



# Farming dynamics

## Traditional rural handicrafts in Bolivia: A developing sector

### Introduction

For a long time, handicrafts have played an important role among the socio-economic activities of farmer and indigenous communities, in Andean and Amazonian cultures, alongside agriculture, the raising of livestock, fishing and harvesting. In fact, handicrafts have answered a series of specific needs of the communities, whether from an economic, domestic or religious point of view. Nowadays, Bolivian handicrafts are gaining importance as revenue and employment generators for rural families and communities.

The pressure on land use (the "minifundio" system) and the lack of equal access to land, the impoverishment of lands destined for agricultural use, the State's chronic failure to facilitate access to credit, technology, information and to infrastructure as well the migratory flux of rural people towards the towns and abroad constitute considerable negative factors in developing farmer economies. In such circumstances, any activity that fills the family coffers is welcome. In terms of searching for alternatives to precarious existence, handicrafts have assumed an important role amongst peasant economic activities.

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## A sector overlooked by the State

In Bolivia, official (and unofficial) statistics are lacking and do not permit a precise quantitative analysis of the sector within the national economy. There isn't even precise nomenclature with which to account for it; so, it is included in the global figures for the manufacturing sector. This lack of reliable statistics for the handicrafts sector contrasts with its current importance to the indigenous and farming economy, not only by virtue of its previously mentioned economic impact (employment and revenue generation) but equally for its crucial role in the advancement of women and the transmission of habits, customs and knowledge which account for a huge part of the cultural identity in Bolivia.

## The context

83% of the economically active population in Bolivia are in family units (self-employed) or in micro-enterprises of fewer than 10 people. These units represent 98% of the existing enterprises in the country<sup>(1)</sup>. Only 1% of them has more than 30 employees<sup>(2)</sup>. So, the productive fabric in Bolivia is based on micro-enterprise, both rural and informal. The national census (1996) shows a total of 357 000 people employed as handcraft workers, of which 200 000 live in towns and 157 000 in rural areas. Around 67% of the handcraft workers are women, of which 90% of them work in the textile sector in the department of La Paz.

La Paz valley also contains 40% of the country's urban handcraft establishments in the following four large branches: jewellery and silver and goldsmithing, folk embroidery, wool weaving and string and wind musical instruments.

## The sector actors

One aspect of the sector is its heterogeneity both in terms of activities and its organisation. There are, in effect, corporations of micro-entrepreneurs, of urban artists (popular art), various trade associations (tailors, confectioners...), neighbourhood associations, mothers' clubs...

Officially, the Bolivian handcraft sector is made up of and represented by different groupings and organisations such as departmental associations for small industry (ADEPI), the chambers for small industry and for handcrafts, the handcraft workers' union confederation, the union for Bolivian popular art as well as the handcraft workers general union. The hardcore of these structures are mainly made up of urban micro enterprises.

The Bolivian State has a Vice-Minister for Micro-Enterprise as well as different technical aid bodies such as the Bolivian Institute of Small Industry, which broadly cover the activity. Finally, there are also various technical support NGOs for the handcraft sector such as CIDRE<sup>(3)</sup> or COMFIE<sup>(4)</sup>.

None of these bodies work specifically in the handicrafts domain, rather, they deal mostly within the framework of urban, small and micro enterprises.

Up until the network of traditional handcraft producers organisations

1) "The state of competitiveness in Bolivia": The Bolivian system of productivity and competitiveness; La Paz; 2002 (in Spanish)

2) QUIPUS cultural foundation; La Paz; 1999

3) Centro de Investigación y Desarrollo Regional

4) Comercializadora Fomento de Iniciativas Económicas

was created (the OEPAIC network), which SOS Faim supports, the rural indigenous and farming handcraft organisations had no national or sector reference body. This impeded the sector's development nationally and the defence of its interests at all levels: in preparing collective demands, for organising, for developing a reliable database, for launching public policy proposals or even for promoting standards of quality.

