



UNITED STATES INTERNATIONAL DEVELOPMENT COOPERATION AGENCY

AGENCY FOR INTERNATIONAL DEVELOPMENT

MISSION TO HAITI

PD-AAW-497

52531

OFFICE OF THE DIRECTOR

Ms. Virginia H. Ubik
Director
CARE-Haiti
21, Ave. Marie Jeanne
B.P. 773
Port au Prince, Haiti

JUL 30 1987

For U.S. MAIL:

USAID / HAITI

Department of State
Washington, D.C. 20520

For INTERNATIONAL MAIL

USAID / HAITI

P.O. Box 1634

Port-au-Prince, Haiti, W.I.

Dear Ms. Ubik:

Subject: Cooperative Agreement No. 521-0179-A-00-5039-00,
Amendment No. 2, Crafts Export Resource Center

Pursuant to the authority contained in Section 106 of the Foreign Assistance Act, as amended, the Agency for International Development (hereinafter referred to as "AID" or "Grantor") hereby grants to CARE International (hereinafter referred to as "CARE" or "Recipient") the sum of Two Hundred Fifty Thousand United States Dollars (U.S. \$250,000) to provide support for the establishment of an independent Crafts Export Resource Center, as more fully described in Attachment 2, entitled "Program Description." By this action, total funds obligated for this project amount to One Million One Hundred Sixty Seven Thousand United States Dollars (U.S. \$1,167,000), including funds already obligated under the original Grant Agreement. Subject to the availability of funds and the mutual agreement of A.I.D. and the Recipient to proceed, subsequent increments will be provided to the Recipient for a total not to exceed Two Million Eight Hundred Ninty Seven Thousand United States Dollars (U.S. \$2,897,000).

Obligation for this Cooperative Agreement is made as of the date of this letter and shall apply to commitments made by the Recipient in furtherance of program objectives through the estimated completion date July 31, 1991.

This Cooperative Agreement is made to CARE on the condition that the funds will be administered in accordance with the terms and conditions as set forth in Attachment 1, the Schedule; Attachment 2, the Program Description; Attachment 3, the Mandatory and Optional Standard Provisions (1/31/87); Attachment 4, Assurance of Compliance; and Attachment 5, Procedures to Obtain Disbursements, which have been agreed to by your organization.

Please sign the original and seven (7) copies of this letter to acknowledge your acceptance of the Agreement and return the original and six (6) copies to this office.

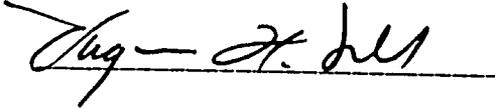
Sincerely,



Richard Webber
Grant Officer

Attachments:

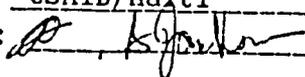
1. Schedule
2. Program Description
3. Mandatory and Optional Standard Provisions (1/31/87)
4. Assurance of Compliance
5. Procedures to Obtain Disbursements

ACKNOWLEDGED: 

CARE International

By : Virginia H. Ubik
Title : Country Director - Haiti

FISCAL DATA

Appropriation: 72-1171021.6
Allowance: LDSA-87-25521-KG13
PIO/T No.: 521-0179-3- 70087
Project No.: 521-0179
Total Grant Amount: \$2,897,000
Amount Obligated: \$250,000
Funding Source: USAID/Haiti
Funds Available: 
Date: 7/28/87

SCHEDULE

A. Purpose of Agreement

The purpose of this Agreement is to provide support to CARE to establish an independent Crafts Export Resource Center (CERC). External financing is required to cover technical assistance and operational expenses as more fully described in Attachment 2, entitled "Program Description."

B. Period of Agreement

1. The original Agreement became effective on July 31, 1985. The effective date of this Amendment is the signature date by the Grant Office as shown on the cover letter, and the estimated completion date is July 31, 1991.
2. Funds obligated hereunder are available for program expenditures for the life of the project as shown in the Financial Plan below.

C. Incremental Nature of Program

A.I.D.'s contribution to the Project will be provided in increments, the initial one being available the effective date of the Grant Agreement. Subsequent increments will be subject to availability of funds to A.I.D. for this purpose, and to the mutual agreement of the parties, at the time of a subsequent increment, to proceed.

