OF THAILAND

CASE STUDY - 1

ONE TAMBON ONE PRODUCT

2.1.1 BACKGROUND AND CONTEXT

Thai farmers represent 70% of the country's labour force; the contribution of the agricultural sector to GDP is 12%; that of the industrial sector is 39% employing 6% of the total labour force[78].

The "OTOP", One Tambon[79] One Product project[80] was established in 2001 with the objective of improving the farmers' standard of living whilst securing benefits for the rest of the economy. The objective of the policy behind the project is to bring about the economic empowerment of rural populations and to alleviate rural poverty by promoting artisanal entrepreneurship.

The farmers and fishermen are encouraged and guided to use the free time from their seasonal work to increase their income by using their traditional skills to produce and market crafts (and selected traditional foods[81]). Applying local knowledge and skills handed down from generation to generation, the products and handicrafts are hand-made, using locally available materials and resources to manufacture goods that are, or are to be competitive in local and export markets. These specialty products are based on the originality, culture and tradition – cultural heritage of each rural locality. Termed 'community products', these exhibit elements of the uniqueness that each community has created and preserved for a long time.

Products from all regions of Thailand are eligible for inclusion into the project. No subsidies are provided, but technical assistance to improve product quality (without impairing the Thai uniqueness) and support for marketing are provided within the project. Today, thousands of tambons (village sub-districts) have been incorporated into the project that is now operating in most of the provinces.

Typical OTOP products are handicrafts, textiles, cotton and silk garments, pottery, woven handicrafts, artistry items, gifts, fashion accessories, household items, food crafts and many other articles indigenous to each community. The essential characteristic is they are carefully hand-made, traditional items having a market value that is related to the village community.

The selection of the OTOP project as a case study of Creative Industries is justified by the following:

- It promotes the production of crafts in rural areas;
- Micro and small enterprises are the main actors in the rural communities;
- The project promotes employment and income generation;
- It uses traditional skills and creativity to penetrate or/and extends local and external markets.

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[78] National Statistical Office of Thailand in: Library the Utrecht University, The Netherlands, 2005

[79] Administrative divisions: Province, District, Tambon, Village

[80] 'OTOP' signifies that different regions, noted for specific products, offer their *original village products* to the OTOP Project. It does *not* restrict a village to the production of one product

[81] These also contribute to the improvement of the post harvest management of agricultural products

The OTOP project is supported by a comprehensive government policy. The response to the project given by the rural communities and other private sector agents in its first four years of operation (2001-2005) has been impressive in terms of income generation from sales, market expansion and entrepreneurial activity in the rural areas.

It is thus considered that the presentation of this case study to developing countries could promote a cultural dialogue and build an awareness of the support that creative industries - based on traditional cultural assets - can provide for rural modernization and poverty alleviation, by following a market-oriented approach.

Section 2.1.2 contains a description of the characteristics of the OTOP production and marketing system as resumed in Figure 2.2. The vision, policies and strategies are described together with their linkages with production and marketing; the main stakeholders are identified, interacting within the system, as are their roles in the OTOP project. The response obtained from communities, the private sector and the markets is expressed in terms of the number of villages participating in the project and the value of exports. The socio-economic effects now being obtained within the rural population are highlighted using the somewhat limited number of indicators that are available. The perceived constraints and strengths of the project are also noted.

Section 2.1.5 deals with the products and marketing

Section 2.1.6 is concerned with the economic significance of the project

Section 2.1.7 refers to monitoring and evaluation

Section 2.1.8 contains the conclusions and recommendations.

2.1.2 THE OTOP PRODUCTION AND MARKETING SYSTEM

2.1.2.1 THE VISION

Figure 2.1 illustrates the environment and the system within and through which the project operates. It shows the linkages of the project's vision, strategy and policies with the productive and marketing components and provides some indicators of the economic significance of the operation of the system. The present development objectives and goals are given together with the principal characteristics of the action plans. Some constraints to the operation of the system together with some of the strengths found during the analysis are given in the lower part of the diagram.

The vision is: "To make rural craft industries another valuable contributor to the economy of Thailand, in contrast with the past, when most of the economic growth of the country was generated by large businesses".

The process of attainment of the vision will "Promote socio-economic growth and rural poverty reduction through the sustainable development of craft production in rural areas, embodying local resources, traditional values, cultural heritage and home-grown skills and expertise"[82].

2.1.2.2 STRATEGY AND POLICIES

The Thai Government began implementing a Dual Track Development Strategy in 2001 aimed at raising domestic productivity and demand, and expanding exports and foreign direct investments. To this end the government initiated several programs to promote growth and development at the grassroots group level and of MSEs. Amongst these is the One Tambon One Product (OTOP)[83] project, designed to help the rural communities use their local knowledge and heritage, and traditional knowledge and skills to develop and market unique craft products, and so earn an additional income. It is hoped that the provision of more income generating opportunities to rural communities will contribute to building a more resilient national economy for Thailand and will reduce the tendency of the rural population to migrate to urban areas.

The two principal policies adopted by the government to stimulate the MSE economy are:

- The "One Tambon One Product" OTOP Project; and
- The promotion of small and medium sized enterprises.

2.1.2.3 THE OTOP SCHEME

The OTOP scheme has many of the characteristics of the Creative Industries concept as applied by developed countries and discussed in Chapter One.

Figure 2.1 is a graphical presentation of the OTOP Scheme and illustrates the direct linkages existing between principles and a set of well-defined objectives, whose attainment is supported by human resource development, the elaboration of standards and product and quality development. It is to be noted that the outputs of the OTOP project are not to be measured only by the quantity of products sold, or the number of participating

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[82] "Creating the Future of Open Opportunities" OTOP, in: 4 years of Repairing Thailand for all Thais, October, 2004

[83] http;//www.thaitambon.com/English/about TTB.htm

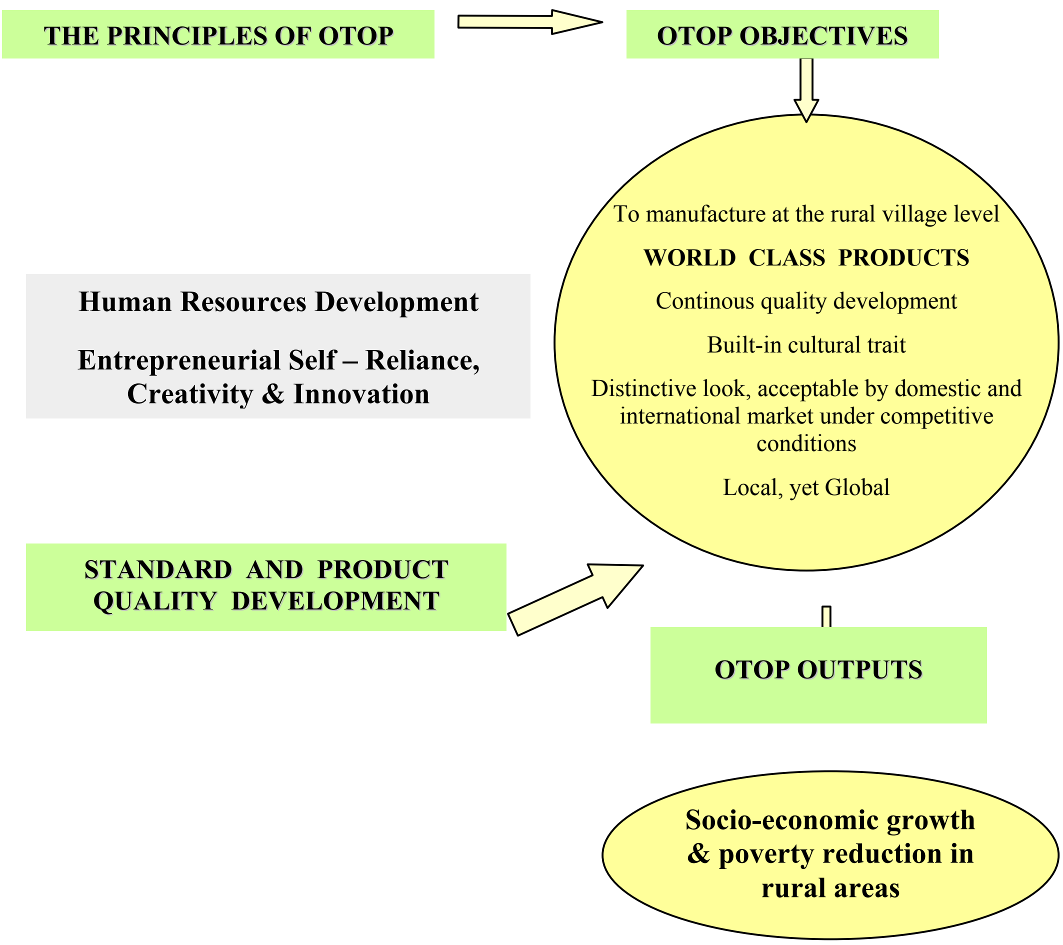
communities (these would also be results of the project to be measured) but rather by the socio-economic growth and poverty reduction obtained by the target population; these are outputs that are expected to be obtained and to be measured.

2.1.2.4 Principles

The development of OTOP products is based on the following principles:

- The application of local knowledge, traditions and skills to produce crafts with characteristics specific to the locality, and traditional agricultural food and non-food products. These will preserve the Thai heritage, and are designed to accord with today's lifestyles. They may conform to international standards and will be globally competitive;
- The development of a sense of self-reliance in rural crafters, based on initiative, creativity, productivity and decision-making *at the local level*;
- The continuous development of human resources at all levels of the production-marketing chain;
- The development of product standards and product quality;
- Continuous innovation.

Figure 2.1 The OTOP Scheme



2.1.2.5 OTOP OBJECTIVES

The principal objectives of "OTOP" are listed in Box 2.1.

Box 2.1 OTOP Principal Objectives

- To contribute to the identification of local natural and cultural resources that have a potential for the economic revitalization of regions. To be a factor in the promotion of culturally value-added products;
- To encourage value addition, with unique regional features, in local primary commodities;
- To encourage the making of products that are traditionally village-specific and to promote self-respect in villages and regions;
- To contribute to making regional brands competitive in the global market[84];
- To be a factor in the promotion of good leadership (a crucial factor for success)[85];
- To contribute to the promotion of rural entrepreneurial development and networking.

[84] This will require of the products: uniqueness and quality; and of the crafters: skills, originality, creativity, and innovation

[85] Leaders must be creative thinkers and be capable of the enlightening motivation of their village groups

Figure 2.2 The OTOP Production and Marketing System for Rural Modernization

Vision	Strategies & Policies	Development Objectives	Inputs & Infrastructure		Craft Products	Economic Significance	Expected Outputs
			Institutions	Support Infrastructure			
To bring socio-economic growth & reduce poverty through the sustainable development of the craft system in rural areas, preserving	**Dual Track Development Strategy:** 1.Raise productivity 2.Expand exports and FDI.	To promote new economic activities at the grass root level for poverty alleviation. For communities to become self sustainable by applying traditional	**1.Main Stakeholders:** Communities Government* private & semi-private sector** **2.Production Units:** MSEs, Craft Creative	**1.HRD System**: Craft education in: Technology/Design, Entrepreneurial &Marketing within OTOP **2.OTOP Standards**	Rush products; lacquer ware; bamboo; ceramics; woven textiles; embroidered textiles; wood-crafts/ furniture;	29,000 communities engaged in 2004. 1/3 of production exported. Income earned: US$ 125 mill.	Socio-economic progress and povery reduction in the target population
Promote self-reliance coupled with the strengthening of villages	OTOP is one of the Projects deigned to raise productivity at the rural level Promotion of large businesses belongs to a traditional track	unique crafts capable of penetrating local & export markets, within the *Creative Industries Concept* -To establish efficient market systems, preserving cultural identities.	Associations **3.HRD Bases:** Adult literacy 92.6% **4.Linkages:** Raw materials-production-OTOP-niche markets	**Information System**, Web-site **4.OTOP Marketing System:** Fairs, exhibitions **5.Financing** Funds, awards **6.Brand Creation**	handmade paper; food items beverages herbs and aroma-based products. Jewellery, leather	Business Administrators From single crop income to earners of additional income from the sales of OTOP products.	

Markets

National Market sub-system; International marketing surveys & distribution agreements

Perceived Constraints: 1. Monitoring system: Disaggregated results based on indicators to monitor and periodically evaluate the running of the programme and the impact being produced on employment, income creation and poverty alleviation on the target population, particularly the farmers do not seem to be easily accessible. 2. The number of enterprises started, and the survival rate should be followed and documented, as should the number of new independent artisans and *their* commercial survival rate. 4.OTOP enterprise size distribution is not provided. 5. The bases for ensuring the sustainability of the project after reducing the dependence on government support of services and on the political environment should be clarified. 6. A result of cost/benefit analysis based on profits and not on value of sales is not available. 7. More attention could perhaps be paid to creativity and design, in selected and selective educational curricula.

Strengths: Cultural Heritage, Traditional Skills, Creativity; Closed-linked communities; Entrepreneurial spirit. A comprehensive institutionally well-backed national policy for rural modernization. A well functioning private-public partnership operates the project for promotion and marketing.

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*Ministries of: Industry and Trade, DIP & MSE Departments, TISI; Commerce; Interior; Economics; Health; Education ** The People's Bank, Community Bank, private stores, Innovation Bank and others; Transport, Commercialisation agents, supermarkets and stores; Advertising; Universities; Laboratories, Exhibition Centres

2.1.3 INPUTS AND INFRASTRUCTURE

The principal production agents in the system are the Micro and Small Enterprises located in the villages and Tambons. They may be members of groups, cooperatives, clusters, networks and associations through which they manage joint purchases of raw materials, commercialisation and the transfer of information and know-how.

The inputs to the programme are Human Resources (HR) and Institutions, and Support Infrastructure, each providing support to the other components of the system. Within the first group, the main stakeholders are the Communities, Government agencies and the private sector thus demonstrating the private-public character of the OTOP project. The functions of the stakeholders within the OTOP project are described later in this chapter.

Additional to human resources, other critical inputs to the craft system are:

- Handicraft traditions;
- Cultural heritage;
- Skills transferred through generations of master-craftsmen and;
- Unique raw materials.

All these inputs are found in abundance in the villages and Tambons of Thailand.

The linkages between raw materials, production and producers and the identified niche-markets are maintained and strengthened by the OTOP project through the various programmes and activities as described later in this chapter.

2.1.3.1 HUMAN RESOURCES

Human resource development programmes should place emphasis on selectively building the capacity to:

- Continue applying their local knowledge and skills to produce unique handicraft products, using the cultural heritage that each community has preserved through time[86];
- Associate and work in groups so that their competitiveness in national and external markets may be improved;
- Become entrepreneurs[87] and improve their technical, managerial and marketing abilities and to absorb the technology[88], entrepreneurial, financial and marketing knowledge that the OTOP programme is providing through training and technical assistance[89];
- As a result of the above, be capable of making their enterprises sustainable.

Clearly, in any economy few persons possess all of the characteristics listed above; many more will possess the hand-working skills, and the imagination and innovative characteristics required of the creative artisan and of course these are fully supported.

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[86] Thai Industrial Standards Institute, "Certification of Community Products", 2003

[87] Only a limited number of trained crafts people will have the characteristics necessary to become entrepreneurs

[88] The selection of the technology is a very important process. Many technologies cannot be 'absorbed', but rather the artisan must be trained to strictly follow carefully written procedures

[89] Provided to promote and upgrade the quality of the products, production efficiency and competitiveness in the national and international markets

Table 2.1 Thailand and Selected Nearby Countries in Asia Human Resources-related indicators

Country	Rural Population %	Adult Literacy %	Youth Literacy %	Net Enrolment in Primary %	Children reaching Grade 5 %	GDP/cap PPP (US$)	Life Expectancy Years
Thailand	63.3	98.0	86.0	--	94.0	7,010	69.0
Malaysia	36.7	81.7	97.0	95.0	--	9,120	73.0
Philippines	39.8	92.6	95.1	93.0	79.0	4,150	69.0
Iran	34.1	77.1	69.0	87.0	94.0	6,690	77.1
Pakistan	66.3	41.5	53.9	35.0	--	1,190	61.0

Source: Human Development Report, UNDP, 2004

Table 2.2 Education in Total Employment in Thailand (2001-2005)

Level	2001	2005
Less than elementary	40.0	33.9
Elementary	22.5	22.0
Lower Secondary	12.7	--
Upper Secondary	9.4	--
Vocational	3.2	--

The human resource indicators of Thailand, presented in Table 2.1 correspond to those of a medium income developing country with a high proportion of rural population and high literacy indices.

