

PROJECT DESCRIPTION

Marvelous Flotea Company Textile Production

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

Marvelous Flotea Company (MFC), a small scale producer of home decor textiles in Dar es Salaam, is looking to take advantage of market demand for African handicrafts in the local, regional, and international markets. After recently completing an ADF EDI as part of the Buyer Linkages Program, the company has improved management and production capacity, but is still limited in its ability to access new markets because of a shortage of working capital and storage space. In addition, MFC is ready for improved distribution and marketing capabilities, which go hand-in-hand with the previously mentioned constraints.

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. Client Contribution

MFC will contribute existing staff, administrative premises, office equipment, and production capabilities (valued at TZS 31.5 million). In addition, MFC will contribute the value of their premises in Dar es Salaam (valued at TZS 74,000,000) and the land plot in Mbezi (valued at TZS 103,000,000).

ADF



MFC



IV. Project Goal

The goal of the Project is to raise the standard of living for the owners and employees of MFC and the suppliers to MFC.

V. Project Purpose

The purpose of the Project is to increase incomes of MFC's owners, employees, and suppliers as follows.

- A. MFC's net income (before taxes and depreciation) will increase from the baseline of TZS 15,000,000 in 2008 to:
 - 1. TZS 16,600,000 in Year 1;
 - 2. TZS 25,400,000 in Year 2; and
 - 3. TZS 34,700,000 in Year 3.
- B. Total wages paid to employees and owners will increase from a baseline of TZS 31,240,000 to:
 - 1. TZS 60,900,000 in Year 1;
 - 2. TZS 64,600,000 in Year 2; and
 - 3. TZS 69,100,000 in Year 3.
- C. Total revenue from MFC to artisan suppliers will increase from a baseline of TZS 94,300,000 to:
 - 1. TZS 152,300,000 in Year 1;
 - 2. TZS 173,600,000 in Year 2; and
 - 3. TZS 200,600,000 in Year 3.

VI. Outputs

By the end of the Project, the capacity of MFC and its suppliers to produce and sell textiles will increase as evidenced by the following.

- A. Production volumes will increase from a baseline of 25,000 unit sales in 2008 to:
 - 1. 30,400 units in Year 1;
 - 2. 32,600 units in Year 2; and
 - 3. 35,200 units in Year 3.

- B. Sales revenues increase from a baseline of TZS 160,100,000 in 2008 to:
1. TZS 258,600,000 in Year 1;
 2. TZS 294,600,000 in Year 2; and
 3. TZS 340,500,000 in Year 3.
- C. The number of employees will increase from a baseline of 30 to 34 in Year 3.

VII. Activities

MFC will ensure the following major activities are completed with the assistance of consultants where necessary.

A. Production and Design

1. Construction of a warehouse to store raw materials and finished goods.
2. Establish contracts with marquis customers to ensure sound market feedback, bulk orders, on-time payments and a more consistent, year-round production.
3. Expand the number of artisans supplying MFC through women's entrepreneur cluster groups from a baseline of 50 artisans in 2008 to 100 artisans by Year 3.
4. Train employees and artisans in critical areas including product costing, productivity measurements, input/output planning, safety and quality control.

B. Product Marketing and Distribution

1. Analysis of demand trends and growth rates in the relevant sectors.
2. Develop a strategy to increase MFC's competitiveness and market feedback mechanisms.
3. Design new trade fare promotional materials.
4. Develop and promote a unique brand name for the company's products.
5. Coordinate with others in the Buyer Linkages Program to acquire training and technical assistance in market research, product development and branding, product promotion, and value chain analysis.
6. Coordinate with government organizations and universities to improve knowledge and market access for handicraft producers in Tanzania.

C. Management Improvement

1. Hire a fulltime general manager and accountant.
2. Improve financial and information systems.
3. Develop raw material sourcing and contracting plans.
4. Develop production and systems improvement strategies.
5. Acquire training and technical assistance in planning, budgeting, financial management cost management and accounting, and entrepreneurship.

VIII. Roles and Responsibilities of the Parties

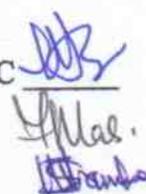
ADF's Partner in Tanzania will provide the standard ADF training in bookkeeping, monitoring and assessment. MFC is responsible for ensuring the proper management and implementation of the Grant. The ADF Partner in Tanzania will provide MFC with technical and management assistance during implementation.

IX. Monitoring and Evaluation

ADF's partner in Tanzania will closely monitor the activities of the Association 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 action 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 the Association as part of the on-going performance assessment.

X. Other Implementation Issues

ADF encourages the efforts MFC has undertaken to improve industry knowledge on the safe use of handicraft production materials. Particularly, fostering relationships with government and local universities to provide research into the chemical make-up and any potential health hazards associated with the use of the dyes and the improved policies for the handicraft industry is important for Tanzania and commended. ADF supports these on-going programs and will consider future requests for funding under this Grant Agreement that improve the quality and safety of the work environment and final products produced by MFC.


MFC
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