D. Amount of Agreement and Payment

1. The total estimated amount of this Agreement for the period shown in B.1. above, is \$2,897,000, including funds already obligated under the original Agreement.
2. A.I.D. hereby obligates the amount of \$250,000 for project expenditures during the period set forth in B.2, above, and as shown in the Financial Plan below.
3. Payment will be made to the Recipient in accordance with the procedures set forth in Attachment 3, Optional Standard Provision entitled "Payment - Periodic Advances."

E. Financial Plan

1. The following is the Financial Plan for this Agreement. Revisions to this plan shall be made in accordance with the Mandatory Standard Provision No. 4 entitled "Revision of Grant Budget."
2. The Recipient may not exceed the obligated amount set forth in D.2. Adjustments of more than 15% among the line items should receive prior A.I.D. concurrence.

<u>Cost Element</u>	<u>BUDGET</u> <u>(\$000)</u>			
	<u>Previous</u> <u>Obligation</u> <u>US\$</u>	<u>This</u> <u>Obligation</u> <u>US\$</u>	<u>Future</u> <u>Obligations</u> <u>US\$</u>	<u>TOTAL</u> <u>US\$</u>
Technical Assistance	481.7	10.0	540.0	1,031.7
Personnel	**	107.0	535.0	642.0
Operations	77.3	64.0	231.0	372.3
Materials and Equipment	233.0	51.0	357.0	641.0
Audit	7.0	0	12.0	19.0
Evaluation	40.0	0	50.0	90.0
CARE Overhead (9.19%)	<u>78.0</u>	<u>18.0</u>	<u>5.0</u>	<u>101.0</u>
TOTAL	917.0	250.0	1,730.0	2,897.0

** Technical Assistance and Personnel were not differentiated under the previous Operational Program Grant.

F. Cost Sharing

1. The funds provided by this Agreement represent the total expenses of the project as described in the financial plan above. Income from other sources (fees, profits, and interest earnings), excluding the project's retail operations, will be accumulated over the four years of the life-of-project and will be used to help finance the CERC's operations in future years following the termination of A.I.D. support.
2. The restrictions on the use of A.I.D. grant funds hereunder is set forth in the Mandatory Standard Provision No. 1 entitled "Allowable Costs (November 1985)." The Mandatory Standard Provisions are not applicable to expenditures incurred with funds provided from non-U.S. Government sources. The Recipient will account for the A.I.D. funds in accordance with the Mandatory Standard Provision No. 2 for this Grant, entitled "Accounting, Audit, and Records (November 1985)."

G. Conditions Precedent to Disbursement and Covenants

1. Conditions Precedent to Disbursement of Funds for Phase II (This Amendment) Operations (CARE as Recipient) up to \$150,000:

Prior to the initial disbursement for initial operations and services up to \$150,000, the Recipient will furnish to A.I.D., in form and substance satisfactory to A.I.D.:

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- a. A Letter of Agreement between A.I.D. and the Recipient establishing the use of the first disbursement resources;
- b. Evidence of the selection of a General Manager; and
- c. Evidence of the selection of local technical assistance to establish financial and accounting procedures.

2. Conditions Precedent to Disbursement of Funds for Year 1 (This Amendment) Technical Assistance Activities:

Except as A.I.D. may otherwise agree in writing, prior to disbursement under the Grant, or to the issuance by A.I.D. of documentation pursuant to which disbursement will be made of funds for Year 1 technical assistance activities, the Recipient shall furnish:

- a. A statement setting forth the CERC's plan for the utilization of the technical assistance; and
- b. Evidence of the selection of appropriately qualified technical assistance.

3. Conditions Precedent to Disbursement of Funds for CERC Phase II (This Amendment) (CARE as Recipient) Operations up to \$250,000:

Except as A.I.D. may otherwise agree in writing, prior to disbursement under the Grant, or to the issuance by A.I.D. of documentation pursuant to which disbursement will be made of funds for CERC operations over \$250,000, the Recipient shall furnish to A.I.D., in form and substance satisfactory to A.I.D.:

- a. Evidence that the CERC has employed the staff required to carry out its operations;
- b. A statement setting forth the detailed organizational policies and operational guidelines of the CERC, including progress benchmarks and targets; and
- c. Evidence that an accounting system has been established and effectively utilized and that the CERC staff includes an accountant.