### **Traditional rural handcrafts: establishing a definition**

Handcraft is popular art which includes all essentially handmade production that requires artistic input and skill to produce functional, utilitarian or decorative objects based on family tradition passed from one generation to another. It is therefore a rather broad concept. However, its common denominators are that manufacture is by hand and there is a certain singularity of product which differentiates it from an industrial article.

Traditional rural handcrafts, half-way between utilitarian and artistic, include numerous products: jewellery, basket making, weaving, embroidery, ceramics, carving, musical instruments... Its essence is that it passes on ancestral know-how and a cultural inheritance, thus being different from merely market-oriented craft industry. Without denying, nonetheless, that a commercial awareness is also present from the very start of the production process.

Consequently, traditional rural handcrafts cover a large range of productive activities based on skills and know-how combined with the recycling of knowledge and practices from Andean and

Amazonian culture, transmitted from generation to generation<sup>(5)</sup>. In general, handcrafts are also most often anonymous. The creator is pinned in communal space and time. This sector is mostly made up of women.

This process of passing down from generation to generation allows tradition to be perpetuated, not so that it stays frozen in time, but rather that it can adapt creatively to the challenges of the market and the globalisation of culture. Thus, traditional rural handcrafts can be both an important economic supplement for the sector and a support to permanent re-creation of popular culture.

### **Organisations of traditional handcraft producers**

The OEPAIC network is made up of six organisations. While its headquarters are in the city of La Paz, its scale is national. Members come from rural zones of the departments of La Paz, Santa Cruz, Potosi, Tarija and Chuquisaca. In the future, the network would like to expand to include associations from other departments of the country.

The network includes commercial organisations of handcraft producers, mostly made up of low-income indigenous and peasant women. Throughout history, these handcraft workers have reinforced their traditional identity while working, all the while generating income to complement their family's subsistence agriculture. Only 20% of the network's members are uniquely dedicated to handcrafts<sup>(6)</sup>.

<sup>5)</sup> According to a study in 2003, 54% of handcraft workers said they had learnt their trade from a member of the previous generation; OEPAIC network, Consultora SUR, 2003.

<sup>6)</sup> OEPAIC network study, Consultora SUR, 2003.

Ethnically and culturally speaking, the network includes Aymara, Quechua, Tupiguarani, Chiquitano and Weenayek indigenous groups.

Bolivia has 50 handcraft producer associations of this type in rural zones and the aim is to include them all in order to strengthen the sector. ARTE CAMPO has successful and pioneering experience in this matter: created in 1984 with the support of an NGO called CIDAC<sup>(7)</sup>, the organisation has 1 020 members from 45 indigenous communities, of which 94% are women.

The current six members of the OEPAIC network are: INCA PALLAY (Andean weaving), the TAJZARA handcraft worker association, COMART-TUKUYPAJ (35 base associations), C'HASKA PALOMAS, the Bolivian Aymara potters union, UCAB and UNIARTE. SOS Faim supports four of these associations.

The main function of the organisations is to support handcraft production and marketing, but also to train and help members with legal matters. There are also other functions: the supply of raw materials, access to credit, support for administrative procedures, prices and quality control, advertising and marketing and the search for international support.

Meanwhile, the network has focused more on a dual role of political representation (formulation of legislative proposals) and strategic thinking (creating a development plan for the sector). It also provides information for members (principally about potential markets), with the help of a sector database. The network's main current challenge is to make itself more rep-

resentative and credible by acquiring new members.

## Legal and tax aspects

The Bolivian legal framework is not suited to the reality of peasant commercial organisations, which is what these handcraft producer associations are. These organisations are actively seeking profit, though also have social and distributive aims. In Bolivia, around 700 entities of this type are listed: they are central players in the social economy. The State recognises commercial companies, civil associations and co-operatives but not peasant commercial organisations, which have their own characteristics and way of working. This severely limits their development potential.