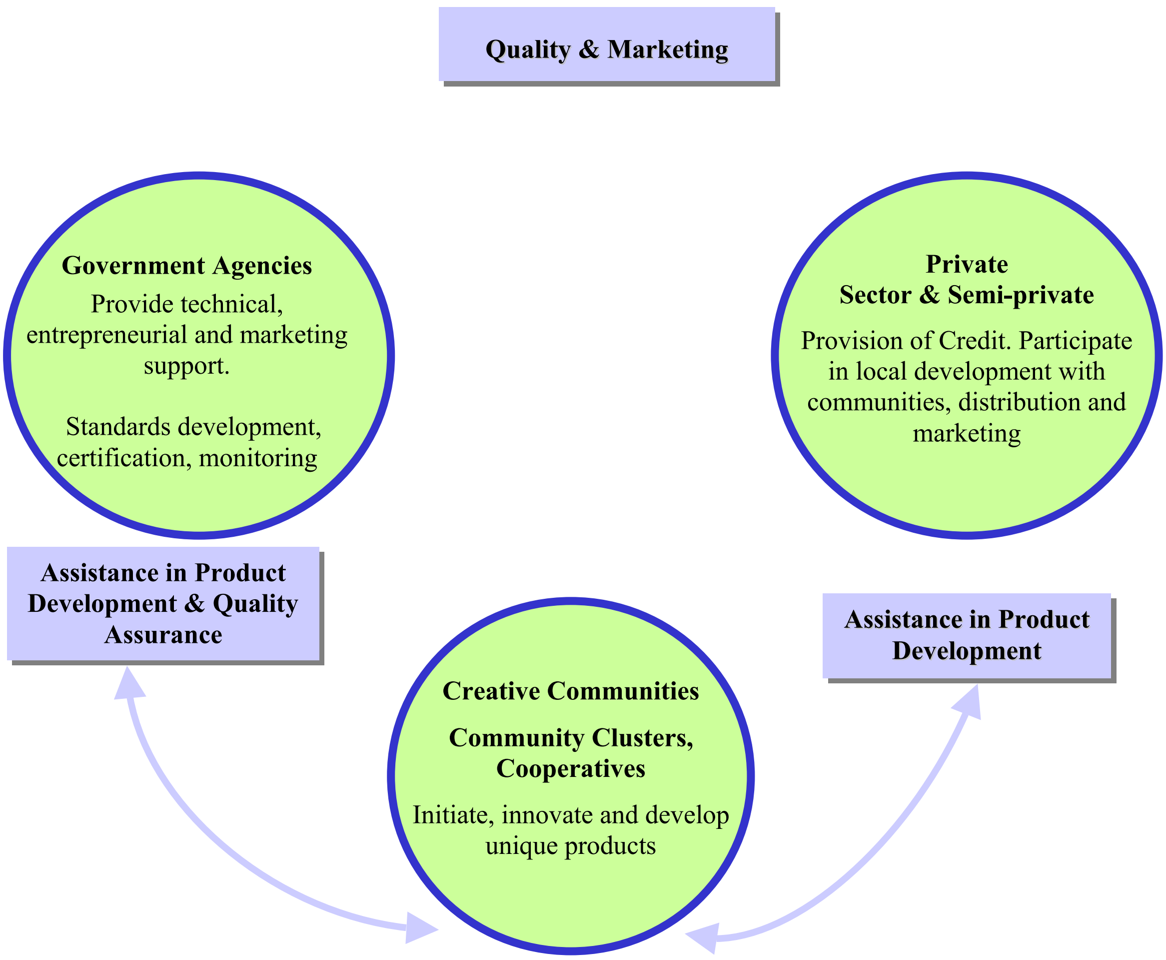
The education levels of the Thai workforce are such that between 34 and 40% of the workforce have less than elementary education. Although improvements are shown in the first two categories between 2001 and 2005 (Table 2.2) the conclusion is that while general literacy appears to be high, the Thai workforce is poorly educated.

The communities already possess the traditional knowledge and skills required for crafts production. Thus although the training components of the OTOP project will further develop skills, greater importance should be given to the transfer of technology and to entrepreneurial development and know-how in order to fulfil the human resource requirements listed above. The approach to be used will be structured in accordance with the educational level of the craftsmen.

2.1.3.2 Participating Stakeholders

Figure 2.3 identifies the three classes of stakeholders and their interactions; the principal roles of each are stated. Details of their activities and their modes of coordination are given in later sections.

Figure 2.3 The OTOP Stakeholders



2.1.3.3 The Communities

The communities initiate the production of unique products and present them to the local authorities. These in turn make a pre-selection of products to be sent to the fair. Fifteen criteria are used to grade the products, some are of a technical nature and some refer to social and historical references and criteria[90] and of course, added value is a factor.

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[90] Publicly known and a-political

2.1.3.4 THE PRIVATE SECTOR

The private sector participates with the communities in local product development by providing information on market demand, and by ensuring that the Thai identity is maintained. Advice is given concerning the use of colours and designs and marketing access is facilitated. For example, stores, supermarkets and semi-private exhibition centres such as the Narai Pan Government Emporium in Bangkok and the Phadungkeait Shop in Hangdon Chiang Mai[91]offer free space for the exhibition and sale of OTOP products. Where relevant to its interests the private sector also provides initial investment for raw materials, manufacturing technology; machinery, equipment and tools and may also subcontract production.

Under sub-contract with the Thai Standards Institute, Thai universities and laboratories perform the analysis and testing of product samples**.**

2.1.3.5 THE GOVERNMENT

There is a provincial OTOP Sub-committee in each province that manages the OTOP system at the regional level[92].

The Department of Industrial Promotion (DIP) of the Ministry of Industry promotes and facilitates the OTOP project through the provision of assistance and support in the following areas:

- Development of community organizations, to transform cottage industries into potential small enterprises;
- Access to modern technology;
- Product design;
- Assistance for quality improvement and certification;
- Enterprise management techniques;
- Improvements in competitiveness and the establishment of links with local and export markets;
- Financial support (Village Revolving fund, micro credit facilities (with interest rates of 2-6 %) and moratorium scheme for farmers;
- Fairs and Exhibitions to provide market access;
- Awards for quality benchmarking.

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[91] It is a large distributor of handicrafts and Thai home products

[92] The communities present their products and submit their applications to this sub-committee

2.1.4 ACTIVITIES AND SUPPORT SERVICES

A description of the main activities and support services provided by the Government is given in the following paragraphs.

2.1.4.1 ASSISTANCE IN QUALITY AND CERTIFICATION

The elaboration of standards and the development of product quality are two of the key components of the OTOP project. A national committee meets annually to set criteria[93] and rating scores for product assessment. Representatives of the Ministry of Industry, the Ministry of Commerce and the Ministry of Public Health are members of this Committee. The Ministry of Industry has assigned to the Thai Standards Institute (TISI) the development of standards for the community products, and their certification in accordance with those standards. The TISI has assigned 35 engineers to the different services and the evaluation of OTOP products. These cover four areas:

- Standards development;
- Certification based on the standards;
- Assistance to producers; and
- Public relations.

Standards

The standards are formulated with the agreement of all parties concerned (producers, consumers and technical experts), reflect the production conditions existing in the community and are easy to use. By August 2005, 1,029 standards for OTOP products had been completed and were in use; by December 2005 it was expected that the number would have risen to 1,200.

Certification

The TISI provides certification of conformity of a product to the standard. Producers eligible for certification must demonstrate the following characteristics:

- Be community producers complying with the criteria of the OTOP project;
- Be a group or a group member i.e. Agricultural, cooperative or another type approved by the Community Enterprise Law, such as a professional or naturalist group.

The application and certification is free of charge. The certificate is valid for 3 years and monitoring is performed by TISI at least annually.

A certified product carries a certification mark (see below) that signifies "hands made hands, joining hands" it indicates that the product complies with the standard and provides a guarantee for both local and export markets.

By August 2005 there were 8,000 producers certified and 30,000 were at various stages of assessment.

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[93] As indicated before, fifteen criteria are used to grade the products, some being of a technical nature and others being social and historical criteria, these are publicly known and a-political

Assistance to producers

In order to help producers to comply with the standards, instruction and technical assistance is provided through training and consultancy at the 11 training centres available for that purpose. Training includes technical subjects, entrepreneurial tools such as basic accounting, marketing, enterprise management and the organization of production to improve productivity, and with packaging.

Training is given at different stages and in different locations as indicated in Box 2.2. Additional assistance is given to producers for product design and packaging as listed in Box 2.3.

Box 2.2 Product Quality Development to comply with standards

- In-house advice
- Classroom training
- In-house training
- In-house consulting
- Pre-test quality assessment

Box 2.3: Assistance in Product Design and Packaging

- Technical advice
- In-house training
- Design/packaging services
- Labelling/Brand services

With the objective of modernizing both products and packaging, the Ministry of Industry organises three-day camps on product/package development for marketing and design personnel from producer groups and exhibition centres. Foreign specialists are invited to provide training and conduct the workshops. The participants work in groups of three and together design products and packages and present them for grading at the end of the camp. The cost of the Camp is 1000 bhat per participant, a sum that is returned once the newly developed products/packages are sent to the organizers. Specialised camps have been organised for Fashion, Silk, Cotton, Ceramics, Rattan, and Food.

Emphasis is given to the demands of the global market; "keep the Thai style and traditions in mind but think global" is advice given to designers. Sales strategies in the global market are also discussed. By August 2005, five hundred new products/packing concepts had resulted from these camps.

Visiting specialists have found that Thai fashion designers possess abundant creativity and know-how[94], but specialists have noted that the designers' visions are perhaps too utopian; designs are to be more realistic to be able to reach the markets abroad. Designers and producers should make their ideas desirable beyond Thailand, without forgetting the Thai traditions[95].

[94] For example, specialists indicate that the fashion group designers know how to work with colours, they are good at silk and fluid draping but they often have a utopian vision of the market (K. Emmons, International Herald Tribune, October 7, 2005)

[95] Sukhahuta is a successful Thai designer selling clothes in New York, who has managed to produce a modern interpretation of Thai creativity by producing a "delightful tension between naughty and nice "just like Bangkok". K. Emmons, International Herald Tribune, October 11, 2005

2.1.4.2 Craft Information System

The database 'www.thaitambon.com' contains general information from every tambon in Thailand, provides information on the OTOP project, and can be used to facilitate buy-sale procedures, e-commerce and help rural communities to exchange information and ideas[96].

Information related to the programme is continuously transmitted to the villages by radio, via the website and by means of seminars and training. The Ministry of the Interior assumes the responsibility for these activities.

2.1.4.3 Financing and Credit Facilitation

The finance component of the OTOP project includes:

- The Village and Urban Revolving Fund: a one million-bhat revolving fund assigned to each village that is used to provide loans to the crafters. The Committee for Loans administers the Fund;
- Micro credit facilities and a debt moratorium scheme for small farmers;
- The People's Bank, established to reduce the dependence of the self-employed on illegal money-lending markets.

Micro credit facilities provide access to working capita, this being the basic requirement of the communities. The loans help to satisfy genuine needs, and the interest rate is between 2 and 6%. The repayment is almost 90%.[97]

The budget management is decentralized and is assigned to each province. Forty percent of the budget is distributed equally among the provinces; a further 40% is specifically assigned, based on the relative participation of the different provinces in OTOP, and the remaining 20% of the budget is taken from the provinces' tax revenue. The total budget for the second year of the OTOP project was 10,000 million bhat, equivalent to US$ 250 million[98].

2.1.4.4 Intellectual Property Rights (IPR) and Brand Registration

Only three OTOP products have completed the IPR process. The process of registration for IPR is very difficult because one of the principal requirements is to demonstrate origin. Thai handicrafts date back to the prehistory period, some 7,000 years ago but study and research is still required to determine their historical background[99]. For this reason the registration of a brand for each product is the preferred mechanism of protection.

The Department of Export Promotion of the Ministry of Commerce created a Thailand brand logo, applicable to a large range of products and services from Thailand. The logo is shown below; the two words: "diversity and refinement" refer to the diversity of products and services

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[96] There is an ongoing programme entitled "One Computer one Tambon". The aim is to familiarize villagers with the use of computers, the Internet and websites

[97] Thailand Prime Minister's keynote Address at the Meeting of Honorary Consular Officers in Thailand, Bangkok, August 20, 2004 and interview with the Head of the Department of Industrial Promotion (DIP), Ministry of Industry, Bangkok, August 27, 2005

[98] Department of Industrial Promotion, Ministry of Industry, Bangkok, interview with the Director, August, 2005

[99] Thailand," The handicrafts products: Models and Designs", published by the Ministry of Industry on the occasion of His Majesty the King's 6th Cycle Birthday Anniversary, 5th December, 1999, Department of Industrial Promotion, Ministry of Industry

and to the excellence of the craftsmanship[100]. OTOP products have their own circular logo, as illustrated below.

[100] DEP, Ministry of Commerce, “Thailand’s Brand Directory, 2003”

2.1.5 THE OTOP PRODUCTS AND MARKETING

2.1.5.1 THE PRODUCTS

The multiple product lines that participate in OTOP are listed in the fifth column of Figure 2.2.

Table 2.3 lists the types of community products that had been certified to February 2004. This table illustrates the great variety produced by the communities and the number that have attained compliance with the standards.

Table 2.3 Selected Certified Community Products and Producers

Product group	Description of selected types of certified community products*	Number of Certified Producers
Food	Desserts (29) fruit wine (64) chilli paste (6) Satho (35) coconut sugar (5), dried fish (3) curry puff (1), salted eggs (3) mulberry tea (2), herbal wine (53), preserved fruit (9) and others (34).	244
Handicrafts	Rush products (6) Coconut shell products (14) broom (11), Benchrong wares (5) rock mortar (3) marble handicraft (2), rattan wicker products (10) gourd sponge products (1) Palmyra palm products (6) silver products (6) water hyacinth handicrafts (8) bamboo wicker products (8) wood artefacts (9) Krachut products (10) Yan Liphao wicker products (5) leather engraving (1). Others (3)	108
Textiles	Lai Nam Lai fabric (3) Chok fabric (7) Yok Muk fabric (4) Mo hom fabric products (2) Pha batic (2) Kap Bua fabric (5) Phrae wa fabric (4) Khid fabric (17) Hang Kra Rok fabric (5) Mat Mi fabric (32) Hand woven fabric: basic weave (23)	104
Artificial flowers	Natural material (13) synthetic material (9)	22
Paper	Pineapple paper (2) Mulberry paper products (1)	3

* The numbers in brackets indicate the number of certified producers for each type of product. Source: Thai Standards Institute, "Standards of Community Products, Quality Development: from Local Intelligence to the International Level"

The photographs below illustrate the variety of community products. In the first group of photographs, three of the products have been selected as product champions during contests run by the project in 2003. (An award of a minimum of three stars is required for a product to participate in the national markets)[101].

OTOP Product Champion 2003

▲Hand-made Paper

OTOP Product Champion 2003

▲ Fried Crispy Rice & Watermelon Juice

▲ Classical style Benjarong vessels
from Nakhon Pathom Province

OTOP Product Champion 2003

▲ Scented Citrus Hystrix Herbal Box
The box is made from pineapple fibre paper, with the aroma of citrus hystrix, used to reduce bad and stuffy smells.

[101] The "Star Classification":
Export Potential: products graded with 4 and 5 stars; National Market Potential: with a minimum of three stars; Local Market Potential: graded with less than 3 stars. The number of stars is related to quality, price, originality, value added, tradition, marketability and other

The second group of photographs features products classified as champions during 2004. Traditional designs are used as the basis for product development for all the examples given. Each product has complied with the specific product standard and has its own registered brand.

OTOP Product Champion 2004 ★★★★★

▲ Native embroidered cloth

OTOP Product Champion 2004 ★★★★

▲ Long drum, native style

OTOP Product Champion 2004 ★★★★

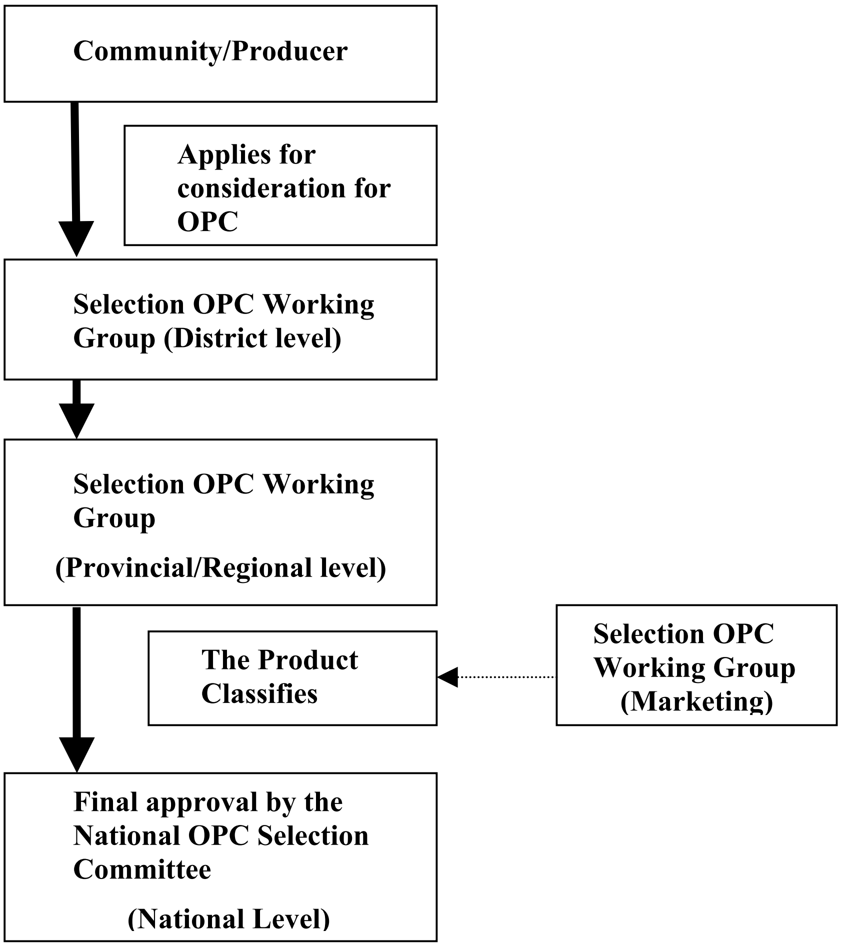
▲ Bamboo electric lantern

OTOP Product Champion 2004 ★★★★★

▲ A 10-inch Stone-set bowl
with support and long-handle ladle (size-25x25x25 cm)

Figure 2.4 illustrates the procedure that is followed for selecting an OTOP Product Champion (OPC). The community or the producer group submits an application to the OPC Selection Working Group at the district level for an OTOP Product Champion classification. If the product is considered to be adequate, approval is granted and the application passes to the OPC Selection Group at the provincial or regional level. If then approved, it will be submitted for further approval to the Marketing Working Group. The National OPC Working Group awards the 'OTOP Champion' to a product only after further, long selection procedures.