4. Conditions Precedent to Disbursement of Funds for Phase III (This Amendment) Operations (CERC Corporation as Recipient) Over \$250,000:

Prior to the disbursement of funds for operations and services to be provided by the CERC corporation over \$250,000, the Recipient shall furnish to A.I.D., in form and substance satisfactory to A.I.D.:

- a. An opinion by the Recipient's counsel satisfactory to A.I.D. and concurred in by council for the CERC, that the CERC has been duly organized and incorporated under the laws of Haiti; that the CERC has taken all corporate and legal action required under the laws of Haiti and has full power essential to the efficient implementation of the project, and that the CERC Corporation has taken all necessary steps to assume all of the duties and undertakings and all of the responsibilities of the Recipient;
 - b. A plan acceptable to A.I.D. for the staffing and start-up of the corporation.
 - c. A statement setting forth the basic organizational policies and operational guidelines of the CERC as a corporation;
 - d. Evidence that the Board of Directors has met and selected its Officers; and
 - e. Evidence that the Recipient has filed for foundation registration to carry out CERC operations in Years Two, Three and Four of project implementation.
5. Conditions Precedent to Disbursement for Year Two of the Project Amendment:
- Except as A.I.D. may otherwise agree in writing, prior to disbursement under the Grant, or to issuance by A.I.D. of documentation pursuant to which disbursement will be made to finance Year Two of the project, the CERC will furnish to A.I.D., in form and substance satisfactory to A.I.D.:
- a. A workplan and a budget forecast detailing the use of project funds for the Year; and
 - b. Evidence of the selection of a local General Manager to carry out CERC operations in Years Two, Three, and Four of project implementation.
 - c. Evidence of the identification of appropriately qualified technical assistance.
6. Conditions Precedent to Disbursement for Year Three of the Project Amendment:
- Except as A.I.D. may otherwise agree in writing, prior to disbursement under the Grant, or to issuance by A.I.D. of documentation pursuant to which disbursement will be made to finance Year Three of the project, the CERC will furnish to A.I.D., in form and substance satisfactory to A.I.D.:

- a. An opinion by the Recipient's (CERC Corporation) counsel satisfactory to A.I.D. that the CERC has been duly organized as a foundation under the laws of Haiti, that the CERC has taken all legal action required under the laws of Haiti and has full power essential to the efficient implementation of the project as a foundation, and that the CERC Foundation has taken all necessary steps to assume all of the duties and undertakings and all of the responsibilities of the Recipient as a foundation;
- b. A workplan and a budget forecast detailing the use of project funds for the Year; and
- c. An evaluation of activities undertaken in the first two years of the project to determine the feasibility of continuing project activities.

7. Conditions Precedent to Disbursement for Year Four of the Project Amendment:

Except as A.I.D. may otherwise agree in writing, prior to disbursement under the Grant, or to issuance by A.I.D. of documentation pursuant to which disbursement will be made to finance Year Four of the project, the CERC will furnish to A.I.D., in form and substance satisfactory to A.I.D.:

- a. A workplan and a budget forecast detailing the use of project funds for the Year and for utilization of accumulated income for Year Five; and
- b. A detailed, time-phased implementation plan for Year Five activities, including a financial plan for utilizing the income accrued from fees charged and profits earned during Years One, Two, Three, and Four.

8. Covenants

The Recipient agrees that, unless A.I.D. otherwise agrees in writing, it will:

- a. Not amend or modify its corporate/foundation charter or by-laws;
- b. Submit to A.I.D. for prior review any proposal for financial or technical assistance to the CERC, in order to assure that any such proposal conforms with the goals and purpose of the A.I.D.-financed project;
- c. Establish an escrow account for accumulated fees, profits, and/or earned interest by export operations to assist in financing project costs once donor funding is terminated.
- d. Not disburse accumulated fees, profits, and/or earned interest for export operations without the consent of A.I.D.

