



Final Report

Promotion of Embedded Business Services for Small Enterprises in the Ghanaian Craft Export Sector

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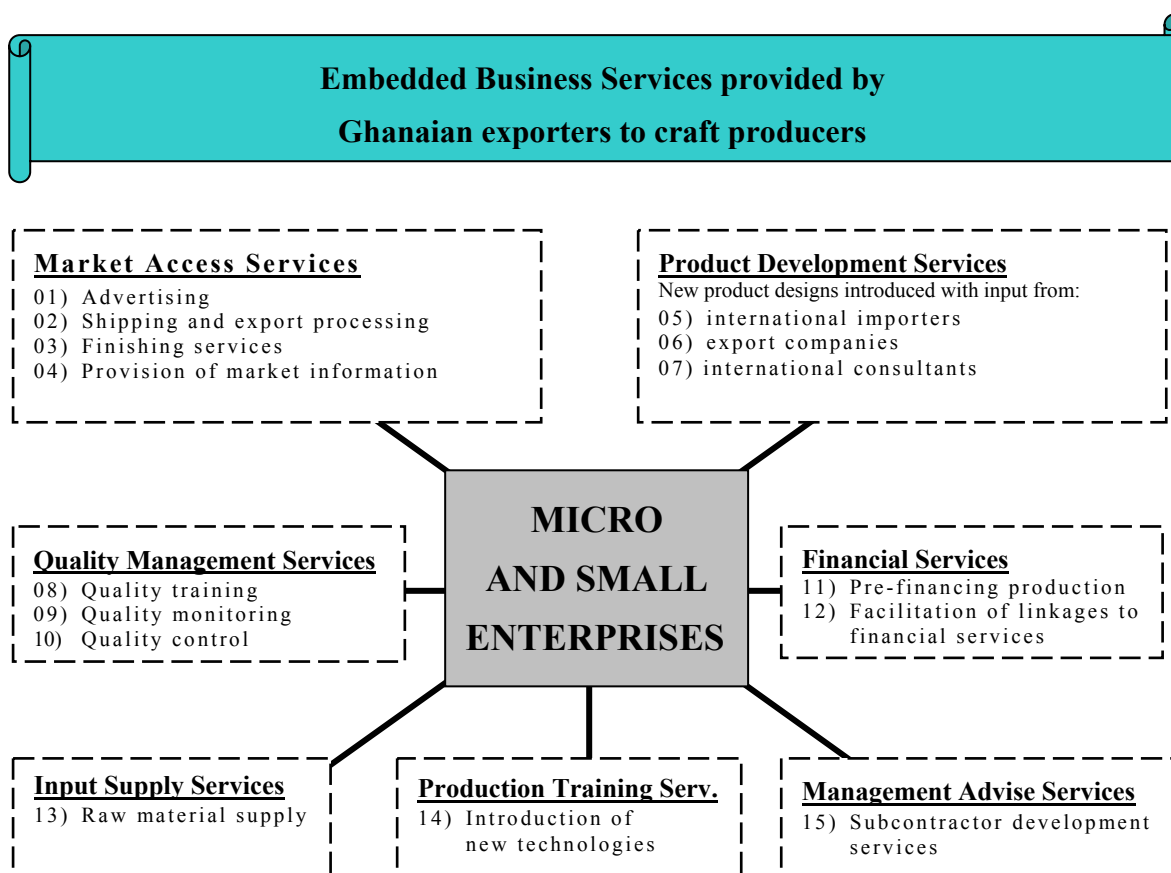
AFE	Action for Enterprise
EBS	Embedded Business Service
EDIF	Enterprise Development Innovation Fund
DFID	Department for International Development
GLE	Greater London Enterprises
ICT	Information Communication Technology
ILO	International Labour Organization
MOU	Memorandum of Understanding
NAHE	National Association of Handicraft Exporters
OVI	Objectively Verifiable Indicator
QM	Quality Management
MSE	Micro and Small Enterprise
SEEP	Small Enterprise Education and Promotion
SI	Springfield Institute
TOT	Training of Trainers

EXECUTIVE SUMMARY

This report describes the activities carried out by Action for Enterprise (AFE) during implementation of an 18-month Enterprise Development Innovation Fund (EDIF) project in Ghana from August 2002 to December 2003. The principle objective of the project was to develop/improve the capacity of Ghanaian craft exporters to provide an array of business services to a large number of small-scale enterprises in a sustainable and effective manner. This would result in significant impact on producers (greater income and employment), and significant new knowledge and information pertaining to the field of business service development.

The market actors in the Ghanaian craft export subsector include: 1) International Importers/Wholesale Distributors; 2) Export agents; 3) Export Production Companies; 4) Regional traders; 5) Broker/Subcontractors; 6) Production Subcontractors, and 7) Individual Producers.

Export production companies subcontract extensively with MSEs, and provide them with embedded services in order to ensure that they receive good quality products in a timely manner. In this way, they strive to meet the demands of the international market. If successful, they are able to generate orders and then pass those orders down to the MSE producers. Without these orders, however there is little incentive for export companies to provide, or continue providing, embedded services. It is therefore critical that development organizations also focus on promoting increased transactions between export companies and their international clients.



AFE project facilitation activities included:

Promotion of Quality Management Services - 1) Development/implementation of quality management systems; 2) Train-the trainer workshops in QM; 3) Pilot workshops to develop training capacity, and; 4) Radio campaign and market announcements

Market access services - 1) Participation in Sources trade fair; 2) Information communication technology (ICT) training; 3) Website development; 4) Promotion of trade fair marketing, and; 4) Competition analysis in Vietnam

Product Development - 1) Internship program for designers, and: 2) Rectangular basket pilot

Project findings and lessons learned included the following:

- Many EBS, while initiated and driven by the export companies, are often carried out by intermediaries who operate between the export company and the producers. Projects promoting EBS must consider the role of these intermediaries.
- Facilitation activities showed the importance of targeting specific craft export products (versus craft products in general) in promoting business services.
- Exporters can be encouraged to invest more in the provision of embedded services if the benefits of doing so can be demonstrated clearly.
- Provision of better EBS in areas such as quality management and product development can lead to immediate positive effects on income generation and a more efficient organization of producer networks.
- There were many opportunities for "win-win" commercial relationships between export companies and producers of craft products in Ghana. These opportunities served as an impetus for the exporters to improve and expand their services to producers, and for producers to organize and manage their production more efficiently.
- Export companies play a major role helping producers to organize and frequently promote organizational models that facilitate the delivery of embedded services
- Using mass media such as rural radio stations and providing MSE's with information about market constraints and the need for EBS in quality management resulted in producers adopting a more collaborative (versus adversarial) relationship with the export companies.
- Subcontracting certain facilitation activities to local firms (through a tendering process) can be an effective means of building the capacity of business service providers.
- Facilitating business service provision by market intermediaries (EBS providers) resulted in greater impact and outreach than it would have had the project provided direct services to MSE producers. Advantages included: 1) high outreach; 2) low costs; 3) higher sustainability; 4) better service quality, and; 5) clear exit strategy.

- Promoting technical assistance and training to MSEs through commercial intermediaries that have a vested interest in continuing to provide the services themselves ensured that the services would continue to MSEs beyond the life of the project.
- The decision to promote embedded services should stem from subsector/value chain analyses and business service assessments. One should not determine in advance, for example, that they will do an "embedded services project."
- Development organizations promoting embedded services should look for opportunities to make their capacity building activities with EBS providers commercially sustainable

Immediate project impacts (for both MSEs and export companies) included:

1. Improved quality management leading to reduced rejection rates and increased sales (at least one new container load order can be attributed directly to this)
2. Better ICT and trade fair skills resulting in improved market access
3. New product designs resulting in new orders
4. Improved production technology resulting in greater production efficiencies

The project developed a variety of reports, materials, and presentations. These materials and the related knowledge were disseminated through a variety of methods including:

- Presentation of project findings at the Small Enterprise Education and Promotion (SEEP) Network annual general meeting in October 2003
- Presentations at three AFE training workshops in Cairo and Washington
- Posting on major enterprise development websites (ILO, SEEP network, AFE, etc.)
- Mailing of the summary brochure to more than 200 development practitioners

Conclusions - This project has shown the feasibility of promoting technical assistance, training, and other business services to MSEs through market intermediaries, such as export companies, who provide services at their own cost because it makes good business sense for them to do so. It has shown that the promotion of these embedded services can be a powerful and sustainable method of MSE development that results in "win-win" relationships for both the provider and the user of the service. It has also demonstrated a variety of facilitation techniques to promote EBS and generated lessons learned.

AFE invites all readers of this report to share their feedback. As people begin to experiment with different facilitation techniques it will be important to share results. The promotion of EBS is relatively new and there remains much to be learned.

AFE would like to thank both DFID/EDIF for funding this exciting and productive initiative and to GLE/SI for providing valuable feedback and monitoring. It is hoped that the findings from this project will give new insights and ideas to enterprise development practitioners, and help them to design and implement successful programs.

I. INTRODUCTION

This report describes the activities carried out by Action for Enterprise (AFE) during implementation of an 18-month Enterprise Development Innovation Fund (EDIF) project in Ghana from August 2002 to December 2003. The report begins by describing the project context and objective, as well as the rationale for a focus on embedded business services (EBS). This is followed by an overview of the craft export sector in Ghana that describes the market players and their interrelationships. Existing EBS are then described in detail followed by a presentation of the project facilitation activities (interventions). The final section presents a summary of the learning that took place during the project, along with a description of impact.

1.1 Project Context

This project was proposed to promote greater understanding and appreciation of embedded business services in the enterprise development community. Much of the research to date has given minimal attention to EBS. There is, however, a growing interest in the topic as many are recognizing the limitations of fee-based business services for micro and small enterprises (referred to throughout the rest of the paper as "MSEs"). They are finding that MSE frequently do not have the cash flow, financial means, and/or economies of scale to pay for stand-alone services. There is therefore a growing interest in business services which do not require the payment of up-front fees.

In Ghana, the need for improved EBS in the craft export sector was identified through subsector and business service assessments carried out by AFE. These assessments showed that small-scale craft producers face a variety of constraints to increased growth and production, including: 1) inadequate orders (due to lack of market access and product development); 2) production and quality management, and; 3) finance. They also showed that business services in the area of market access, quality management, and product design could address those constraints and that Ghanaian craft export companies were the best placed to provide the services in an effective and sustainable manner.

The assessments showed that export companies were already providing a variety of services to MSE producers as part of their commercial relationship and that the cost of these services was being covered through their operating revenues. The export companies faced many constraints, however, in providing these services in an effective manner. AFE project interventions were therefore designed to address these constraints, as well as to improve the ability of MSE producers to benefit from the services offered by the export companies.

There have been past projects in Ghana that have attempted to address MSE constraints by providing direct services to producers. While these efforts sometimes resulted in short term impact, they were not sustainable in the long run. In some instances they also created market distortion by competing directly with private sector actors. There has been some limited assistance to exporters in the area of product design that achieved good results, but this no longer exists.

Given the contexts described above, the principle objective of the project was to develop/improve the capacity of Ghanaian craft exporters to provide an array of business services to a large number of small-scale enterprises in a sustainable and effective manner. This would result in significant impact on producers (greater income and employment), and

significant new knowledge and information pertaining to the field of business service development. The project served as a business service facilitator – working on the supply side of the service market to develop provider capacity, and on the demand side to stimulate demand and interest among the consumers of the service.

1.2 Rationale for Embedded Business Services

MSE's play an important role in income generation, employment and poverty reduction in the developing world. One of the latest approaches to promoting MSE development is the facilitation of business services including “training, consultancy and advisory services, marketing assistance, information, technology development and transfer, and business linkage promotion”¹.

This new paradigm for enterprise development is based on the experience that publicly-provided and publicly-funded services largely failed to achieve their objectives and that traditional interventions could not provide quality, affordable business services in a sustainable and efficient manner. Emphasis is now put on promoting sustainable commercial services that address major constraints to MSE growth. This is known as a "BDS" or business service approach.

The business service approach is sometimes interpreted as "the business-like provision of services, i.e. clients have to bear the full cost of service provision by paying cost covering fees.”². In many cases, however, MSEs do not have the economies of scale or resources to afford fee-based services. Private providers of these services, in order to be commercially viable, often need to market themselves to larger companies who have the ability to pay higher fees. Since most MSEs lack the financial capacity to pay for business services and have no experience in seeking such services they have usually not benefited from them.

Such experiences have led to further research on how MSEs get access to needed services. It was found that they tend to get a high percentage of them through existing business relationships and their business environment. These services are seen as "embedded" in commercial transactions that a MSE has with another entity. They are not paid for directly by the MSE – rather the cost is covered by the operating margin of the service provider who provides the services because it makes good business sense to do so.

Embedded business services (EBS) can include access to markets, product development, quality management, provision of inputs and financial services. According to the Committee of Donor Agencies for Small Enterprise Development “the delivery of BDS as part of business-to-business relationships – including supplier/buyer, subcontracting, franchise and licensing relationships – is particularly common for smaller firms. In these cases, BDS are delivered as part of another transaction – for example design assistance received by MSEs who sell their products to larger firms, or training received as part of the purchase of equipment”³.

¹ Committee of Donor Agencies for Small Enterprise Development, Business Development Services for Small Enterprises: Guiding principles for donor intervention, 2001 Edition, Washington, February 2001, p. 1

² The revised BDS paradigm – BDS for all categories of enterprises, Antonia Irvin/Dr. Schneider-Barthold, ifo Institut für Wirtschaftsforschung, München, March 2002

³ Committee of Donor Agencies for Small Enterprise Development, Business Development Services for Small Enterprises: Guiding principles for donor intervention, 2001 Edition, Washington, February 2001, p.2

In this paper, we define business services as "all external supports to micro and small enterprises that increase operational capacity, access to markets, management skills, financial efficiency and access to networks and information, including subcontracting as it plays an important role in providing access to markets that MSE's would individually not be able to enter."⁴

II. OVERVIEW OF GHANAIAN CRAFT EXPORT SUBSECTOR

According to customs statistics, Ghana's craft exports have risen from \$ 2.6 million in 1993 to \$ 11.3 million in 2002. The main product lines are baskets, ceramics, wooden articles and musical instruments. The crafts export subsector is a major source of rural income and employment in Ghana.

The market actors in the craft export subsector are described below:

International Importers/Wholesale Distributors – These buyers are primarily based in Europe, the U.S., and Japan. They include wholesale distributors (many of whom participate in major wholesaler trade shows), representatives of large retail chains that import directly, buyer intermediaries (like AMC), and other more informal traders (some of whom are from Ghana or other West African countries). These buyers have standing relations with export agents in Ghana and conduct most of their business with them by visits, email, telephone, and fax.

Export brokers/agents - These are companies who have established close relationships to importers and who are handling export orders and consolidating shipments for international markets on a fee basis. Examples: Getrade/Kraft Consult (see text box later in this section for more information on these agents)

Export Production Companies – These are companies who carry out part or all of the production process internally. Some have relatively large-scale internal production capacity while others limit their role to product finishing. Almost all of these companies also source products from subcontractors. They sell both directly to international buyers and also to export brokers/agents. Examples: SEMAK, Unique Ceramics Centre, Ceramica Tamakloe.

