

**PROJECT DESCRIPTION****Litsemba Embroidery Project****Swaziland****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**

Mtiya Threads currently supports 150 rural women from five communities in eastern Swaziland. The women embroider various products such as bags, linens and other hand embroidered textiles. The women sell the finished products to the organization that then markets and sells the product under the name Litsemba to end wholesalers and retailers.

Mtiya Threads (Litsemba) has shown potential for growth by improving its product quality and production methods, which has led to increased sales. Mtiya Threads is constrained by a number of factors that it must overcome before it can expand on a sustainable level. Among these factors, Mtiya Threads lacks a formal business structure with ownership by the producer members, lacks a full financial management system that can account for costs and revenues accurately and currently uses a costly and irregular transportation network to collect and deliver its products.

**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 8 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. Grantee Contribution**

The Organization will cover 25 percent of the salaries of the management team, costs to develop new product lines, costs for raw materials, and will contribute the labor of its members.

**IV. Project Goal**

The goal of this project is to improve the standard of living of poor embroidery workers in the eastern region of Swaziland.

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## V. Project Purpose

The purpose of the project is to improve Mtiya Threads'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. Improve financial management as evidenced by:
1. production of financial statements from the financial and accounting system that include monthly income, balance sheet and cash flow statements, consolidated quarterly and annual statements, adequate financial controls, accounting procedures, policies and systems that will be capable of being audited by an independent accounting or audit firm.; and
  2. the management team routinely utilizes the financial records it produces in making financial and management decisions for how to move the organization forward.
- B. Improve business management capacity as evidenced by a functioning and active board of directors that meet 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 Mtiya Thread's on-going activities; and
- C. Improved production methods as evidenced by a minimum of two new products by the end of Project Year 1 and an additional two new products by the end of Project Year 2.
- D. Improved marketing methods as evidenced by letters of intent with one new local buyer and one export buyer by the end of the Project.

## VII. Activities

- A. Financial Management Activities
1. A consultant will be hired by Mtiya Threads and will provide support to the finance and administration officer to develop an accounting system at the standards required for audit and ensures that the accounting system is fully implemented. Accounting support will begin in month three of the Project and will continue on a part-time basis for the duration of the Project.
  2. The finance and administration officer will receive Level 2 Accounting (AAT) courses beginning in month three of the Project and continuing for six months.

3. Beginning in month three of the Project, the sales and marketing officer, assistant production officer, and finance and administration officer will receive computer literacy training.

B. Business Management Activities

1. Mtiya Threads will establish a fully functional office with computers, office furniture, installed electricity, and internet connectivity, which will be completed by month three of the Project.
2. Mtiya Threads will register as a non-for-profit enterprise and formally document its ownership and governance structure within month six of the Project.
3. Mtiya Threads will determine a method for electing producer women to the board at the next monthly board meeting with the goal of having five producer women, one from each group, appointed to the board by 2011.
4. The staff of Mtiya Threads will receive basic business skills training beginning in month three. Training will focus on how to purchase and monitor stock efficiently, formulate a sale and cost plan, understand handicraft markets, and conduct internal monitoring.
5. Beginning in Project Year Two, the producer women will receive training in business and life-skills including identifying the causes of financial mismanagement, remaining debt free, financial life planning, and basic business management.

C. Production and Marketing Activities

1. Mtiya Threads will purchase a vehicle to be able to collect and deliver its products on a regular basis. The production assistant will receive driving lessons in order to properly operate the vehicle. The vehicle will be purchased in month three of the Project and driving lessons will begin shortly thereafter for an estimated three months.
2. Mtiya Threads will register as an international fair trade association with the International Fair Trade Association (IFAT) and will obtain a trading license beginning in month nine of the Project.
3. Mtiya Threads will develop new product designs on a continual basis, provide training and workshops for master craftsmen and artisans, conduct a costing exercise to determine the amount of time required for each design, and standardize its products according to cost and size.
4. Mtiya Threads will hire a consultant to develop a marketing plan that will identify markets Mtiya Threads can penetrate. The marketing plan will be developed over an estimated four month period beginning in month nine of the Project.

**D. Business Plan development.**

Mtiya Threads will hire consultant to develop a comprehensive five-year business plan. The consultant will receive assistance from the management team in the development of the business plan. The business plan will be completed three months before the end of the Project. The business plan will address the following:

1. assess each product line including the cost and sale levels of each, the production capacity of the organization, and the sales turnover of the organization;
2. elaborate various market penetration strategies, including what groups to target and what type of marketing strategies to utilize;
3. assess benefits to value added production that will increase the amount at which each product can be sold;
4. determine any international trade fairs and networks the organization can join and open up its market access;
5. provide an assessment of the management team's ability to manage the business and financial aspects of the organization and any additional training that may be needed;
6. provide five-year production and profit and loss projections based on current production, costs and sales trends; and
7. include any other additional analysis that will prepare the organization for expansion and sustained growth, to be determined during the design process of the business plan and implementation of this Project.

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

The staff and management of Mtiya Threads are responsible for the management and the proper implementation of the Project. REDI, ADF's partner in Swaziland, will provide training in the areas of management, ADF reporting, governance and business planning.

**IX. Monitoring and Evaluation**

ADF's Partner in Swaziland will closely monitor the activities of Mtiya Threads to ensure proper reporting, adherence to Project implementation plan by the organization and movement towards 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 ongoing coaching and advisory service. The Partner will review ADF's quarterly reports and will submit comments and observations to the management of Mtiya Threads as part of the ongoing performance assessment.

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### Litsemba Embroidery Project

#### Swaziland

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