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- e. Establish services that will reach as broad a market as is practical.
- f. Adopt annual performance indicators/benchmarks and goals consistent with project objectives and evaluate the performance of the Center and CERC personnel in relation to those indicators.
- g. Work closely with A.I.D. during the implementation of the project, and permit A.I.D. representatives to attend CERC Board meetings as observers to discuss project issues.
- h. Accept technical or financial assistance from donors other than A.I.D. only if such assistance is for activities which conform to the CERC's goals and purposes and the general objectives of the grant agreement.
- h. Exert maximum effort to assure the financial sustainability of the CERC by utilizing effective management and marketing strategies and examining various long-term funding options, including contributions from other donors.

II. Reporting and Evaluation

- 1. The Recipient will prepare for submission to USAID/Haiti quarterly reports within 30 days of the close of each quarter which will include the following information:
 - a. Activities undertaken during the quarter and activities projected for the following quarter;
 - b. An assessment of the performance of the CERC during the quarter, including comments on operations, a discussion of major implementation difficulties and proposed measures for their resolution;
 - c. A financial report providing actual versus budgeted expenses and income of the past quarter, plus a projected budget for the succeeding quarter.
- 2. The Recipient will engage an external auditor acceptable to A.I.D. to conduct an annual audit of the CERC books of accounts and records. This audit will be delivered to A.I.D. in the form of a detailed narrative and statistical annual report within 90 days of the end of each fiscal year.
- 3. A.I.D. will assist the Recipient in arranging for an independent third party evaluation, and both agree to participate in and cooperate fully with this evaluation. However, the A.I.D. Project Officer or designee will have full access to CERC financial statements, books, accounts, management reports, marketing plan, clients and/or other information, as the Project Officer deems necessary to ascertain the status of the project.

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4. A final report will be conducted within 90 days following the completion of the project and will be submitted to A.I.D. as a final managerial and financial status report.

I. Title to Property

Title to property financed hereunder shall be in the name of the CERC and such entities as the CERC may designate.

J. Authorized Geographic Code

Goods and services, except for ocean shipping, financed by A.I.D. under the Agreement have their source and origin in Haiti, in A.I.D. geographic Code 9 1, or in the United States, except as A.I.D. may otherwise agree in writing. Ocean shipping financed by A.I.D. under the Agreement shall be financed only on flag vessels of the United States, except as A.I.D. may otherwise agree in writing.

PROGRAM DESCRIPTION

I. Purpose of Grant

The purpose of this Agreement is to provide support to CARE to establish an independent Crafts Export Resource Center (CERC). The CERC will assist producers engaged in the manufacture of crafts products to initiate or expand export operations on an economically viable basis. The ultimate goal of this project is to create increased employment opportunities, particularly in Haiti's rural areas, while generating foreign exchange earnings.

II. Description of Activities

The Recipient will perform the activities described in detail in the Recipient's proposal entitled "Request for Additional Funding: Crafts Export Resource Center," dated June 1987, hereby incorporated as part of this Agreement as Attachment A. To the extent of any inconsistency between the Recipient's proposal and the Covering Letter and Attachments 1, 2, 3, 4, and 5 of this Grant, the Covering Letter and Attachments 1, 2, 3, 4, and 5 shall control.

A. Extent of A.I.D. Involvement

The following additions are hereby incorporated into Attachment A.

1. Long-term Contractors. Prior to the signature of any contract for long-term technical assistance to be funded by the grant, the Recipient shall obtain A.I.D. concurrence, in writing, of the contractor and of the contract under which the services will be procured.
2. Short-term Contractors. Prior to the signature of any contract for short-term technical assistance to be funded by the grant, the Recipient shall obtain A.I.D. concurrence, in writing, of the contractor and of the contract under which the services will be procured.

B. Modifications to the Proposal

1. Haitian General Manager. The Recipient shall make every attempt to identify an appropriate local General Manager to assume the responsibilities of the CARE incumbent following the first year of project implementation.
2. CARE Contribution. CARE agrees to provide a minimum of \$158 thousand in liquid assets or in-kind contributions from the original Operational Program Grant to the project. CARE agrees to grant these assets to the corporation which it will establish under the terms of the Agreement. The corporation will then grant these assets to the foundation once it is granted juridical status by the Government of Haiti.

