

**APPENDIX A:
PROJECT DESCRIPTION
Foot Loose -- Tanzania**

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

In 1999, in response to slow, but steadily increasing demand in the international market for handicrafts, Foot Loose Ltd., a privately held handicraft trading company headquartered in Dar es Salaam, was founded to act as a middleman between Tanzanian craft producers and international handicraft vendors. Overseas markets account for 75 percent of their sales. The bulk of their sales are to eight major buyers, including TJMax/Marshals and the Smithsonian Museum in the USA. Export duty-free opportunities presented by AGOA have also helped Foot Loose increase their sales. The remaining 25 percent of products are sold on the local Tanzanian market.

To date, Foot Loose has trained and created jobs for 700 artisans working and living in remote rural areas of Tanzania. The company buys, polishes, packages and sells handicrafts produced by local artisans. The Company's policy is to offer the producers a fair price, ensuring that both Foot Loose and the producers cover their costs and make profits. The Company aims to increase its capacity to source, purchase, and warehouse quality products; meet increased international market demand; as well as increase their market share. However, the Company currently lacks the working capital necessary to increase the capacity of its staff, production facilities, warehousing system and producers in order to scale up its business.

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 3, Section 3.1 of the Agreement.

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B. Grantee Contribution

The Grantee (Foot Loose (T) Ltd) will contribute the Company's existing fixed assets with net book value as of December 2004, of about TZS 15.4 million, and a cash equivalent (stocks and debtors) amounting to TZS 195.0 million.

IV. Project Goal

The goal of the Project is to improve the living standards of rural Tanzanian handicraft producers and their families.

V. Project Purpose

The purpose of the Project is to increase the incomes of Foot Loose (T) Ltd, namely its owners, employees, and the handicraft producers who supply the goods for export as follows:

- A. Foot Loose's annual net income before taxes, depreciation and CRG contribution increased from the current baseline of TSh. 71,534,000 to:
 - Tsh 126,140,000 in Year 1;
 - Tsh 149,684,000 in Year 2;
 - Tsh 175,008,000 in Year 3;
 - Tsh 208,030,000 in Year 4; and
 - Tsh 239,064,000 in Year 5.

- B. Total amount of payments made to Foot Loose's artisans increases to:
 - TSh. 209,280,000 in Year I,
 - TSh. 230,731,000 in Year II,
 - TSh. 254,381,000 in Year III,
 - TSh. 280,455,000 in Year IV; and
 - TShs. 306,257,000 in Year V.

- C. The annual income earned by an average Foot Loose employee will increase from TZS 1,121,0000 in Year one to:
 - TZS 966,000 in Year two;
 - TZS 1,363,000 in Year three;
 - TZS 1,697,000 in Year four; and
 - TZS 2,345,000 in Year 5.

VI. Outputs

- A. Footloose will increase its capacity to deliver services to artisan producers and ensure a reliable supply of high quality handicrafts improves.
 1. The number of arts and crafts producers that Foot Loose contracts with increases from the baseline of 780 in 2004 to:

- 840 in Year II
 - 900 in Year III
2. The percentage of all handicrafts produced by the artisans that meet market specifications will increase from the current baseline of approximately 96 percent to 98 percent by the end of the Project.
 3. The number of workspaces and storage facilities provided to handicraft producers by the Grantee increases from zero to ten in Year 1.

B. Foot Loose will increase its ability market handicrafts.

1. Foot Loose's annual gross sales will increase from the current baseline of TSh. 432,340,000.00 to:
 - TSh. 451,056,000 in Year I;
 - TSh. 502,025,000 in Year II;
 - TSh. 558,754,000 in Year III;
 - TSh. 621,893,000 in Year IV; and
 - TSh 685,575,000 in Year V.
2. Foot Loose's export sales increased from the current TShs 324,565,500 to:
 - TSh. 338,292,000 in Year I;
 - TSh. 376,518,750 in Year II;
 - TSh. 419,068,000 in Year II,;
 - TSh.466,420,000 in Year IV; and
 - TSh 514,181,000 in Year V.
3. The number of full time Foot Loose workers increased from the current 10 workers to 26 workers between Year I and Year V of the Project.

VII. ACTIVITIES

A. Services to Artisans

Most of the Project's activities are related to increasing the quality and quantity of participating artisans' output. To this end, Footloose will undertake the following activities:

1. establish and administer a fund to provide partial advance payment to small-scale arts and crafts producers for the purchase of raw materials and labor.
2. lease working centers and storage space for small-scale arts and crafts producer groups in rural areas;
3. purchase bicycles for group leaders to transport finished products to main roads;
4. purchase cell phones for group leaders for monitoring production of orders;

5. provide training, monitoring, and quality control to small-scale arts and crafts producers;
6. introduce new product designs to small-scale arts and crafts producers with input from international importers or consultants;
7. hire transport for ferrying finished products from small-scale arts and crafts producers; and
8. provide training in HIV awareness and prevention.

B. Product Promotion and Marketing

Foot Loose will carry out the following activities to promote and market the handicraft products:

1. finish products (including labeling and insurance) received from the producers to increase their attractiveness on international markets;
2. handle all requirements for shipping and export processing; and
3. advertise the artisans' products through mediums such as international trade fairs, brochures, the internet, hotels, and major shopping centers in Dar es Salaam.

C. Training

Approximately eight members of Foot Loose's staff (including the Managing Director) will participate in training on product design, and modification and quality control (size, color design, and finishing). An international design consultant will design and deliver this training. In addition, appropriate members of Foot Loose's staff will participate in training on the ADF accounting system, best practices in financial management, project performance assessment (PPA), corporate governance, and business planning. ADF's Partner Organization in Tanzania, CSDI, will deliver this training.

VIII. Roles and Responsibilities of the Parties

The owners, staff and designated leadership of the Grantee are responsible for the management and the proper implementation of the Project. CSDI will also provide technical assistance to the members and leadership in those areas.

IX. Monitoring and Evaluation

Within sixty days of the effective date of this Agreement, the Grantee, working with the ADF Partner, will form a monitoring and assessment committee composed of a representative cross-section of the Grantee's organization. The committee will provide the Partner input for the Project monitoring plan. In addition, during implementation, the committee will have responsibility for ensuring that the Project follows the

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implementation plan, and that problems identified through monitoring and evaluation are properly addressed in a timely manner.

X. Other Implementation Issues

As part of their contribution to community development activities, the Grantee will construct a borehole for the residents of Kiparang'anda Village and assist them in establishing a water committee by the end of the first year of the Project.

During the second year of the Project, the Grantee will also rehabilitate four primary school classrooms in Njombe Village and establish three conservation projects in areas where their suppliers are located. There will be tree planting projects located in Tukungu (Mbeya Region) and Kiparang'anda (Coast Region) and a grass-replenishing project at Njombe (Iringa Region).

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