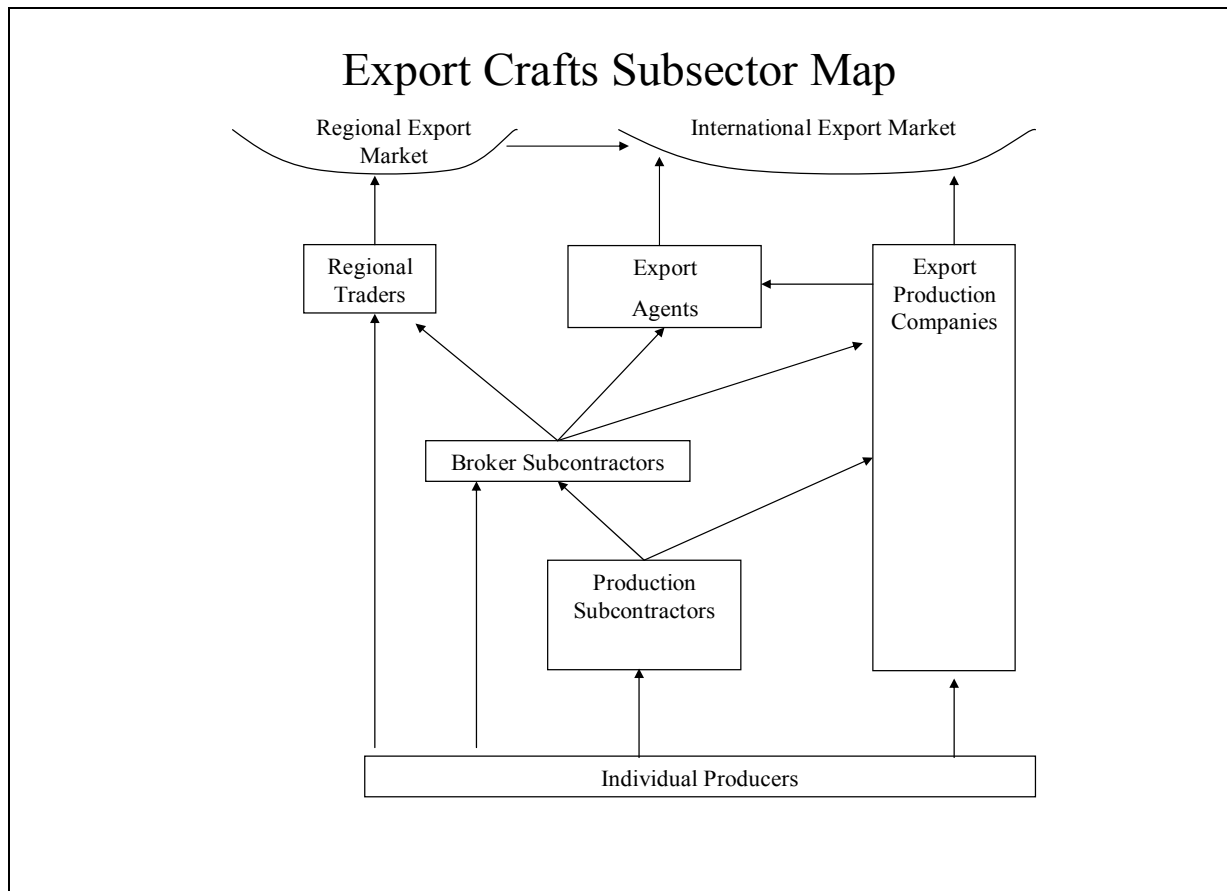
Regional traders - These are individuals and small firms who buy products from subcontractors and on local markets and export them to neighboring countries. Most products are then exported from the neighboring country to international markets. Examples: Traders from Burkina Faso buying baskets in Northern Ghana for re-export from Burkina Faso.

Broker/Subcontractors - These are individuals who serve as an intermediary between export production companies and production subcontractors.

Production Subcontractors – These are privately owned enterprises and producer groups that produce for the export market but do not sell their production directly to international clients. Their produce is usually sold either to a broker or to an export production company. They frequently subcontract with individual artisan producers to fulfill orders.

⁴ The hidden MSE service sector, Gavin Anderson on behalf of the ILO InFocus Programme "Boosting Employment through SED", April 2000, p. 4

Individual Producers– These are individual artisans who sell to a variety of buyers including: 1) production subcontractors; 2) local and regional traders and; 3) export production companies. Many have relationships with buyers, though some work more or less exclusively with one.



Ghanaian export production companies are the principle buyers of craft products from MSE producers – providing a market for thousands of producers around the country. They are also the main suppliers of the export agents. Subcontracting is the predominant production system in the Ghanaian craft export sector. Exporters subcontract a large percentage of their orders to broker and production subcontractors, who in turn purchase from individual producers.

All Ghanaian export production companies work with subcontractors to whom they provide a substantial market. The importance of subcontracting ranges from using just a few small subcontractors at peak times to sourcing 95% of all products from subcontractors:

- In the basket subsector, export production companies have a very limited internal production capacity and source most of their baskets from subcontractors.
- In the wood subsector, one export company works with 17 subcontractors representing a workforce of over 200 craftspeople from different regions in the country.
- In the ceramics sub-sector, three export production companies provide market access to 40 subcontractors with a total workforce of over 200 persons.

The relationships between individual producers, production subcontractors and the different kind of exporters are often quite complicated, with many different systems in use. Examples from the export company SEMAK are illustrated in the box below.

Description of Subcontracting Relationships (Case of SEMAK - Basket Exports)

There are five different subcontracting models being used by SEMAK (for baskets), each with its own methodology and each with different degrees of embedded business services. These are described below and in the following table.

Model 1: Under this method, SEMAK works with 5 producer groups (production subcontractors) that it has established close relationships with over the years. They deal directly with the leaders of these groups and provide them pre-financing for production. They have tried to provide inputs (straw) in the past (to gain economies of scale) but they say the producers prefer cash, and tend to complain about the quality of inputs. This model represents 5% of production.

Model 2: Under this model, SEMAK places orders through 6 different broker subcontractors (broker/subs), who in turn contract with approximately 25 producer groups (production/subs). There is no pre-financing or inputs provided. The broker/subs receive a commission for all sales. Under this model SEMAK agrees on a price with the broker/subs that is higher than the price they pay to production/subs in Model 1 (since it is the broker/sub that must pre-finance). They advise the broker/subs to pay a minimum price to the production/subs (but are not sure they always do it). SEMAK contracts 20% of its production using this model.

Model 3: Under this model SEMAK contracts directly with 2 broker/subs (called agents by SEMAK), who in turn contract with individual producers. These agents work full time for SEMAK, but are paid on a commission basis. Each agent coordinates production in a common production area (where electricity and maintenance is paid for by SEMAK), with 30-40 producers. The agents get regular advances from SEMAK. They buy the straw and dyes and provide them to the producers who they contract to (among all the models they are the only ones who buy in bulk). 60% of SEMAK 's production is done under this model.

Model 4: Under this model, SEMAK buys baskets directly from 30-50 individual producers in Accra. Periodically, SEMAK puts out the word that they are giving orders. Individual weavers then come to the SEMAK office where they receive orders for specific styles of basket. They contract 10% of their production using this model.

Model 5: Under this model (a model in progress), SEMAK coordinates production on a self contained production area that it owns. They have begun to build a series of structures including dormitories, washing and lavatory facilities, a warehouse, and office space. They currently have from 10-20 producers staying on the premises while construction is ongoing. These producers receive both inputs and financing and produce approximately 5% of SEMAK 's orders at this time. SEMAK expects to recruit 50 producers in the near future, once production is complete. They then want to recruit another 50 for a total of 100. According to SEMAK the producers (who have migrated from the Bolga region in northern Ghana) prefer this situation where they live and work on the same premises. SEMAK prefers this scenario as well as it can better monitor the production process.

The different contracting models used by SEMAK, including their relative importance for production, are summarized in the following table.

Method	% of the Production	Contracting Method	Provide Inputs	Provide Finance	Observations
Model 1	5%	SEMAK → Production/Sub (Group) → Individual Producers	No	Yes	50-70% advance, balance paid upon delivery
Model 2	20%	SEMAK → Broker/ Sub → Production/Sub → Individual Producers	No	No	Negotiated Prices
Model 3	60%	SEMAK → Production Sub (SEMAK Agents) → Individual Producers	Yes	Yes	100% prefinancing/ commission to agents
Model 4	10%	SEMAK → Individual Producers	No	No	No advance payment, no subcontracting
Model 5	5%	SEMAK → Individual Producers (on premises)	Yes	Yes	SEMAK production center

The following text box presents a description of the export agents and the important role they play in the craft export sector.

Description of Export Agents

There are two export agents in Ghana who are playing a leading brokering role for export production companies. They play a major role in the industry - brokering roughly 40% of Ghana's export sales to large buyers such as Pier 1 and AMC. One of these companies exports roughly \$3 million a year in exports, or the equivalent of seventy-five 40-foot containers. These companies provide a unique array of business services, as described below.

Export Marketing Services

These brokers/agents have developed an effective style of marketing that sets them apart from other countries, such as Kenya. Under the model they have developed they invite the large buyers to come to Ghana two times per year for a 5-day product exhibition (they play an important role in communicating with these buyers and enticing them to attend the exhibits). During each visit they organize fifty to eighty "export production companies" to do a presentation of their products (usually at the national theater, or another well known facility). Part of this process is the selection and screening of companies to participate in the show (they will only choose those with a capacity to produce). The buyers go to the stands of each production company, select products, and negotiate prices directly with the owners of the companies. Once they finish, all orders are consolidated with the export agent - who assumes responsibility for monitoring production, packaging, and shipping. For these marketing, monitoring, and logistical services they charge a 6% commission on all sales.

This model has promoted transparency and trust among the export production companies and the agents as everyone is aware of the price that the others are getting. This reduces suspicions and increases fruitful collaboration. They cited the case of Kenya where the major export agents do not allow the large buyers to visit the individual production companies, or to negotiate with them. The agents take orders and then they negotiate with the companies. Since the export production companies don't know for sure what price the agent is getting there is distrust and difficulty in meeting orders. For these reasons (according to the Ghanaian

sources) export sales from Kenya have dropped over the past few years, while those in Ghana have increased.

Financial Services

Once a buyer has placed his orders with the different export production companies, and those orders have been consolidated with the export agent, the agent prepares individual invoices for each company that received an order. They then facilitate commercial bank loans for the export production companies by linking them with a local bank (Prudential Bank). The export agent sends all the sales orders to the bank, who then agrees to provide individual loans to each company that has an approved sales order. They lend up to 60% of the sales order to each company. The bank also charges a 3% fee (on total loan amount) to use as an "insurance pool" against possible default. When payment comes from the buyer it goes directly to the bank who then deducts relevant loan charges and fees.

Quality Management

During production of the orders the export agent (and his staff) conducts quality monitoring visits to the export production companies (and selected producers). During this time they assess whether production is progressing according to buyer specifications and provide quality management services as needed. They also organize periodic sessions with the companies and producers to share feedback received from importers on why certain products were rejected.

Management and Organization

The export agents sometimes provide training in pricing and financial management to both export production companies and selected producer groups. They also work with export production companies and present techniques for them to motivate producers.

The AFE program focused on the leading Ghanaian export production companies. These companies had a strong interest in EBS, as their organizations are based on a wide network of small producers. Those participating in the AFE program are profiled below:

Baseline survey core group companies 2002			
Export Production Companies			
<u>Basketry/Wooden articles</u>		<u>Basketry</u>	
Company:	SPB Uni-Commerz	Company:	SEMAK
Employees:	15	Employees:	18
Subcontractors:	28 (with 1,300 craftspeople)	Subcontractors:	22 (with 1,200 craftspeople)
<u>Wooden articles</u>		<u>Wooden articles</u>	
Company:	Allround Marketing Agency	Company:	Tekura
Employees:	5	Employees:	17-50
Subcontractors:	17 (with 400 craftspeople)	Subcontractors:	7 (with 70 craftspeople)
<u>Ceramics</u>		<u>Ceramics</u>	
Company:	Unique Ceramics Centre (UCC)	Company:	Ceramica Tamakloe
Employees:	35	Employees:	61
Subcontractors:	15 (with 50 craftspeople)	Subcontractors:	5 (with 25 craftspeople)
<u>Ceramics</u>			
Company:	Matamiss		
Employees:	12		
Subcontractors:	20 (with 150 workers)		

III. BUSINESS SERVICES PROVIDED BY EXPORT COMPANIES TO MSE PRODUCERS

3.1 Subcontracting Transactions

The export agents and export production companies described above (referred to in the rest of the report as "export companies" or "exporters") provide a wide range of business services to MSE's, including:

- Market access services
- Product development services
- Quality management services
- Financial services
- Raw material supply services
- Production training services
- Management advice services

All of these services are linked to, or embedded with, the buying and selling relationship (subcontracting) that exists between the export companies and the MSE producers they source from. Through subcontracting and other transactions the export company provides a market outlet for the producers' products. It is the sales generated from these transactions that contribute to increased income and poverty alleviation at the MSE level. The project therefore looked at subcontracting as an important business service (commercially viable solution) that export companies provide, and that help to alleviate key constraints facing MSE producers.

Subcontracting

Ghanaian export companies are the principle buyers of craft products – providing a market for thousands of producers around the country. They subcontract a large percentage of their orders to broker and production subcontractors, who in turn purchase from individual producers. This subcontracting is perhaps the most important service they provide to craft producers. It is also the activity that stimulates the provision of embedded services.

Example 1: Basket production in the Bolgatanga region

The largest basket exporter in Ghana, SPB Uni-Commerz, has no internal production capacity and sources all their baskets from producers in the Bolgatanga region. SPB works with 17 independent production subcontractors who buy from more than 1,500 individual weavers. The second largest basket exporter, SEMAK, sources from eleven production subcontractors representing 1000 weavers as well as from individual producers. It also provides space for several hundred producers to work in its own premises in Accra and Kumasi.

Coverage of Service:

All Ghanaian craft exporters interviewed work with subcontractors to whom they provide a substantial market. The importance of subcontracting ranges from using just a few small subcontractors at peak times to sourcing 95% of all products from subcontractors:

- In the basket subsector, an estimated 5,000 weavers in the Bolgatanga region depend on the export market for 90% of their sales.

- In the wood subsector, an exporter like Allround Marketing Agency works with 17 subcontractors representing a workforce of over 200 craftspeople from different regions in the country.
- In the ceramics sub-sector, the three ceramics exporters in the core group, provide market access services to 40 subcontractors with a total workforce of 200 persons.

Motivation of the exporter: By using an existing labor force, the exporter avoids over investing in fixed production units. Subcontracting offers a high level of flexibility to cope with rapidly changing order quantities.

Motivation of the subcontractor/MSE producers: Export companies provide the only market channel where larger volumes of craft products can be sold.

Impact: Access to international markets has resulted in net gains towards poverty alleviation. According to customs statistics, Ghana's craft exports have risen from \$ 2.6 million in 1993 to \$ 11.3 million in 2002. Since the mid-1990's, the number of craftspeople who are able to make a significant part of their income from craft production has greatly increased. The number of basket weavers, for example, has doubled and is still growing. For many persons, craft production is the only household income source besides agriculture. Particularly with regard to baskets, which are produced in one of Ghana's poorest regions, a large part of the population would face severe food shortages without the income generated from access to international markets.

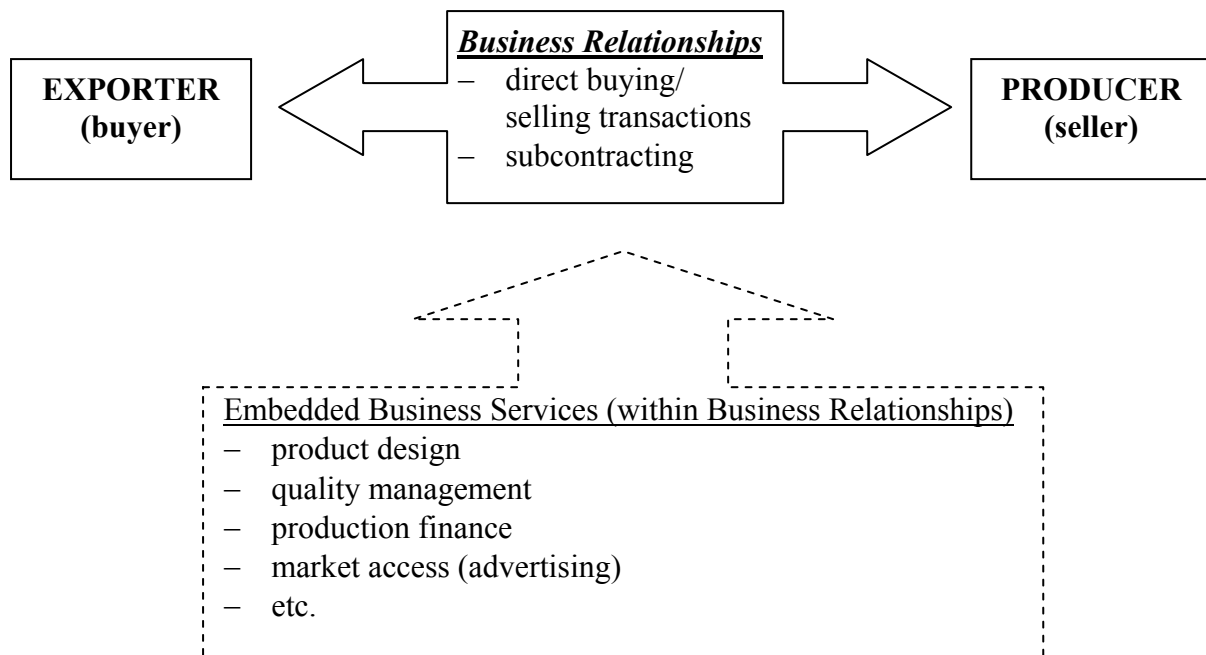
Service demand: High

Other service providers: Development organizations occasionally provide direct international market access to producers, though this represents a very small percentage of overall sales. Some pay higher prices for the products (only recently, a Canadian organization paid three times the market price) which results in market distortions. Since these organizations are not regular commercial market players, the MSE producers are not gaining access to a sustainable and stable market.

Export companies provide embedded services in order to ensure that they receive good quality products from MSEs in a timely manner. In this way, they strive to meet the demands of the international market. If successful, they are able to generate orders and then pass those orders down to the MSE producers. Without these orders, however there is little incentive for export companies to provide, or continue providing, embedded services.