C. Primary Project Activities

The project will be implemented over a four-year period and includes both export and retail operations. The CERC will commence operations under the grant initially as a CARE project, then as an independent corporate entity after a corporation is established, and later as a foundation after government approval is given.

The major development problem which the CERC will address is the lack of provincial employment opportunities in Haiti. Craft producers' major problems are lack of export market-channel access, identification of saleable product designs, meeting customer requirements, and lack of working capital for raw materials.

The specific activities to be carried out under the grant include both the CERC's export and retail activities. The Recipient will first establish an independent corporation recognized under the laws of Haiti to implement project activities. It will also establish a foundation which will assume the activities of the corporation once it is granted juridical status by the Government of Haiti. CARE, in its relations with this project will grant the corporation use of present CERC financial, fixed, and other assets provided under the original Operational Program Grant in exchange for CERC executing some of CARE's craft-producer support strategies. The corporation will in turn grant these assets to the foundation once it is established as a legal entity.

While AID is signing the present grant agreement with CARE, once an independent corporate entity is established and has its own financial systems in place, the corporation will become the Recipient. Once the foundation is granted juridical status by the Government of Haiti (approximately one year after filing), it will become the final Recipient. At that time, the foundation will absorb the corporation's operations and assets (including those already granted to the corporation by CARE). After the acquisition is complete, the corporation will be dissolved.

1. End of Project Status

The end of project status (EOPS), Year 4, includes an on-going, foundation supporting Haitian crafts exports. It is anticipated that the CERC will become profitable in Year 4. Total CERC sales by Year 4 will be in excess of \$2,845,000, with retail sales composing approximately 15% of that total. Based on financial projections, it is anticipated that the CERC will reach self-sufficiency in Year 5.

Outputs by Year 4 include the creation of 4,000 half-time jobs, 80% rural, half employing women which will contribute to the support of 20,000 Haitians. CERC will be an on-going entity offering a variety of services to all sizes of producers. This will result in an increased capability of

producers to source the international crafts market. Raw materials, design, and credit suppliers will be better integrated into the Haitian crafts industry as well.

2. Beneficiaries

Direct beneficiaries are the producers employed by the CERC. CERC will have direct relations with established groups or companies which already have technical and organizational capacities to make the types of required products at the necessary quality standards. However, CERC will encourage sub-contracting, especially pre-finishing steps, to less-developed groups, particularly those in rural areas. Small independent producer groups will also continue to market their products through the retail store.

Several types of resource suppliers will be indirect beneficiaries. Examples are lenders, raw-material suppliers, and independent designers. CERC, through its intermediation, will make these services more available to producers.

3. CERC Implementation Strategies

The key to achieving the job creation goals (4,000 part-time jobs by EOP) and sales targets (total export sales of \$2,006,000 and total retail sales of \$840,000 by EOP) of the project are found in the strategies to be employed in project implementation. These include the fundamental elements of independence and business-oriented operations.

The project will establish a separate, independent entity (see above) to run the project which is motivated and disciplined by profit-oriented performance. The use of a venture capital funding approach with up-front funding to guarantee coverage of operating expenses during the early years, will allow management to concentrate on developing the market and producer capabilities in order to achieve sales targets. Key strategies that the CERC will follow include:

a. General Strategies

- Plan for self-sustaining or profitable operations as early in the project life as possible;
- Stimulate and support employment among small, medium, and large companies in the crafts industry, avoiding the establishment of in-house production; and
- Assure that CERC fills all gaps in the giftware export business cycle to the satisfaction of foreign customers and that it leverages the resources of Haitian producers.

b. Specific Strategies

Organization and Management Strategies

The organization and management structure of the CERC will concentrate on key general, marketing, and production management functions. Major interacting units will be two long-term technical assistance advisors (a Marketing and General Management Advisor and a Financial Management and Reporting Systems Advisor), a corporation, and a foundation which will assume the activities of the corporation once it is granted juridical status by the Government of Haiti. Key operating employees include a locally hired General Manager (who will replace the expatriate incumbent prior to the initiation of Year Two project activities) a Production Manager, and a Designer.

