

**APPENDIX A:
PROJECT DESCRIPTION**

SAN ARTS and CRAFT MARKETING PROJECT, BOTSWANA

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

Traditional craft production is one of the few income-generating opportunities for the San people living in 16 small, remote communities of Ngamiland, Kgalagadi and the Ghanzi districts of Botswana. San Arts and Craft (SAAC) was established as a wholesale marketing organization to provide a channel to regional and international markets for crafts, art, and related products produced predominantly by peoples of San background.

Craft marketing is a huge industry worldwide, bringing in annual revenues in excess of \$14 million in the United States and over Pula 22 million in Botswana. Evidence from SAAC's marketing operations to date indicates that global demand for San products grew by over 10 percent between 2003 and 2004. Half-year results for 2005 indicate that international demand for SAAC products has surpassed 40 percent sales share realized in 2004. However, SAAC lacks the technology and marketing capacity to it requires to operate profitably in the international market.

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

The company is also expected to contribute existing assets and stock invested in operations.

IV. Project Goal

The goal of the Project is to reduce poverty amongst San and other marginalized peoples living in remote areas through increased access to sustainable incomes

V. Project Purpose

The purpose of the Project is to increase SAAC's income and the income of San craft producers in the remote districts of Ghanzi, Kgalagadi and Ngamiland.

This purpose will be measured by the following.

- A. Producers' income from SAAC's purchases of crafts will increase from Pula (P) 401,000 to:

Year (1) 2005/6	P 493,104;
Year (2) 2006/7	P 617,300;
Year (3) 2007/8	P 694,500;
Year (4) 2008/9	P 822,500; and
Year (5) 2009/	P 953,700.

- B. SAAC's net income before taxes and depreciation will change from (P 6,861) to:

Year (1) 2005/6	(P 300,808);
Year (2) 2006/7	P 11,687;
Year (3) 2007/8	P 213,370;
Year (4) 2008/9	P 316,418; and
Year (5) 2009/10	P 452,817.

VI. Outputs

- A. The Project will establish a reliable and effective marketing channel for art and craft products made by the San and other marginalized people in Botswana, as indicated by the increase in total sales of crafts from P754,000 to:

Year 1 2005/6	P 891,000;
Year 2 2006/7	P 1,203,500;
Year 3 2007/8	P 1,452,000;
Year 4 2008/9	P 1,711,000; and
Year 5 2009/10	P 2,004,000.

- B. The efficiency of SAAC's operation will improve as indicated by a change in gross margin on sales from a baseline of approximately 47 percent to approximately:

- 44 percent in Year 1;
- 48 percent in Year 2;
- 52 percent in Year3;
- 52 percent in Year 4; and
- 52 percent in Year 5.

C. SAAC's ability to market internationally improved from a baseline of P189,200 in 2005 to:

- P206,500 in 2006
- P403,000 in 2007
- P547,000 in 2008
- P722,600 in 2009
- P919,800 in 2010

VII. ACTIVITIES

A. Purchasing and Marketing of Crafts

Under the Project, SAAC will develop and implement an intensive market strategy to ensure sales growth and penetration of more lucrative international markets. SAAC will invest in the appropriate market information technologies, and expand distribution through various channels and agencies.

SAAC will expand its market reach by attendance and participation in local, regional and international craft fairs; developing its web based marketing management and promotional activities; and developing customer focused sales monitoring systems. SAAC will enhance its inventory control through installation of a bar coded stock control system, fully integrated with existing financial systems.

B. Training and Technical Assistance

SAAC will undertake product development training for crafts producers. SAAC will contract with a supplier to provide training to its staff in marketing systems and inventory management; basic graphic design; and maintenance of the website.

SAAC will contract an international consultant with direct experience in craft fairs to establish SAAC's relationship with international buyers and identify niche markets.

C. Administrative Support

SAAC will recruit an experienced business marketing manager for oversight of operations and administration. SAAC will identify and move its operations to its warehouse infrastructure.

VIII. Roles and Responsibilities of the Parties

The board of SAAC is responsible for establishment of the organization's policies and the overall implementation and monitoring of the Project. It will recruit a marketing manager to undertake activities under the Project.

Action for Economic Empowerment Trust (AEET), ADF's partner, will provide technical and monitoring assistance and advice during the implementation of the Project.

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

X. Other Implementation Issues

SAAC will appoint additional Board members to within 90 days to achieve majority (i.e., and least 51 percent) Batswana control of its governance structure. SAAC will change the name of its holding company Water Well Management Pty. to San Art & Crafts Pty.