It is therefore critical that development organizations also focus on promoting increased transactions between export companies and their international clients. This in turn, will result in greater transactions and market access for MSE producers. Once market access is there, export companies can provide embedded services to producers that will help maintain and/or increase the transactions taking place (see illustration below).

Recognizing this, some of the project's facilitation activities were designed to promote both increased transactions between export companies and international importers, as well as improved embedded services from export companies to producers. Examples of these included the promotion of trade fair participation and training of export companies in information communication technologies.

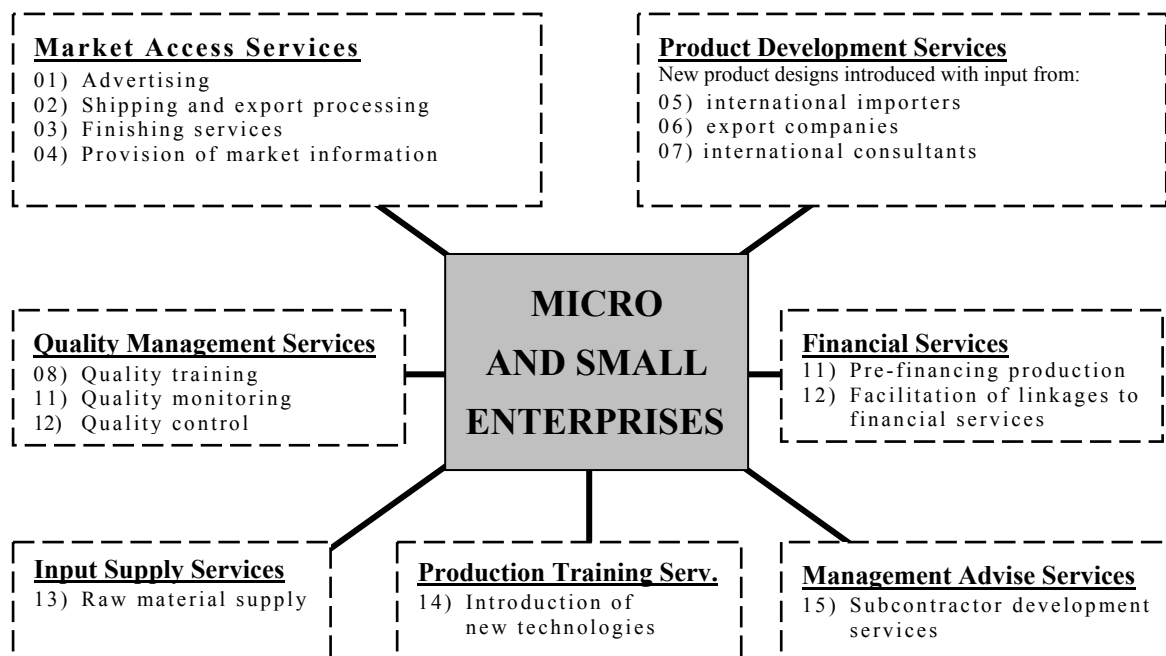


3.2 Embedded Business Services

This section examines the different kinds of embedded business services provided by export companies to MSE producers. It begins with a diagram illustrating these services. This is followed by a text box for each of the services that provides information on the following:

- Description of the service
- Coverage of the service
- Motivation of the exporter to provide the service
- Motivation of the producer to use the service
- Service demand
- Impact on MSEs
- Constraints to service provision

Embedded Business Services provided by Ghanaian exporters to craft producers



Market Access Services

These services can be broken down into the following components:

- 1) Advertising
- 2) Shipping and export processing
- 3) Product finishing
- 4) Provision of market information

Advertising	<p>Description: Export companies frequently take samples from their suppliers to present at international trade fairs, in catalogues and websites, and in local exhibitions. If an order for the product is made, the export company subcontracts the production to the supplier that developed the sample item. Some exporters also have catalogues, flyers and/or websites where they advertise their products as well as products from their suppliers.</p> <p>Coverage: This kind of product marketing service is widely used in the Ghanaian craft sector. It mostly concerns export company relationships with their smaller subcontractors, but also characterizes some business linkages between exporters themselves:</p> <ul style="list-style-type: none"> • SPB works with 15 independent subcontractors with an estimated workforce of 300-500 craftspeople that produce music instruments and other wooden products. In these two product lines, an estimated 40% of sales is based on products developed by SPB suppliers and advertised by SPB at trade fairs and exhibitions
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- Another major crafts exporter, SEMAK, uses one third of their trade fair booth space at the International Trade Fair in Frankfurt to advertise products of five producers of musical instruments, two producers of metal home accessories, and one small furniture manufacturer.
- Export companies frequently advertise products from other export companies at trade fairs (e.g. SEMAK is representing Ceramica Tamakloe at the Sources trade fair in New York). If sales are made the principle export company will subcontract production to the other export company.

Only a few companies have websites or electronic catalogues - most advertising is done based on print material.

Example 2:

Advertising of subcontractor products in the ceramics sub-sector

The ceramics exporter Matamiss Enterprises sources over 40% of its products from 20 subcontractors, representing a workforce of 150 artisans. Matamiss regularly encourages its subcontractors to develop new designs and advertises their samples at trade shows and other marketing venues. If Matamiss receives orders, which are too large for the subcontractor to meet, the order is allocated to different subcontractors in a very transparent and participatory manner. However, the subcontractor who originally developed the product receives a commission on each article produced.

Motivation of the exporter: Exporters are motivated to provide this business service due to: 1) the potential for additional sales (they have a margin or earn a commission on each sale); 2) reduced need for internal product development costs, and; 3) access to a creative source for new product designs.

Motivation of the producer: Producers are motivated to use this service as it reduces their need to invest in/develop their own international marketing capability. It can provide them with specific market knowledge and contacts, with no out of pocket costs. For many producers, it is the only opportunity for them to get their products advertised internationally.

Example 3: Catalogue based advertising

Mysha is a small Ghanaian export company specialized in European markets for ceramics (especially Italy). They take pictures of product samples produced by local suppliers and promote them in their catalogue and website. Ceramica Tamakloe (an export production company) uses the services of Mysha, and even refers interested Italian clients to them to handle the purchasing and export formalities of their products.

Constraints: International product advertising is expensive. Identifying new buyers and opening new markets can require substantial time and investment. Many current exporters began international advertising (through trade show participation) with assistance from development projects – though they have been participating independently now for many years.

Technical equipment (PC, Internet access, digital cameras) is available but most export companies lack the human resources to invest in catalogue or web-based advertising.

Impact on MSEs: This business service can result in significant increased sales for MSEs.

Service demand: High.

	<p>Other service providers: Donor-funded development programs have occasionally offered similar advertising services, but not in a commercially sustainable manner.</p> <p>Example 4: Ralph Ashong Ralph Ashong is a designer who is also involved in the production of wood products. He is one of the leading subcontractors to SPB who appreciates his reliability and design development skills. SPB has been advertising his products for several years, along with other export companies. This advertising has resulted in significant sales for Mr. Ashong, which has allowed him to grow into a sizable company with competitive products and good production capacity. In May 2003, he participated at the SOURCES trade fair in New York. This is an example of how advertising services from export companies have resulted in the establishment and growth of a successful production company.</p>
<p>Shipping and export processing</p>	<p>Description: MSE producers don't have the capacity or economies of scale to organize large volume shipments to international destinations. Export companies resolve this by consolidating the production of many producers into single shipments. They also handle all export formalities and logistics. Without these services producers would not be able to sell to the international market.</p> <p>Motivation of the exporter: The exporter is motivated to do this as it enables him/her to meet the demands of international clients.</p> <p>Motivation of the producer: For most small-scale producers, this represents the only way to deliver their goods at competitive transport costs.</p> <p>Coverage: This is a widely offered service to almost all MSEs producing for the export market.</p> <p>Example 5: Export Shipping Services SEMAK SEMAK regularly consolidates the production of hundreds of producers from throughout the country into sea container shipments to Europe. With excellent warehousing facilities and infrastructure, and extensive experience in packaging, preparation of export documents, dealing with freight forwarders and customs authorities, SEMAK can handle all aspects of the shipping process. SEMAK also offers shipping services to other export companies (and their international clients) on a fee basis.</p>
<p>Product Finishing Services</p>	<p>Description: Craft export companies complete finishing of supplier products in order to meet international market standards. They also coordinate production among different producers in order to complete final products. This takes place in wood, ceramics, and basket sectors.</p> <p>Example 6: Examples of Production Finishing and Coordination Services In the basket sector export companies finish products (in-house) by applying leather handles to baskets. In the wood sector, exporters use different producers for production of semi-finished products and for final finishing. Meanwhile, the ceramics exporter Matamiss uses specialized subcontractors for the sanding, painting and polishing functions.</p> <p>Motivation of the exporter: Product finishing and coordination of production process can lead to better product quality and increased sales.</p> <p>Motivation of the producer: Less skilled craftspeople are able to produce for the export market, while better skilled craftspeople can earn higher income by specializing in specific production functions. This enables</p>

	<p>producers to focus on their main production skills.</p> <p>Coverage: These services are widely applied by most craft export companies in Ghana.</p>
Provision of market information	<p>Description: Export companies are a primary source of market information for MSEs, providing exposure to current market trends, product requirements and standards, new product designs, international competition, and market feed-back from final product buyers.</p> <p>Example 7: Market feed-back from SPB When coming back from a trade fair, SPB convenes meetings with its production subcontractors to provide market information and feed-back they have received from clients at the fair. This results in regular product adaptations and new design developments.</p> <p>Impact: Export companies are the most important source of market information and market trends for MSE suppliers. The feedback from export companies enables MSEs to adapt their products to market requirements and is a regular source of product innovation ideas.</p> <p>Other service providers: MSEs also receive market information from international buyers who visit Ghana, though this is sporadic. Development projects and international consultants (funded by these projects) are another source of market information but not on a sustainable basis.</p> <p>Constraints: This service is often provided in an occasional, informal manner.</p>
<p>Product development services Product design and innovation services are done in three ways:</p> <ul style="list-style-type: none"> • with input from importers • directly by export companies • with input from international consultants 	
Product development services (with input from international importers)	<p>Description: Export production companies sometimes receive product design and innovation ideas from the importers they sell to. They then share this information with their local suppliers and request them to produce the new designs. In other cases the international importers provide these ideas directly to producers during buying trips to Ghana (this is less frequent). The service provider in this case is the importer - who provides the service either to an export company, or to a producer who sells to the export company. Close cooperation between exporters and international importers is therefore an important source of product design innovations.</p> <p>Coverage: International importers who provide product design advice and support exist but are the exception rather than the rule. While many export companies have received this kind of information from buyers in the past – it is dependant on a special kind of importer.</p> <p>Example 8: SEMAK/MARO Until the mid-1990s, there was only one type of traditional round basket produced in Bolgatanga. In 1995, a German basket importer (MARO) and a local export production company (SEMAK) jointly introduced a new kind of oval basket, which was further modified as a line of V-shaped baskets. Seven years later, oval and V-shaped baskets make up 80-90% of the sales of the major exporters and enable hundreds of weavers to maintain employment in basket production.</p>

	<p>Motivation of the importer: Importers are motivated to provide this service because it can result in new/innovative products that will increase their sales.</p> <p>Motivation of the exporter: Export companies are motivated to provide this service (when they can get the information/advice from their buyers) as it contributes to greater sales and market success.</p> <p>Motivation of the producer: Producers are interested in this service as it provides them opportunities to increase sales, receive higher prices, and gain better payment terms.</p> <p>Impact: The potential impact of this service is high. In the basket and wood sectors, product development advice from international importers (channeled to producers through export production companies) has resulted in many new products and increases in sales. This service has increased the ability of some producers to innovate, expand their client base, adapt to buyer trends, and take advantage of more lucrative export markets. Without this service many producers and production subcontractors continue to produce the same traditional designs and have difficulty maintaining high levels of sales.</p> <p>Constraints: Most international importers do not have the design skills or time required to work with export companies and producers on product development. Compared to the Asian craft industry, where importers regularly develop new product designs with their exporters, this practice is less widespread in Ghana. Currently, SPB is working with a German client on new rectangular basket designs and other similar examples exist for ceramics and wooden products. But these activities are more informal and do not take place frequently.</p>
<p>Product Development Services (provided by export companies)</p>	<p>Description: Through market exposure, export companies acquire an understanding of international market trends and requirements. Some then work with their suppliers to adapt products and develop new designs in line with these trends (e.g. introduction of new colors, design modifications, other product finishing, use of other raw materials, etc.)</p> <p>How the service is provided: Exporters come back from trade fairs with new ideas and ask suppliers to produce prototypes based on market trends and buyer feed-back.</p> <p>Example 9: Product design by export companies SEMAK works with master artisans (suppliers) to create new designs. These designs are developed based on the owners' understanding of market trends and buyer interest - and have resulted in steady sales for both the export company and their suppliers. In some cases, new designs have been developed by chance. In one instance SEMAK suppliers mixed the wrong colors and delivered products that could not be sold to the original client. While in the warehouse, however, other buyers observed these “new” products and ordered them. As a result, SEMAK started to show the products as samples and developed an entirely new collection out of them.</p> <p>Impact: The potential impact of this service is high - if it can be successfully delivered.</p> <p>Coverage: This service is being offered on a sporadic basis by Ghanaian export companies.</p> <p>Constraints/ Opportunities: There are several constraints to improved</p>

	<p>and expanded provision of this service. These include:</p> <ol style="list-style-type: none"> 1. Exporters are hesitant to invest in new product design as they fear that products will be quickly copied by local competitors. Some keep their “fresh” designs in-house as long as possible and only provide new designs to suppliers when production can no longer be done internally. 2. Export companies limit their investment in product design as the return on investment is not always immediate 3. Most export companies lack professional design training. 4. Some export companies consider product design to be a public service and therefore do not invest themselves. 5. Most of the Ghanaian export companies do not attempt to innovate products on a regular basis - while some of their international competitors come up with new collections developed by professional designers twice a year. 6. Importers feel that export companies could be doing much more in the area of product development. 7. It is difficult to introduce new designs to MSE producers spread over large geographic areas.
<p>Product development (with input from international design consultants)</p>	<p>Description: International design consultants work with export companies and their suppliers to develop new products and designs.</p> <p>Example 10: Ceramica Tamakloe/UCC In the mid 1990’s, a development organization sponsored an experienced American designer/exporter to provide technical assistance to craft export companies including Ceramica Tamakloe and UCC. The owners of these export companies were also skilled designers who appreciated the comprehensive advice on design and production technologies provided by the American designer. According to statements by the companies, exposure to this technical assistance (and this particular designer) completely changed their companies and was the basis for many of their current product collections and innovations. Both companies continue to develop new designs but the basic work was done in cooperation with the donor-sponsored designer.</p> <p>Impact: The impact of this service is potentially high if the designs are appropriate, and sell well.</p> <p>Constraints: The use of international designers in Ghana’s craft export subsector is not currently affordable for most exporters. The quantities of crafts exported are not large enough to make such investments worthwhile.</p>
<p>Quality management services These services can be broken into the following categories:</p> <ol style="list-style-type: none"> 1. Quality Training Services 2. Quality Monitoring Services 3. Quality Control <p>These services are critical to ensuring that products have the kind of standardized quality and product finishing required by the international market. The majority of interviewed exporters stated that some basic quality training is critical before working with a new production subcontractor.</p>	
<p>Quality training</p>	<p>Description: In this service, export companies train the representatives of their production subcontractors (frequently master craftspeople) in</p>

	<p>quality management techniques and required standards. These representatives, in turn, train the individual suppliers. In some cases all the members of a producer group are trained.</p> <p>Motivation of the exporter: Exporters are motivated to provide this training as it can improve the quality of the products they sell to buyers and improve customer satisfaction. Given the amount of preparation and resources required, however, most exporters do not take this responsibility. There is also concern that trained suppliers will obtain the new skills and then sell to competitors.</p> <p>Motivation of the producers: Some producers are reluctant to participate in such training and would rather not be bothered by quality specifications. Yet the production subcontractors feel that quality training is necessary in order to sell their products.</p> <p>Constraints: Export companies lack the skills, trained staff, and strategies to provide this training to producers on a regular or well-organized basis. Related to this service is the need for export companies to establish quality standards for the purchase of products. Once this is done, they can communicate these standards to producers through training or awareness activities. Once producers understand clearly what products will be accepted, and at what price - quality should increase.</p>
<p>Quality monitoring</p>	<p>Description: During the production process, field supervisors of the export companies monitor the performance of the producers and periodically check the quantity and quality of their production. This service reinforces quality management of the producers and helps them to produce to specifications (thereby reducing the number of rejects).</p> <p>How the service is provided: Management staff or field supervisors of the export companies visit the producers regularly during order production.</p> <p>Example 11: Quality monitoring on baskets</p> <p>During order fulfillment many export companies provide quality monitoring services up to twice a week. It is provided more frequently where exporters have local offices and staff (such as in Bolgatanga for the baskets) and less frequently where producers are located in remote areas (the case with many wood product producers). Export company staffs are generally equipped with the necessary transport (i.e., motorcycles) to conduct this service.</p> <p>Constraints: The cost and time of providing this service is a constraint for many export companies. Because of this, many companies make infrequent visits to the producers, and/or leave the responsibility for quality monitoring entirely to the representative of their production subcontractor (group leader, etc.). This does not always work well.</p> <p>Motivation of the exporter: Export companies are motivated in doing quality monitoring, as they realize that otherwise they will not get the quantity and quality needed to meet buyer requirements. The cost and time of doing it is a counterbalancing factor however, and the companies frequently find themselves limited in what they can afford.</p> <p>Motivation of the producers: Producers are interested in the on-going</p>