The major strategies covering CERC's legal form are to legally separate it from donor organizations, to give it a form which provides for localized financial control and a businesslike accounting system to insure that transition does not inhibit the project's ability to grow and expand the scope of its services. Establishing CERC as a foundation satisfies these requirements, but since a foundation will take one year to establish, while a corporation takes only a few months, CERC will initially become a corporation. CARE will initially work with a core group or organizing committee which will become the corporation/foundation's Board of Directors. Then, after the foundation is approved and obtains legal status, all assets and operations will be assumed by the foundation and the corporation will be dissolved.

Once the foundation is approved by the Government of Haiti, it becomes a legal and separate entity and can directly receive donor funding. However, AFD will provide grant funds directly to the corporation as a transition between providing funds first to CARE and finally to the foundation as Recipients.

Donor interests in preserving CERC's development orientation will be maintained over the life-of-project and beyond through the grant agreement and corporation/foundation by-law provisions which will provide for voting control or veto power over management's ability to make radical changes. A foundation will also give continuity and a wider scope to CERC's crafts industry support, and will facilitate obtaining certain other donor resources (e.g. Peace Corps, IIB, CIDA, etc.) if these are determined to be advantageous to the project.

Marketing Strategies

Key marketing strategies are to contract with

importer/distributors in the U.S., Caribbean, and Europe and to carry out the full marketing cycle of product conception, price negotiation, promotion, sales, distribution, and marketing research. Specifically, in addition to contracting with importer-distributors, each of which will handle one or more of CERC's major product lines, the CERC General Manager will work closely with the Marketing and General Management Advisor to develop salable products; negotiate prices; obtain orders; and measure achievement of business and development goals.

Production Strategies

Key production strategies are to deal with producer groups in two layers. A few relatively sophisticated prime contractors will produce each product line and each prime contractor will in turn sub-contract to numerous lesser sophisticated groups. Production will also require standardized product prototypes to assure agreed-upon prices, quality, delivery, and shipping dates.

Producers' working capital needs will be met through the common industry practice of advances on orders, which can either be in cash or in the form of raw materials. The Financial and Reporting Systems Advisor in conjunction with the Production Manager will research the feasibility of procurement and producer sourcing through Haitian importers and manufacturers of CERC raw materials requirements. If feasible, producers will be encouraged, but not required to purchase from these sources.

Retail Outlet

The project's retail outlet (Zin d'Art) will be incorporated into the project as a division of the corporation/foundation. The retail outlet's Retail Manager will be directly responsible to the CERC's General Manager and will be required to submit reports to the General Manager that include sales and receivables, costs, product breakdowns, inventory levels, cash flow/budgetary status reports, and financial statements (including Income Statements) that will be consolidated into reports to the Board of Directors.

4. Use of Escrowed Funds

Profits (gross margin) from CERC export sales will be deposited in an escrow account. These funds will be used in Year 5 to help support CERC operations when the project no longer receives A.I.D. funding. No deposits to the escrow account will be made by the retail store since it receives no grant funds and would not be able to increase inventory purchases without maintaining the multiplier effect of its working capital funds.

5. Role of CARE

CARE will continue its role as direct sponsor of the CERC until arrangements can be concluded to establish an independent corporation for the execution of the project, allowing CARE to pass administration of the project over to this new entity and eventually to the CERC foundation in Year 2 of project implementation. CARE will help recruit the organizing committee that will become the corporation/foundation's Board of Directors, and will also provide a General Manager from the CARE staff until Year 2 of project implementation, or earlier, should an appropriate local General Manager be identified. During Year 1, a Haitian local Manager will be selected by the Board of Directors to replace the expatriate General Manager provided by CARE, beginning in Year 2.

Under an agreement with the corporation CARE will grant the corporation use of CERC assets now held by CARE from the original Operational Program Grant. The corporation will in turn grant these assets to the Foundation once it receives juridical status from the Government of Haiti.