Figure 2.4 Procedure for Selecting an OTOP Product Champion



2.1.5.2 MARKETING AND DISTRIBUTION OF OTOP PRODUCTS

The marketing and distribution component of the system operates through: centres/retail outlets, the establishment of new branches, exhibition at trade fairs, and contests. DEP, the Department of Export Promotion of the Ministry of Commerce, is charged with the organization of trade, and public fairs and exhibitions and has an overseas network of 53 Export Promotion Offices, which promote sales and provide information on potential export markets, and trends in demand.

The Ministry of Commerce has classified the manufacturers of the OTOP products into three groups:

- Export Potential;
- National Market Potential;
- Local Market Potential

Technical and marketing assistance is being given by the Department of Business Development of the Ministry of Commerce to the group with national market potential in order to help them to better penetrate national and international markets and marketing channels and product development support is provided. To achieve this goal, a number of projects have been established. The information that follows corresponds to projects implemented between 2002 and 2004.

1. The Project to Identify Community Products and Establish a Collection System

This project is to improve the production and distribution of community products of the local rural enterprises manufacturers. Under this project, advisors are hired to assist the project management in selecting manufacturers and products at the community level and support the establishment of a system to collect and distribute the products.

2. The Project to Promote and Expand the Markets for Community Products

This project is to identify distribution channels for the OTOP products to all regions within the country, to transfer marketing knowledge to the OTOP manufacturers and to establish these within identified markets. Examples of activities under this project are:

- The OTOP Exhibitions held in different provinces such as the ones organized during February - August 2003 in: Buriram, Udon Thani, Khon Kaen, Kam Phaeng Phet, Chiangrai, Krabi, Yala, Ratchaburi and Rayong;
- Local Product Contests and Marketing, Business Management and Product Design Workshops - These events are held at regional level in different provinces. The products selected to compete are those with local/provincial market potentials.

3. Distribution of the OTOP Products

This project organizes the distribution of OTOP products to department stores, large retail shops, community shops and small retail shops. The distribution of the products is promoted and handled by the government and by the Allied Retail Trade Co., Ltd.

4. Creation of Handicraft Exhibition Centres

A building has been erected at the Bangsai Handicraft Centre in Ayuthaya to be used as an exhibition centre to promote the export of handicrafts and to provide a site for the exhibition and sale of handicraft and agricultural products of the people of the area.

5. OTOP Villages

The Thawai Village in the Chang Mai province has become the principal and most successful OTOP Village in the country. This has been obtained through government support for such as assistance to improve technology, technical advice for production, enterprise management and product marketing. Support has also been given for production and marketing infrastructure and for the management of the increasing number of tourists that visit the village. In the first semester of 2004, the village received 66 million bhat[102] from the sale of crafts, an increase of 35% with respect to 2003. Thawai Village has several of the characteristics of a Creative Cluster as described in Chapter One of this document.

2.1.6 ECONOMIC SIGNIFICANCE OF THE OTOP PROJECT

2.1.6.1 COMMUNITIES

In 2004, there were 29,000 productive communities, a substantial increase from 16,000 villages in 2003. It has been estimated that the number of OTOP communities will be 37,000 by the end of 2005. Table 2.4 presents additional information on community employment and products.

Table 2.4 Community Products and Employment

Products:	6,932 products had been upgraded[103]
Existing sustainable employments:	11,224[104]
New employees:	8,729

2.1.6.2 IMPROVEMENTS IN INCOME

Official updated information on income was not available at the time of writing this case study. Some data recently published in the Bangkok Post made reference to a study prepared in the Chulanlongkon University that indicates that increases in income received by village groups from the sales of OTOP products were substantially smaller than those received by MSEs and the private businesses participating in the OTOP project - 14.8% and 76.3% respectively. However, published disaggregated information on the net profit made by communities, villagers or MSEs has not been found.

[102] 1 US Dollar is equivalent to 40 bhat

[103] 5* products 626; 4* products 2,583; 3* products 3,723

[104] "Four years of Repairing Thailand for the Thais"-"Creating the Future of Open Opportunities" a Thai government paper, 2004

2.1.6.3 TOTAL SALES OF OTOP PRODUCTS

Annual sales reached 42,027 million bhat in 2004, one third of sales corresponds to exports and the remainder being sold in Thailand to tourists and local consumers (Table 2.5). It is expected (at the time of writing) that sales should increase in 2005 by 20%, from 2004 to US$ 1 billion. The leading products are: household products, food, beverages, clothes, and herbal and spa products[105].

Table 2.5 OTOP Sales

Year	Millions of bhat (Ministry of Industry, 2004)	Millions of bhat (Prime Minister, August 2004)
2002 (pre-OTOP)	245	215
2002 (under OTOP)	16,716	22,300
2003	33,276	30,000

Exports constitute one third of total OTOP sales. Furthermore, an examination of the results of e-sales of OTOP products show that through the website Thaitambol.com, of 38,000 products posted, 12,000 OTOP items were sold.

2.1.6.4 ACHIEVEMENTS

The achievements to date of the OTOP project are expressed principally in terms of qualitative terms. Improvements were obtained in the products and in the quality of life of the crafters, obtained in turn through the promotion of craft communities and improvements in management, marketing and the access to finance of the crafters as indicated in Box 2.4. Quantitative information on these improvements was not available.

2.1.7 MONITORING AND EVALUATION

This case study contains the available, quantitative information regarding the number of villages participating in the project, the increasing value of total sales of products entering the national and the tourist markets, and from (at least) one third of the production that is penetrating foreign markets. This information is obtained from the frequent reports by the participating Government agencies to the Cabinet on the progress of the project.

Unfortunately, no information has been obtained from any agency concerning the direct benefits perceived by the communities and the rural target population or on the socio-economic impact of the project. The Chulalongkom University has published ”Policy Evaluation Report 2005”; this is related to a study of the OTOP project, carried out on 164 OTOP operators in four regions of Thailand for the period 2001-2002. To the question “Who benefits from OTOP”? The report indicates that only a few select groups had benefited from the policy and that they were not at the lowest end of the economic scale, indicating that the policy had helped small businesses more than the poor.

[105] Bangkok Post September 3, 2005

Box 2.4 OTOP Achievements

Better Products:
The movement from local, isolated skills and knowledge scattered over the regions, to a more professional management and a systematic collection of products with increased added value, resulting in more than 600 5* high priced OTOP products.
Improved living conditions
From the lonely individual craft making in the rural area, to active craft communities and clusters. From individual craft undertakings, the establishment of some 29,000 OTOP - craft producing communities across the country.

Improved management, marketing and finance:
From amateurs to professional administrators of business.
From make-shift stalls in open markets, to elegant shelves in hundreds of leading supermarkets and store. From villagers receiving a single-crop income, to villagers earning additional OTOP incomes Business development addressing rural marginalisation.

Source: Ministry of Industry, DIP, 2004-2005

The data contained in the Chulalongkom report corresponds to the years 2001 and 2002, whereas the OTOP project started in 2002. Information obtained by project monitoring in 2004, when the OTOP project was in full operation, may have produced a more reliable, quantitive answer to the above question. It is clearly necessary that periodic reports be prepared via a systematic, independent system for monitoring the OTOP project, in order to be able to assess, and thus better influence the effects produced on the income of rural populations, on job creation and on rural socio-economic development. Lacking to the consultants preparing the case study also was information on any plan to expand the programme.

2.1.8 CONCLUSIONS AND RECOMMENDATIONS

The case study has found a well-designed project that receives the full backing of an institutional network composed of government agencies, semi-public and private institutions and the private sector, serving the rural communities. The project operates within a system in which the vision, strategies and policies are consistent with the objectives and have remained stable for more than one Administration. However, the bases for ensuring the sustainability of the project by reducing its dependence on the Government and the political environment are not known and should be further examined by an independent local agency.

It is considered that the OTOP project will continue to require considerable and increasing investments. It is important to highlight that Thailand's provincial governments are strong, that their coverage is wide, and that a number of powers are decentralized at the level of provinces thus facilitating the public-private institutional coordination and the provision of services to the OTOP participants.

The existing institutional infrastructure is used efficiently by the project and so (fortunately) there has been no need to develop an independent OTOP corporation. Moreover, the Thai governors apply a "CEO style" and manage the provinces as businesses, aiming at maximising profits[106]. It is suggested, however, that the manner should be studied whereby the commitment

[106] Asian Development Bank, Project Number 38447, January 2006

of the various parties is strengthened in order to guarantee the economic inclusion of the least profitable rural communities.

The permanence of the project and its impact on the revitalization of rural communities will depend on the positive response of the export and local markets and this in turn depends on the national participants. A greater participation of the private sector in the operation of the project would help to ensure the sustainability of the project and help to increase the access to local and export markets.

The OTOP project is providing support and opportunities to rural communities, whose principal activity was until recently limited to farming or fishing. These have extended their activities and some have become entrepreneurs, producing crafts in the food and non-food sectors that are reaching export markets Through the project, the farmers have diversified their sources of income and the project is contributing to poverty alleviation in the rural areas.

During the analysis of the OTOP project a number of constraints were identified. It is considered that their elimination will improve the efficiency of the implementation of this complex project and will further permit the identification and correction of imperfections and bottlenecks in the every-day implementation of the project (see Figure 2.2). The operation of an agile monitoring system is of particular importance and it is to be strongly stressed that a system is required to obtain the data for indicators needed for the periodic evaluation and adjustment of the operation of the programme, such as:

- Net effect of the project on the target populations in terms of employment, income creation and poverty alleviation, particularly for the farmers and fishermen;
- The ratio between new enterprises and existing enterprises participating in OTOP;
- Survival rate of enterprises;
- Sales earning ratio between communities and MSEs;
- Cost/benefit analyses based on investments and returns of the OTOP craft system.

Every country has a treasure of ancient, authentic crafts exercised by an ever-decreasing number of skilled master craftsmen. It is of the greatest importance that this knowledge and skill be transferred to young people within an appropriate environment and that the markets be connected to production, and that support services be available. The case study of Thailand provides a good example to other developing countries[107], which wish to promote cultural heritage, traditional skills, and creativity to improve socio-economic conditions of depressed rural and urban communities through the production of crafts capable of serving local and export markets. Inputs that should be carefully analysed by other countries are - in addition to the large and varied cultural heritage:

- A comprehensive, institutionally well-supported national policy;
- A strong institutional support provided in all components of the value chain;
- A good knowledge and servicing of local and export markets; and
- A well functioning private-public partnership that operates the project.

[107] But after consideration of the local conditions. Recent information indicates that in other South East Asian Countries (Malaysia, Bangladesh, and the Philippines) projects based on the One Village One Product concepts have been initiated with different levels of success. The Japanese OVOP and the Thai OTOP models having followed

2.2 THE CREATIVE COMMUNITIES OF PAKISTAN

DISTRICT OF KHAIRPUR

CASE STUDY - 2

GLOSSARY

- *Challan* – coins
- *Tali* – Sissoo wood
- *Baahan* – Poplar
- *Met* – fuller's earth
- *Chaniho* – carbonate of soda
- *Juari* – wheat
- *Bajra* – gram
- *Khes* – woven bed-sheets
- *Jhendri* – lacquer ware
- *Mohallas* – neighbourhood
- *Dheenga* – warp making machine
- *Khaddi* – pit-loom
- *Tani* – warp
- *Naar* – weft
- *Mela* – fair
- *Ralli* – patchwork
- *Ralana* – to connect
- *Hunarmand* – one who is skilled
- *Musalla* – prayer mat
- *Tuk ralli* – patch-work quilt; joined pieces of cloth.
- *Kata ralli* – appliquéd quilt
- *Charpai* – rope strung bed
- *Purh* – base cloth
- *Teha* – upper layer of a *ralli*
- *Tropa* – running stitch
- *Peengha* – swing
- *Khajji* – dates
- *Chabbi* – container for bread
- *Pankha* – fan
- *Izarbund* – draw string
- *Gulkari* – patterns for the lathe work
- *Machardani* – mosquito netting
- *Toya* – measuring cup
- *SMEDA – Small and Medium Enterprises Development Agency*
- *Aik Hunar Aik Agar' (AHAN)*

INTRODUCTION

UNIDO and UNESCO are cooperating in the design of policies (and are proposing to support the implementation of these) to promote the growth of creative craft industries in selected, deprived rural areas. To improve the socio-economic conditions of a rural region of Pakistan, UNIDO has examined the possibility of introducing the concept of creative industries for revitalizing the existing craft sector. The case study presented in this section is the result of this examination.

Together with members of the communities and NGOs, development objectives for the revitalization programme were formulated and a proposal was prepared for an action plan for advancing the crafts in the region. The roles to be played by the local private and public stakeholders in the implementation of the program are discussed, together with the assistance that UNIDO could provide.

For the identification of the region and of the craft sector, the following criteria were used:

- The Location: a rural area that is a traditional producer of crafts, applying traditional skills and methods;
- The existence in the area of communities producing the crafts for identified markets;
- A craft sector in need of revitalization, but also with a potential to extend the market;
- Interest expressed by the crafters and the local public and private institutions in participating in an action plan to revitalize the craft sector.

The district of Khairpur was selected for study and the systems used for the production of four crafts were examined and analysed. The crafts selected are:

- *Khes:* a traditional patterned double weave cloth, woven intricately with cotton or silk yarns. It is commonly used as a bedspread in rural and urban households. Usually bright and with a combination of 5-6 colours;
- *Ralli:* is a patchwork cloth, made by sewing different pieces of fabric together;
- *Khajji:* these products are made using dried date palm leaves. Such products include containers for bread, hand fans and baskets of varying shapes and sizes;
- *Jhendri* is lacquer-coated woodwork. Craftsmen produce such items as the wooden legs of beds, children's toys, stands for mosquito nets, wooden swings, measuring cups and other household containers.

2.2.1 THE CRAFT SECTOR IN PAKISTAN

Pakistan is a country possessing rich and diverse crafts traditions. Situated at the centre of diverse cultural influences, its physical terrain has fostered the diversity of crafts since the beginning of the Indus Valley Civilization some 5,000 years ago. The River Indus descends from the mountains of the north, through the green plains of the Punjab, skirting Baluchistan's arid terrain it passes through the desert of Sindh, emptying finally into the Arabian Sea. It has created a setting conducive for the craftspeople, each in their special context. The differences in the culture and traditions of the various regions have resulted in a wide range of crafts that reflect the indigenous skills and cultural environment.

The craft sector in Pakistan has been largely neglected. Characterized as an informal industry it suffers from several structural constraints. It has never featured on any list of priorities and governments have given little attention to this sector. Consequently, the quality of crafts has slowly declined and their value has diminished, both within the country and abroad.

In some of the areas the production of certain crafts has decreased precipitously, either surviving precariously through the last aged craftsmen who stubbornly continue their practice, or in some cases become totally extinct because of the age of the artisans, or because the activity was no longer economically viable.

2.2.1.1 KHAIRPUR, THE SELECTED REGION

The district of Khairpur is located in the upper region of the Province of Sindh and is a place of great historical significance in the subcontinent. Dating back to 5000 BC, the ancient Kot Diji is one of the oldest civilizations known to man.

In the 7th century Muslim invaders brought Islam to this area, which has been exposed to numerous influences that have all contributed to shaping its unique and distinctive character. The Talpur Mirs established Khairpur as an independent state and under their rule of over a hundred years, the arts and crafts flourished. Khairpur became a centre of craft activity. During this period it produced some of the finest crafts in Pakistan, a few of which are still produced today.

Khairpur complies with the criteria for selecting the region because:

- The local craft sector industries have a long tradition but need to be revitalised;
- There is a market for the crafts that must be evaluated and;
- There is interest within the communities to participate in a craft revitalization programme.

2.2.1.2 PRESENT STATUS AND POTENTIAL

The craft sector in Khairpur is currently slowly deteriorating:

- With the declining value of the crafts and the consequent impoverishment of the craftsmen the production of many crafts has ceased;
- The crafts are lacking in quality and attractive design;
- Intervention is required to preserve the unique culture of Khairpur;
- Support to this sector can bring improvements of the economic conditions of the area;
- Craft production and sales provide a significant income to the crafters households;

- Local NGOs such as IRC (Industry Resource Centre) and other organizations are able and willing to provide the basis for the support infrastructure, required for the execution of a programme for the promotion of creative industries, as described below.

2.2.1.3 METHODOLOGY USED FOR THE CASE STUDY

A systems approach was used for the analysis. This approach includes:

- The construction of a vision of the system under consideration[108];
- The identification of existing strategies and policies that can promote the development of the system;
- The availability of human resources, inputs and infrastructure (institutional and physical) to serve the system are assessed;
- The economic situation of the productive components of the system (the craft industrial sector) as well as its relationship with markets is analysed;
- During the course of the analysis, the strengths of the system are to be identified, as are the constraints to its development.