	<p>support that monitoring services can provide - and in avoiding producing products that don't meet specifications. But some are concerned that stringent monitoring (and conformity to all specs) will slow production and make it more difficult to meet deadlines.</p> <p>Impact: If done well, the potential impact of this service on product quality and sales for both the exporter and the subcontractor is significant.</p>
Promotion of Quality Standards	<p>Description: Export company staff checks the product quality when they buy the products from the subcontractors, and often a second time before shipment.</p> <p>Motivation of the exporter: High. Exporters know how crucial the delivery of standard quality products is for the success of their business.</p> <p>Motivation of the subcontractor/MSE producer: Low. In fact, suppliers don't regard it as a service but a burden and problem for selling their goods and getting their money.</p> <p>Impact: High. Without such quality controls hardly any importer would buy crafts products from Ghana.</p> <p>Constraints: Due to a lack of time and awareness, quality control services tend in many cases not to be strict enough.</p> <p>Example 12: Quality standards for baskets</p> <p>Even after a long period of delivering large numbers of quality baskets, SPB and SEMAK estimate that 20% of all exported baskets are not meeting the quality expectations of their buyers. When exporters are not able to get enough high quality baskets and the delivery deadline is close, they tend to accept a large number of lower quality baskets. Anticipating that a percentage of baskets will be of inferior quality they are also forced to order more from producers than the order requires.</p>
<p>Financial services</p> <p>These services include:</p> <ol style="list-style-type: none"> 1. Pre-financing production 2. Linkages to financial services 	
Pre-financing Production	<p>Description: Export companies typically pre-finance between 50% and 90% of production costs when fulfilling orders. Without such financial services, most producers would not be able to produce the quantities needed. Advance payments are based on a longer term business relationships and trust in the subcontractors themselves.</p> <p>Motivation of the exporter: Export companies are motivated to provide financing because, in many cases, if they didn't the production would not take place. The disincentive for export companies is the financial burden and risk involved.</p> <p>Motivation of the subcontractor/MSE producer: Producers are highly motivated to get access to working capital.</p> <p>Impact: High. This is an integral service in the crafts export sector.</p> <p>Other service providers: Exporters are the main source of financial services for the more informal producer groups and subcontractors who have no other access to formal bank services and credit programs.</p>
Financial Linkage	<p>Description: Export companies provide a variety of financial linkage</p>

<p>Services</p>	<p>services to their suppliers. Examples include advising small-scale producers how to apply to micro-finance programs, linking larger subcontractors to banks, and providing loan collateral with export orders.</p> <p>Example 13: Financial Linkages by GETRADE</p> <p>AMC is a worldwide organization that serves as the buying office for retailers like Profits, Bloomingdale Store, Stage Store, TJ Max and the Marshall Store in the UK. AMC currently visits Ghana three times per year, bringing with them buying agents from the different stores it represents. Before each visit GETRADE, a Ghanaian export agent, organizes an exhibition with up to one hundred different export producers with the capacity to meet large-scale orders. Lately these exhibitions have been organized at the Ghana National Theater. During the exhibition AMC and the buyers negotiate and place orders with the export producers. It is then the responsibility of GETRADE to consolidate the orders, assist the producers to access loans to pre-finance production (they do this through a local development bank called Prudential Bank), monitor production, provide AMC with a weekly progress reports, inspect and assemble the final products from the different export producers, pack it into containers at their warehouse in Tema, and then ship to AMC. Payment is made on the basis of letters of credit. Once GETRADE receives payment they make bank transfers to all the participating export producers. Estimated sales to AMC exceed \$2 million per year.</p> <p>Coverage: Low. Few exporters provide such services. Some are considering introducing this service to reduce the pre-finance obligations but the outreach is low compared to the direct pre-financing service.</p>
<p>Input supply services</p>	
<p>Raw material supply</p>	<p>Description: In some cases, export companies supply their producers with the necessary raw material for production.</p> <p>Coverage: Low. This service is provided by only a few exporters.</p> <p>Motivation of the exporter: Medium. This service requires additional work but in some cases is crucial for raising the level of production quality.</p> <p>Motivation of the subcontractor/MSE producer: Producers welcome pre-financing, even in kind, but prefer to receive cash advances rather than raw materials. Many prefer to secure their own raw materials.</p> <p>Example 14: Raw material supply ceramics/wood</p> <p>UCC, an export company specializing in ceramics, supplies its subcontractors with clay. UCC organizes the shipment of truck loads of clay from the Central Region and is looking for possibilities to mechanize the clay mining in order to extend its raw material supply services. In the wood sub-sector, exporters actually get involved in tree planting programs, since wood is getting scarcer in the main production regions. Members of the National Association of Crafts Exporters (NAHE) have reserved an amount of \$20,000 for a tree-planting program in cooperation with the Ministry of Forestry.</p> <p>Constraints: Service provision is expensive and requires adequate</p>

	logistics and working capital. In the basket subsector, producers prefer cash advances and prefer to procure raw materials themselves.
Production training services	
Introduction of new product development technologies	<p>Description: Some export companies provide production training and/or introduce tools and technologies to their producers to help them meet the requirements of new markets - though this practice is not common.</p> <p>Example 15: Production of new basket types at SEMAK After having developed prototypes of oval baskets, SEMAK organized training seminars for producer groups--teaching basket weavers how to produce specific sizes by counting the number of poles/rounds. Tape measures were also introduced which allowed the production of basket sets to fit into each other properly.</p> <p>How the service is provided: In general, the technical staff of the export companies trains master craftspeople from their suppliers who in turn provide further dissemination. In some cases, exporter staffs visit producer groups for on-site training.</p> <p>Motivation of the exporter: Exporters are motivated to provide this service in order to gain access to new markets.</p> <p>Motivation of the subcontractor/MSE producer: same as above.</p> <p>Constraints: Information about improved production techniques is not generally available outside of that gathered by export companies through market exposure. Export companies do not have staff trained in adult learning techniques and the organization of training seminars.</p>
Management advice services	
Subcontractor Development Services	<p>Description: Some export companies select experienced and reliable individuals, either master craftspeople or persons with business skills, and encourage them to form producer groups and work on a contract basis. In other cases, exporters go to villages and encourage local people to form producer groups, elect a group leader and set up an organizational structure that enables the exporter to work through the group leader. Having formed such groups, some exporters also advise them on how to improve their operations and management.</p> <p>Example 16: Subcontractor development SEMAK promotes the development of its subcontractors (producer groups, etc.) by distinguishing between those who require advance payments and those able to finance their own production. To encourage the latter, more independent structure, SEMAK offers higher product prices and more responsibility. This reduces SEMAK's financial burden and enables SEMAK to deliver larger orders. Subcontractors also develop organizationally and develop greater capacity to offer comprehensive services to other exporters.</p> <p>Motivation of the exporter: Export companies are motivated to provide this service as it expands their production capacity and reduces the need for pre-financing.</p> <p>Motivation of the subcontractor/MSE producer: Unorganized MSEs are interested in this service as it can bring them into international markets and provide greater earnings.</p> <p>Constraints: Some export companies lack knowledge of alternative methods of group organization within their networks. They also lack</p>

	time and resources to carry out this work.
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Based on this analysis, the project concluded that:

- The provision of embedded business services is widespread in the craft export subsector. No export companies were found who did not provide them, and no subcontractor/MSE producers were found who were not benefiting from them (in the export market).
- More experienced, larger export companies provide more comprehensive EBS.
- The level, quality, and frequency of service provision varied among export companies.
- Quality management and market access were seen as the most important EBS needed for international competitiveness.

IV. DESCRIPTION OF AFE PROGRAM ACTIVITIES

This section describes the facilitation activities that the AFE project undertook to promote the targeted business services. These services included quality management, market access, and product development.

4.1 Promotion of Quality Management Services

Although the export companies have already been providing a variety of embedded services to producers in the area of quality management, their efforts fell short of what was required to meet quality standards on the international market. As an indication of the importance of quality management, the two leading exporters of shopping baskets indicated that each had lost at least 10-20 large clients due to quality problems. Thus, there was a strong perceived need to improve quality management.

Based on an assessment of the quality management services in the basket export sector the main four constraints faced by export companies in delivering QM services were:

- **Constraint 1:** Lack an adequate strategy for addressing quality problems
- **Constraint 2:** Lack of skills and trained staff to provide QM training
- **Constraint 3:** Lack of clear quality standards for the products
- **Constraint 4:** Fear of the cost and time of providing QM services

In order to develop a comprehensive strategy to address these constraints, the AFE program organized a three-day workshop with the two leading basket export companies, SEMAK Ghana Ltd. and SPB UNI-COMMERZ Ltd. The workshop consisted of the following core elements:

- a brief introduction to the ISO 9000 quality management guidelines, in order to increase their knowledge on QM and enable them to develop strategies based on the ISO guidelines (addressing constraint 1)
- analysis of customer complaints/quality faults according to the different production stages. The workshop identified 20 different quality problems which were grouped into 6 main quality related problem areas:
 - Dyeing problems (color consistency, respect for color specification)
 - Base problems (a-symmetric set up, use of non-suitable raw material)
 - Weaving problems (firmness of weaving, number of poles used)
 - Trimming problems (cutting off ends correctly, smoothness of the basket)

- Handle problems (handle breaks, a-symmetrical handles, handle sizes)
- Size specifications (not according to order)
- For each of the six problem areas, precise standards representing state-of-the-art products were elaborated (addressing constraint 3)
- It was recognized that 90% of these problems were due to lack of quality awareness at the subcontractor/producer level. Provision of EBS seemed to be the appropriate answer, focusing on both QM training and quality monitoring control.
- The gaps between existing operations and required operations were analyzed and an action plan on quality management was outlined.

The three-day workshop was followed by detailed activity planning that took place together with subcontractors in the Bolgatanga region in North Ghana. Meetings took place with 75 producer group leaders, master weavers and local export company staff to assess the QM action plan. Several producer groups were visited and the feasibility of proposed operations was validated.

Based on the workshop and the subsequent field research, four main activities were launched:

- The development of comprehensive QM manuals, including quality control checklists and job descriptions for quality monitoring and control operations.
- The organization of Train the Trainers (TOT) workshops – (addressing constraint 2)
- The organization of pilot QM training workshops for weavers
- A public education campaign on radio and through market announcements

The key element of the QM action plan was the straightforward link between: 1) quality training (enabling subcontractor/MSE producers to produce to required quality level) and; 2) quality monitoring/control in the framework of the buying activities (thus following up on the training). With regard to constraint 4, a memorandum of understanding was signed between the project and the export companies outlining a cost-share model for QM service capacity building activities.

The above-mentioned activities are all part of a comprehensive quality management system consisting of both quality training and quality control.

4.1.1 Development/Implementation of Quality Management Manuals

The project assisted the two companies to develop Quality Management Manuals (QMM) with detailed job descriptions, handling instructions, checklists, and forms to be applied at different stages of the production process. The system linked training to continuous monitoring/control throughout the production/sourcing process.

The project also assisted the companies to introduce the quality management manuals into their day-to-day operations. The manuals provided a checklist of tasks to be performed by the staff of the export companies ranging from the placement of orders to subcontractors, to the point of product shipment. They also provided simple forms to be used in monitoring the different quality criteria, the performance of suppliers and subcontractors, etc.

Facilitation Activity Title:	Development/implementation of quality management manuals
Business Service:	Quality management services to MSE producers
Objective:	Ensure a standard product quality for international shipments
Service Constraints Addressed:	Lack in adequate strategy for addressing quality problems
Duration of Activity:	12 months
Project costs:	2 weeks of project staff time/ other costs covered by exporters
Methodology Used:	<ul style="list-style-type: none"> ▪ Use of an international quality management adviser for assessing the gaps between existing and required operations at each stage of production ▪ Simplification of ISO 9000 quality management guidelines for designing comprehensive but easy-to-handle QM systems for craft export companies ▪ Development of Quality Management Manuals (QMM) with details of job descriptions, handling instructions, checklists, and forms to be applied at different stages of the production process ▪ Testing of the developed forms in daily operations ▪ Encouraging the export companies to do company-specific modifications of the forms ▪ Review of the feasibility and appropriateness after 9 months
Effectiveness/ Impact	<ul style="list-style-type: none"> ▪ Each time a subcontractor/MSE producer supplies the export company with baskets the six quality criteria are checked, keeping the awareness level on these issues high. The procedures implemented with the QMM therefore ensure there is a permanent long-term follow-up of the QM trainings ▪ The key element for ensuring a long-term success of improved QM operations are the QM manuals that allow the export companies to control the QM process
Lessons Learned	<ul style="list-style-type: none"> ▪ Initial worries of overloading the export companies with too much paperwork did not come true. The companies were able to handle it and modified existing processes by integrating the new material. ▪ Other export companies dealing with ceramics and wooden articles expressed their interest in implementing similar QM systems. The EBS on quality management are of particular importance when production relies mostly on different subcontractors. ▪ Regular quality monitoring during the production process is both an important element for successful work and a valuable embedded business service.

The manuals/forms have been incorporated into the companies' operations either in their original form or with some modifications to suit the specific needs of the respective company. SEMAK for example has modified and incorporated the quality control checklist into their purchasing invoice. According to the company, this step was taken to minimize paper work and integrate the process of checking the quality of baskets with preparing a payment invoice for the supplier. In the case of SPB, adaptations were made to make the product quality checking process less cumbersome. SPB also began to implement similar QM systems (on its own initiative) to their other product lines (wooden articles and music instruments).

4.1.2 Train-the Trainer Workshops in QM

A two-day train-the-trainer (TOT) workshop was organized in Bolga (Northern Ghana) for each of the two participating export companies. Thirty-one training teams were constituted with each training team consisting of three members: the Chief Technical Officer (CTO) of the export company, the sub-contractor/group leader, and the master weaver. There were sixty-six participants in the TOT workshops.

Facilitation Activity Title:	TOT workshop QM training
Business Service:	Provision of quality management services to MSE producers
Objective:	Improve product quality standards
Service Constraints Addressed:	Lack of skills and trained staff

Duration of Activity:	3 months
Project costs:	1,950 €
Methodology Used:	
<ul style="list-style-type: none"> ▪ A professional training facilitator was made available by the project as a resource person for adult learning methodologies and MSE training ▪ The project promoted training teams consisting of export company chief technical officer, producer group leader and master craftsmen ▪ Specific objectives set for the TOT workshops were: <ul style="list-style-type: none"> - To improve the training skills of group leaders and master weavers - To develop standardized training methods and materials - To develop a detailed training program for the weavers workshops - To encourage group leaders to run regular training workshops for their own producer groups. ▪ Areas covered at the TOT workshops included: <ul style="list-style-type: none"> - The rationale for the quality management program for straw baskets - Elements of good quality baskets - Basic training skills (e.g demonstration and presentation skills) - Techniques for the production of good quality baskets. ▪ The workshop sessions were followed by field-based ‘practice’ workshops immediately after the TOT to give trainers the opportunity to practice the skills learned under the guidance of the resource person. 	
Effectiveness/ Impact	
<ul style="list-style-type: none"> ▪ According to an internal evaluation, the TOT workshops had a high impact on raising the quality level of baskets. Exporter staff and subcontractors developed the capacity to render simple but comprehensive training to their producer groups. ▪ Cost effectiveness was high - modest expenditures by both the project and the exporters combined with subsequent multiplier effects through the use of the producer group leaders as trainers. 	
Lessons Learned	
<ul style="list-style-type: none"> ▪ Export company staff and producer group leaders became highly motivated through this facilitation activity. They were equipped with new skills that could be easily used to raise productivity. ▪ The TOT helped to change the way they conceived their role. Subcontractors and producer group leaders became training-minded, considering themselves as responsible for teaching their group members the necessary technical skills ▪ The TOT proved to be an easy to organize and efficient capacity building intervention. 	