6. Role of USAID/Haiti

The major source of donor funds for the project will come from USAID/Haiti. USAID will play a central role, through its Office of Private Enterprise Development, in monitoring project implementation and will be responsible for recruiting the Marketing and General Management and Financial Management and Reporting Systems Advisors. USAID will also approve the use of escrowed funds. For additional USAID involvement in project implementation, see Section II, A, above, of the Program Description.

7. Role of Long-Term Advisors

Two long-term advisors will be provided under the project: a Marketing and General Management Advisor and a Financial Management and Reporting Systems Advisor. During the first year of project implementation under the grant amendment, these individuals will be contracted directly by USAID/Haiti. Later, once the CERC is recognized as a legal entity, these individuals will be contracted directly by the corporation/foundation.

The Marketing and General Management Advisor will provide advisory services to the General Manager, the Board of Directors, and A.I.D. on international giftware/crafts marketing and general management strategies appropriate for the project. The Marketing and General Management Advisor will formally report to the USAID Project Monitor and will advise the CERC General Manager and Board of Directors.

The Financial Management and Reporting Systems Advisor will recommend and oversee the operation of financial and other progress-measuring systems needed by the CERC to meet its objectives. The advisor will prepare business-oriented operating reports and will handle entirely the additional reporting requirements of A.I.D. and other possible donors. As with the Marketing and General Management Advisor, the Financial Management and Reporting Systems Advisor will formally report to the USAID project monitor and will advise the CERC General Manager and Board of Directors.

8. Role of CERC Management

The CERC management will be responsible for day-to-day operations and linkages with producers and the domestic and export markets. Management will be responsible for reporting to the Board of Directors and the donors. In order to assist management in keeping its focus on operational priorities however, the long-term advisors will be responsible for keeping the donors adequately informed.

9. Role of Board of Directors

The Board of Directors will set and review the strategy and policies of the corporation/foundation within the limits established by its by-laws and/or under the terms of separate agreements, such as grant agreements. The Board will select the CERC's top management, approve budgets and plans, and assure an orderly transition from a donor-supported project to an independent institution. The Board of Directors approval will also be required for the utilization of escrowed funds.

10. Reporting Systems

Under the project there will be three main areas of reporting. They include: business information requirements, developmental impact assessments, and special information required by donors. The Financial and Reporting Systems Advisor to the project will be responsible for setting up the necessary systems for meeting reporting requirements, and will also act as a liaison to donors to satisfy their day-to-day information needs. This will allow the General Manager and Marketing and General Management Advisor to focus primarily on operational matters and the CERC's Board of Directors.

Some of the key information required with respect to the project on a regular basis includes the following:

Market to CERC:

This information relates to the salability of CERC products, market reactions to CERC designs, general trends in design and product development, and client satisfaction with both products and services provided by CERC. This information will be systematically gathered from CERC's importer distributors, selected final clients, and from trends found at shows.

Producers to CERC:

This information includes levels of job creation by producers, their perception of CERC effectiveness in providing the services offered by the project, and an identification of producer problem areas. Much of this information will be collected by the production staff at CERC during regular operational contact with producers. To supplement this contact, CERC will also contract independent evaluators locally to do an annual survey among producers.

Business Reporting within CERC:

Reports to assist CERC's management will include sales and receivables, costs, product breakdowns, inventory levels, cash flow/budgetary status reports, and financial statements (including Income Statements).

Business and Development Reports for the Board of Directors and Donors

The normal range of operational reports and financial statements will be prepared and submitted to the Board of Directors and to the donors at the intervals described in Attachment 1, the Schedule of this Agreement. The advisors will supplement these reports with special reports as requested by the donors or the Board.

11. Evaluation Plan

The evaluation plan refers to external evaluations, which go beyond the internal reporting and evaluations carried out by project staff and the advisors during the life of project. Two evaluations, contracted to independent evaluators will be conducted after the second and fourth years of project implementation. The content of the first and second evaluations will indicate how the project is proceeding toward its goals, including self-sufficiency, and will recommend whether USAID should proceed with planned support for the project.