The collected information and the first assessment of the status of the system were presented during group discussions. These were attended by craftsmen and craftswomen of the production units, and by personnel from the institutions related to the system, and those that may contribute to the operation and to the further development of this. The constraints and strengths were agreed upon and additions made; the development objectives and action plans were discussed and agreed upon. Figure 2.2 provides an overview of the production-market system concerned with the crafts selected[109].

2.2.1.4 AVAILABLE SUPPORT INFRASTRUCTURE

Table 2.6 on the next page lists and describes the NGOs that are operating in the area of Khairpur, their activities and their interest in participating in an Action Plan for revitalizing the Khairpur craft system. NGOs are working in the areas of education, health and social mobilization and the increased NGO activity and the expansion of their projects in recent years has been an important source of employment in the area.

The director of the IRC showed interest in participating in such a project, coordinating the other NGOs with which IRC has already established some partnerships and has worked together, such as: Khajji Co-operative Society (KCS), Sindh Education and Environment Development Association (SEEDA), and SEWA Development Trust.

Institutional linkages with government agencies will however be needed. The linkage with government agencies should be made through the related policies and strategies that need to be introduced in the near future; this is of immediate importance given the intention of the government to establish a craft promotion system similar to the OTOP project in Thailand[110].

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[108] Already existing or formulated together with the interested parties

[109] Obtained by following the systems approach described

[110] Direct information received from the Ministry of Industry, in Pakistan in August 2005

Table 2.6 Institutional Support Available in the Area

NGO	Established	Thematic Programmes	Interest in Promoting Crafts
Industry Resource Centre (IRC)	1991	-Participatory Governance -Education & Literacy -Economic Initiatives -Natural Resource Management -Primary Health Care	Yes, within the area promoting economic initiatives
Sindh Education and Environment Development Association (SEEDA)	1998	-Quality education in rural areas -Farmer schools and non-formal primary schools -Health centres	Yes, cooperates with IRC
SEWA Development Trust	1999	-Socio-economic changes to provide equal opportunities to men and women -Training centres for women, mother and child health centres and 46 non-formal basic education schools	Yes, within socio-economic development

2.2.1.5 THE SELECTED CRAFTS

After an initial review of the various crafts produced in Khairpur, four crafts were selected that were considered to have the greatest potential for development. The criteria used for determining this potential included:

- The existence of a regular demand;
- The presence of groups of crafters and workshops in a relatively large number;
- Their interest in participating in a pilot project that could help them to improve their business and the socio-economic situation of the region.

Additional criteria used were:

- Installed capacity;
- The possibility of improving the design of the crafts to expand present markets and open new ones, and;
- The opportunities to improve productivity and innovation through technical and entrepreneurial assistance provided by UNIDO.

Table 2.7 provides some of the production characteristics of the four selected crafts. Worth noting are:

- The number of villagers involved in the production of Ralli and Kahjji;

- The household income that the craft activity represents particularly in the cases of Khes and Ralli;
- The unused installed capacity to respond to expanded markets in Khes and Jhendri.

Table 2.7 Present Production Characteristics of the selected Crafts

Craft Persons involved					
Craft	**Khes**	**Kata Ralli**	**Tuk Ralli**	**Kahjii**	**Jhendri**
	50 craft persons (35 women) 10 Households	500 craft persons are producers. For own-home use. 5 Households sell their products	5 households sell their products	200-300 women coil baskets 5 women make fans	85 men crafters 85 women crafters
Volume of Production					
Craft /Period	**Khes**	**Kata Ralli**	**Tuk Ralli**	**Kahjii**	**Jhendri**
Per month	320 single Khes	5	1.5	15,000 baskets	225 sets of bed posts
Per year	3,840 single Khes	60	18	170,000 baskets	2,700 sets of bed posts
Expansion Capacity	Large idle capacity and large number of trained crafters			Yes, product diversification needed	Installed Capacity for 27,000 sets
Selling Price and Monthly Income per Household (Rps)					
Craft	**Khes**	**Kata Ralli**	**Tuk Ralli**	**Kahjii**	**Jhendri**
Selling Price Rps.	Double: 1,000 -2,500	Cotton: 3,000 Silk: 8,000	350-450	Baskets: 5-8 6-10 (according to size)	Contractor: 8,000-10,000 Labourer: 3,000
Monthly Income	8,000-10,000	n.a.	800-1,000	800-1,000	Labourers: 3,000
Annual Income	96,000-120,000	--	96,000-120,000	9,6000 – 12,000	36,000

Figure 2.5 on page 75 maps the system, commonly called the value chain, in which the central components are linked to the vision and to the corresponding policies and strategies. In Table 2.8, the present constraints and the perceived strengths of the system are listed. The action plan to be proposed should eliminate most constraints and strengthen the linkages between the different components of the system.

Figure 2.5 Craft Production System for the Revitalization of Khairpur Creative Industries

Vision	Strategies & Policies	Production Inputs & Infrastructure		Craft Products	Economic Significance*	Development Objectives	Action Plan
		Support Infrastructure	Institutional Support				
-Craft, cultural heritage and traditional values of Khairpur region are preserved by improving the economic operation of the local craft sustainable groups operating in national and export markets. -Creative talent is stimulated in young people.	**Strategies** Government Strategies are giving priority to rural poverty alleviation. **Policies** AHAN programme, One implemented in rural communities. Textiles are being considered for pilot projects among other.	**Raw Materials** Cotton Cloth Silk Palm Leaves Wood **Equipment** Available, extra installed **Units** -Numerous households -Small Workshops in rural areas **Human Resources** Women and men skilled in crafts, but with high levels of illiteracy	**NGOs:** **Crafters Education** Vocational training & non-formal basic education & Cooperative Society (IRC, SEEDA and SEWA) **2.** Support Coordination Access to Working Capital SMEDA & Micro Financing (funds, awards, AHAN) **Marketing** Intermediaries Tourism MELAS (fairs, networks, exhibitions)	**Khes**-Patterned & double weave cloth "cotton & silk" **Ralli**-Patchwork cloth **Khajji**-Containers **Jhendri**-Lacquer work on wood for children's toys, measuring cups, etc.	**Khes** No. of craftpersons: 50 (35 women) Monthly income/sales -household: 150 US$ **TUK Ralli** No. of households: 5 Monthly income/sales -household: 150 US$ Monthly income/sales -household:150 US$ **Khajji** No. of craftpersons: 200-300 women Monthly income/sales –household: 167 US$ **Jhendri** No. of households: 400 Craftpersons: 320 (50%w) Monthly income/ Labourer: 50 US$**	**To contribute to**: -Preservation of skills -Recognition of Cultural Significance of crafts -Rationalisation of operation of craft -Penetration of national, regional & international markets	**Short-term** Join the AHAN project that SMEDA is developing. The programme will: strengthen the value chain, provide access to markets, links with tourism; Will support and coordinate with stakeholders: -Standardization of quality of craft -Increase productivity -Establish credit lines for working capital, provide training and education **Medium-Term** Marketing Kahirpur As a Cretaive Region **Long-Term** -Include in the education curriculum: traditional crafts and enhancement of creativity, starting at the primary level

* Expressed as monthly income per household, 1 US$=60 PKR; ** Monthly income for contractor 130 – 170 US$
Note: The economic significance of the monthly incomes obtained from sales
Per households may be appreciated by noting that the average annual per capita GDP

of the country was approximately US$ 700 in 2005. (Prime Minister of Pakistan in: News from Pakistan 27-02-2006,

htpp//www.pakbol.gov.pk/News_Archive).

Markets

Markets exist for the four crafts, but market surveys/information and formal distribution agreements to improve marketing and cover additional markets are lacking

Table 2.8 Opportunities	Constraints
1. **Strategies and Policies:** A Government strategy is giving priority to rural poverty alleviation 2. **The AHAN programme** is starting in the rural areas of Pakistan. Modelled after OTOP, One Village One product, the programme includes textiles within the priority craft sectors to be promoted in the rural areas. The inclusion of the Khairpur pilot project would eliminate most of the constraints detected in the system. **Inputs and Infrastructure:** 3. Raw materials such as date palm leaves are indigenous of Khairpur and available; 4. There is equipment available to expand production for some of the craft lines to serve new markets. Communities where nucleus of men and women in numbers up to 500, use traditional craft skills to produce crafts in households and/or small workshops. Skilled men and women are interested in creating cooperatives to manage raw material supply, production and marketing 5. Local NGO´s interested in revitalizing the craft sector in the region within the concept of creative industries, NGOs could participate in activities related to informal education and vocational training, micro-credit and the establishment of cooperatives **Financing:** 6. There are micro-credit lines offered by SMEDA and credit lines offered by IRC. **Markets:** 7. A demand exists for the four crafts, with possibilities of extension. There are regional fairs and exhibitions in which organized crafters, with proper support could participate more frequently. **Development Objectives:** 8. Interest and commitment to rationalise the operation of the system and improve its economic and technical conditions of the craft sector was shown both by the crafters and the local NGOs. **Action Plans:** 9. In the short term joining the AHAN project should be a priority target. The possibility of linking with tourism within the concept of Marketing of Creative Regions should be studied for the medium term. This concept is based on enhancing the perception of the region by focusing marketing campaigns within tourist programmes highlighting the region's strengths of cultural heritage, creative capital, regional identities and skilled workers.	**Enterprises/groups** 1. The economic conditions and isolation of the crafters are leading to a slow death of the craft sector -Informality in production and marketing prevail -In need of introducing innovation and new design **Human Resources** 2. High levels of illiteracy among the crafters and links with training institutions do not seem to exist Poor entrepreneurship among producers 3. **Markets and Marketing** **-** High dependency on intermediaries and patrons for the purchase of raw materials and the marketing of end products - Little knowledge of present market and expansion possibilities - No linkages with tourism exist **Financing** 4. Poor access to working capital

2.2.2 THE CRAFT PRODUCTS

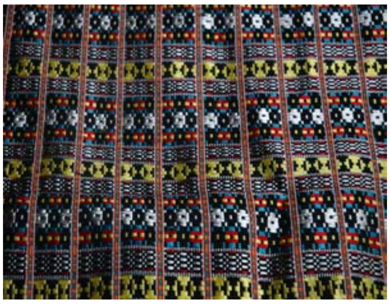
In the section that follows the craft products, their characteristics and details concerning the production methods are given. The results of the group discussions are also given for each craft. The emphasis placed on identifying constraints and opportunities for revitalizing the crafts is evident in all discussion groups, as is the agreement reached on development objectives and action plans. The desire of the crafters to work together by creating cooperatives is to be noted.

In Section 2.2.3 a programme is proposed together with short, medium and long term plans of action.

2.2.2.1 KHES

Khes is a traditional patterned double weave cloth, woven intricately with cotton or silk yarns. It is commonly used as a bedspread in rural and urban households. Usually bright and with a combination of 5-6 colours, Khes was an acclaimed textile export product in the Moghul Period and was very popular in England. Once noted for its vegetable dyed colours the cochineal khes was among the most expensive. The combinations of chemical colours now used are brighter and more attractive. Woven on traditional pit-looms in pairs and sewn together in the middle by hand, the khes are some 3 yards (92 cm) long and 33 inches (84 cm) wide. Cotton yarn of 10 to 20 counts is used double for the weft and warp.

Craftsmen in Amb Village, about an hour's drive away from Khairpur city, produce the khes. The village is of some 500 households with a population of approximately 12,000.



Black and magenta *Khes*

Jewel-coloured *Khes*

***Khes* weaving on a pit loom in Riyad Ali's workshop**

The workshops are simple open structures with good ventilation. Each contains between 1- 4 pit looms and a production compound will have a warp-making machine (*dheenga*) and several spindle spinning wheels for the weft yarn. This permits all stages of khes making to be carried out within one area.

Artisans

Approximately ten households, consisting of fifty persons, currently produce the *khes* in Amb. This includes between thirty and forty women who are also engaged in production. At present, there are some twenty pit looms in the area, which are operational. According to the craftsmen, around one hundred households in the village are skilled in the weaving of khes. Rapid expansion of the production can be obtained if and when new markets are found.

Production

The only raw material required for weaving khes is yarn. Currently they are weaving using cotton or synthetic yarns; unfortunately the use of pure silk has been discontinued.

A brief description of the process of Khes production, the raw materials needed, their costs and the sale value of the end products is given in Box 2.5.

Box 2.5 Khes Production

To make one warp, between eight to ten kilos of yarn are used. This warp can produce either sixteen single khes or eight double khes. The yarn used for one warp costs Rs.1000, and the labour cost of making the warp is Rs.175.

Additionally, one kilo of weft is used in the production of a double, and half a kilo is used for a single khes. The cost of the weft depends on its quality:

- Good quality synthetic silk yarn costs Rs.400 per kg;
- Poor quality polyester costs Rs.200 per kg;
- Cotton yarn costs Rs.150 per kg.

It takes a craftsman eight days to weave a double khes, four days to weave a single khes. Approximately fifteen warps are made in one household over the course of a month, with the weft for each warp being made in a single day. According to the craftsmen, one pit loom can produce either sixteen single or eight double khes in one month.

A double khes is usually sold for a price between Rs.1000 - Rs.2500, prices depend on the demand for a particular product at the time and craftsmen make no particular distinction of the difference in quality.

Each household manages to sell an average of four double khes and eight single khes in one month, the average monthly earnings of one household amounting to Rs.8,000-Rs.10,000.

All production takes place in the craftsmen's homes, with families working independently of each other. Both men and women weave the khes, although at present there are more men than women engaged in production. Men are responsible for the making of the warp, while women prepare the weft spindles.

The skill of khes weaving has been passed on for generations in the craftsmen's families, with children being trained by their elders on an informal basis and assisting in production from an early age. The craftsmen receive help from their patron, Maulana Mohammad Nawaz Memon, originally from Khairpur. He also has a shop in Karachi. He has connections with officials in the government, who purchase the expensive khes as state gifts. Throughout the year when demand is low and craftsmen are in need of money, they sell their goods to the Maulana, who in turn sells them at a profit to his customers. Additionally, the Maulana owns around twelve pit looms in the village on which he commissions the craftsmen to weave khes for himself. For every khes they weave for the Maulana, the craftsmen receive Rs.200 for their labour. It appears that there is a system of labour sub-contract being applied, the terms of which should be reviewed, and the possible effects of modifications should be carefully examined.

Marketing and Demand

Local demand is generally low throughout the year, although it is comparatively higher in winter as khes is usually used in cold weather. Products are taken to Hyderabad and Mirpurkhas to be sold by the craftsmen themselves. Dealers from Hyderabad occasionally come to the craftsmen's houses to buy their goods.

The craftsmen stated that in India demand for their khes is very high. Before 1971, khes was exported in great quantities across the border. However, after the war between India and Pakistan broke out in 1971 and the Khokrapar Border was closed, exports were discontinued. However, even today Indians who attend the annual fair held to pay homage to Saint Naseer Faqir at his shrine in Baghodero, buy a lot of khes. For this reason, demand at such events is great.

Constraints and Needs

- *Lack of Capital*: Too often the craftsmen lack the capital to purchase raw materials for production;
- *Market*: They are unaware of markets where they can sell their products. Since their patron, the Maulana, provides their raw materials and markets their products himself, the craftsmen have no opportunity to realize their potential as entrepreneurs;
- *Need for Design Development*: There is a need to assist the craftsmen with design development, as the declining value of their products has resulted in a fall in the quality of the khes produced today;
- *Need for Marketing and Entrepreneurial Training*: Market analyses are required and training to be conducted in entrepreneurial and marketing skills.

Workshop Meetings

Two workshop meetings took place on 21st August 2005 with the participation of the UNIDO National Consultant, her Assistant Fatima Mullick and the following NGO representatives:

- Naveed Khayal - (Moderator) – Program Coordinator, IRC;
- Abida Jumani – Credit Officer, IRC;
- Mohammad Jumman Mallah – Credit Officer, IRC;
- Azra Sammunber – Vocational Teacher, IRC;
- Kaleem Leghari – Credit Officer, KCS;
- Mukhtiar Ahmed Solangi – Chairman, SEEDA;
- Eight craftswomen and 10 craftsmen were active participants.

The first session was dedicated to verifying the information that had been collected from earlier meetings with the craftsmen and to making amendments or additions.

In the second session, having discussed the constraints of the crafts persons, it was decided that the formation of a cooperative would be beneficial to all persons involved as they could take advantage both of discounts obtained by bulk buying of raw materials and of joint marketing opportunities. Thus, the formation of the '*Khes Hunarmand*[111] Cooperative' was discussed, and a candidate director identified. Although some of the crafts persons had not been on good terms with each other, they all understood and agreed that working together would be the best way to progress.

The group was also a venue for introducing the NGO representatives to the craftsmen, who could then discuss their experiences and views with one another.

2.2.2.2 RALLI

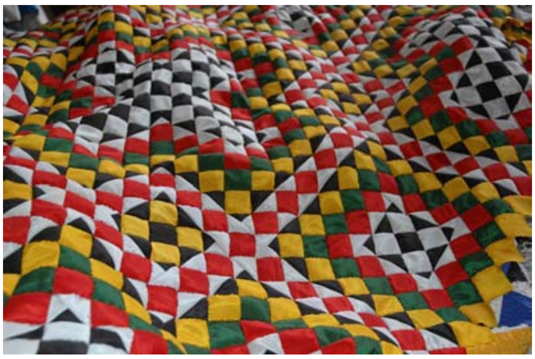
The *Ralli* is derived from the word *ralaana* meaning *to mix and to connect*. Ralli is a patchwork cloth, made by sewing different pieces of fabric together. Patchwork is generally associated with the Sufis who also stitch together old scraps of cloth and use them as their jackets, caps and shoulder bags to demonstrate their humility. Commonly, all over Sindh and some parts of Punjab, the women recycle their old textiles to make brilliant rallis, although the style does vary across the various regions.