Field application of skills following the TOT showed that the workshop objectives were achieved. Both companies developed a corps of trainers equipped with the know-how and skills for the delivery of quality management training and technical assistance to straw basket producers on a regular and sustainable basis. This capacity has been amply demonstrated by the majority of trainers who have so far organized workshops for their weavers and weaver groups at the village level based on the recommended course content and methodology.

4.1.3 Pilot workshops to develop training capacity

The teams that were trained were tasked to organize quality management workshops for the producers and producer groups they work with. These workshops were held at the village level - at the regular meeting places of the producer groups. A total of ten workshops were held for export company affiliated producers, with an average of 37 participants per workshop.

These workshops were organized by the three-person training teams in a systematic manner using the course outline and training methods imparted at the TOT workshops. Expenditures ("incentives") were limited to refreshments for the participants as recommended at the TOT. A small allowance was also paid to the trainers with the exception of the chief technical officers.

In addition to these "formal" workshops a variety of "informal" training activities began to take place between sub-contractors, their master weavers and the producer groups they work with. The involvement of the export companies in these informal trainings was less direct. In one scenario, the sub-contractors brought together producers to: 1) make them aware of the basic quality requirements discussed at the TOT and; 2) take them through the techniques of production that address the six quality problems. In another scenario, the sub-contractors facilitated QM discussions with producers at the time that production quotas were being allocated. The training delivery in these cases was not as structured and systematic as the formal workshops, but was very cost effective. No expenditures were incurred.

Facilitation Activity Title:	Pilot workshops to develop training capacity
Business Service:	QM training services to MSE producers
Objective:	Improve product quality standards
Service Constraints Addressed:	Lack of trained staff / inadequate strategy for addressing QM problems
Duration of Activity:	9 months
Project costs:	2,380 €
Methodology Used:	<ul style="list-style-type: none"> ▪ The workshops are organized individually by each export companies with their subcontractors ▪ The 3-hour workshops took place at the regular meeting point of the producer group ▪ The training was provided by a team of three persons: The chief technical officer of the export company, the subcontractor/producer group leader and a master weaver of the producer group ▪ The training covered six topics: <ul style="list-style-type: none"> - Dyeing problems (color consistency, respect for color specification) - Base problems (a-symmetric set up, use of non-suitable raw material) - Weaving problems (firmness of weaving, number of poles used) - Trimming problems (cutting off ends correctly, smoothness of the basket) - Handle problems (handle breaks, a-symmetrical handles, handle sizes) - Size specifications (not according to order, etc.) ▪ Master weavers and subcontractor staff got a small payment for their participation to cover lost working time. In addition, refreshments were offered. The financial contribution of the project was kept low (€ 35 for a three-hour weavers workshop) so that the export companies could easily afford to continue on their own.
Effectiveness/ Impact	<ul style="list-style-type: none"> ▪ Once trained, weavers groups could quickly raise their quality level. Training on group level had an almost immediate impact on the general product quality. ▪ Internal documents of the export companies show immediate results within the first few months.
Lessons Learned	<ul style="list-style-type: none"> ▪ Export companies and subcontractors tend to have more informal trainings. The best approach seems to consist of an initial TOT to provide trainers with necessary skills, a strong awareness campaign, and then informal training sessions during which the weavers continue their normal work and get further instructions at the same time. Such an approach needs no funds for workshop organization and reduces the organizational burden of the export companies. ▪ The limited time of the chief technical staff of the export company was a serious bottleneck for organizing more training workshops. The time spent on holding weavers workshops took away from other urgent supervision activities. The chief technical staff of the export company should focus more on organizing TOT activities, whereas training sessions at the weaver level might be efficiently enough run in an informal way by the subcontractors themselves. ▪ The 3-hour program covering 6 different topics was too ambitious. It would be better to break the training down into 6 different, more informal sessions. ▪ The schedule set up for the training workshops was based on the assumption that the chief technical staff of the export companies could hold two workshops per day. This was in most cases not possible. The efforts needed to organize the workshops were under-estimated.

When planning the project activities on QM, the project focused on the formal workshops. It didn't consider or plan for the informal trainings. There are few records on these informal

trainings and the project's assessment team had to rely on information obtained from sub-contractors, master weavers and producer groups to determine impact. It is therefore difficult to provide accurate data on the effectiveness of these trainings. It appears however, that three quarters of all the sub-contractors and master weavers who participated in the TOT subsequently organized their own informal trainings for the producers they work with.

It was interesting to see how the TOT workshop, the facilitation of training skills, and the simple pilot workshops encouraged the producer group leaders to do quality training on their own in an informal way. This informal service provision seems to be the predominant, more appropriate and sustainable way of service provision. The organization of the formal three-hour training sessions, even when held simply at the regular meeting place of the producer groups, required too much organization and effort to be delivered sustainably by the export companies. Organizing them on a pilot basis however, served as a model for the more informal trainings. The pilot workshops, together with the TOT, seemed to influence the way the producer group leaders perceive their role and could result in more frequent informal trainings.

4.1.4 Radio Campaign and Market Announcements

The two export companies involved in this activity reported that the basket producers lacked awareness of quality standards required by the international market. For the MSE producers, it is very difficult to understand the quality expectations of final customers in Europe, while weaving baskets in the rural areas of Northern Ghana. What looks good compared to other products in a rural village, doesn't necessarily look good when compared to international products at a trade fair in Europe. Producers tended to regard quality complaints and rejects by the export companies as a form of pressure to reduce prices. Therefore, the two export companies combined the quality training with an awareness campaign, using a rural radio station and loudspeaker announcements, was strongly felt by the two export companies.

In addition, both export companies are usually compelled to rely on a broad range of producers for their basket orders. Quality management training sponsored by the export companies would not be sufficient to reach all of these producers. A strategy to reach these producers was therefore developed based on a public education campaign to be launched on radio and also to be conducted through a public address system at the Bolga basket market. The campaign was designed to highlight the six areas of production where quality is a concern.

Facilitation Activity Title:	Radio campaign and market announcements
Business Service:	Quality training services to MSE producers
Objective:	Improve product quality standards
Service Constraints Addressed:	Lack of awareness of micro-enterprises of the quality standards needed to meet international market demands
Duration of Activity:	2 months
Project costs:	1,640 €
Methodology Used:	<ul style="list-style-type: none"> ▪ Setting up an agreement with the local radio station, URA Radio at Bolgatanga, for a series of six interviews/discussions of 30 minutes each to be conducted with chief technical staff of SEMAK, SPB Uni-Commerz and selected leading subcontractors. The interviews were broadcast over a six-week period. ▪ Among key issues discussed were: <ol style="list-style-type: none"> i) the need to improve the quality of baskets to meet the increasing challenges and tougher

<ul style="list-style-type: none"> requirements of the international market. ii) the six identified production problems iii) techniques of weaving good quality baskets ▪ Broadcast was in ‘Gurune’ (the local dialect spoken in the target area) and in English ▪ Production of one minute jingle in ‘Gurune’ to be played before and after the discussion programs on quality baskets ▪ The programs in the local language were aired as part of a popular youth magazine program broadcast on Thursdays between 2:15pm and 3:00pm. ▪ The English discussion program was aired as part of weekly Women in Development program broadcast every Wednesday morning. ▪ All the programs were recorded on audiocassettes, which were given to the export companies for further use ▪ Portions of the radio discussions were also presented at the basket market in Bolgatanga. These were broadcast from a car using a public address loudspeaker. This activity complemented and reinforced the messages conveyed on the radio. ▪ The market announcements also served as a channel for reaching a segment of the target audience (particularly women weavers and traders) who might not be reached through the quality management training workshops and the radio campaign. ▪ Technical assistance on setting up the radio campaign was provided by FIT Ghana (who were implementing another program to promote business education through rural radio stations)
<p>Effectiveness/ Impact</p> <ul style="list-style-type: none"> ▪ The radio campaign and loudspeaker announcements about poor basket quality became a public topic, which was largely discussed in the weaver communities. ▪ An indicator for the high interest and active participation of micro-enterprises was that the format of the loudspeaker market announcements had to be modified when it became evident that members of the audience wanted to participate by asking questions or making comments. The market campaign ultimately turned out to be as much a discussion forum as it was announcements.
<p>Lessons Learned</p> <ul style="list-style-type: none"> ▪ The radio campaign and market announcements contributed a lot towards raising the awareness of quality standards for producers (weavers). The project's (and export companies') simultaneous work on different levels (TOT, pilot workshops, radio, market announcements) increased the credibility of the individual activities. ▪ Exporter staff played an important role as resource persons being interviewed by the journalists. The radio program thus became more interesting to listeners and the self-esteem of the exporter staff regarding their professional knowledge was strengthened. ▪ The radio and market announcements had the unexpected result of fostering a sense of national pride when it was explained how the Vietnamese producers were copying Ghanaian models and taking over market share of "Ghanaian baskets". This resulted in more cooperative attitude of producers vis-à-vis the export companies. The export company began to be seen more like the "coach" of a national team.

The radio campaign and market announcements met with great interest among the weavers. According to the internal assessment of this activity, most weavers were aware of the radio broadcasts and market announcements. This contributed significantly to the credibility of the quality training activities being undertaken by the export companies.

While the radio campaign was planned and executed as a one-time event to stimulate the "demand" for embedded QM services, it is expected that the market announcements will be repeated (at virtually no cost) by the export companies, especially when big orders are being placed.

4.1.5 Impact assessment of the QM activities

The impact of the QM activities was measured at three different levels:

- at the level of the export companies

- at the subcontractor/producer group level
- at the producer/micro-enterprise level.

At the exporter level, the impact was measured in terms of

- Rejection rates of baskets delivered by subcontractors
- Quality assessments by the exporters
- Information obtained from importers.

The awareness campaign, TOT workshops and pilot weaver workshops led to a gradual but consistent reduction in the rate of rejects, repairs, and re-works. Analysis of data obtained from the two export companies show that the rate of rejects was reduced by at least 50 percent since the initiation of the program (see table below). The companies see this as a significant achievement in view of the fact that more rigorous quality standards are now being applied at the point of purchase. Company resources required to carry out repairs and re-works on baskets are also saved.

Table 3: Report on Bolga Straw Baskets Purchased by SPB Uni-Commerz between December 2002 and October 2003

Month	Quantity Received	Quantity Bought	Quantity Rejected	Percentage Rejected
December	1452 sets	955 sets	497 sets	34.2%
January	1740 sets	1213 sets	527 sets	30.3%
March	1472 sets	1102 sets	370 sets	25.1%
April	322 sets	319 sets	3 sets	0.1%
May	626 sets	577 sets	49 sets	7.8%
June	117 sets	97 sets	20 sets	17.1%
July	97 sets	84 sets	13 sets	13.4%
August	3282 pcs	57 pcs	3225 pcs	1.74%
September	1488 pcs	2 pcs	1486 pcs	0.13%
October	3012 pcs	-	3012 pcs	0%

Staffs of the export companies, subcontractors, and weavers who were interviewed attributed this change to the improved quality management services and systems being used by the two export companies. The companies expanded the scope of their QM activities to include greater training, guidance, and monitoring of producers during production. This was a departure from the past when they tended to wait until products reached their purchasing outlets before enforcing quality standards. The companies now see the provision of QM services as a more productive use of their technical personnel. They attribute their change to the interventions implemented under the project, which improved their capacity to deliver more comprehensive and effective quality management services to weavers and subcontractors.

Feedback on the impact of the QM services was also gathered from basket importers:

- Both export companies regularly meet many of their buyers at the international trade fairs Ambiente and Tendence in Frankfurt. In August 2003, it was the first time that either company did not receive quality complaints regarding deliveries of the last six months. A 100% satisfaction rate of the importers was reported.
- One interviewed German importer who had always been very critical of the basket quality, pointed out that there was a great improvement in the quality of the last container of baskets they had purchased from one of the companies in May. The impact of this was

evident - the German importer had informed the export company in February that if the quality did not improve in the next container it would be the last one. They now expressed, however, their intention to continue buying and had already increased the share of baskets from Ghana on their stand.

- For both export companies, there was clear feed-back from several customers that the improvement in product quality would lead to repeat orders. These orders, in turn, will result in significant impact on income and employment for parts of the poorest rural population in Northern Ghana.

The reports by exporters and importers of a general improvement in quality standards in the basket industry were confirmed during a project survey undertaken with sub-contractors, suppliers and producer group leaders in Bolgatanga. These market actors confirmed the positive developments in QM and attributed them to the export company/project interventions, particularly the quality management training workshops and the public education campaigns.

According to them they are better informed about the basket market than was the case before the program. Their capacity to deliver quality management services through training, counseling, monitoring and sanctioning also improved considerably. They now feel more confident to organize training sessions on producing better quality baskets. They are also able to communicate more effectively on issues relating to quality with other players in the production chain including exporters and weavers.

The export companies' task of enforcing quality standards at the producer level was made easier by the public education campaign on radio and in the market. The messages conveyed through these media (particularly the information relating to the threat posed by Vietnamese basket exports) appear to have sunk very deeply as almost all the people who listened to the radio mentioned that as one of the key messages of the campaign. The radio messages went a long way towards reinforcing the quality management message.

Radio is widely regarded as an authoritative and independent voice that cannot be manipulated to promote the selfish interest of individuals and commercial concerns. Weavers thus took the radio broadcasts and public announcements in the market seriously. As important players in the production and marketing chain, sub-contractors and master weavers now encounter less resistance when enforcing quality standards at the weaver level. This has encouraged them to put more effort into assisting the weavers to understand the quality requirements of the market, as well as working with them to solve any problems that emerge during the monitoring visits.

The subcontractors believe that if the QM services continue, there will be a significant improvement in both the weaver's and their own standard of living. They feel that with improved quality the baskets their weavers sell can command premium prices - and that this will lead to higher commissions for them as sub-contractors.

Positive results of the quality management program have also begun to show at the producer level. Almost all the producers interviewed indicated that they are now better informed about the basket industry. They all show an appreciable understanding of what constitutes good quality baskets. Almost every producer interviewed could identify at least four out of six problem areas in basket production with ease and also explain basic weaving techniques that can be adopted to produce good quality baskets.

Further probing revealed that most producers had participated in the producer workshops organized formally or informally by sub-contractors, group leaders and master weavers. They attributed their increased levels of awareness of quality standards to these workshops as well as the radio programs and market announcements.

Most weavers were quite positive about the training workshops and indicated their interest to participate in future workshops. The general feeling was that more training is needed to address difficulties that are still being encountered in areas such as dyeing of straw and applying the tape measure to obtain symmetrical handles and rims.

Almost all producers interviewed had access to radio and had listened to at least one of the discussion programs. The impact of the messages delivered through the radio discussions, and jingles, has been quite profound. Most weavers interviewed said the radio programs had contributed to enhancing their appreciation of the need to improve the quality of baskets they produce. One female weaver said the discussion on radio alerted her to the problems inherent in stuffing the handles of baskets with millet stalk which made her abandon the practice completely.

Although most weavers interviewed said that the positive effects of program interventions had not yet translated into improvements in the levels of income earned from basket sales, they did not hesitate to admit that all things being equal, fewer rejections meant more money in their pockets. Their morale has also been boosted by the decrease in the rate of rejects.

Some negative feedback reported at the weaver level was that the general improvement in the quality of baskets so far has not translated into higher prices. According to the weavers it often takes more time and straw to weave a good quality basket and this must be taken into account when fixing prices. This was not done by the export companies since the tough competition (from Vietnam) on the international market doesn't allow for a price increase.

There are also some questions as to whether all of the subcontractors used by the export companies will apply the QM system and provide improved QM services to producers. It was agreed that the export companies have a key role in ensuring that all of their subcontractors apply the system.

4.1.6 Summary on the QM initiative

In general, the quality management program implemented by AFE in collaboration with the two basket-exporting firms has been well received by target beneficiaries. The commitment exhibited so far by the key players clearly indicates the relevance of the program.

At the export company level, the relevance of QM is evidenced by the keen interest shown by owners and staff, and the willingness on the part of the owners to commit their time and resources to the project. Their readiness to adopt quality management manuals and other tools introduced under the program is also noteworthy.

At the subcontractor level, the initiative shown by sub-contractors, group leaders and master weavers to organize informal QM training for their weavers (without any incentives from the program) bears ample testimony to their commitment.

At the producer level, the interest shown in the radio programs and market announcements was high - as seen by the interest in people to engage in spontaneous discussions on the issue. The radio station reported a high rate of incoming telephone calls during the discussion sessions of the radio campaign. This also reflects the relevance of the activities to their needs. Most of the weavers expressed the desire for the radio campaign to continue.

The significant reductions registered in the rate of basket rejections within a few months of project implementation (something the export companies have been grappling with for years) is also an indication of successful facilitation activities. There is still concern, however, that improvements made in the quality of baskets may be short-lived if the QM services are not sustained. AFE feels that the chances are good, however, as the export companies now realize that they must have good quality if they are going to compete internationally.