The different legal forms of association, inspired by European law, do not meet the needs of peasant commercial organisations. Furthermore, the information required and communicated by the State to legally set up an organisation is not always clear, which adds bureaucracy and discourages a lot of attempts. In Bolivia, it isn't uncommon to lose over two months to legal proceedings while trying to set up a business: these delays incur excessively high transaction costs for a small commercial entity with limited means<sup>(8)</sup>.

As stated in the CIOEC's strategic agenda<sup>(9)</sup>, current legislation does not consider that the large majority of Bolivian peasant units produce (due to

7) Centro de Investigación, Diseño artesanal y Comercialización Cooperativa.

8) Based on a World Bank study ("Haciendo Negocios"), an article in "Centro Popular" (22 June 2006), claims that Bolivian bureaucracy triples the cost of doing business in Latin America. Other sources like the magazine "Nueva Economía" (n° 644, 2006) estimate it takes 35 steps and nearly 67 days to start a business. Informality is therefore preferable in terms of cost/benefit.



the family working with some temporary outside help) partly for the market and partly for themselves. Either peasant commercial organisations become not-for-profit associations or they become for-profit companies. However, this second way of organising doesn't suit them.

The lack of a specific legal framework for peasant commercial organisations creates multiples forms of exclusion: they are not taken into consideration by State policy (nor by the town halls or the municipalities). There is no support for the sector. They cannot access the State's markets because of their informal status; they have little or no access to bank credit or that of financial institutions and they have tax problems due to the lack of a regime that recognises their social characteristics.

A new or remade legal framework, which recognises their specificity, will be crucial for peasant commercial organisations of the rural handcraft sector. The OEPAIC network has already taken big steps towards preparing a proposed bill of law. It still needs refining to bring it into line with the text of the basic legislation under discussion for all peasant commercial organizations.

A key issue for the desired new legal framework concerns tax. The peasant commercial organizations would actually like a fairer taxation system, which takes into consideration that they are made up of small producers.

A 16% tax, calculated on processing and marketing and not on their total turnover, would also be welcome.

Peasant commercial organisations also want to be exonerated from the tax on profits, for other reasons:

- They are not profit driven;
- Their main objective is to help producers improve their incomes;
- They reinvest their profit in training and in support for production and marketing.

More recently, a new requirement relating to intellectual property, has appeared. Handcrafts is in practice a manual art form that is often anonymous but one which meets the needs of the community. It should be governed by the rules of intellectual property because of its artistic character. This would demonstrate recognition of the traditional nature of this activity, which is booming, that is inseparable from its economic dimension. Hence the importance of legal protection. National legislation regarding intellectual property should be reviewed in this sense.

## Production and marketing

### a) Organising production:

The members of the OEPAIC network try to prepare common production and product development plans in line with market demands. This is not easy. Most producers work on their own from home because there are very few sites that have the appropriate infrastructure or adequately equipped workshops.

In recent years, a new form of organising production in small groups (known

9) "Agenda Estratégica de las OECA's", CIOEC, Bolivia, August 2005. There are more than 600 peasant commercial organisations in Bolivia, which represent almost 160.000 rural families. CIOEC represents the sector and defends its interests vis-à-vis the State. It has participated in numerous dialogues with government over the last 5 years and has made important contributions to the creation of a policy of support for this sector. Since 2006, a law has been put before the current government but no decision has yet been taken by the National Congress.



as committees) has been established. These groups specialise in one area of production, which ensures supervision of quality. This form of organisation has several positive effects: control over the raw materials, standardising the cost, uniformity and quality of products, better management of product delivery schedules, cross-learning. It is, nonetheless, far removed from classical mass or "chain" production methods. The big challenge will be to strengthen future diversity, by making high quality and attractively designed creative products.

As already mentioned, rural handicrafts are largely made by women (from 80 to 90%, according to our observations). However, men are increasingly interested, as a result of the activity's growing importance to family incomes.

#### b) Organising sales:

Peasant commercial organisations sell collectively in their shops. Handcrafts are sold in three different ways:

- Consignment: in this case, the organisation accepts the products after controlling quality and pays in the event of a sale;
- Cash payment, at the time of the delivery by the member;
- A mix of the two.