Most commonly used as a bedspread, the Ralli can also be used as a cushion cover, pillowcase, prayer mat (*musallah*) or floor covering. Almost every rural household in Sindh contains a collection of rallis, usually made by the members of the family for every day use in their homes. In Khairpur two different types of Ralli are produced.

Because of the differences of style, the location of the craftswomen who produce them, the methods of production and the variations in their price, the two types of ralli are described separately below.

Tuk Ralli

The *Tuk* (piece) *Ralli* is made by sewing together small pieces of multicoloured cloth to create different designs, much like a patchwork. The patterns are usually bold and geometric, giving a simple but stunning effect. Women who live in the Rajpar Mohalla in Khairpur city make this Ralli.



a) *Tuk Ralli* (patchwork)

[111] having a talent /skill

Craftswomen

Although most women in the neighbourhood are skilled in sewing the ralli, only five households sell their products, while the others produce solely for home use.

Box 2.6 Tuk Ralli Production

Either polyester, silk or cotton cloth is used in the tuk ralli. The material is bought by the craftswomen from the market in Khairpur.

For one ralli, approximately fifteen meters of cloth is used. Five meters are required for the base cloth while three meters each of black and white cloth are also used. Additionally, one meter of cloth is needed for each of the four colours used in the ralli (usually yellow, red, blue and green)

One meter of the polyester silk can be bought for a price of Rs.15-Rs.25 while a meter of cotton costs Rs.25. Therefore, the total cost of cloth averages Rs.200-Rs.300.

The craftswomen of Rajpar mohalla produce the tuk ralli in their homes, with families working independently of each other. However, members of one family usually work together in sewing the ralli.

With three women working together, one ralli can be produced in a period of 4-8 days, and in one month an average of 3-5 pieces are sold. Thus, selling one ralli at a price of Rs.350-Rs.450, each household earns a monthly income of Rs.800 – Rs.1000.

Marketing and Demand

All marketing is done by word of mouth; women from surrounding areas come to the houses of the craftswomen to buy their products.

Traditionally ralli was only made from cotton. However, some fifteen years ago the trend changed and demand for cotton finished completely, being replaced by a cheap polyester silk substitute. As a result mainly synthetic ralli is produced today.

Constraints and Needs

The lack of working capital to buy raw materials for production and inadequate marketing are the main constraints that the craftswomen of Rajpar mohalla face. New markets have to be explored and products developed with this traditional technique.

Kata Ralli

The *kata* (cut) ralli is an appliqué, where pieces of coloured cloth are folded and cut into various patterns and then stitched onto a white base cloth, forming the upper part of the ralli (*teha*). The lower part of the ralli (*purh*) is then attached to the teha by a fine running stitch.

(b) *Kata Ralli* (Applique)

Kata ralli is produced in Baghodero village, located in the Kot Diji District.

Craftswomen

Some 500 women produce the kata ralli in Baghodero. Production takes place in the home and the women in the house work independently on their own ralli or a few women of the family work together. Families often help each other by taking and giving loans to purchase raw materials.

Box 2.7 Kata Ralli Production

Raw materials for this ralli include cloth, either cotton or polyester silk, coloured thread and small decorative mirrors. The materials are purchased mainly from Khairpur and sometimes from Sukkur, and it is usually the men of the house who go to buy the material.

The patterns on the ralli are made with cloth of four different colours (maroon, orange, green and blue) while white cloth is used for the background. Three metres of each coloured cloth and eight-ten metres of white cloth are required to make one ralli, with a metre of cloth costing Rs.20.

Twelve spools of thread are needed to sew one ralli, with four spools of white thread and two spools of every colour. The thread costs Rs.3 per spool. A quarter kilogram of mirrors is also used, costing Rs.40 per ralli.

The two layers of the ralli, the upper and lower parts, take between fifteen and thirty days to sew if four women work together, while the running stitch can be completed within ten to twelve days by the same number of women.

Sewing of the ralli is restricted to women, while men usually buy the required raw materials and deal with customers. The craftswomen usually sell a cotton ralli at a price of Rs.3000, while a silk one is sold for Rs.8000.

Marketing and Demand

There is a good demand for the kata ralli, as the craftswomen are able to sell all that they produce. However, cotton ralli is no longer in demand and so only silk ralli is produced today.

There is no formal marketing. However the male members of the craftswomen's families take rallies to various fairs.

Constraints and Needs

- *Time Management*: Discussions with the craftswomen of Baghodero revealed that they were uncertain about many aspects of ralli production. They were unable to give accurate estimates of the time taken in production as they made ralli on a very informal basis. There is thus no time management;
- *Production Management*: Due to an inadequate calculation of raw material costs and little understanding of the concept of a cost to be applied to their labour, the craftswomen are unable to price their products correctly. A method for estimating the correct pricing of the products is required. Also, since there is no marketing system, craftswomen are completely unaware of the demand for their products.

Workshop Meetings

Two workshop meetings took place on 22nd August, 2005

Thirteen craftswomen participated actively. A single workshop was held for the craftswomen of the tuk ralli and the kata ralli.

The first session was concerned with a review of the various aspects of the production of ralli; the constraints encountered by the craftswomen were discussed and possible solutions were proposed. The craftswomen unanimously agreed to form a society for the benefit of all and the formation of the '*Tuk Ralli Tanzeem*' and the '*Kata Ralli Tanzeem*' was discussed, and potential leaders of the two groups were identified.

Although no obvious difficulties could be seen in forming a society for the women of Rajpar Mohalla, the circumstances were somewhat more complicated for the women of Baghodero because of the wide disparity in social standing between the Syed women and the Panhyar women. This could lead to possible problems in the future and this matter must be given careful consideration before any project is initiated.

2.2.2.3 KHAJJI

***Khajji* Making**

Khairpur is a date growing region, abundant with date palms and on either side of the roads, thick groves of date palms stretch for miles. It is totally transformed during the date picking season..

Traditionally the women of this area have made products using dried date palm leaves. Such products include containers for bread (*chabbi*), hand fans, baskets of varying shapes and sizes.

Date palm leaves

Old *Khajji pankha* (hand fan)

After being dried under the sun for a period of two or three days, date palm leaves are softened by soaking and beating with a hammer. They are then coiled into different shapes. Often the leaves are dyed in bright colours to enhance the beauty of the products. The women of Dahot Mohalla in Khairpur city make these products.

Craftswomen

The entire neighbourhood of over a hundred households is engaged in the production of this craft. There are between 200-300 women who are skilled in coiling baskets from date palm leaves, whereas only 5 or 6 women know how to weave hand fans. The women have not received any formal literacy program.

Production takes place solely in the homes of the craftswomen, who make these products as part of their daily household routine. Although the families in the neighbourhood work independently, they assist each other financially in times of need.

Box 2.8 Khajji Production

The only raw materials required are leaves from date palms and dyes for colouring the leaves. Labourers in Khairpur city gather the leaves from date farms and drop them off to the homes of the craftswomen in exchange for money.

One bundle of leaves costs between Rs.100- Rs.150, out of which 300 - 400 bread baskets (*chabbi*) can be made, depending on their size.

Women of all ages can be found making these products, as young girls join their elders in production as soon as they reach adolescence and women usually continue producing till old age.

Depending on the size of the product one breadbasket requires 1½ - 2 hours to make. A small basket sells for a price of Rs.5 – Rs.8, a big basket for Rs.8 – Rs.10. The price of a product usually consists of 2/3 material cost and 1/3 income for the craftswomen.

On average, 5-6 baskets are sold everyday, from which a monthly income of Rs.800 – Rs1000 is earned by each household.

Marketing and Demand

There is no knowledge of the volume of the demand for these products because everything that is produced is sold.

The marketing for these products is informal, by word of mouth. Customers come to the craftswomen's homes to buy their products, as none are sent to the markets and all are sold when taken to fairs.

Constraints and Needs

- Craftswomen are concerned with the increasing prices of date palm leaves, as rising costs cause a reduction of their net income, and may limit their incentive to produce;
- Usually, men bring the raw material to their homes for sale;
- As all marketing is informal and goods are not sent to markets, craftswomen are unaware of the demand for their products;
- Sales and entrepreneurial production greatly decreases during winter when palm leaves become scarce and take longer to dry.

Workshop Meeting

One meeting only was held on the 22nd August 2005 with the participants: UNIDO National Consultant and her Assistant, Fatima Mullick and the following NGO Representatives:

- Naveed Khayal (Moderator) - Program Coordinator, IRC;
- Abida Jumani – Credit Officer, IRC;

- Azra Sammunber – Vocational Teacher, IRC;
- Kaleem Leghari – Credit Officer, KCS;
- Mukhtiar Ahmed Solangi – Chairman, SEEDA.

Eighteen craftswomen were active participants and the workshop proved to be very productive. The first session was concerned with a review of the information collected from the craftswomen; the second session was spent discussing possible solutions to the constraints they currently face. All the craftswomen agreed that it would be advantageous for them to form a society together, and discussions were held about the formation of the 'Khajji Hunermand Tanzeem'.

The KCS Credit Officer, Kaleem Leghari, expressed his interest in packaging dates in date-palm leaf baskets, which would give the craftswomen an opportunity to increase production and earn more from their labour. He was willing to help organize procurement of raw material from the Khajji Co-operative.

The Chairman of SEEDA, Mukhtiar Solangi, offered a teacher and books free of cost to provide basic education for the craftswomen.

There is a need to improve and innovate in the area of product design in order to fulfil quality requirements of the market.

2.2.2.4 JHENDRI

Khairpur has been famous for the superior quality of lacquer work (*jhendri*) produced by its craftsmen. Craftsmen turn wood on a lathe to form different shapes and then hand-engrave the wood with intricate patterns. In this way, products such as the wooden legs of beds, children's toys, stands for mosquito nets, wooden swings, measuring cups and other household containers are made. Traditionally such products were made using manually powered lathes but these have been almost completely replaced with electrically powered lathes.

Pair of bed legs

Stand for a child's hammock

Legs for bed

The inhabitants of Soomrah Mohalla in Loqman produce lacquer work

The most prosperous craftsman in the neighbourhood, Khushi Mohammad, is generally recognized as the '*seth*' (leader) of the craftsmen as he was the sole procurer of raw materials and also owned the majority of lathes in the area. As a result, he hires other craftsmen and women to work for him, paying them a fixed rate for their labour. He is then also responsible for marketing and selling their products[112].

Crafts people

Soomrah Mohalla consists of about four hundred households. Of these, there are approximately eighty to ninety men and the same number of women who produce lacquer products at present.

Production takes place in the homes of the craftsmen, in separate enclosures where the lathe machines are installed. Families work independently of each other. However, Khushi Mohammad and his sons hire other craftsmen to come to their homes and work for them.

Box 2.9 Jhendri Production

The raw materials required for these products include wood from white poplar trees, found on riverbanks. Truckloads of wood are bought from wood suppliers in Kandhkot and Gotki, with one truckload costing Rs.35,000. A truckload of wood is sufficient to produce three hundred sets of four legs.

Lac and colour are also used in products. They are imported from India and brought to Karachi, from where they are transported to Khairpur. One kilo of colour is used for two sets of legs.

A big lathe machine, available in Gujranwala, costs Rs.8000 – Rs.10,000, while the smaller machines used for making toys and other small items, cost Rs.4000–Rs.5000. A hand machine costs Rs.100.

In the past all processes were done by hand, but now machines are also used. Work by hand is superior to that done by machines. The younger generation does not know how to work by hand as they only use machines. There are 50 to 60 hand machines in the Mohalla and at present only 8 to10 people know how to work by hand. One set of 4 bed posts takes one day - 4 hrs by machine and two days by hand.

More men than women are engaged in the production of this craft. Men turn on lathe whilst the women engrave the patterns with chisels.

- One set of bed posts is priced at Rs.400 (sold to retailers);
- Profit from one set is Rs.70 (approx)
- Retailers in turn sell them for Rs.600-Rs.1000;
- There is no difference between the prices of hand-turned and machined products;
- Average number of products sold/month**:** 20-25 sets of bed posts;
- Monthly income (Khushi Mohammad) = Rs.8000-10,000;
- Monthly income (Labourers) = Rs.3000;
- Production capacity = 200-250 sets of bed posts per month;
- Before 1958, the government provided wood and dye free of cost.

Marketing and Demand

Products are sold in other towns of the Province of Sindh: Hala, Sehwan, Dadu, Mirpurkhas, Hyderabad, Shehzadkot, Shikarpur, each having 7 or 8 shops. Khushi Mohammed is the sole supplier of the products to these and receives orders from them. The artisans have no other means of marketing nor do they participate in fairs. It is also notable that there is not much demand at present in Khairpur itself.

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[112] A matter for some considerable concern and reorganization is the organization of the artisans and the provision of capital loans

Constraints and Needs

The value of work has declined due to presence of plastic products:

- *Raw materials*: These were available through a government organization, the Sindh Small Industries Corporation, but this support is no longer available;
- *Working capital*: Wood must only be cut in winter and then be allowed to dry. Craftsmen do not have money to buy wood in bulk. In summer the volume of work decreases but the demand exists; working capital is required to produce more;
- *Production*: This requires electricity to power the lathe and electricity shortages are common and power cuts can last for up to three days;
- *Market*: Direct access to markets is lacking.

Workshop Meeting

One meeting was held on 23rd August, 2005. Participants were the UNIDO National Consultant, her Assistant, Fatima Mullick and the following NGO representatives:

- Naveed Khayal (Moderator) – Program Coordinator, IRC;
- Sadiqa Salahuddin – Director, IRC;
- Kaleem Leghari – Credit Officer, KCS;
- Mukhtiar Ahmed Solangi – Chairman, SEEDA

2.2.3 THE PROPOSED PROGRAMME

2.2.3.1 THE VISION

Is to preserve the culture and traditions of the Khairpur region by elevating the status of the craftspeople and improving the economic operation of the local craft production system, by ensuring that:

- Comprehensive information is made available on existing crafts and those that are to be protected from disappearing;
- Creative villages and communities operate under competitive and economically sustainable conditions;
- Support services are secured by involving the local private and public sectors in the implementation of programs for further developing the system as a whole;
- Efficient contacts are established with national and potential new external crafts market;
- A long-term supply of creative talent is secured by stimulating creativity and innovation in young people.

2.2.3.2 DEVELOPMENT OBJECTIVES

After a thorough review of the craft sub-sectors of date-palm leaf products, lacquer work, sewing of ralli and weaving of khes, the following development objectives were identified and to be met in order to revive the crafts.

To contribute to the preservation of Khairpur's unique culture and thus promote employment and income improvements in the area, initiate the revitalization of the Khairpur craft system making it sustainable and capable of serving diverse markets under competitive conditions.

Specific Objectives /Targets

- Reduce constraints to the development of the system with emphasis on improving institutional arrangements, productivity, competitiveness and marketing;
- To penetrate national, regional and then international markets;
- To promote recognition of the cultural significance of the craft and elevate the status of the craftsmen.

2.2.3.3 ACTION PLANS:

Short Term: 1 Year

Participate in the AHAN project (Aik Hunar Aik Agar - One village one Product) that SMEDA is developing. If AHAN has been structured taking the OTOP system (Thailand) as a model it should substantially reduce the constraints that are affecting the craft creative system in Khaipur, by providing support and local institutional coordination to develop markets, improve productivity and competitiveness through:

- Standardization of quality of craft;
- Increase productivity;
- Establishment of credit lines for working capital under accessible conditions;
- Provision of access to markets, links with the tourist industry;
- Training and Education;
- Product development and diversification;
- Structuring cooperatives and/or societies and market networks to promote complementarities throughout the value chain and to facilitate access to credit, (for example).

Supporting Actions:

- Market surveys for the four selected products and for the availability of raw materials;
- Establish a system for monitoring market demand;
- Prepare a document containing complete details of the traditional skills for their preservation, of training programmes and for the continuity of the tradition.

Medium Term: 2 – 3 Years

Market Kahirpur as a *Creative Region* - a concept now being used as a marketing tool. It is based on creating awareness of the region by focusing marketing campaigns within tourist programmes, highlighting the region's strength with respect to cultural heritage, creative capital, regional identities and skilled workers.

Long Term: 3 – 5 Years

- To include in the education curriculum: traditional crafts and enhancement of creativity, starting at the primary level;
- Ministries of Culture and Small Industries together with the private sector to promote markets.