Two development organizations in Ghana also expressed their appreciation for the AFE program:

- Aid-to-Artisans-Ghana (ATAG) recognized and supported the AFE style QM initiative in its sector development paper of June 2003
- One of the Japanese development agencies working in Ghana, upon seeing the project activities and results, recruited one of the export companies' staff members to assist them in developing similar QM initiatives.

4.2 Market access services

Crafts export companies are the principal providers of market access services to a large number of MSE craft producers. Sector analysis showed these producers rely heavily on that marketing channel and that export companies in most cases represent and advertise the products of the producers.

The ability of craft export companies to provide market access services to producers is limited, however, by the size of their operations which are generally not very large. On the other hand, the much smaller producers have no capacity at all to engage with the export market directly.

In the crafts exports industry, the most important ways of marketing and communication with buyers overseas are:

- Trade fair participations
- Communication by the use of e-mail and digital photos
- Websites

The Ghanaian export companies all faced constraints relative to these marketing techniques. The project therefore designed facilitation activities to help address these constraints. These are described in the following sections.

4.2.1 Participation in Sources Trade Fair

Trade show participation by export companies provides a variety of benefits both to the companies and the producers they source from. As seen earlier, it can promote market linkages with international buyers that in turn results in greater amounts of subcontracting

(and income) to the producers. It is also a place where advertising takes place. When participating in a trade fair, the export company gets a chance to meet prospective buyers face-to-face and to showcase products. Generally, they showcase products that are collected from many different producers. Essentially, they are providing the producers an advertising service. Finally, it is a place where export companies receive product feedback directly from international buyers, which they in turn provide to the MSE producers they source from. This transfer of market information to producers is another form of embedded service provided by the export companies.

To date, trade fair participation by Ghanaian craft exporters has been limited primarily to fairs in Europe. They are aware however, that major markets lie both in Europe and North America. In the past, most large American buyers either placed orders when visiting Ghana or while visiting European trade fairs.

Following the events of September 11, American buyers' participation in the European trade fairs has gone down. As a result, the American market is increasingly developing its own trade fairs. "Sources" is the first new home-grown trade fair targeting suppliers from overseas who wish to export to the US market (the existing New York Gift Show is primarily for US based wholesale distributors, not foreign exporters).

One of the project's initial facilitation activities was to promote participation in the SOURCES trade fair, which was organized for the first time in May 2003. The project supported the National Association of Handicrafts Exporters to participate with ten individual export companies in the fair. Project support was limited to coordination with the trade fair organizers, a promotional mailing, and paying the transport costs of products to be exhibited. This represented only 10-15% of the total costs incurred by the participants. The project also produced a manual and conducted a workshop for participating companies on the "Characteristics of the US market for home accessories and gifts articles."

Facilitation Activity Title:	Promoting participation in international trade show
Business Service:	Provision of market access to MSE producers (subcontracting, intl. advertising, and market information services)
Objective of Facilitation Activity:	<ul style="list-style-type: none"> • Increase export company linkages with international buyers • Increase export company sales - resulting in them purchasing greater amounts of producer products • Get feedback on products from international buyers
Service Constraints Addressed:	<p>This activity addresses constraints to the supply of market access services. These include the difficulty for export companies (service providers) to:</p> <ul style="list-style-type: none"> • establish commercial relationships and linkages with new buyers • identify market demands of international buyers and communicate these to producers
Duration of Activity:	3 months
Direct Costs of Activity:	\$7,000
Methodology Used:	<ul style="list-style-type: none"> • Identified New York Sources Trade Fair (May 2003) as a means of expanding export companies' market access for the producers they source from. This was a new fair designed to link foreign exporters with major U.S. importers. • Began promoting the participation of Ghanaian export companies in the show. • Developed a cost share strategy in which the AFE program would cover the transportation costs of sending sample products and display materials from Accra to New York. This would be done via one sea container and would benefit ten participating export companies. • To participate, export companies had to cover all other costs and agree to participate in surveys to

<p>assess the impact of the activity on their capacity to provide export marketing services to MSEs.</p> <ul style="list-style-type: none"> • Developed a memorandum of understanding (MOU) that described the terms of project collaboration / had the MOU signed by participating exporters. • Worked with participating export companies and trade show organizers to develop a promotional mailing (inviting buyers to visit the stands). This was sent to 500 perspective U.S. visitors/buyers to the show. • Designed a training program to increase the exposure of exporters to the trends and opportunities in the U.S. market, and thereby improve their ability to market producer products during the show. Training was conducted one day before the show, and was attended by all participating export companies. This included distribution of "trade show handbooks" (developed by AFE) to participating export companies. • Carried out information interviews and surveys of export companies who participated at the show to assess impact on improved market access.
<p>Effectiveness/ Impact</p> <ul style="list-style-type: none"> • Actual sales at the show were low. According to industry experts, however, this is to be expected. The principle results at an introductory show such as this is contacts with prospective buyers that can then be nurtured over time and can ultimately lead to sales. With this perspective in mind the show could be considered successful as it resulted in some contacts with U.S. buyers. Some of the more experienced export companies understood this and plan to participate again. The more inexperienced companies are not so optimistic and many questioned the large investment they had just made. They are most likely not to participate a second time. • Given the relatively small investment that the AFE program made, compared to the contacts that the companies established, this seemed to be a cost effective facilitation activity. Ultimate results may not be known until after subsequent shows (if the export companies return) when buyers see them again and begin to develop more in-depth relationships and confidence.
<p>Lessons Learned</p> <ul style="list-style-type: none"> • Assessing impact of such an activity cannot be done based on the immediate sales that take place (or do not take place) during the show. It is more appropriate to begin measuring results after two or three trade fair participations, once more orders have materialized. • More efforts need to be made to promote improved pre-show organization (for example - getting required paperwork for the sea container, communication with freight forwarders to ensure delivery to the trade show site, appropriate product selection, pre-show promotion etc.)

Other findings from this facilitation activity can be summarized as follows:

- Trade show participation can be an effective means of promoting both subcontracting and embedded business services (advertising and market information) from export companies to producers. This in turn can create greater demand for QM services to ensure that orders are successfully fulfilled.
- Compared to another trade stand (organized by an American import company with Ghanaian export company partners), the NAHE participant stands and presentations at Sources were lacking in innovation and creativity. They could have benefited from a similar partnership with a US importer, or from professional fee-based assistance in setting up an appealing presentation. In the future, efforts should be made to promote this where possible (at the same time making sure that the project subsidy does not become too high).

4.2.2 Information Communication Technology (ICT) Training for Market Access

Even in the more experienced export companies, modern computer technology was often used for little more than typing. Many of export company owners were not "hands-on" operators of computer applications. Many had secretaries who received and sent their emails

(which often resulted in significant lag time), and handled all but the most simple tasks. Most of the companies were also not taking advantage of digital imaging as a means of advertising and communicating with buyers. The challenge confronting the companies was to expand the use of information communication technology (ICT) as a means of improving advertising and communication with international buyers and generating greater sales.

The aim of this project activity was therefore to develop the capacity of export companies to make greater use of ICT skills. This in turn would improve the advertising and market information services they provide to MSE producers, as well as contribute to a sustainable increase in subcontracting to the producers (assuming the new skills contribute to greater orders and sales with the international buyers).

Facilitation Activity Title:	Information Communication Technology (ICT) Training for Market Access
Business Service:	Provision of improved market access services to craft producers (advertising, market information, subcontracting)
Service Provider:	Export companies
Objective of Facilitation Activity:	Increase the capacity of exporters to use modern technologies for communication and advertising purposes
Service Constraints Addressed:	Export companies lack the skills to make full use of existing ICT technologies
Duration of Activity:	2 months
Direct costs of Activity:	\$1000 (for training program)
Methodology Used:	
<ul style="list-style-type: none"> • ICT needs assessment with export companies • Design of detailed terms of reference describing training modules and content (digital imaging, email, word, excel) • Determined that five-week / two hour per day time span was optimal for target audience • Developed and let tender document for provision of training • Selected and contracted local computer company to provide training program • Conducted five-week / two hour per day ICT program for management staff of export companies (seven companies, twelve participants - at least half were the owners themselves) 	
Effectiveness/ Impact	
<ul style="list-style-type: none"> • Significant increase in use of ICT skills by export companies • Purchase of computers, digital cameras, and email accounts by some export companies • Reduced communication costs for sending product information and commercial offers to buyers • Higher speed of communication for introducing/revising product designs • Development and distribution of digital catalogues on CD Rom • Improved marketing with prospective buyers using email with attached digital image <p>All of the above contributed to improved export company services to MSE producers (advertising, market information and subcontracting)</p>	
Lessons Learned	
<ul style="list-style-type: none"> ▪ Even experienced craft export companies were lacking in ICT skills ▪ Before the training, several export companies felt that the hurdles to ICT skills were too high and so they never seriously pursued it. ▪ The time span (five weeks/ two hours per day after work) was an important element of success (some export companies had pursued ICT training in different formats which were not effective) ▪ Organizing the training with a group of colleagues instilled group spirit ▪ The ICT training facility was in central location with good access ▪ The digital imaging and email training were the most popular elements of the program and most used afterwards ▪ It was important to tailor the training firm's SOW to the specific ICT needs of the export companies ▪ Attributing the impact of this particular activity to increased orders/EBS is difficult as it is one element among many necessary to promote improved market linkages 	

Feedback from the export companies was that the training was successful because of its "hands-on" character and well-focused content that responded to their specific needs. In several cases, the companies invested in new equipment such as digital cameras and laptops, and/or in establishing personal email accounts, which they began employing immediately to improve communication and advertising with international clients.

Export companies stated that the ICT training had significantly changed the way they are communicating with buyers, and that the use of e-mail and digital pictures had become the predominant way of sharing product information and submitting offers.

4.2.3 Website development

Prior to this project, only a few of the participating export companies had made efforts to establish a website. Most of these were not very functional. Almost all of the company proprietors agreed, however, that it was an essential requirement for effective promotion of their products.

In the context of the project, website development would help export companies to improve the embedded advertising services they provide to MSE producers, as well as contribute to an increase in subcontracting to the producers (assuming that the website contributed to greater orders and sales with international buyers).

Facilitation Activity Title:	Development of websites and electronic catalogues
Business Service:	Provision of improved market access for producers (advertising and subcontracting)
Service Provider:	Export company
Objective of Facilitation Activity:	Set up company websites and electronic catalogues
Service Constraints Addressed:	Export companies lack technical skills and know-how to establish websites and electronic catalogues
Duration of Activity:	Intermittent support over five-month period
Direct Costs of Activity:	\$1000
Methodology Used:	<ul style="list-style-type: none"> ▪ Identification of user-friendly, export oriented software for on-line/off-line catalogue generation (CATGEN) ▪ Introduction of software to export companies during participation in international trade fair ▪ Assisted export companies to extract text and images from existing brochures for inclusion on their website ▪ One-day workshop (in Ghana) with in-depth presentation on how to use the software ▪ Developed/let tender to identify local consultant ▪ Contracted local consultant to assist export companies to put together the content of their websites and upload to the CATGEN website
Effectiveness/Impact	<ul style="list-style-type: none"> ▪ Companies have recognized feasibility of websites for their companies and are actively engaged in developing them ▪ Most companies were unable to complete website development during the course of the project
Lessons Learned	<ul style="list-style-type: none"> ▪ It takes more resources (time, efforts, costs) to develop and maintain a website than thought ▪ Better for export companies to engage a private service provider for development and maintenance of the website, rather than doing it themselves (even if this is relatively simple with CATGEN)

While all of the participating export companies undertook initiatives to develop or improve websites, they were not able to complete the task. Reasons for this included:

- preference to invest their limited time and resources in establishing/ maintaining direct personal relationships with clients at national exhibitions and international trade fairs
- management staff lack time to work on website content
- uncertainty about choosing the right and most cost-efficient service provider
- desire to avoid a conflict of interest with their buyers (importers) who might not want to see the exporters' products on the internet.

4.2.4 Promotion of Trade Fair Marketing

When analyzing trade fair activities of the core group companies, it was found that most were limiting their advertising to inviting existing clients to visit their stand. There were no other activities designed to attract new customers. This limited their ability to create new market linkages.

Facilitation Activity Title:	Promotion of Trade Fair Marketing
Business Service:	Provision of market access for producers (product advertising, subcontracting)
Service Provider:	Export company
Objective of Facilitation Activity:	<ul style="list-style-type: none"> • Demonstrate improved marketing methods • Establish linkages with new buyers
Service Constraints Addressed:	Low awareness of trade-fair related marketing methods
Duration of Activity:	10 days
Direct Costs of Activity:	Consultant fees
Methodology Used:	
<ul style="list-style-type: none"> ▪ Identification of appropriate buyers who have visited previous trade fairs ▪ Assist export companies to develop/send both regular mail and email invitations to prospective buyers ▪ Demonstrate how to access/use free advertising material provided by the trade fair organizer ▪ Develop capacity of export companies to use digital images as attachments to email invitations - to create awareness of company products 	
Effectiveness/Impact	
<ul style="list-style-type: none"> ▪ After first pilot activities, the companies quickly took over and replicated the activities on their own ▪ Affordable ways of improving marketing were successfully introduced ▪ Buyer feed-back was modest 	
Lessons Learned	
<ul style="list-style-type: none"> ▪ Exporters can be easily motivated to invest more in better trade fair advertising ▪ If new linkages are created as a result of this, can result in greater level of subcontracts and market access for MSE producers 	

The project introduced export companies to the use of direct mail campaigns using both regular letters and email. Addresses of buyers who had previously visited the export companies' stands were reintroduced into their marketing efforts. Though the response in terms of visits to the stands by prospective buyers was modest, the application of this technique as an effective marketing tool has been clearly demonstrated and inculcated.

4.2.5 Competition analysis

For the past five to ten years Ghanaian basket export companies have faced a strong challenge from Vietnamese exporters. These exporters copy Ghanaian designs and produce a less expensive product made of different raw material. With this strategy they have taken over a large share of the world market for Ghana style baskets.

Ghanaian export companies were always perplexed at how the Vietnamese could produce similar baskets at such low costs (sometimes half the cost of the Ghana baskets). In order to investigate this, the AFE project hired a local consultant in Vietnam to carry out some basic research. A questionnaire was developed, together with the Ghanaian exporters, to gather information about the Vietnamese companies and their production processes. The Vietnamese consultant then used that questionnaire to interview several export companies.

Interestingly, the project found out that the organization of the Vietnamese companies was very similar to the Ghanaian ones. Production took place mostly in rural areas where export companies subcontracted production to weavers who produced baskets in addition to agricultural activities. The Vietnamese exporters, in some cases, did not have more than 20 employees, as was the case in Ghana.

While useful, the questionnaires did not answer all the questions of the Ghana export companies. It was therefore decided to organize a study tour to Vietnam for the two leading basket export companies in Ghana. It was hoped that the information generated would help the export companies to better organize production, advise MSE producers about the competition, and become more efficient.

Facilitation Activity Title:	Study tour Vietnam
Business Service:	Provision of market information and production technologies to MSE producers
Service Provider:	Export company
Objective of Facilitation Activity:	<ul style="list-style-type: none"> • Increase knowledge about international competition • Help MSE producers to improve production processes • Improve capacity to react to international challenges
Service Constraints Addressed:	Low information about leading competitors
Duration of Activity:	10 days
Direct Costs of Activity:	Travel costs to Vietnam, fees for Vietnamese consultant
Methodology Used:	<ul style="list-style-type: none"> ▪ Identification of a suitable local consultant ▪ Preparation of a questionnaire for a survey in Vietnam ▪ Survey regarding the organizational set-up of Vietnamese exporters of copied “Ghana baskets” based on the questionnaire ▪ Organization of a one-week study tour of Ghanaian basket export companies to Vietnam ▪ Visit to selected Vietnamese exporters and their workshops
Effectiveness/Impact	<ul style="list-style-type: none"> ▪ Vietnamese exporters were prepared to let the Ghanaian exporters visit their premises ▪ Ghanaian exporters were able to compare their organization with the delivery potential of their main competitors ▪ The importance of improving embedded services to producers was underlined by the finding that Vietnamese export companies provided extensive EBS to their suppliers ▪ Ghanaian exporters were able to inform their suppliers in detail about the international competition ▪ Ghanaian exporters started to disseminate the knowledge they got about the Vietnamese competition at local events in Northern Ghana
Lessons Learned	<ul style="list-style-type: none"> ▪ Study tour was an interesting benchmarking exercise and has shown that the main international competitors have a similar organization structure as the Ghanaian companies, based on a broad producer network and low mechanization standards ▪ Ghanaian exporters were able to identify weaknesses of their main competitors (like poor product development) ▪ Ghanaian exporters concluded that the best way to combat the competition from Vietnam was to put additional emphasis on creative product development ▪ The possibilities of the Ghanaian exporters to respond to the Vietnamese challenge are limited with regard to production volumes and prices.

