

## PROJECT DESCRIPTION

### Mumwa Crafts Project

#### Zambia

#### I. Introduction

This appendix describes the activities to be undertaken and the results to be achieved with the funds obligated under this Agreement. Nothing in this Appendix A shall be construed as amending any of the definitions, conditions, or terms of the Agreement.

#### II. Background

The Mumwa Crafts Association (MCA) is an indigenous, non-profit organization that enables communities in the Western Province of Zambia to generate income and reinforce traditional values through the production and marketing of high quality crafts. The Association's main products are baskets, ceramics, leatherworks and wood carvings. The Association buys these products from its members and sells them to the local and international markets. As part of its commitment to community development, MCA reinvests twenty percent of its profits in programs to benefit the local communities.

MCA's business opportunity lies in the unsatisfied demand for its crafts in Zambia and in international export markets. In order to further develop their business and take advantage of these opportunities, MCA members have identified the need to address issues of institutional capacity, to gain an understanding of and create linkages with the local and international markets, and to resolve issues of product design, quality and quantity. Mumwa Crafts does not have the financial or technical capability to resolve these constraints on its own.

#### III. Funding

##### A. ADF Contribution

The financial plan for ADF's contribution is set forth in Appendix A-1 to this Agreement. The Parties may make changes to the financial plan without formal amendment, if such changes are made in accordance with Article 7 of the Agreement and do not cause ADF's contribution to exceed the obligated amount specified in Article 4, Section 4.1 of the Agreement.

##### B. Client Contribution

MCA will contribute the labor of its members, the land and buildings for the MCA office, the salary of the executive director, and the operating costs of the Association.

#### IV. Project Goal

The goal of this Project is to promote the growth of small scale crafts enterprises that improve the standard of living of poor craft producers in the Western Province of Zambia.

#### V. Project Purpose

The purpose of the Project is to improve MCA's prospects for sustained expansion as evidenced by the development of a comprehensive five-year business plan that ADF deems suitable for funding by a donor or other financial institution.

#### VI. Outputs

- A. Improved management capacity as evidenced by the following.
1. The management team routinely utilizes financial documents produced during the Project, such as quarterly bank reconciliations, budget expenditures, profit and loss statements, balance sheets and cash flow statements in making financial and management decisions for the Association.
  2. A functioning and active board of directors meets quarterly to assess management implementation progress and addresses implementation constraints necessary to move the organization forward. In addition, the board convenes the Annual General Meeting (AGM) in accord with its constitution to update members on MCA's on-going activities.
- B. Improved technical capacity as evidenced by production of high quality craft products linked to market demand with:
1. the identification of two new markets by the end of the Project; and
  2. a 20 percent increase in the sales price of MCA's craft products.

#### VII. Activities

- A. Enterprise Development
1. With the help of a consultant, MCA will work closely with the board and management team to develop a comprehensive integrated five-year business plan that will guide the growth of the Association. Specifically, the business plan will:
    - a. analyze the best organizational and staffing structure for a sustainable enterprise, keeping in mind the Association's community development objectives;
    - b. conduct a staff audit to determine MCA's optimum staff skills mix and current staff skills gap and recommend whether restructuring, training or

staff recruitment and replacement will be needed to enable MCA to achieve sustainable growth;

- c. develop a management accounting system that specifies how MCA should be organized by cost centers and that traces costs and revenues by product and determines at what level the Association is sustainable;
- d. provide recommendations for best practice methodologies in the production of the product lines recommended for expansion and a comprehensive training plan to increase technical capacity as necessary;
- e. conduct market research and develop a marketing plan covering all of MCA's current product lines and integrating production capacity and limitations into the marketing plan. The marketing plan will recommend which local and export markets to target for each product, the appropriate product mix and a marketing and pricing strategy for all products;
- f. evaluate the need for and feasibility of using internet advertising options, taking into consideration the poor quality of local internet services;
- g. identify and develop appropriate systems for measuring benefits to beneficiaries and recommend a framework for the distribution of profits and income to MCA members;
- h. develop a systematic environmental management plan that meets local regulatory requirements; and
- i. undertake any additional analyses that will prepare the Association for expansion and sustained growth, to be determined during the design process of the business plan and through implementation of this Project.

#### B. Management Improvement

1. MCA will hire a business development officer (BDO) with demonstrated business skills who will manage the craft production business of MCA and will report to the existing executive director.
2. MCA will hire an accountant to maintain account books, prepare the necessary financial reports and report to the board on MCA finances.
3. MCA will hire a marketing officer to work with the existing sales staff to facilitate market linkages, maintain regular contact with buyers and facilitate sales of MCA products.
4. MCA will provide the management team with the necessary business supplies to perform their duties by equipping the MCA office with office equipment, furniture and a small generator.
5. A chartered accountant hired under a short-term contract will work closely with the MCA accountant to develop appropriate financial accounting

procedures, policies and systems that will be documented in a financial management manual.

6. MCA will hire a technical expert to review existing governance and organizational structures and develop administrative policies and procedures that will be documented in a governance manual and an administrative manual. The governance manual will focus on principles of good governance and the administrative manual will address matters of personnel policy.
7. A technical expert recruited under the Project will work closely with the BDO to develop a craft production and systems operations manual to guide the business, marketing and technical operations of the Association. The manual will also address optimal use of existing resources in craft production.
8. The MCA board and management team will be trained in enterprise development and marketing and will be trained in good governance practices.

#### C. Technical and Operations Improvement

1. The MCA executive director will participate in a weeklong trade mission to Canada to gain awareness of the Canadian market and its export requirements and to facilitate meetings with potential buyers.
2. MCA management staff will undertake a study tour to either Tanzania or Rwanda to visit a successful ADF crafts production project. The tour will allow MCA to determine what successful production and marketing structures exist for crafts producing enterprises and will assist MCA in determining its optimal organizational structure.
3. MCA will strengthen its coordination of production and marketing activities by purchasing a motorbike for use by the BDO to visit production centers.
4. MCA will provide practical training in commercial crafts to local producers based on specific product lines that will have been identified as having market potential. Prior to the practical training, a preliminary market study will be conducted by the MCA management team with the BDO taking the lead. The market study will review previous orders, establish contacts with existing markets and identify existing markets. The training activity will be conducted in six pilot community centers involving forty participants in each village and will focus on production, product quality, product design and full utilization of resources. In addition, training will focus on developing marketing skills and strategies, determining and maintaining gross margins for products, and assessing market competition and demand.
5. MCA will design and implement a revolving fund for the purchase of crafts produced at the community centers following the training activity. The craft purchase fund will be self-sustaining to ensure the MCA's ability to purchase crafts from its members.

**VIII. Roles and Responsibilities of the Parties**

The staff and management of MCA are responsible for the management and the proper implementation of the Project. ZATAC, ADF's partner in Zambia, will provide training in the areas of standard ADF bookkeeping, monitoring and assessment. ZATAC will also provide technical assistance and management assistance during implementation.

**IX. Monitoring and Evaluation**

ADF's Partner in Zambia will closely monitor the activities of MCA to ensure proper reporting, adherence to the project implementation plan by the Association and movement towards the achievement of Project objectives. The Partner will continuously assess risks and take remedial actions as needed. Monitoring by the Partner will be an important aspect of the on-going coaching and advisory service. The Partner will review ADF's quarterly reports and will submit comments and observations to the management of MCA as part of the on-going performance assessment.

**X. Other Implementation Issues**

- A. The Client will ensure that no lead glazes are used in pottery production.
- B. The Client will monitor production to ensure that wood extraction, including live tree root cutting, does not harm trees or cause other environmental damage.