Table 2.9 Proposed Integrated Plan of Action

Revitalization of the Craft Sector in the Region of Khairpur			
Actions	**Description**	**Outputs**	**Institutions Involved**
1. Establishment of a Board of Directors (BoD)	To provide advice on various aspects of the action plan. Minimum frequency of meetings to be stipulated.	An advisory and promotion body is to ensure the implementation of action plans for Khairpur.	Composition: NGOs and representative from SMEDA. Final composition to be determined
2a. Confirm institutional interest in participating in the Plan 2b. Establish working groups	To make a preliminary determination of the type and degree of participation of the various interested parties in the preparation of the action plans Will meet frequently to advise and support coordinator	Preliminary list of participants	BoD and other.
3. Solicit CVs of candidates and appoint programme coordinator manager on initial short term contract	Co-ordinator to detail and ensure fulfilment of actions and report to BoD and agencies.	Project Manage (PM) appointed	BoD, directly interested parties
4. Sensitisation of MSEs, potential Members of Cooperatives and Societies	Conduct work sessions with all actors to develop a shared vision, and joint action plan	Shared vision as the basis of the action plan	IRC, SMEDA, UNIDO
5. Market survey for the four selected products[113]	To be undertaken with the sponsorship of SMEDA	Potential markets and outlets, market volumes, price ranges	MS, SMEDA

[113] See Table 5, Chapter 1

Actions	Description	Outputs	Institutions Involved
6. Refine the present Analysis of the Khairpur system (Figure 2.5). Determine availability of raw materials	To be in agreement with the results of the market survey. Identify constraints and potential solutions to respond to identified markets at a pilot scale. Identification and analysis of sources of supply, quality specifications, reliability and trends in prices	Structure, capacity and inputs to be made available to the system for responding to identified markets	PM, UNIDO, IRC, SMEDA, MS
7. Develop a strategic plan for the Khairpur Craft Revitalization Programme Design a refined short-to–medium-term Revitalization action plan for Khairpur	Plan to include type and mode of interventions, for all partners and supporting institution. (Concentrate on short to medium term strategies involving smaller groups of MSEs and institutions)	a). Strategic overall plan b). Operational version of short and medium term Action Plans	BOD, PM, IRC, SEEDA, SEWA, SMEDA, UNIDO Tourist Organization, MELAS (fairs) Intermediaries
8. Sensitization of MSEs and producer groups	Conduct sensitization work sessions to discuss and select structure and functions of cooperatives and societies in creating networks	Proposals for Cooperative/Society Structure for example, for the joint purchasing of raw materials and marketing of craft products	SMEDA, UNIDO, Cooperative/ NetworkConsult ants
9. Apply for Admission to AHAN Programme	Present the Short and medium term revitalization plan to ASMEDA	Admission as a pilot project within AHAN	BOD IRC UNIDO

Legend:

AHAN	Aik Hunar Aik Agar (One village one Product)
BOD	Board of Directors
IRC	Industry Resource Centre
MS	Marketing Specialist
NGO	Non Goverrnmental Organizations
PM	Programme Manager
SMEDA	Small and Medium Enterprises Development Agency
SEEDA	Sindh Education and Environment Development Association
SEWA	Development Trust
UNIDO	United Nations Industrial Development Organization

2.2.4 CONCLUSIONS AND RECOMMENDATIONS

The results of the analysis of the present conditions of the system within which the four selected crafts are produced in the district of Khairpur, underscore the need for revitalizing the craft industries by applying the concept of creative industries. Such action will help alleviate poverty and preserve the heritage and traditions.

A revitalization programme will reduce the constraints that affect the craft creative system by providing support and local institutional coordination to develop markets and improve productivity and competitiveness.

The economic significance of the craft industries in the district of Khairpur is given by the number of villagers involved in the production of crafts, up to 500 (Ralli and Kahjji); the household income that the craft activity brings, particularly in the cases of Khes and Ralli. The unused installed capacity that is available to respond to expanded markets, particularly for Khes and Jhendrican can also be exploited (see Table 2.7).

It is recommended that the craft system in the Khairpur district be linked to the AHAN programme, recently initiated and modelled after the OTOP project in Thailand and managed by SMEDA.

The Integrated Plan of Action for Revitalization of the Craft Sector in the Region of Khairpur should be submitted for the consideration of SMEDA, to be included as one of the AHAN pilot projects[114].

The possibility of Marketing Kahirpur as a Creative Region should be considered as the principal aim of a Medium-Term plan.

[114] The AHAN programme, modeled after OTOP, will: strengthen the value chain, provide access to markets, links with tourism; Will support and coordinate with stakeholders: -standardization of quality of craft; increase productivity; establish credit lines for working capital; provide training and education

2.3 PROMOTING CREATIVE INDUSTRIES IN IRAN

CASE STUDY - 3

THE PERSIAN ZARBAFT IN KASHAN

INTRODUCTION

This section contains the results of the case study of Persian ZarBaft, a precious, traditional silk-gold-silver textile produced in the area of Kashan, Iran. The case study was conducted with the purpose of examining the possibility of applying the concept of creative industries to the revitalization of a traditional craft in Iran. It includes analyses of the system under which the textile is being produced at present and of that within which it is suggested that the production should take place for its revitalization. The results of the analyses presented during workshops attended, amongst others by members of institutions related to the production and marketing of ZarBaft led to the discussion of specific development objectives and to a plan of action to promote ZarBaft Creative Industries. Each is presented as a concrete proposal at the end of the section.

The area and the product were selected for the study based on the following standardised criteria:

- Location, an area known as a traditional producer of crafts;
- A craft sector in need of revitalization[115], but with a potential to regain important markets;
- The crafters and the local private and public institutions have expressed interest in participating in an action plan to revitalize the craft sector in order to avoid the loss of a valuable regional heritage.

Iran is a country with multiple and ancient traditions in the craft textile sector that go back to 1000 BC. During the Sassani era 1,400 years ago, Iranians were weaving fabrics of great durability and strength by applying a special technique for twisting silk threads.

The application of the concept of creative industries within a systems approach can provide the means for orienting the revitalisation of craft production. This approach requires that the producers be linked to markets and to the sources of raw materials and other inputs, and are supported by adequate policies and institutional support (HRD, credit and promotional mechanisms for example). With this in view, this case study provides indications as to how the craft creative industries should be structured in Kashan and eventually in other selected areas of Iran.

Background

The interest of the Iranian Kings for brocade textiles was the force behind the golden era for arts and handicraft industry in this country.

For centuries, Iran has been the major producer of brocaded silk for the royal courts and the churches of the world. Pieces of Iranian brocaded silk, from the Sassani era are preserved in the museums in Lyon, London, Washington and the Hermitage. The Safavid era (16^{th} C) was the golden age of weaving in Iran and cloths were woven in the workshops of Yazd, Kerman, Isfahan, and Kashan. Today, with the support of the “Cultural Heritage Organization of Iran” brocaded silk goods are still woven in a few workshops. The goods produced in these workshops are magnificent in colour and pattern.

[115] The production of ZarBaft is slowly dying in Kashan

2.3.1 KASHAN

Kashan is a very ancient, small city located in the desert of Esfahan province, 200 km from Teheran. Kashan has a long and great history as a craft producer of carpets and ceramics, and has been one of the major centres of the textile and weaving industry in Iran. At present there are 300 factories producing carpets of which 80% are hand made in workshops and 20% in large mechanised factories. Besides carpets, Kashan is also famed for silk, ceramics, copperware and rosewater.

World travellers such as Marco Polo and the British traveller Thomas Herbert who lived in the region in the year 1600 have mentioned the luxurious fabrics made in Kashan. The French historian M. Chardon believed that the essence of wealth and livelihood of the people of Kashan was based on their traditional textile and silk weaving industry.

The golden period for textile begins from Safavid era (16th C). The silken Safavid pieces of cloth are of three kinds:

- Simple fine silk;
- Brocade[116] or gold silk;
- Silken velvet.

The SASANI kings (3-7th C.) sent these precious pieces as gifts to the imperial western courts and a considerable quantity of fabrics from the Sasani era can be found today in royal treasuries, in grand European churches and in museums in Japan.

[116] In the brocade the wefts are threads of silver or gold and the warp is crossed by alternating wefts of silver or gold

2.3.2 THE ZARBAFT

The ZarBaft is the Gold Threaded fabric made of 100 percent natural silk thread and a combination of a special thread – Golabeton - made with a silk core and a gold cover.

There is only 1 person in Iran (located in Esfahan) making Golabeton thread by hand.

As currently woven, the fabric is 40 to 65 cm wide. The customer may consider the narrow width to be a negative characteristic but it *may* be adjusted to a more convenient measure, 1 or 1 1/2 meters. The length is optional but can depend on the complexity of the work and the costumer's order.

This fabric, which comes in many 'eye' patterns, has been used for decorating the cover of Koran - the holy book, and for curtains, wall coverings, cushions, furniture upholstery of the palaces, and for clothing for royalty (it was used by Queen Farah Pahlavi on numerous formal occasions).

The price of the ZarBaft textiles is determined by the weight and by the percentage of silk and gold thread used in the fabric.

2.3.2.1 PRESENT STATUS OF THE PRODUCTION OF ZARBAFT

The production of ZarBaft is slowly dying in Kashan. In the 19th C there were approximately 800 active, operating silk looms in the Kashan region alone, compared to 8,000 during the Safavid period (16th C). At present there are only three active workshops - centres, protected by the Cultural Heritage Organization (CHO), whose craftsmen have the status of government employees. There is also a number of small private workshops producing ZarBaft in Kashan.

Thirty years ago, 40 looms were in operation. Located in Tehran, the production volume was two meters of textile per loom, per month.

2.3.2.2 MARKET

No marketing efforts are being made at present by the CHO, but there would appear to be no major constraints to establishing linkages with niche markets. It is generally accepted that there has always been a strong linkage between ZarBaft production and tourism. Thirty years ago, marketing was a natural and effortless by-product of the successful tourist programmes.

The ZarBaft Market and Tourism

Tourism in Iran has been growing rapidly. Between 1990 and 2000 Iran ranked third among the fastest growing developing countries in terms of international arrivals.

The World Travel and Tourism Council stated that in 2004 the travel and tourism industry in Iran was expected to generate 3.1% of GDP and some 500,000 jobs. The demand was expected to have a real annual growth rate of 3.7% between 2005 and 2014. Equivalent estimates made in 2005, indicated an expected contribution to GDP of 3.6% and the creation of close to 650,000 jobs.[117]

These figures suggest that with the growing Iranian tourist industry and with a carefully prepared marketing strategy and exposure, the production and marketing of ZarBaft could be as successful

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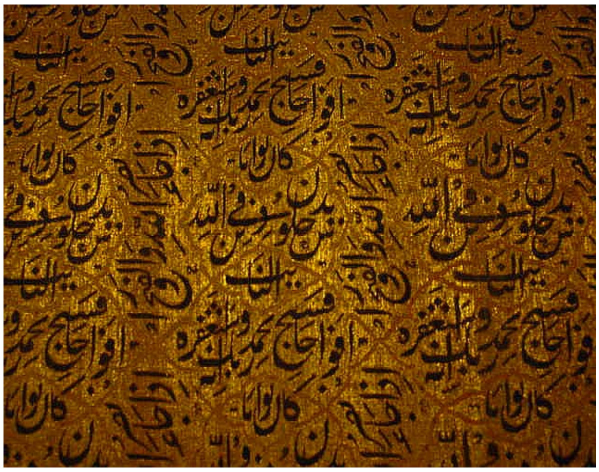
[117] WTTC, Iran, Travel & Tourism, "Sowing the Seeds of Growth", Oxford Economic Forecasting, Oxford, UK, 2005

today as it was 30 years ago. Moreover, the figures appear to validate the opinions of the participants in the workshop meeting[118] and the results of interviews with artists, gallery owners and potential investors[119]. They all believed that ZarBaft has a great market potential in Iran and abroad, when given the proper marketing exposure.

Introducing the ZarBaft to the market

The Workshop decided to introduce the product to the market using the old and ancient name "Persian ZarBaft textile" for the following reasons:

- ZarBaft means that the fabric has been woven with Gold;
- "Persian" indicates its origin and high quality (as for example - the Persian Carpets);
- The use of the complete ancient name would differentiate it from other fabrics made in the surrounding countries, probably also named ZarBaft, but not hand made and not having the same quality.



Photographs 1 & 2

2.3.3 THE PERSIAN ZARBAFT PRODUCTION AND MARKETING SYSTEM

An analysis of the characteristics of the system within which the production of Persian ZarBaft would take place was included in the case study. This required the application of a systems approach to the analysis of the present status of the value chain. This includes:

- The identification of a vision and the strategies and policies that support the attainment of that vision and;
- The examination/identification of:
    - The productive components of the system;

[118] Organised within this case study, and described in later sections

[119] Regardless of their affiliation to the public or private sector

- Raw materials, sources and the linkages with sources;
- Human resources, training and education;
- Support institutions, for design, training, commerce, financing
- Markets;
- The constraints and bottlenecks that impede the development of the Persian Zarbaft within an integrated system.

The information collected for this case study indicates that the present system in which the ZarBaft is being produced has many of the elements required to grow successfully but that there are constraints and bottlenecks that have led to its stagnation. These are for example, a lack of planning and of product design, little knowledge of existing markets, the absence of craft groups and associations and a lack of market promotion of the product, among others.

The results were discussed at workshop meetings. The participants in the workshops, representing the different components of the system (productive, human resources, institutions and market) agreed upon the identified constraints, proposed development options and derived development objectives and a plan of action to be implemented over a period of 3 to 5 years.

Figure 2.6 maps the system in which the central components (available inputs and the institutional infrastructure that supports the manufacture of the product and connects it to the market)[120] are linked to the vision and to the corresponding policies and strategies. In the lower part of the diagram the present constraints and the perceived strengths of the system are listed. The action plan to be proposed should eliminate most of constraints and strengthen the linkages between the different components of the system.

2.3.3.1 THE VISION

For the Kashan Persian ZarBaft system the vision is: to revitalise the production and marketing of this precious craft thus preserving traditional culture and skills and the regional image, and simultaneously contribute to entrepreneurial development and employment creation.

2.3.3.2 STRATEGIES AND POLICIES

The mandate of the Cultural Heritage Organization is to revive and preserve the traditional and national arts in Iran. At present this organization sponsors the operation of three workshops that are producing Persian ZarBaft. These are located in Tehran, Kashan and Esfahan.

Culture and tourism being two of the pillars of economic development[121] the Cultural Heritage Organization has recently been fused with the Tourist Organization. The new entity is the Cultural Heritage and Tourism Organization (CHTO) with the role of simultaneously promoting culture and tourism in order to accelerate economic progress. Policies designed and implemented by the new institution could provide an appropriate support to any action plan proposed to further the revitalization of the Persian ZarBaft Production-Marketing System in Kashan. At present the CHTO provides grants, institutional support and loans to promote self-employment, among other mechanisms, some at present being designed.

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[120] This group of linked components is commonly called the value chain

[121] "Tourism Neglected", Economic Focus, Iran Daily, 3, 17, 2005

Figure 2.6 The Persian ZarBaft Handicraft Production and Marketing System in Kashan

Vision	Strategies & Policies	Inputs & Infrastructure		Craft Products	Economic Significance	Development Objectives	Action Plan
		Support** Infrastructure	Institutions				
The production and marketing of this precious craft are revitalized, preserving traditional culture, regional image & skills and	**Strategy** To turn Culture & Tourism into true economic-development pillars together with building business confidence & stability Sponsorship of craft "Cultural Heritage Organization" workshops	**Production Units:** **1.**Three small production units. A few MSEs weave privately **2.**Remaining old craftsmen* (7-10) "Living Treasures" of Golabeton **5.**Craft Information System	**Present: **** **1.**Cultural Heritage Organization Government, Craft & Art Preservation Centre; **2.**Vocational training, granting art degree(BSc-PhD) **3.**Micro-financing NGOs, Banks **Additional***** **1.**Cult. Heritage & Tourism Organ. **2.** Handicraft Industry Org.(HIO) **3.**Chamber of Commerce **4.**College of Fine Arts (Tehran University) **5.**Local Government	**Present:** Zarbaft CHO Grades: **a)**Cultural Heritage piece **b)**Museum & exhibition pieces **c)**Gifts **a)**Unique reproductions of Museum pieces **b)**Islamic Cultural Heritage pieces **c)** Fashion items	-Figures on present contribution to employment & income generation contribution through the implementation of the proposed Integrated Action Plan expected to be significant at the local level	-To contribute to the preservation of craft heritage by revitalizing the Persian ZarBaft -Contribute to the establishment of a ZarBaft Marketing system within the structure of a pilot Creative Industries Cluster.	**Short-Term Preparatory Actions** -Create institutional infrastructure needed for implementing Plan of Action -Define pilot cluster structure -Develop short term modules for (actions 8-17, table 2.11) **Medium-Term** Capacity Building of Cluster (actions 18, Table 2.11) **Long-Term** Normal Operation of Cluster (actions19-21, Table 2.11))

* Government employees of the Cultural Heritage Organization
**Existing Support Infrastructure
***Additional requirements to implement the Integrated Action Plan and new products

Markets

National Market sub-system; International marketing surveys and distribution agreements

Perceived Constraints: 1. There are NO craft villages, NO clusters of handicraft enterprises, NO crafters associations, No trade fairs, No publication to introduce Persian ZarBaft in Kashan or any where else. **2.** No market research is ever done on this traditional art/handicraft. **3.** No mid-term or long-term planning in place for this dying art by any of the organizations involved. **4.** Lack of working capital is the main constraint, for both the artist and for production purposes. **5**. There are many deficiencies in the areas of crafts management, planning, design for new applications and marketing.

Strengths:

1. Existing craft activities have great potential for developing creative industries. **2.** Nucleus of craftsmen, and NGOs for young human resources development interested in revitalizing creative industries of the region. **3.** Skilled men and women crafters interested in establishing workshops.

4. The ZarBaft has a long historical significance and tradition. The amount of initial investment required in equipment is very low. **5.** There has always been a strong link between Persian ZarBaft production & marketing and tourism.

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2.3.3.3 INPUTS AND INFRASTRUCTURE

Institutions

Table 2.10 lists the institutions presently involved in the Persian ZarBaft production system together with those whose involvement would be necessary in order to implement the proposed Plan of Action[122].

