

PROJECT DESCRIPTION

Zaria Leather Workers Development Project

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

Zaria Leather Workers Cooperative Society (ZLWCS) is composed of leather craftsmen based in Zaria, Kaduna State, which is in the northwestern part of Nigeria. The Cooperative members produce various types of leather goods and footwear, which the Cooperative sells locally to wholesalers, agents and consumers. Some of the products are taken to other parts of the country for sale by the Cooperative members.

An initial capacity appraisal revealed that ZLWCS lacks modern processing facilities and technologies to improve its in productivity and the quality of its products. ZLWCS leather producers have largely basic and rudimentary management skills. ZLWCS also lacks access to the capital necessary for business development and expansion.

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 4, Section 4.1 of the Agreement.

B. Grantee Contribution

ZLWCS will contribute the labor of its members and up to Nigerian Naira (NGN) 776,000 to help finance the purchase of raw materials (finished leather).

IV. Project Goal

The goal of this project is to promote the growth of small scale enterprises and improve the standard of living of poor leather artisans in the northern Nigerian State of Kaduna.

ADF

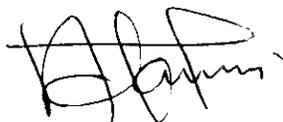


ZLWCS



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V. Project Purpose

The purpose of the project is to improve ZLWCS's prospects for sustained expansion as indicated 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. Improved leather goods production methods to be achieved by the end of the project as evidenced by:
1. a minimum of two new leather products will be designed, developed and put into production by ZLWCS members; and
 2. The quality of ZLWCS shoes and travel bags will be improved and there will be a decrease in the number of bags rejected for sale.
- B. Improved management capacity as evidenced by:
1. a functioning and active Board of Trustees meets quarterly to assess management implementation progress and address implementation constraints impeding operational efficiency and progress; and
 2. the Executive Council (management team) routinely utilizes financial documents produced during the Project, such as quarterly bank reconciliations, budget expenditures, profit and loss statements, balance sheets and cash flow statements in making financial and management decisions for the cooperative.

VII. Activities

- A. Production Improvement:
1. ZLWCS will rent two facilities in Zaria's main market square to serve as a workshop and showroom. Leatherworkers will undertake production of the leather goods and footwear at the workshop and ZLWCS will display finished goods at the showroom for sale. The workshop and showroom will be established by the end of Project Year 1.
 2. ZLWCS will procure machinery and equipment such as different types of sewing machines, punchers, show laxes, lacing pliers, and scissors for the production of the leather goods. To accommodate power outages, ZLWCS will also purchase a generator. Purchase and installation of machinery and capital equipment will be complete by the end of Project Year 1.
 3. ZLWCS will establish a revolving loan fund to benefit the ZLWCS members and allow them to grow and expand their individual leather production. The loans will cover the purchase of raw materials and other

inputs. Finished leather products will then be marketed by ZLWCS on behalf of the members. The revolving loan fund will be implemented by the end of Project Year 1.

4. Members will receive training in product quality and production efficiency, training in project development and new product development. Training will be complete by month three of Project Year 1. Members will also participate in a study tour of a similar successful leather producing enterprise in Nigeria. The study tour will be complete by the end of Project Year 1.

B. Business and Financial Management Improvement:

1. ZLWCS will recruit new management personnel, a business development manager and an accountant, to manage certain aspects of the Cooperative's activities under the Project. Current Executive Council members will act as understudies to these professionals to build their own management capabilities.
2. A business development manager will manage the day-to-day activities of the Cooperative and is to be hired by month three of Project Year 1. The manager's main responsibilities will include leading the development and implementation of a marketing and sales strategy and leading the development of a comprehensive marketing and business plan that will form the basis of ZLWCS expansion.
3. An accountant, to be hired by month three of Project Year 1, will establish and operate ZLWCS's financial and accounting systems to be documented in a financial management plan. At a minimum the accountant will be able to produce quarterly financial statements including income statement, balance sheet and cash flow statement and produce auditable consolidated statements on an annual basis. Additionally, the accountant will advise the management team and Board of Trustees on the financial status of the Cooperative.
4. A marketing and management consultant will be hired by ZLWCS to ensure establishment of appropriate management systems and procedures within the Cooperative. The consultant will also liaise with ZLWCS members and management staff to develop and implement a marketing strategy and business expansion plan.
5. Technical assistance providers will be hired to train the members, Board of Trustees, and management team in group dynamics, general management and marketing and sales techniques, understanding of financial statements, and corporate strategy development.
6. ZLWCS management team, with the assistance of the marketing and management consultant, will develop a comprehensive five-year marketing and business plan detailing opportunities for further expansion and sustained profitability. The business plan will be complete by month nine of Project Year 2. The marketing and business plan will:

- (a) document methods of marketing products both through the showroom to be established in Zaria, Kaduna State, and through close links to buyers and retailers beyond the local area of Zaria, Kaduna State;
- (b) establish methods to increase profitability, viability, and sustainability of ZLWCS leather production; and
- (c) define ZLWCS's strategy for expansion, plan for financing of expansion operations, and provide a detailed implementation plan for expansion.

C. Marketing Improvement

A design consultant will be hired to assist ZLWCS members in the development and design of new leather products. The consultant will work directly with members to create new leather products and designs and will assist members to improve the quality of their existing products.

VIII. Roles and Responsibilities of the Parties

The staff and management of ZLWCS are responsible for the management and the proper implementation of the Project. Diamond Development Initiatives (DDI), ADF's partner in Nigeria, will provide training in the areas of standard ADF bookkeeping, monitoring and assessment. DDI will also provide technical assistance and management assistance during implementation of the Project, including the management of the revolving loan fund.

IX. Monitoring and Evaluation

ADF's Partner in Nigeria will closely monitor the activities of ZLWCS to ensure proper reporting, adherence to the Project implementation plan by the Cooperative and movement towards the 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 on-going coaching and advisory service. The Partner will review ADF's quarterly reports and will submit comments and observations to the management of ZLWCS as part of the on-going performance assessment.

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