A consignment sale assumes that the organisation has working capital. This has several advantages:

- Better control over and greater demands can be made of quality;
- There is continuity in members' activities.

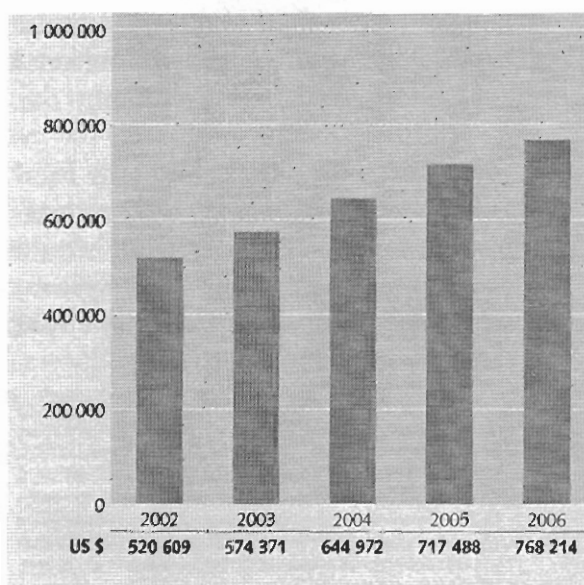
As for the price, it depends, of course, on the quality, the type, and the size... of the product. Transport costs are also included in the sale price. The handcraft workers make their products in a

rural setting before transporting them to the shops, in the country's main towns. Calculating all the inclusive production costs to make up the sale price is problematic for many peasant commercial organisations; there is still a lot needing to be solved in this regard.

#### c) Market trends:

The main clients are tourists. However, the various crises that the country has been through in recent times have slowed growth in this market. Middle and high class Bolivians are also important clients. While the national market is slow, handcraft exports are beginning to take off. For exporting, the availability of handcraft products in large quantities is essential. Producer organisations are not always ready to meet such requirements. In addition, the administrative and legal requirements that need to be met to be able to export are sometimes insurmountable obstacles.

Nonetheless, the graph below shows the upward trend in sales during the past five years:



To our knowledge, there are no economic impact studies for the Bolivian handcraft sector. Nonetheless, if one considers that people there survive on less than \$2 per day in the rural areas of the country, the average revenue per producer (ca. US\$200 or €136 per member per year<sup>10</sup>), according to available data) is far from negligible in the family budget, in addition to other activities carried out: agriculture, livestock and seasonal work in the cities.

Beyond the importance of handcrafts to household income, this sector also reduces the risks associated with rain dependent farming (without irrigation) and livestock rearing for many rural families.

### **An attempted assessment**

Traditional rural handcrafts provide various benefits: the preservation of a historical legacy, the affirmation of an identity, the generation of income, job creation, enhancement of women and their role in society, the consolidation of reference associations.

However, the sector faces several obstacles: a lack of equipment and infrastructure, a lack of innovation and creativity, quality of production is very heterogeneous, low use of management tools (strategic and business plans), insufficient working

capital, insufficiently trained human resources...

Undoubtedly, the development potential of rural Bolivian handcrafts is there! But better coordination with the tourism sector is needed, as is quantitative and qualitative improvements in order to respond to growing internal and external demand. To do this, handcraft producers will have to listen better to what existing and potential customers want.

The Bolivian context must also be recognised – characterized as it is by fuzzy legal and tax requirements and the lack of funding lines – as not being conducive to the development of traditional rural handcrafts.

So, the challenges facing handcraft workers are big. On the one hand, the need to reinforce political dialogue in their dealings with the State is urgent. On the other hand, internally, there is the need of strengthening and becoming more professional, of developing their capacities, improving their management and planning. All are challenges for the handcraft worker organisations.

Attitudes, working methods and behaviour must also continue to evolve. The stakes are high: to develop and sustain an industry that will strengthen both the traditional identity and income of many families in Bolivia. ■

10) -Informe de desarrollo humano 2004: 10 años '995-2004; PNUD: F. Calderón.