

# Virtual Souk: E-Commerce for unprivileged artisans

## Background

On the one hand, the experiences of the Virtual Souk show how new possibilities created by the surge of E-commerce create opportunities for small artisans living in remote areas. ICTs enhance their trade and the conservation of their traditional knowledge.

On the other hand, by pioneering in this unknown field of E-commerce between small producers in developing countries and the potential demand in of high-income markets, the Souk also tells us about the potential pitfalls and the obstacles that others will have to deal with if they start similar initiatives.

Thus, whereas the Souk is certainly replicable in other countries and other sectors, it urges new initiatives to be aware of the costs of marketing and the need for quality control.

## Introduction

Artisans from the Middle East and North Africa Region have always crafted high quality products using traditional techniques and ancestral know-how. Today, their knowledge is disappearing and their incomes are lagging. This is not only caused by shrinking local demand and the distance to lucrative national and international markets, but also by limited access to information on these markers and a lack of ways to communicate with them.

The main goal of the Virtual Souk is to bring artisans crafts to the market place, without pressure to standardise and degrade their techniques. Thus, by returning the profits to the artisans without high intermediation costs, the

Souk will not only increase the livelihood opportunities of the artisans, but will also help to save their high-quality techniques.

In January 1998, several activities led to a financially sustainable and a decentralised and locally controlled e-commerce operation called the Virtual Souk. These activities represent a combination of awareness raising, capacity building, network strengthening, and the expansion of use of new information technologies.

## **Results**

Approximately 1000 artisans are trained and included in the project. Over the last two years, more than 1500 clients visited the Souk. Artisans have grouped themselves and established quality criteria of their work and began collaboration among them. And the Virtual Souk organised 3 training workshops in Tunisia, Lebanon and Morocco.

## **Lessons**

### **Economic risks:**

The major risk is the economic failure of this commercial activity caused by low volumes of sales, less than expected involvement of the participating NGO's or poor quality of the products.

Another difficulty is the logistics implementation that can be costly (shipping) or non-existent. In addition, governments in the region are suspicious about increased connectivity and have the tendency to control the Internet. However, several built-in measures, such as predicted growth, working with reputable NGO's, quality control of the catalogued products and awareness raising through participating in fairs and forums, can mitigate these risks.

## Professional Members:

In order to maintain high quality standards and reliable services to the clients, all participant of the Souk have to receive training in managerial, logistic and technical skills. Without the guarantee of sound services, the Souk will not be able to sustain a sound relationship with far-away markets.

INFOS: Partners



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The Virtual Souk is an initiative of the **World Bank Institute (WBI)**. The project derives from the World Bank's essential goal of reducing poverty in developing countries. Providing employment opportunities for poor people is an essential part of poverty reduction. Whether or not such opportunities occur depends to a large degree on the health of the informal sector and of micro-companies. This is because the informal sector is the most important source of jobs and income for the world's poor, especially women. Micro-companies generate income, create low-cost employment, help fledgling domestic industries to get off the ground, develop links between the informal and formal sectors, and encourage participation in the development process.

And yet micro-industries are subjected to enormous constraints, including lack of education, illiteracy, little or no access to institutional loans, a total lack of management expertise, limited information about market opportunities, as well as cultural, legal, and regulatory constraints. One of the biggest obstacles faced by poor artisans living in remote villages is the difficulty they experience in marketing their products at a reasonable price.

Technological advances are helping us to get round these obstacles, and one example of this is the creation of an internet market for arts and crafts products that are produced by the South and directed at buyers in the North. A demonstration of this site, the Virtual Souk, was given in May 1997 at the Mediterranean Development Forum, in Marrakech, where it generated considerable interest and enthusiasm. The Virtual Souk site was developed on an experimental basis for the Marrakech Forum, in order to demonstrate the potential of the internet. In choosing the example of an isolated village, we sought to demythologize technology and show how poor, illiterate women can gain access to this tool if they are supported by a local organization.

The main attraction of the Virtual Souk is that buying and selling only with reliable, non-profit-making partners allows the producers to increase their margin and the middleman to reduce his.

Our role would be that of a broker, helping to start up a process in regions where the economic and psychological barriers are significant, but where the potential exists to improve the economic conditions of an extremely poor population. We work essentially with development organizations such as NGOs who are involved in the development process and who work directly on the ground.

These organizations provide management training, and in our view the marketing of their proteges' products would simply be an extra service to be added to those they already offer. We also offer training and provide our partners with training material and technical advice in order to strengthen their ability to work as effectively as possible. In our view, the technological aspects of the Virtual Souk site are its easiest aspects, and this view was backed up by our experiences at Marrakech. Before the Virtual Souk can become a reality, however, a reliable marketing system offering transparent, low-cost transactions must be set up. We must create a detailed description of the business chain and the various stages of production, price setting, transportation, export customs duties, and product storage. This list could even grow longer and the challenge become greater if we consider other concerns, such as quality control, the treatment of complaints, foreign-currency movements between, for example, the USA and Morocco, and the roles and responsibilities of the various players in the business chain. There is of course a real risk that mismanagement will occur and that small artisans will be exploited. We are aware that our NGO partners and their clients (poor, isolated artisans, citizens of developing countries) are vulnerable, and that technology alone will doubtless not be able to resolve all the problems the system may present. That is why the WBI is concentrating on skills development and on helping its partners in developing countries to establish a viable and transparent system, based on giving poor people independence and access to the full range of economic institutions. Without such a system, the Virtual Souk will not become a reality for the people for whom it is intended.

**Text: Azedine Ouerghi**  
Human Resources Economist, -WBI-

## **Project Information**

Country of activity: [Egypt \[EG\]](#)

## **Contact Information**

Maurice Hazan

[info@elsouk.com](mailto:info@elsouk.com)

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