

**APPENDIX A:
KWANZA HANDCRAFTS PRODUCTION AND EXPORT-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

Kwanza Collection Company Limited (KCC) provides 40-55 artisan groups export market information, export product development and design information, and producer and buyer linkage services for export of a variety of products, including “milulu” grass handwoven baskets, wood carvings, textiles and ceramics. The market in industrialized countries for milulu grass baskets is growing, and KCC is poised to receive a large order from a United States buyer. KCC ability to deliver to the international market is constrained by poor economies of scale, absence of year-round supply of “milulu” grass, inadequate working capital to pay producers on-the-spot for the goods produced, and substandard quality control, design, and packaging.

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.

B. Grantee Contribution

KCC will make an in-kind contribution to the project in the form of staff, office, equipment and cash valued at 15 million Tanzanian Shillings (TSh).

IV. Project Goal

The long-term goal of the project is to improve the standard of living for export oriented handicraft artisans and their families.

V. Project Purpose

The purpose of this project is to increase the incomes of KCC, its employees, and its suppliers of milulu baskets, as indicated by the following:

- A. The annual income for the Njombe basket weavers' groups from sales to Kwanza increases from a baseline of TSh. 4,226,900 (in 2005) and TSh. 9,100,000 (in 2006; estimate based on first six months of year) to:
- TSh. 10,920,000 in Year 1;
 - TSh. 13,890,240 in Year 2;
 - TSh. 15,459,837 in Year 3;
 - TSh. 17,206,799 in Year 4; and
 - TSh. 19,152,546 in Year 5.
- B. The total annual income for the Zanzibar wood carving group from sales to Kwanza increases from a baseline of TSh. 4,750,000 (in 2005) and 10,500,000 (in 2006) to:
- TSh. 15,030,000 in Year 1;
 - TSh. 16,569,000 in Year 2;
 - TSh. 18,257,400 in Year 3;
 - TSh. 20,142,675 in Year 4; and
 - TSh. 22,207,301 in Year 5.
- C. Kwanza annual net income (before taxes, depreciation and CRG contributions) increases from TSh.
- TSh. 4,523,447 in Year 1;
 - TSh. 29,416,957 in Year 2;
 - TSh. 36,676,715 in Year 3;
 - TSh. 69,084,851 in Year 4; and
 - TSh. 79,246,541 in Year 5.

VI. Outputs

- A. Njombe women basket weavers' production volumes for Kwanza Collection orders increase from a baseline of 2,150 baskets (in 2005) and 3,500 baskets in 2006 to:
- 4,000 baskets in Year 1;
 - 4,800 baskets in Year 2;
 - 5,050 baskets in Year 3;
 - 5,292 baskets in Year 4; and
 - 5,557 baskets in Year 5

- B. Kwanza Collection's annual gross sales will increase from TSh. 62,327,577 to:
- TSh. 177,147,300 in Year 1;
 - TSh. 202,736,431 in Year 2;
 - TSh. 223,499,952 in Year 3;
 - TSh. 246,436,695 in Year 4; and
 - TSh. 271,700,694 in Year 5.
- C. Increase the number of persons employed by Kwanza from three full-time to five full-time and two part-time persons.
- D. Engender corporate responsibility as evidenced by regular and timely contributions to a local development fund.

VII. ACTIVITIES

The Grantee will carry out the following activities:

- establish a working capital fund to facilitate purchase of finished products from producers;
- build work sheds and provide basic production equipment to facilitate storage of raw materials and finished goods and smooth production of carved items;
- acquire necessary transport to facilitate quality control, monitoring and transportation of finished products from producers to Njombe and Dar es Salaam;
- develop KCC's website, and eBay catalog;
- participate in two international trade fairs to facilitate market development for Kwanza products;
- acquire office equipment (computer, printer with CD Rom & CD writer) to facilitate business promotion and marketing;
- provide two types of training, one for group leaders and one for all weavers on quality improvement, orders delivery, packing & packaging, storage of raw materials and protection of environment;
- provide initial HIV/AIDS training to producer groups;
- identify an international consultant to assist with market development for Kwanza staff re: new product designs, modifications and quality control;
- train KCC staff in product development, market development, monitoring & evaluation and financial management.

VIII. Roles and Responsibilities of the Parties

KCC is responsible for the implementation of this Project. KCC will work closely with Eagle Wood Carvers and the WAWATA and Jitegemee basket producers groups, the latter particularly as they link up with U.S. buyers.

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

X. Other Implementation Issues

The two producer groups supported through this Project, Njombe basket weavers and Zanzibar wood carving group, will be eligible to buy shares in KCC. Within the first six months of ADF project implementation, AMKA will develop a schedule and action plan to diversify ownership, which will specify when and how many shares will be offered to above named producer groups.

During 2007, KCC will conduct sensitization meetings and training to the producer groups to ensure that producers are well informed and understand the vision and goals of the Company, and the role of the producers to the Company, and the role of the Company to the producers. Once a producer group has completed the training, KCC will extend to it an offer to purchase shares.