The main conclusion of the two Ghanaian export companies was that producers in Ghana could not compete with the Vietnamese on mass production of standard products. The abundant availability of a cheap and efficient labor force in Vietnam had been underestimated. International buyers were aware of this, however, and had begun to source more and more from Vietnam (the study team met several of these buyers while visiting the premises of the Vietnamese export companies!). The study tour confirmed the need for Ghanaian export companies to put even greater effort into new and innovative product design.

4.3 Product Development

Product development is one of the pillars of ensuring a company's international competitiveness. It is also a service that export companies provide to small-scale producers who supply them with products. In this project, a small number of product development facilitation activities were carried out with the objective of promoting improved EBS to producers. The main activities were:

- Internship program of local design students
- Introduction of rectangular baskets in the production.

4.3.1 Internship Program

This facilitation activity sought to improve the ability of export companies to introduce new designs to the MSE producers they source from. To do this the export companies needed access to external design consultants. There was reluctance, however, to use local designers (who could be cost effective versus international consultants who were typically too expensive). The export companies questioned their ability to provide designs that meet international market demands, and also had concerns about eventual copying of new designs.

The project's strategy was therefore to test/prove that local designers could have a value-added impact. A low cost activity was developed based on linking design interns from a local university with selected export companies. These interns came from the College of Art at the University of Science and Technology in Kumasi (KNUST). KNUST was offering a course in product design for young design students in collaboration with a local NGO (Aid-to-Artisans Ghana (ATAG)). Interns were identified among these course participants.

Facilitation Activity Title:	Internship program of Ghanaian design students
Business Service:	Provision of new product designs and subcontracts for MSE producers
Service Provider:	Export companies
Objective:	Increase the capacity of export companies to develop and share new product designs with their producers
Service Constraints Addressed:	Export companies lack a systematic approach and skills to develop new designs and products
Duration of Activity:	1 month
Project costs:	525 €
Methodology Used:	<ul style="list-style-type: none"> ▪ Investigation of existing possibilities to link exporters with ongoing designer training programs organized by the University of Science and Technology Kumasi (in cooperation with Aid-to-Artisans

<p>Ghana)</p> <ul style="list-style-type: none"> ▪ Ascertain interest of companies in improving professional design capabilities through consultations with the companies ▪ Design and establishment of a structure for implementation of the design internship program (time and duration, content, contracting method, payment, reporting, cost-sharing between project and exporters) ▪ Identification of suitable qualified prospective interns ▪ Arrangement of meetings between the exporting companies and prospective designers to facilitate the selection and engagement of the interns by the companies ▪ Export companies engaged one intern each for four weeks, sharing the cost ▪ Monitoring of the ongoing design internships ▪ Assessment of design intern reports
<p>Effectiveness/ Impact</p> <ul style="list-style-type: none"> ▪ Despite initial reluctance of the export companies, the project component was in general well-received by the companies ▪ Interns were able to produce new sample products in a short period of time ▪ Some of the samples attracted buyer interest and resulted in large trial orders (in this case the new product designs were introduced to producers who also benefited from a new subcontract) ▪ In some cases, the companies realized a positive return on investment after only four weeks ▪ The companies expressed clear interest in using local design students on a continued basis in the future.
<p>Lessons Learned</p> <ul style="list-style-type: none"> ▪ The project confirmed that local/affordable designers can contribute effectively to assisting export companies develop new designs in response to market requirements ▪ Cooperation for an internship program between the export companies and the university or training institution is a viable proposition. Ideally, a long-term arrangement is established (not yet the case in Ghana but steps have been taken in that direction). ▪ The terms of reference for the interns need to be clearly defined ▪ There is a strong indication of demand for professional local design services in the crafts export market ▪ There is great potential for immediate financial benefits if export companies can develop their product design capacity ▪ New product designs developed by export companies can translate into increased subcontracts for MSE producers

Project activities showed the potential for local designers to assist export companies to develop new designs. This in turn, enables the companies to introduce the designs to producers they source from, and to engage in a greater number of subcontracts with them if the new designs sell.

A survey with the participating export companies also revealed the following:

- Two companies got large trial orders based on designs by the interns.
- Several companies have included new designs in trade fair exhibits and/or have introduced them to international buyers.
- The internships enabled the companies to test new design ideas that they have been harboring for a long time but have not been able to implement due to lack of capacity.
- Most companies expressed satisfaction with the design interns' level of competence and would have liked for the internships to be longer.
- Companies appreciated the exchange of ideas with young design students. They felt this could be a way of continuously integrating fresh ideas and keeping up with new trends.
- There was a growing realization among the export companies that investment in new product development was the only way to remain competitive on the international market, and that they needed to accept the fact that their designs might be copied. They feel that the key is to continually innovate and stay ahead of the competition.

In conclusion, the export companies confirmed an interest in either accessing freelance designers or having the internship program repeated. They indicated that employing a local

designer on a fulltime basis was probably not realistic, but they were comfortable paying for design services from time to time to help develop new collections.

The design internship program led to two main findings:

- Professional, local designers can effectively help export companies develop new designs that respond to market requirements. A regular internship program between the export companies and the university should be established.
- There is demand for professional local design services in the crafts export market. New product design can result in immediate financial benefits and is critical to maintain the competitiveness of the export companies (and the MSE producers they source from) in the global market.

„In conclusion we will say the idea of internship is a very good thing that will go a long way to support the handicraft sector if given the necessary encouragement”
Josephine Forson, Managing Proprietress, TEKURA Enterprises Limited

4.3.2 Rectangular Basket Pilot

In response to a specific demand from an international buyer, one of the export companies was faced with the challenge to develop and produce a rectangular straw basket for export. This product was completely new and had no precedent. The basket weavers had no experience at all in weaving such a shape. In addition, it was difficult to make the new production cost effective. As a result, the export company was unable to meet the demand of his client.

The producers first needed to learn how to weave a rectangular basket and then needed to learn how to produce them in a cost effective manner. With these objectives in view, the company (with assistance from the project) organized a capacity building activity for master weavers.

The activity consisted of a four week product development workshop, whereby selected weavers (MSE producers) were brought together to work as a group to develop the new baskets. This group work enabled the weavers to share knowledge and at the same time learn new skills from each other.

Facilitation Activity Title:	Pilot workshop for producing rectangular baskets
Business Service:	Provision of product development and production training for craft producers
Objective:	Increase the capacity of export companies to introduce new product designs to the export market (and the producers they source from)
Service Constraints Addressed:	Export companies lack the skills to introduce new product designs to the producers they source from
Duration of Activity:	6 months
Project costs:	500 €
Methodology Used:	<ul style="list-style-type: none"> ▪ Organization of a core group of weavers working under supervision in one location under the auspices of the export company ▪ Working out appropriate production technologies for weaving a new, very different basket shape ▪ Cost-share with the export company ▪ Monitoring of the workshop results

<ul style="list-style-type: none"> ▪ Planning of suitable follow up activities and second pilot workshop
<p>Effectiveness/Impact</p> <ul style="list-style-type: none"> ▪ The weavers who participated in the pilot workshop disseminated the new skills to their weaver groups ▪ Production of rectangular baskets grew from 20 sets in 6 months to 186 sets per month six months later ▪ After six months, the export company was able to deliver a significant number of rectangular baskets to an importer and got a renewed order for a larger quantity
<p>Lessons Learned</p> <ul style="list-style-type: none"> ▪ The companies can be effective product development service providers ▪ Master producers can come together as a group to work on new product design and then disseminate new skills to the producers they are associated with.

The export company was successful in introducing new production techniques to the producers. The knowledge of how to weave rectangular baskets spread to other weavers, enabling them to offer the new product to other buyers as well.

The activity helped develop the skills of the export company to use an improved, more structured approach to introducing new production techniques to the MSE producers. This approach, based on creating a shared learning environment, enabled the export company to develop the capacity of the producers to produce the new product line in a relatively short period of time.

4.3.3 Introduction of New Production Technology

The global competition faced by export companies compels them to seek innovation all the time. These innovations may be in relation to product development, market access or introduction of new production technologies. Given this realization, an activity was designed to help identify new production technologies that would make the Ghanaian basket producers more competitive. During this activity, an external basket weaving expert (recruited by the project in conjunction with one of the export companies) visited the two basket export companies in the program. The objective was to review production technologies and operations being used in the Ghanaian straw basket industry.

Facilitation Activity Title:	Introduction of New Production Technology
Business Service:	Provision of improved production skills to producers
Service Provider	Export company
Objective:	Increase the capacity of export companies to develop new/improved production technologies to share with MSE producers
Service Constraints Addressed:	Export companies lacked the capacity to develop production technologies
Duration of Activity:	0.5 month
Project costs:
Methodology Used:	<ul style="list-style-type: none"> ▪ An international basket weaving specialist was recruited from Germany. ▪ Two workshops with held with export company staff and subcontractors to review production processes and discuss appropriate technologies ▪ Development and production of prototypes of different kinds of improved tools with local blacksmiths and woodworking companies ▪ Initial tests of three tools yielded one tool viable ▪ Further development of the viable tool prototype for straw splitting (the "AFE BAKIDA") ▪ Distribution of 100 improved prototypes of the straw splitting tool on subcontractor/MSE producer level by the export companies to promote use of new technology
Effectiveness/Impact	

- | |
|--|
| <ul style="list-style-type: none"> ▪ The project component led to the introduction of a simple new tool with significant advantages for improved production speed and accuracy. It also reduces health hazards (broken teeth) to producers ▪ There is room for production innovation at producer level |
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<p>Lessons Learned</p> <ul style="list-style-type: none"> ▪ Methods of production in the crafts industry can be improved with simple appropriate technologies ▪ When introducing a new technology to an industry projects should concert with all stakeholders and make sure that there is sufficient market. ▪ The technology can work if it is affordable and easy to produce locally

Many aspects of the basket production in Ghana were reviewed by the basket production specialist in consultation with staff of the two export companies. While several production innovations were proposed, the most powerful innovation was the introduction of a simple and affordable straw splitter. Before this, straw splitting was done by weavers using their teeth. This was considered to be both unhygienic and inefficient. Representatives of the export companies had been searching for years for a solution to the straw splitting problem without success.

The development of the tool was facilitated by the systematic approach that included participation of both the export companies and the master weavers. The export companies identified local blacksmiths able to produce the new tool at affordable prices. They then distributed 100 straw splitters to their subcontractors and promoted their use. Within a short period of time other local development organizations working with basket producers had already begun recommending the straw splitter.

V. REVIEW/SUMMARY OF LEARNING AND RESULTS

While much learning has already been described in the context of specific facilitation activities, this section attempts to generalize and look at learning in the context of broad themes and specific hypotheses that were set out at the beginning of the program. The section will also examine project impact, assess the likelihood that targeted EBS will be sustainable in the future, and review the dissemination activities that took place to share learning with others.

5.1 Benefits of Embedded Business Services

The project found that a high percentage of MSEs in the craft export sector benefit from business services provided by export companies. These services are not provided as fee-based services, but are wrapped up in the more complex business relationships between producers and traders. Important areas of EBS provision by craft export companies to MSE producers in Ghana are:

- Financial services (advance payments for producers)
- Market access services (advertising, finishing and market information services)
- Product development services (product design)
- Quality management services (training, monitoring)
- Input supply services (raw material supply)
- Production technology services (introduction of new technologies)
- Management advice services (helping producers to form groups)

Most Ghanaian MSEs in the craft export sector developed their businesses through subcontracting agreements with export companies and through the embedded services they

receive from them. Services like the provision of advance payments, product advertising of subcontractor/MSE producer products at trade fairs, quality training and product development have been critical for the economic success of MSEs. The development of the craft export sector, which has taken place during the last 10 years and which has seen a quadruplicating of the export turnover from 2.6 million US\$ in 1993 to 11.3 million US\$ in 2002, cannot be imagined without the provision of such services.

These findings are shared by others as seen in the following quotes:

*"The widest variety of services identified in the survey were neither purchased, nor provided on a commission basis but were provided as part of a business relationship or partnership. A large number of services such as training, on the job quality control, product development, market information, equipment hire/leasing, management advice and marketing, are provided by partners as part of commercial business linkage. These services are fully commercial and are offered by the service provider for strategic business objectives. ... Both researchers in Thailand and Viet Nam stated that services provided through business relationships were, in their view, the most important for MSEs."*⁵

*"Embedded services are critically important within a subsector approach. They are an important and viable means of delivering BDS to an otherwise underserved rural client base, and serve to overcome serious Microenterprise constraints such as lack of cash flow, management capabilities, and market-based production. If based on commercial terms, embedded services not only reinforce value but also serve to leverage and attract service providers as the supply chain matures."*⁶

5.2 Benefits of Subcontracting

All of the services mentioned above are linked to, or embedded with, the buying and selling relationship (subcontracting) that exists between the export companies and the MSE producers they source from. Through subcontracting and other transactions the export company provides a market outlet for the producers' products. It is the sales generated from these transactions that contribute to increased income and poverty alleviation at the MSE level.

Without these orders there is little incentive for export companies to provide, or continue providing, embedded services. It is therefore critical that development organizations also focus on promoting increased transactions between export companies and their international clients. This in turn, will result in greater transactions and market access for MSE producers. Once market access is there, export companies can provide embedded services to producers that will help maintain and/or increase the transactions taking place.

5.3 Learning Linked to Project Hypotheses

In order to enhance learning, the project laid out a number of hypotheses to be tested. These hypotheses, along with a brief description of key findings/project results, are presented below:

⁵ The hidden MSE service sector, Gavin Anderson on behalf of the ILO InFocus Programme "Boosting Employment through SED", April 2000, p. 11

⁶ Knopp, David, "Business Linkages and Producer Groups in Bangladesh", Deloitte Touche Tohmatsu Emerging Markets Ltd., Washington, November 2002, p. 14

Hypothesis 1: Specific facilitation techniques are effective in promoting sustainable embedded services in the area of market access, quality control, and new product development.

Project results showed that sustainable embedded services can be promoted in all of these areas. Examples of facilitation techniques were discussed in the earlier sections and included:

- Analysis of sector constraints and market expectations
- Training-of-Trainers workshops for EBS providers (export companies and their staff)
- Radio and market announcements to stimulate demand for, and understanding of EBS with MSE producers.
- Promotion of trade fair participation and improved ICT skills for EBS providers.
- Development of improved technologies in conjunction with EBS providers and MSE producers.
- Demonstrating the viability and positive return on investment of EBS to EBS providers.
- Analysis of international competitors' production systems.

The table below provides an additional summary description of some of the facilitation activities, by category:

Category	Summary Description of Facilitation Activities
Quality Management	By promoting quality management through export companies the project was able to reach a higher level of sustainability in service provision. These services were further supported by the permanent quality control that the export companies exert at the purchasing level.
Product Development	Many projects provide MSE's with design assistance by international designers, who are no longer accessible at the end of the program. The project increased the product design capacity of exporters by promoting the use of local designers who were paid for by the export companies themselves. This opened up an affordable way to provide improved and sustainable product design services to MSE's, and help ensure greater long-term competitiveness for the sector.
Market Access (through Trade Fair Participation)	Export companies provide product advertising services for a large number of subcontractor/MSE producer products at trade fairs. This is the only way that most MSEs can get their products displayed on the world market. Many projects promote trade fair participation by fully subsidizing participation and by renting/constructing stands on behalf of exporters and producers. The project approach was to facilitate contacts with trade fair organisers, provide limited funding to encourage participation, and let the export companies rent and organise their own stands.
Market Access (through improved ICT)	MSE's benefit when export companies improve their information communication technology (ICT) skills. Improved ICT skills help export companies to find new buyers, and to improve relationships/transactions with existing buyers. This in turn enables them to increase their purchases from MSEs. Many past programs have carried out communication directly with international buyers on behalf of MSEs. The project conducted an ICT capacity building program for the export companies.
Production Technology	Technologies used by MSE's in craft production are mostly very simple and sometimes need improvement in order to achieve higher productivity. Export companies have the potential to develop and disseminate new technologies to be introduced in the production process. The project promoted this by assisting export

	companies to develop (locally) a new straw splitting tool. Once developed, the companies introduced the product to producers.
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While carrying out these facilitation activities the project discovered that many EBS, while initiated and driven by the export companies, are often carried out by intermediaries who operate between the export company and the producers. These include:

- producer group representatives
- full time agents working on commission
- independent contractors

The intermediaries are often responsible for direct contact with individual producers and/or producer groups. In these cases, they are the ones who either serve as the conduit for EBS from the export companies, or are the ones who initiate EBS themselves. The implication here is that any facilitation activity seeking to develop the capacity of EBS providers must consider the role of these intermediaries in getting the service to the level of the individual producers. For some services, such as quality management, this role is critical. In other cases, such as international advertising, their role is less important. The AFE program included many of these intermediaries in its capacity building initiatives, especially the QM initiative.