Table 2.10 Institutional Infrastructure

Institutions presently engaged in the operation of the System	Institutions whose contribution is needed to implement the Plan of Action
Cultural Heritage Organization (CHO), Government, Craft & Art Preservation Centre;	Cultural Heritage Organization, Government, Craft & Art Preservation Centre; Cultural Heritage and Tourism Organization
Persian ZarBaft production Centres in: Kashan, Tehran and Esfahan sponsored by CHO	Private Investors (MSEs: crafts, equipment manufacturers, marketing networks and others)
MSEs producing Persian ZarBaft	Persian ZarBaft weaving MSEs, existing and upgraded
Vocational Training Schools, granting art degrees, to high school graduates, from BSc.- equivalent to PhD	Vocational Training Schools, granting art degrees, to high school graduates, from BSc.- equivalent to PhD.
Golabeton Manufacturer	The Tourist Sector
	Micro-financing NGO, Banks, other NGOs
	Local Government
	Handicraft Industry Organization
	Chamber of Commerce
	College of Fine Arts (Tehran University)
	Regional Fine Art College
	Manufacture of Golabeton thread*
	Manufacturing of Weaving Machines*
	Trade Fairs, Exhibitions

* Required for the normal operation of the cluster and for the efficient operation of the value chain.

122 Too many participants with a voice in the implementation can reduce the effectiveness of the project. The roles of the institutions should be carefully determined and their responsibilities, obligations and authority clearly defined. The differentiation of roles between 'executive' and 'consultative' should be clear

Raw materials

The two raw materials required for the production of Persian ZarBaft are 100% pure silk and Golabeton.

Sufficient silk is produced in the province of Gilan and is at present coloured at the Centre. Golabeton is a silk-gold-silver thread made up of 90% natural silk with a 10% silver and gold cover and there is only one producer in Iran, Mr Foolad Gar in Esfahan. His present volume of production is not enough to cover the demand and Golabeton has to be imported from India. The investment in equipment required to produce Golabeton is relatively low.

Options: Invest in equipment to produce Golabeton and transfer the technology and know-how to local crafters.[123]

Human resources

There are ten Old Craftsmen, knowledgeable in the art of producing Persian ZarBaft in Kashan. They are considered "Living Treasures". The Craftsmen provide on-the-job training in the traditional manner, one trainer-one student and there is a day-to-day communication between the old craftsmen and the young enthusiasts. This training can take up to three years.

Trainees usually start their training period after having completed the equivalent of high school education.

There are two main obstacles in the transfer of the technology:

- The old craftsmen must feel secure enough to transfer their know-how; they must have job security and be able to be proud of their valuable position as teachers. (At present this does not appear to be the case.)
- The present financial and economic situation of the old craftsmen does not encourage many young students. Although the old craftsmen are respected as "living treasures" in the trade, economically they do not represent "role models" for the young.

Options: It is considered that the training programme could be more systematically designed and the time required could be reduced from three years to a period of six months. The programme should include design and other concepts such as entrepreneurship and marketing. The training of trainers[124] could also be considered if the market so justifies.

The College of Fine Arts of Tehran University is the main policy maker in the areas of traditional fine arts and curriculum design. The college could advise and provide directions to the regional fine arts colleges so that they are able to offer courses in Weaving Techniques & Textile Designs in Persian ZarBaft.

2.3.3.4 PRODUCTION UNITS

There are only three active Centres run by the Cultural Heritage Organization (CHO) in Iran, where Persian ZarBaft is being produced, one is located in Kashan. The CHO protects and sponsors these centres and the craftsmen have the status of government employees. At present the Persian ZarBaft produced in this Centre is not sold but is supplied to the Government and to

[123] The technology could be imported from India if necessary

[124] Selected craftsmen could also be trained as trainers

museums. However it could be sold on the open market and there are several private MSEs producing and selling Persian ZarBaft in Kashan. These MSEs could be the industrial nucleus of a Creative Persian ZarBaft producing cluster in Kashan, as is proposed in the Work Plan.

The production unit at the Centre is a large, Jacquard hole-punch weaving machine (photographs 3 & 4). Weaving on this unit is considered to be a man's job.

As part of their projects some art students have made very practical Persian ZarBaft textile units, which are smaller, shorter and lighter. The ZarBaft woven in the smaller hole-punch cards operated machines has the same quality as that produced in the large machines.

Option: To promote a pilot Persian ZarBaft creative industries cluster in Kashan where a mixture of cultural, production and distribution activities would operate under a common structure, as will be described in the Action Plan[125].

Photographs Nos. 3 & 4

2.3.3.5 INFORMATION: THE CRAFT INFORMATION SYSTEM

There is a databank for Persian crafts that includes the Persian ZarBaft. The databank does not register production volumes, sales, markets or destinations.

The data bank contains: the names and history of the craftsmen, their area of expertise and their craftsmen grade level as specified in the Cultural Heritage Organization (CHO) standards.

Options: Explore the possibility of including in the existing database (or establish new one) for example, up-dated information on present and potential demand for Persian ZarBaft in Iran, in

[125] Within the cluster, the local manufacture of the lighter weaving machine and the transfer of the technology for the production of Golabeton as well as investment on the equipment required to produce the Golabeton thread would take place, among other activities

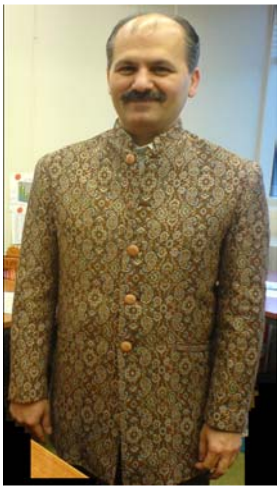
the neighbouring Moslem countries and in western countries as well as data on production and sales volumes and destinations. Data on the availability of yarn and weaving capacity is also to be included.

2.3.3.6 The Products

The Persian ZarBaft produced at the Art and Preservation Centre is graded according to its quality into three categories:

- Cultural Heritage Piece;
- Museum and exhibition pieces;
- Gifts.

The Persian ZarBaft being produced in private enterprises is sold in shops as an up-market product and it is used to manufacture ceremonial clothes as shown in photographs 5 and 6.



Photographs Nos. 5 & 6

2.3.4 The Project

2.3.4.1 Development Objective

To contribute to the preservation of craft heritage and promote employment by revitalizing the Persian ZarBaft production-marketing system of Kashan within the structure of a pilot Creative Industries Cluster.

A Creative Industries Cluster

A creative industries cluster may be defined as an integrated group of production, distribution and cultural activities operating under a common structure, capable of promoting creativity, research applications, marketing and distribution and sponsored by both private and public funding. (See section 1.1.4.2)

Within a creative industries cluster, competitors and the variously skilled workers and institutions work together to achieve a common goal, in this case the revitalization of the Persian ZarBaft production-marketing system in Kashan.

2.3.4.2 THE INTEGRATED ACTION PLAN

In designing an Action Plan for promoting, organizing and putting into operation a pilot creative cluster for Kashan ZarBaft, the following key factors have been considered:

- Innovative inspiration. The supply of creative products[126] and a continuous supply of creative talented craftsmen.
- Transfer of technology and know-how[127]
- A comprehensive marketing strategy[128] with emphasis on marketing together with tourism
- The provision of: flexible working space, training, mentoring, show-casing, marketing and networking facilities
- That the economic success of creative clusters depends on the availability of support systems that respond to the needs of the cluster.

Table 2.11 lists the activities required for the implementation of the proposed Action Plan, taking into consideration each of the key factors listed above. The supporting institutions whose cooperation is necessary for each step of the implementation of the Plan are listed in the last column of the table.

The preparatory steps include activities 1 to 8 (colour cream).

The Short–Medium Term Plan will include Actions 1 to 17. The support that the government and local institutions should provide is noted (colour pink).

The cluster starts operation with action 18 (colour grey).

Long-term activities will be developed and programmed as a consequence of the normal operation of the cluster and the efficient operation of the value chain (19-22).

[126] Capable of penetrating national and international markets

[127] At the level of MSEs

[128] Preserving and emphasising cultural identity

Table 2.11 Proposed Integrated Plan of Action for the Pilot ZarBaft Cluster

Preparatory Action-Plan			
Actions	**Description**	**Outputs**	**Institutions Involved**
The preparatory action plan will contemplate at least all the activities described under 'Short-Medium Term - Action Plan' and 'The Pilot Cluster Action Plan'			
1. Establishment of a Board of Directors (BoD)	To provide advice on various aspects of the action plan. Minimum frequency of meetings to be stipulated.	An advisory and promotion body is to ensure the implementation of action plans for the ZB cluster.	Composition to be determined
2a. Identify all *directly interested parties* to the Zarbaft programme 2b. Establish working groups from these.	To make a preliminary determination of the type and degree of participation of the various interested parties in the preparation of the action plans Working groups will meet frequently to advise and support coordinator (23. below)	Preliminary list of participants	BoD and other.
3. Solicit CVs of candidates for and appoint programme co-ordinator- manager on initial short term contract[129]	Co-ordinator to detail and ensure fulfilment of actions and report to BoD and agencies.		BoD, directly interested parties
4. Sensitisation of cluster actors (2a, 2b)	Conduct work sessions with all actors to develop a shared vision, and joint action plan	Cluster; a shared vision, the basis of a joint action plan	
5. Market survey for Persian Zarbaft within the Traditional Fine Crafts Category[130]	To be undertaken with the sponsorship of the Cultural Heritage and Tourism Organization	Potential markets and outlets, product types, market volumes, price ranges	CHTO, MS, IO

[129] To allow evaluation and confirmation or rejection of candidate

[130] See Table 5, Chapter 1

Preparatory Action-Plan			
Actions	**Description**	**Outputs**	**Institutions Involved**
6. Refine the present Analysis of the ZarBaft Production and Marketing System in Kashan (Figure 2.6). Determine availability of raw materials	To be in agreement with the results of the market survey. Identify constraints and potential solutions to respond to identified markets, on a pilot scale. Identification and analysis of sources of supply, quality specifications, reliability and trends in prices	Structure, capacity and inputs to be made available to the system for responding to identified markets Silk, natural dyes Golabeton, secured availability and prices.	CHTO, IO
7a. Develop a strategic plan for the ZB cluster Design a refined short-to–medium-term action plan for the cluster	Plan to include type and mode of interventions, for all partners and supporting institution. (Cluster brokers initially concentrate on short to medium term strategies involving smaller groups of MSEs and institutions)	a). Strategic overall plan b). Operational version of short and medium term Action Plans	CB, IO, CHTO
7b. Project implementation work-plan, itinerary and consolidated budget, approved by all authorities and donors.		Detailed report – working document	Programme co-ordinator working with consultants.
8. Design collection	Based on the results of the market survey, designs are made – adopted - adapted for the collection and samples are produced	Samples available for market testing	CHTO, IO, UT
9. Register Brands	As an alternative to IP, Brands are registered as a protection measure.	ZarBaft (ZB) textile and ZB products are protected.	HO, CC, CHTO
10. Market testing	Focus groups and other techniques are used. Testing targets: Galleries, museums, specialized exhibition centres and up-market fashion houses at national and international levels.	Types, quantities for diverse markets are estimated.	CHTO, IO

Short-Medium Term – Action Plan			
Actions	**Description**	**Outputs**	**Institutions Involved**
11. Establish a global (multi-participant) marketing strategy	Marketing strategy established with inputs from the tourist sector, export promotion agencies, Chamber of Commerce, the Ministry of Industry, and other as applicable.[131]	A marketing strategy to orient promotional activities is available	CHTO, IO, PS, CC
12. Financing	Introduce measures to facilitate micro-credit, accessible loans and grants for creative enterprises (CI) operating individually and in clusters	Credit, loans, accessible to CIs and CI clusters.	BS, MC, CHTO
13. Policies to favour CI operations	The Chamber of Commerce/Non-oil Exports Organization to lobby for the introduction of guidelines and policies to facilitate the operation of CI and clusters of creative industries	Streamlined procedures that lower operational costs	CC, EO, CHTO
14. Promotion of Persian ZarBaft in export markets.	The Chamber of Commerce/Non-oil Exports Organization and export promotion agencies to cooperate in providing international exposure to the Persian ZarBaft creative products. It will be necessary to prepare samples and materials. (see also footnote 1 to this table)	Potential niche-overseas markets for the Persian ZarBaft	CC, EO, CHTO
15. Design short term modules for technology transfer	In agreement with the Cultural Heritage Centre and with the assistance of the Tehran University, design modules to accelerate the transfer of the ZarBaft producing technology to enterprises, without impairing quality.	Training in the art shortened. Trade made more attractive to young craftsmen	CHC, UT, CHTO, IO

[131] To use such as: International forums, international mass media, global promotional methods, exhibitions in embassies, art craft publications, Persian Arts and Master Crafts web sites, museums, exhibition in up-market well known fashion houses, subject-matter expert lecturers utilizing existing specialized organizations at national and international levels

The Pilot Cluster Action Plan			
Actions	**Description**	**Outputs**	**Institutions Involved**
16. Transfer craft techniques for producing the to Persian ZarBaft textile.	The transfer of the traditional craft techniques to new and established MSEs entrepreneurs and young craftsmen using short-term modules for technology transfer designed in step 16. The master crafters and artists ("Living National Treasures") will be in charge of the transfer of technology.	Entrepreneurs[132] and young craftsmen are able to produce ZarBaft following quality and design specifications	CHC, IO, CHTO, VTS
17. Technology upgrade	Weaving machines and Golabeton[133] mfg equipment built with assistance of the University of Teheran. Vocational training schools, under a Grant from the Cultural Heritage and Tourism Organization and the support of the Handicraft Industry Organization	Productivity increased in the ZarBaft production; time and effort required are reduced. Equipment manufacturers join the cluster.	CHC, UT, CHTO, VTS, PS
18. Provision of: flexible working space, marketing and networking facilities, training.	Flexible working space, entrepreneurial training, and mentoring, is provided to members of the cluster Promotion and guidance for product development Exhibition marketing and networking facilities are provided to the members of the cluster The Handicraft Industry Organization and Regional Business Colleges conduct entrepreneurial and business courses for the cluster crafters.	A small group of creative MSEs within a cluster structure, produce Persian ZarBaft creative products that respond to the demands of markets and comply with the standards established by the Cultural Heritage and Tourism Organization	BOD, CB, CHC, LG, CC, PI, PS, HIO, MSEs, IO

[132] There are a few small enterprises producing Zar Baft in the area of Kashan, which would be included in the cluster promotional activities

[133] This input may be imported from India as a temporary measure

The Pilot Cluster Action Plan			
Actions	**Description**	**Outputs**	**Institutions Involved**
19. Operational support	Secure the supply of necessary equipment and raw materials for the production of Persian ZarBaft Creative Products for private MSEs and the Heritage Centres.	Inputs providers join the cluster	BOD, PS, PI, CB, IO, BS, Mc, PS
20. Securing academic support	Design and promote vocational art and craft training models around ZarBaft craft and products, to attract talented craftsmen. Assistance from Tehran University to the Regional Art Colleges would be required	The structure of the cluster is enlarged and strengthened with art and craft support. Specialized academic components have joint the cluster	BOD, TU, RAC, VTS, CHTO
21. Craft Information System for ZarBaft.	Based on market intelligence activities, a permanent information system is created with up-dated information on present and potential demand for Persian ZarBaft products, in neighbouring Moslem countries and in western countries together with data on volumes of production, sales and destinations	Production, advertising and distribution are oriented through up-dated information on markets and marketing channels.	BOD, MS, CHTO, IO

Legend to Table 2.11

BoD	Board of Directors	HIO	Handicraft Industry Organization	PI	Private Investors
BS	Banking System	IO	International Organization	RAC	Regional Art College
CB	Cluster Brokers	LG	Local Government	RBC	Regional Business College, IO
CC	Chamber of Commerce	MS	Market specialist	UT	University of Tehran
CHC	Cultural Heritage Centre	MSE	Micro, Small and Medium Enterprises	TS	Tourist Sector
CHTO	Cultural Heritage and Tourism Organization	MC	Micro Credit	VTS	Vocational Training Schools
EO	Non-oil Export Organizations	PS	Private Sector: Investors, MSEs, Machine manufacturers, raw materials providers, market outlets and exhibition facilities, not mentioned independently in the table		

2.3.5 CONCLUSIONS AND RECOMMENDATIONS

It is recommended to introduce the product with the ancient name “Persian ZarBaft textile”, which signifies that gold thread had been woven into the fabric and indicates that it has the Persian quality.

Specialists in producing and marketing Traditional Fine Crafts[134] believe that this precious textile has a great market potential in Iran and abroad, when given the proper marketing exposure.

The analysis indicated that the present system in which the ZarBaft is being produced has many of the elements required to grow successfully but that are constraints and bottlenecks that have lead it to its stagnation such as a lack of knowledge present markets and of planning and product design, together with the absence of craft groups and associations.

The cluster concept is proposed, to be applied for the establishment of a pilot project for the revitalization of the craft, applying the concept of creative industries.

The successful operation of a creative cluster requires innovative inspiration, the supply of creative products and a continuous supply of talented, creative craftsmen; the transfer of technology and know-how; a comprehensive marketing strategy also to be coordinated with tourism. Also required are: the provision of flexible working space, training, mentoring, show-casing, marketing and networking facilities and the support systems that respond to the needs of the cluster.

The action plan for the pilot cluster considers all of the above factors. As a consequence a number of institutions, both private and public are required to participate in the preparation and implementation of the plan. Table 2.11 gives a resume of the action plan and emphasises the role of the supporting institutions whose cooperation is required for each step.

As in the case of Pakistan, the proposed action plans derived from the analysis, although preliminary, provide a format for discussion with those local institutions already identified as possible partners and supporters of the projects and with potential sponsoring institutions.

[134] For a definition, see Table 5, Chapter One

Chapter Three – Conclusions and Recommendations

3.1 PROMOTION OF CREATIVE/CULTURAL INDUSTRIES

The three case studies presented in this document demonstrate the interest of the three countries for the Creative Industry (CI) concept, and indicate why and how these are establishing, or are interested in establishing Creative Industries projects that reflect and emphasize the traditions and characteristics of the country, and contribute to the improvement of the welfare of the communities. Also demonstrated is that governments must recognize that an ample and rich cultural heritage is insufficient, and that left to itself this will not produce the hoped-for effects on socio-economic development. The institutional infrastructure must be deliberately marshalled to support the development of these industries. The education system and its values are to be strengthened and oriented to give a special emphasis to culture and creative activities, and encourage gifted children and adults to consider following the profession of artisan – all this finally providing support to the Cultural Industries concept as a source of national pride and identity, and of economic growth. To this must be added that the policies and strategies should be such as to lead to stronger private and public institutional support to MSEs [135].

In Thailand the Royal family has been the initiator of the promotion of the value of heritage and as such has indirectly encouraged the formulation and implementation of policies that promote CI as a mechanism for rural industrialization, and thus economic and social progress.

3.2 POLICIES

Creative industries require a policy framework that will support the improvement of their development potential. Simultaneous with the definition of this framework the constraints and barriers to growth must be identified for all components of the value chain and measures taken. In a number of countries the promotion of these industries has been incorporated into industrial and economic policies as a tool to encourage economic and social development in rural areas or within renovation programmes designed for depressed inner cities. These policies have contributed to poverty alleviation and job creation, have assisted the local economies of individual villages and inner city districts and have promoted self-reliance. (E.g. the case of Thailand described in Chapter Two, and the promotion of creative industries in inner London and in north-eastern English cities, as mentioned in chapter 1).

It follows that together with the appropriate support policies, coherent industrial, cultural and trade policies should be introduced in order to ensure an environment that will encourage the development of these industries. UNESCO has proposed a framework for policy making to promote and sustain the development of cultural/creative industries. An extract of the framework is included in Annex 2, Chapter One of the present report.

A word of caution is necessary however. It is important to monitor the impact produced by the programmes on income and employment and the cost effectiveness of the programmes, and to establish and implement mechanisms to ensure sustainability. At present there is no published information concerning such important matters.

3.3 HUMAN CAPITAL AND HUMAN RESOURCE DEVELOPMENT

The human capital encountered through the case studies showed creativity, curiosity, imagination, flexibility and a sense of design. However, confidence, interpersonal and networking skills although present, need to be further developed.

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[135] MSEs are the most frequent actors among creative enterprises

It must be recognized that creativity knows no social barriers and that all competent, interested members of society have much to offer to cultural industries and to the ethnic and artistic diversity of these. It is to the advantage of the programme to ensure that all can enter and so participate in ensuring the competitive advantages.

Few of the creative class who were encountered during the case studies have advanced education; this is in agreement with the findings of Florida and others, indicating that not all members of creative industries need to be highly educated to be successful[136]. However, in the rural areas, illiteracy and incomplete primary education are frequent in at least two of the countries (Tables 2.1 and 2.2). This requires, at least in the short-medium term, that the training methods and approaches used for the transfer of technologies and the encouragement of innovation, together with the capacity building linked to quality and design skills must be adequate to this level. This matter strongly demands the attention of national authorities, and international organizations.

The strategies for education and training should include the concept of 'creativity' throughout the education system, beginning at the primary level and becoming somewhat selective as the children progress through the system. However, in addition to 'creativity' human capital requires skills and talent, ingenuity and motivation and to varying degrees an entrepreneurial attitude.

There are two conditions for managing the creative spirit:

- Programme Promoters who recognize creative people and understand that diversity and inclusion are central to competitive advantages;
- The provision of the physical and attitudinal support necessary for the proper collective work environment where everyone can make more and better use of other people's knowledge and experience. (Fore example – Creative Clusters).

For the success of a creative economy, commercial talents are also necessary. The case studies demonstrated that the commercial abilities required tocomplement traditional skills and talent are too often weak, and must be strengthened. However, that an artist combines these characteristics is infrequently found, but when the artists and craftsmen belong to a 'creative cluster', because of the greater number of integrants these abilities can be more frequently found, and obtained by the exchange of information and experiences, by the training of selected personnel, or by recruiting someone who has the required marketing experience. It is to be noted that the components and linkages of the system should also provide learning/training opportunities for selected persons in commercial and entrepreneurial areas (the OTOP case).

Institutions dealing with vocational training in craft design and production should be directly associated with the regional creative industries system and its production lines. This will enable it to respond to demands from craftsmen and related agents.

3.4 MSEs

As stressed earlier in this work, creative craft MSEs are a source of employment and income generation both in rural and urban areas. The artisans, artists and others who are directly associated with the MSEs are a depository of tradition and skills and their activity contributes to the preservation of local and national heritage and the building of the image of regions and countries. Through innovation, market knowledge and entrepreneurship they can be linked to

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[136] Chapter One, section 2.3

national and export markets as was illustrated by the OTOP case study. The methods applied for the improvement of the operation of industrial MSEs are of course applicable to creative industries.

3.5 MARKETS

The contact with markets and the awareness of market opportunities are very important links in the craft creative system chain. They appear to be weakest in Pakistan, less so in Iran and much less in Thailand. Careful attention is to be given to these matters. ZarBaft for example sells 'tradition' but it is necessary to penetrate and develop markets through innovation and via the activities proposed in the suggested integrated action plan (Chapter Two).

The OTOP system demonstrates how 'cultural heritage' can bring competitive advantages to craft creative products in national and export markets when the knowledge is coupled with innovation, whilst firmly ensuring that quality and authenticity are not sacrificed.

A new approach to help producers to reach new distant markets requires visits to the agents that coordinate the chains from producers to the final markets, (along the value chain) in order to obtain information on the blockages and opportunities that arise throughout the chain[137].

Innovation

Innovation in the area of design and manufacture are aspects to be very strongly encouraged amongst the artists and craftsmen of the creative industries in order to penetrate and sustain a presence in the selected and selective markets. The development of new products is encouraged via the promotion throughout the system[138] of creativity and innovation. This is essential if the industry is to maintain and enhance the reputation gained by crafts in existing markets, and to penetrate new markets.

3.6 THE ROLE OF UNIDO

The case studies demonstrate that the establishment or reinforcement of the creative craft systems requires support from various sources.

Given the nature of the systems and their requirements, the coordinated support of a number of local and international agencies will be required for implementing the programmes for the promotion of craft creative industries. To this end, the experience of UNIDO will be invaluable, as it now provides support to MSEs in such as business services, product development, and quality management, strengthening of internal and external linkages through clustering and other mechanisms such as trade capacity building.

An example of potential cooperation with multilateral and regional agencies within the philosophy of the United Nations Development Assistance Framework (UNDAF) is given below (Table 3.1).

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[137] H. Schmitz (2005)

[138] Guided by a good knowledge of the market

Table 3.1 Potential cooperation within UNDAF for promoting Creative Craft Industries

UNESCO	UNIDO	ITC	Regional Development Bank	UNDP
Heritage Preservation	BSS	Market surveys	Economic Sector Analysis	Poverty alleviation and reduction programmes
Product Certification	Product development in line with market demands	Identification of marketing channels	Grants	Country development strategies
Impact indicators to evaluate creative systems	Selection of statistical indicators for databases for mapping up creative industries	Market promotion	Financial support to sectorial development strategies	
Promote creativity throughout the education system, starting in primary education.	Quality promotion among MSEs			
	Strengthening internal and external linkages of the systems through clustering and other mechanisms			
	Promotion of an entrepreneurial mind-set			
	Enterprise development to promote creative industries for innovation Base line assessment for the evaluation of the socio-economic impact of craft creative industries			

Annexes

ANNEX 1: DISTRIBUTION CHANNELS FOR HANDICRAFTS IN THE US

(Home furnishing category)

Channel	% Home Furnishing Market Share	Volume Requirements	Retail Price Points	Description
Mass Merchants	34%	Large	Low	Best product for lowest price. Depend on volume (Wal-Mart)
Department Stores	27%	Medium	Medium to high	Retailers with higher end categories. Present in trade shows
Specialty Stores	12%	Large	Low to medium	Offer discounted large-volume. Go to trade shows, source from the producer
Chain Stores	7%	Large	Low to medium	Feature mainly national brands
Independent Specialty Retailers	7%	Small to medium	Medium to high	The best option for handicraft products Buyers go to trade shows, buy from importers
Mail Order	7%	Small, medium, large	Medium to high	Sales from catalogues. Order high volumes
Home Centres	4%	Small volume	Low to medium	Home décor, out-garden. Hugh quantities buy from producers
Electronic Retailers (TV and Internet)	1%	Small to medium	Medium to high	Offer unique items, hand made products

Source: UNCTAD , 2001b

ANNEX 2: SUPPORTING POLICY DEVELOPMENT FOR CULTURAL INDUSTRIES

Supporting Policy Development for Cultural Industries UNESCO (2005)	
Step in the process	**Examples of Activities**
1. Advocacy and Strategy Development	1. Elaboration of a long-term Plan of Action
I. Mapping the Sector	Surveys, base line data, needs assessment, SWOT analysis stakeholders consultations.
II. Identification of Policy Issues	Objectives and Priorities, Strategy, MSE development, Marketing strategy
III. Drivers	Formulation of sub-sector specific priorities, targets and programmes
2. Human Resource Development	2. Institutionalisation of innovative and traditional training opportunities related to cultural industries. Strengthening training in entrepreneurship, management, business development and skills development.
3. Cultural Assets Management	3. Strengthening archiving and research, promotion of international conventions
4.Technologcal Development	4. A national Plan for access of information, support for research and innovation in products and marketing, support cluster development, promotion of e-commerce
5. Infrastructure	
I. Legislative Infrastructure	IPR, business law for MSEs ICT legislation, copyright, etc
II. Institutional Infrastructure	Develop institutional capacity to ensure enforcement, strengthen professional organizations and knowledge sharing through ICT
III. Financial Infrastructure	Mechanisms to encourage MSEs cultural industries. Import-export regulation and taxation
IV. Physical Infrastructure	Easy access to affordable, efficient transport and distribution of cultural industries products and services
V. Intersectoral Coordination and Cooperation	Sector–wide approach to planning and implementation; information sharing among private and public enterprises using ICT; identification of external and national funding options; instruments for coordination and mobilization of resources
VI. Financing	Consolidated plan and instrument for mobilization of resources; stakeholders consultations
VII. Programme Monitoring and Evaluation	Integrated Plan and schedule; Coordination; integration of training activities in the subjects; benchmarking

ANNEX 3: EUROPEAN PARLIAMENT RESOLUTION ON CULTURAL INDUSTRIES

European Parliament Resolution on Cultural Industries (Selected paragraphs)
• Calls on the Member States and the commission, in consultation with professionals in the sector, to identify priority actions for the promotion of cultural industries; • Calls for a revision of the “de minimus” rules on state aids to take account of the unique situation pertaining to MSEs in the cultural sector, in particular those based in peripheral areas; • Calls on the Commission to examine the effects of increasing concentrations in the telecommunications, cultural industry and media sectors, and to ensure that these do not lead to the disappearance of independent bodies and do not alter the diversity of creativity by producing an increasing uniformity in production and distribution; • Ensuring that creative businesses have access to appropriate financial support and the financial sector is aware of the opportunities and benefits of investing in creative industries; • Provide adequate financing of MSEs in the cultural field, particularly in the start-up phase; • Ensuring that regulatory burden does not fall disproportionately on creative industries; • To continue encouraging creativity by establishing promotional activities e.g. Awards, cross-border festival, exhibitions, cultural routes and itineraries; • Continue to improve data on the creative industries, in line with international standards. For Eurostat to search for additional systematic information on the use and consumption of cultural products by enhancing the responsibilities of the European Audio-visual Observatory; • To develop appropriate instruments for the mutual enhancement of culture and tourism, in areas of integration, mutual understanding and employment; • To consider incorporating in their development policies the promotion of cultural industries as a means of stimulating employment and local economies in developing countries.

Source: Resolution 2202/2127 (INI) European Parliament.

ANNEX 4: CREATIVE INDUSTRIES IN LONDON

There are several agencies promoting creative industries in the London area. For example: the London Development Agency is responsible for promoting the development of key businesses in Creative industries. The creative business sector in London is valued ₤ 21 billion, second only to business services. It is also the biggest source of new jobs (1 of five new jobs comes from creative industries)[139].

Creative London is an agency that supports 10 creative hubs that provide flexible working space together with training, networking, and exhibition facilities, show casing, marketing and networking facilities.

The Chocolate Factory is a creative complex that has been functioning since 1985 and is an example of how a creative cluster can work, can attract inward investment, create jobs and develop. It houses 164 artists and creative businesses that include a wide variety of styles (fine art, mosaic, sculpture, book-binding, photography, textiles, pottery, painted glass, jewellery and furniture). It has generated 700 new jobs and a significant increase in investment in the borough of Haringey, where the cluster is located.

Students from the local College of Arts graduate into a studio space pay a subsidized rent and have free access to business support and links to creative business in London's West End. For example, 40 of the present tenants generate ₤ 250,000 annual sales.[140]

The Chocolate Factory cluster model will be applied in North London with the purpose of attracting youth from deprived black and Asian communities from Tottenham and Wood Green and let them explore new creative businesses for an initial incubator period of 12 months. Free advice will be available to them for the preparation of business plans, loan requests, marketing and selling.

[139] creativelondon.org.uk, January 18, 2006

[140] telegraph.co.uk, January 18, 2006

ANNEX 5: EU CRAFTS IMPORT-RELATED PRODUCT LEGISLATION

Access Guide Overview: Legislative and market requirements for Gifts, Decorative Articles and Jewellery in the EU (*AccessGuide@cbi.nl*)

"EU product legislation when trading to the EU is of utmost importance. Gifts, decorative articles and jewellery are subject to product legislation concerning the content of hazardous substances. Some restrictions on hazardous substances are relevant to all products, irrespective of the material they are made of. For example, asbestos is prohibited in all products. Jewellery and accessories are subject to restrictions on nickel. The EU has also established legislation on endangered species (CITES). Furthermore, there are restrictions to the material of which the product is made. For example, restrictions on use of azo dyes are only applicable to leather and textile articles. Legislation on cadmium is mainly relevant to plastic articles.

Gifts or jewellery intended for use in play by children of less than 14 years of age, are considered as 'toys'. It is important to ensure that the products comply with all legislative requirements for toys, e.g. the safety regulations as laid down in the EU Directive on the *safety of toys* and additional requirements on *hazardous substances* in the EU and other countries.

In addition to the legal requirements, producers are being confronted with other requirements. EU buyers demand more information from producers, for example the social conditions at production sites. Although such requirements do not constitute part of official legislation and have no legal basis, it is recommended that these be taken account as part of the competitive strategy. Such market requirements can be related to social aspects of production, environmental aspects or quality of products and processes.

Social market requirements

In the gifts, decorative articles and jewellery producing industry, there is a growing demand for 'fair products'. Particularly relevant for this product group is the Fair Trade label that includes social, economic and environmental standards on the well-being of marginalized producers in developing countries. Fair Trade products are purchased directly from cooperatives or from small businesses established by farmers and craftsmen.

Relevant documents on social issues may be found in Access Guide[141], these include the ILO Conventions that are internationally used as basic social requirements together with the internationally accepted social management system SA8000.

Environmental market requirements

Access Guide provides information on the widely accepted standards for environmental management systems as laid out in the ISO 14000 series.

[141] More information can be obtained from: Access Guide P.O. Box 30009, 3001 DA Rotterdam, The Netherlands, e-mail AccessGuide@cbi.nl

Quality related market requirements

Quality management is industry wide an important issue. AccessGuide contains information about ISO 9000 quality management system.

Occupational health and safety requirements are developed in response to the growing concern in Europe over the local conditions in which products are manufactured.

The manufacturing of gifts, decorative articles and jewellery often involves chemical processes (e.g. the use of colouring agents and solvents, electroplate) and mechanical processes. The producers must assume a serious responsibility to take all actions necessary for the protection of the health and well being of employees. Access Guide provides documents specifically concerned with occupational health and safety during the manufacturing of crafts and contains a list of all topics requiring consideration in order to create a safe and sound workplace.

ANNEX 6: PARTICIPANTS IN THE PERSIAN ZARBAFT WORKSHOP

Participants in the Workshop and in Interviews

Mr. Sharifzadeh, Director of the Cultural Heritage Centre (CHC). The leading expert on the Persian ZarBaft textile.

Mr. Naeemaee, B.Sc equivalent in Persian Zarbaft textile was present. Designer and producer of a smaller, shorter and lighter version the textile frame/machine for producing Persian ZarBaft. An employee of the CHC.

Ms. Khamsi, representative of the Micro Credit NGO, Hamyaran.

Mr. Vahabi, UNESCO.

Other agents interviewed

Prior to the workshop meeting, interviews were made with the following agents connected/interested in the system:

Retired artists and craftsmen; the only woman working in Persian ZarBaft, who is employed by the centre as a ZarBaft Textile Expert; high-end art gallery owners; designers; art collectors and Fine Art college professors who believed that Persian ZarBaft has a huge potential given the right market and marketing opportunity .

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