Facilitation activities also showed the importance of targeting specific craft export products (versus craft products in general) in promoting business services. The unique characteristics and market requirements of baskets, for example, were much different than those of ceramics or wood carvings. This was especially true in promoting quality management, input supply, and product development services. Time and effort therefore need to be spent to understand the unique characteristics of specific products and to promote services that meet their development needs.

Hypothesis 2: Behaviour of buyers (export companies) can be influenced so that they provide better quality embedded services to greater numbers of enterprises.

In general, export companies provide embedded services to the MSEs they source from because it is necessary to ensure business success. Some export companies have a greater recognition of this than others, which explains different levels of service provision. It is fair to say, however, that all export companies would prefer if they did not have to provide embedded services as they can be time consuming and expensive. One of the important research topics was therefore was to assess whether, and to what extent, exporters are prepared to invest more in embedded services.

The project found that exporters can be encouraged to invest more in the provision of embedded services if the benefits of doing so can be demonstrated clearly and if there is a real felt need coming from the market side. The project found that export companies in many cases lack the time and resources required to improve embedded services. Perhaps the largest constraint, however, was the lack of suitable approaches or delivery mechanisms. The provision of assistance to develop new/improved approaches to service delivery proved critical to getting export companies to provide better services. It was also important to focus on export companies with a similar product focus so as to develop services that were appropriate to those products (baskets versus ceramics, for example).

The project also showed that an important pre-requisite for promoting embedded services is that there is strong market pressure to do so. In the case of baskets, for example, the export companies were prepared to improve their quality management services as this was critical to keeping them in the market.

When the benefits of EBS are demonstrated to other companies there is a greater chance that they will develop or increase their own. Once other export companies saw the benefits of improved quality management EBS with the two pilot basket export companies - they showed great interest in developing improved EBS of their own.

Hypothesis 3: Improved embedded services will have a positive effect on exporters, producers, and the market in general.

The project demonstrated that provision of better EBS in areas such as quality management and product development can lead to immediate positive effects on income generation and a more efficient organization of producer networks. At the beginning of the project, the leading Ghanaian basket export companies had lost many of their international clients due to poor product quality, strong international competition and missing creativeness on developing new attractive designs for the market. The remaining customers threatened to withdraw from the market as well.

Improved quality management services to producers immediately led to a superior product quality, and subsequently to renewed orders of European importers on a container-load basis. This was an immediate impact of the QM services at the producer, export company, and importer level within one year after having launched the activities. In addition, importers increased their own marketing activities for Ghana crafts, which will likely lead to further positive effects.

Similar results were reported on the product development activities. Within weeks after organizing the internships of young Ghanaian designers, two out of seven companies already reported sales of new designs, which were several times higher than the investment they made to pay for the interns.

The project proved that the promotion of embedded services can have a direct impact on the economic success of both the receivers (MSE's) and the providers (export companies) of the services. Whereas substantial increases of export turnover figures and job creation could not be shown within the project period of one year and under difficult world market circumstances, there is clear evidence of a stabilizing market situation and improved competitiveness within a relatively short period of time.

The project results also showed that improved embedded services between market intermediaries and the MSEs they source from can be of great value to trade promotion initiatives. In subsector/value-chains, where the production is based on networks of small producers and specialized export companies, the promotion of EBS offers a significant potential to sustainably "upgrade" participating MSEs and address constraints to competitiveness.

One of the principle findings that emerged throughout the project was that there were many opportunities for "win-win" commercial relationships between export companies and producers of craft products in Ghana. These opportunities served as an impetus for the

exporters to improve and expand their services to producers, and for producers to organize and manage their production more efficiently.

Hypothesis 4: Networks of small firms can be promoted in partnership with embedded service providers (exporters).

Research conducted by the project demonstrated a wide variety of subcontracting relationships between export companies and producers (see section II). Most of these models are initiated by the export companies. In many cases, it is the export companies who help the producers to organize, or who establish incentives and frameworks for them to do so. They are able to propose organizational models that facilitate the delivery of embedded services (finance, inputs, training, monitoring, etc.) and that maximize efficiencies.

The export companies participating in the project showed how they are constantly improving/innovating on the subcontracting models they use with producers. In one case, the exporter explained how he was offering a higher price to subcontractors/producers who could pre-finance their own production. This then encouraged them to develop the organizational capacity to respond to this opportunity.

It was also seen that improved EBS provision sometimes resulted in improved group dynamics of subcontractors. Subcontractors, producers and producer group leaders who were interviewed attributed improved development of their networks to the export company/project interventions, especially those related to quality management.

Hypothesis 5: Demand side awareness of embedded services will improve relations between service providers and producers.

Using mass media such as rural radio stations and providing MSE's with information about market constraints and the need for EBS in quality management resulted in producers adopting a more collaborative (versus adversarial) relationship with the export companies. Particularly the rural radio played an important role where producers listened carefully to the broadcasted messages. It encouraged producers to invest time in their own training and made them more open to cooperate with the exporter (especially when they learned that that all Ghanaians were competing on a global scale with the Vietnamese!). The impact of the campaign messages was profound and the outreach extensive. It was virtually impossible to identify any producer in the region who had not heard and assimilated the message.

Hypothesis 6: Capacity of service providers can be built through use of local tenders.

The project showed that subcontracting certain facilitation activities to local firms (through a tendering process) can be an effective means of building the capacity of business service providers. This proved to be the case with the ICT trainings that were organized to build the capacity of the export companies to provide improved market access services to producers.

Rather than conducting the activity with internal project staff or international consultants, the project conducted a tendering process with local firms. Having first developed a detailed scope of work and tender document, the project advertised the tender in the newspapers. There was a strong response from a variety of local firms. The project then ranked the proposals, selected the best offer, and worked with the chosen firm to prepare the training - which was a big success.

By subcontracting such capacity building with local firms, there is also the possibility that the participating service providers (export companies in the project's case) will return to that firm in the future for additional training/TA - but this time on a non-subsidized commercial basis. This was the intention with the ICT training.

Not all facilitation activities can, or should be subcontracted to local firms. Much depends on the nature of the activity to be undertaken and the availability of qualified local resource firms. The degree of subsidy (cost share with participants) required will also depend on the particular context one is working in. In some cases the participants can pay a high cost share, in others it will have to be lower.

Hypothesis 7: Strong impact can be reached through facilitation of business services (versus direct provision).

In the case of this project, facilitating business service provision by market intermediaries (EBS providers) resulted in greater impact and outreach than it would have had the project provided direct services to MSE producers. This was evidenced by the adoption of improved practices by large numbers of MSEs that were part of EBS provider networks, and the limited impact that other organizations had achieved in the past when they attempted to introduce the same practices through direct service provision to MSEs.

In the context of the project, the facilitation (versus direct provision) of business services to producers had significant advantages including:

- High outreach (multiplier effects were possible working through the export companies' existing networks of producers)
- Low costs (personnel of the export company were used instead of project personnel)
- Higher sustainability (trained export company staff were available for the MSE's after the end of the project)
- Better service quality (export companies had more inside know-how and personal relationships with the producers)
- Clear exit strategy (service delivery costs are part of the commercial activities of the export company).

Example Quality Training

The groups in Bolgatanga mentioned that there had been some earlier initiatives (direct provision) for quality management training, which were not very successful. People were trained for one week by external consultants, but fell back into old working habits within a very short period of time.

With the embedded services, the training is done by exporter staff who continue monitoring the product quality regularly during the production process and who continue checking the quality when the products are delivered (with direct consequences for getting paid).

The table below illustrates and contrasts the "old style" of direct provision frequently used in the past (and still used by many today) contrasted with the "new style" of business service facilitation used by the project (these activities are described in detail in section III).

Old Style (based on unsustainable provision by a development program)	New Style / Project Facilitation Activity (based on commercially viable provision by craft export companies)
Development organizations offer supply led	Training/services are provided by export

courses for producers using trainers outside supply chain	company staff in a sustainable manner / part of a total quality management circle
Development organizations bring in designers to work directly with producers without involvement of export companies.	Design and product development services provided by export companies to producers in a sustainable manner
Development organization sponsors/constructs/manages stand on behalf of producers or export companies	Export companies provide market access to producers through sustainable participation in trade shows
Development programs carry out communication directly with international buyers on behalf of MSEs	Export companies use improved ICT skills (digital imaging, email, websites) to communicate with buyers and improve market access for producers
Development organization provide technologies that lack market viability	Export companies introduce affordable production technologies based on insight into producer needs and habits

Hypothesis 8: Exit strategies can ensure that the project does not take on commercial market functions, does not create market distortion, and does not create dependency relationships with exporters or importers.

Promoting technical assistance and training to MSEs through commercial intermediaries that have a vested interest in continuing to provide the services themselves, ensured that the services would continue to MSEs beyond the life of the project. This was the principle aspect of the project's exit strategy. By doing this, the project did not get involved in commercial market functions with MSE producers and therefore avoided creating distortions in the market. Capacity building activities that targeted EBS providers were not sustainable however. More efforts might have been made to also achieve sustainability at this level, had there been a longer time frame.

5.4 Other Learning

The decision to promote embedded services should stem from subsector/value chain analyses and business service assessments - A subsector/value chain analysis is a useful tool to help development organizations identify key constraints facing market players in a given industry. This in turn can help identify the business services/solutions that are needed to overcome those constraints. Once these are identified, it is important to look at the supply and demand of the business service to determine who the most appropriate provider to target should be. This assessment might show that the most appropriate provider is a market intermediary that can provide the service in an embedded fashion. On the other hand, it might show that the most appropriate provider is a stand-alone fee-based provider. One should not assume, therefore, that embedded services are always possible or that they are always the best solution. One should not determine in advance, for example, that they will do an "embedded services project."

Development organizations promoting embedded services should look for opportunities to make their capacity building activities with EBS providers commercially sustainable - Development organizations promoting embedded services should strive for commercial

sustainability of services at as high a level as possible. At one level the facilitator is promoting improved and commercially viable services between EBS providers (export companies in the case of Ghana) and MSEs (the users). Facilitation methods are used to develop the capacity of the provider to sustainably improve their service delivery. If possible however, one should also strive to make the facilitation activity to the provider sustainable as well - in other words promote it as a commercial service.

An example can be seen with the project's activities to develop the capacity of export companies to improve their QM services to producers. This entailed technical assistance to help the companies establish internal systems, train their staff in dissemination techniques, etc. One can make the case that the project's role should have been to find a third party (quality management consultant) that the export companies would pay to help them establish this capacity. In that way, the export companies would have access in the future to local service providers that could help them to tackle new challenges as they develop.

While experience from the project showed that this was unlikely to work in this particular context, it would be something to pursue in the future had there been a longer time frame. Now that export companies have seen the value of the QM services, and now that models for service delivery have been tested and refined, it might be appropriate to identify a local management consulting firm that could be trained in these techniques and nurtured to take over the facilitation role played by the project on a commercially sustainable basis.

The feasibility of making this higher level of service provision sustainable needs to be assessed on a case by case basis, taking into account the specific context of the situation at hand. In some cases it might be possible, in other cases not. The key is to always ask the question and strive whenever possible to make it happen.

Some embedded services might become fee-based services for MSE producers who develop greater economies of scale

Most MSE producers do not currently have the economies of scale that could allow them to contract services (market access, quality management, new product development, etc.) from fee-based providers. This could change, however, for those who grow large enough to justify the costs.

5.5 Impact on Income and Poverty Alleviation

Immediate impacts in the project areas were described in the previous sections and include*:

- Improved quality management leading to reduced rejection rates and increased sales (at least one new container load order can be attributed directly to this)
- Better ICT and trade fair skills resulting in improved market access
- New product designs resulting in new orders
- Improved production technology resulting in greater production efficiencies

*These impacts accrued to both MSEs and the export companies they sell to

The full impact of the project on income generation and poverty alleviation is not yet known, however, given the time delay before the results of the improved business services become visible. Impact was also affected by unfavorable world market conditions for craft exports during the time of the project. All export products are facing growing competition from Asian

countries, which often copy Ghanaian designs and reproduce them at lower cost. It is expected that the project's promotion of improved embedded services will help to improve the Ghanaians overall competitiveness on the world market, but this impact would have to be measured over a longer-term basis.

There are some examples, however, where the project activities can be directly attributed to poverty alleviation. One of these is the return of a major buyer who had significantly reduced purchases over the past few years due to poor quality. Upon seeing the improved quality of baskets (resulting from improved quality management services) the buyer resumed the large orders he had been making in the past. This happened eight months into the project. Yearly sales from this buyer alone have increased by 4-5 container loads of baskets. This equates on average to 15,000 baskets per year, and sales of 50,000 €. After deduction of the export companies' margin and production costs, this equates to a net income generation effect of 15,000 €/year for rural households. Based on direct feedback the project has received from other importers, it seems likely that there will be additional, similar examples to this.

5.6 Sustainability

Many of the business services targeted by the project were already being partially provided by export companies to MSEs before the project began. Many of these services, however, were lacking in effectiveness and scale. The project helped to address these issues. When one assesses sustainability, therefore, one must look at sustainability of the "improved" services, rather than the basic services which were already there. The following section examines the different kind of services that were promoted by the project and assesses the extent of their sustainability:

Quality Management Services - Improved QM services from the export companies to the MSE producers will be sustainable to the extent that the two targeted export companies (EBS providers) continue to apply the internal QM systems that were introduced, and continue to provide QM services/training to the MSEs they source from. Both of the targeted export companies have done so to date. Given their level of enthusiasm, the degree to which they have integrated the QM system throughout their organizations, the immediate impacts they have seen, and the need to continue the services in order to remain competitive internationally, the project feels that the QM services will continue sustainably into the future.

Market Access Services - Market access services from export companies to MSE producers will continue as the companies continue their participation in trade shows and continue to nurture relationships with existing clients. Improved market access (meaning greater client base and purchases from MSEs) will continue so long as the export companies continue to use their improved ICT and trade show marketing skills, and continue to participate in existing and new trade shows. While participation in new trade shows will depend on the financial situation of specific export companies as well as global market conditions, the project expects that all the export companies will continue to use their improved ICT and trade show marketing skills - thereby improving their likelihood of providing improved market access to the producers they source from.

Product Development Services - Improved product development services from export companies to MSEs will continue to the extent that export companies continue to engage the services of local design consultants. The project demonstrated the value of using local

designers through the internship program. Given the proven value, as well as the recognized need to continue introducing new products to remain competitive internationally, it is expected that most of the companies will continue using design consultants/interns in the future.

Two additional factors contribute to the strong likelihood that these improved services will be sustainable: 1) they are based on the felt needs of the export companies and producers, and address key constraints to competitiveness, and; 2) they were designed to be provided in an affordable manner that could be sustained by the export companies.

5.7 Dissemination

As seen in section III, the project has disseminated learning through a variety of methods including presentations at conferences and trainings, postings on websites, and mailings to development professionals. It is felt that these dissemination activities will have a positive influence on the enterprise field and that several development organizations (including AFE) will be implementing similar type programs in the future.

One of the principle objectives of the project (included as OVI's) was to disseminate skills and knowledge to development practitioners that would enable them to: 1) understand the nature of EBS, and; 2) design and implement effective interventions to promote embedded business service development. In order to facilitate this learning dissemination, the project produced the following materials:

- Report on the EBS mapping exercise
- Report on facilitation activities and project results
- Report on the design internship program
- PowerPoint presentations that can be used promote project learning on EBS
- Summary brochures on project results and lessons learned.

These materials and the related knowledge and learning were disseminated through a variety of methods including:

- Presentation of project findings at the Small Enterprise Education and Promotion (SEEP) Network annual general meeting in October 2003 (more than 40 development organizations were present at the conference)
- Presentations at three AFE training workshops in Cairo and Washington (representing more than 50 participants from donors, development consulting firms, and NGOs)
- Posting on major enterprise development websites (ILO, SEEP network, AFE, etc.)
- Mailing of the summary brochure to more than 200 development practitioners

CONCLUSIONS

This project has shown the feasibility of promoting technical assistance, training, and other business services to MSEs through market intermediaries, such as export companies, who provide services at their own cost because it makes good business sense for them to do so. It has shown that the promotion of these embedded services can be a powerful and sustainable method of MSE development that results in "win-win" relationships for both the provider and the user of the service. It has also demonstrated a variety of facilitation techniques to promote EBS and generated lessons learned.

AFE invites all readers of this report to share their feedback. As people begin to experiment with different facilitation techniques it will be important to share results. The promotion of EBS is relatively new and there remains much to be learned.

AFE would like to thank both DFID/EDIF for funding this exciting and productive initiative and to GLE/SI for providing valuable feedback and monitoring. It is hoped that the findings from this project will give new insights and ideas to enterprise development practitioners, and help them to design and implement successful programs.