12. Staffing Plan

<u>Position</u>	<u>Number</u>
Marketing and General Management Advisor	1
Financial Management and Reporting Systems Advisor	1
General Manager	1
Retail Manager	1
Production Manager	1
Inventory Controller	1
Designer	1
Accountant	1
Secretary	1
Driver	1
Guard	1
Laborers	<u>3</u>
Total	14

13. Implementation Schedule

<u>Task</u>	<u>Month</u>
1. Recruit Organizing Committee Members for Corporation/ Foundation (Later to act as Board of Directors).	-3
2. Institute Search for Advisors.	-2
3. Prepare Corporation By-Laws, with Assistance from Local Lawyer.	-1
4. USAID Signs Cooperative Agreement with CARE with Clause Stipulating Automatic Transfer of Agreement to Corporation and Eventual Final Transfer of Agreement to Foundation When It Is Registered and has Met Conditions Precedent.	-1
5. Register Corporation.	1
6. CARE Prepares Foundation Documents and Applies for Foundation Approval.	1
7. CARE Arranges for the Use of Present CERC Assets by Granting Them to the Corporation Which Will in Turn Grant Them to the Foundation Once It Is Legally Recognized.	1
8. Commence CERC Operations Temporarily under CARE Until Corporation is Registered.	1
9. Engage Marketing and General Management Advisor.	1
10. Engage Financial and Reporting Systems Advisor.	1
11. Engage Budgeted Project Personnel.	1
12. Marketing and General Management Advisor Prepares Marketing Plan and Begins Search for Permanent General Manager.	2
13. Financial and Reporting Systems Advisor Establishes Internal Business and Donor Reporting Systems.	By 3
14. Marketing and General Management Advisor/General Manager Establish U.S. Marketing Links with Importer-Distributors (Possibly before Relocation to Haiti) Accompanied by General Manager in Final Negotiations.	By 4
15. Hire and Orient Permanent General Manager.	By 13
16. Foundation Becomes Registered and Makes Permanent the Agreement Providing for Its Use of CERC OPG Assets to be Granted to the Foundation by the Corporation.	By 13

Implementation Schedule (Con't)

<u>Task</u>	<u>Month</u>
17. First Evaluation Completed/Decision to Continue or Terminate project.	25
18. Marketing and General Management Advisor's Term Ends.	36
19. Financial Systems Advisors Term Ends.	36
20. Second Evaluation Completed/Decision to continue or Terminate Project.	48
21. Projected Breakeven for CERC Activities.	48
22. USAID Grant Agreement Completed.	48

14. Illustrative Budget
Grant Amendment

CRAFTS EXPORT RESOURCE CENTER
GRANT BUDGET
(All Amounts in U.S. Dollars)

CARE/CERC MANAGED FUNDS:

EXPENDITURES	YEAR 1	YEAR 2	YEAR 3	YEAR 4	TOTALS
I. TECHNICAL ASSISTANCE:					
CONSULTANTS:					
MANAGEMENT/MARKETING ADVISOR		\$150,000	\$150,000		\$300,000
FINANCIAL SYSTEMS ADVISOR		\$70,000	\$70,000		\$140,000
OTHER CONSULTANTS (DESIGN & PRODUCTION)	\$35,000	\$35,000	\$20,000	\$20,000	\$110,000
TOTAL TECHNICAL ASSISTANCE	\$35,000	\$255,000	\$240,000	\$20,000	\$550,000
II. PERSONNEL:					
GENERAL MANAGER	\$50,000	\$50,000	\$52,000	\$64,000	\$236,000
PRODUCTION MANAGER	\$24,000	\$25,000	\$25,000	\$27,000	\$102,000
INVENTORY CONTROLLER	\$14,000	\$14,000	\$15,000	\$15,000	\$58,000
ACCOUNTANT	\$13,000	\$13,000	\$14,000	\$14,000	\$54,000
ADMIN. SECRETARY	\$10,000	\$10,000	\$11,000	\$11,000	\$42,000
DESIGNER	\$24,000	\$25,000	\$25,000	\$27,000	\$102,000
DRIVER	\$5,000	\$5,000	\$5,000	\$5,000	\$20,000
OTHER (guard, shipping labor, etc.)	\$7,000	\$7,000	\$7,000	\$7,000	\$28,000
TOTAL PERSONNEL	\$147,000	\$159,000	\$165,000	\$170,000	\$642,000
III. OPERATIONS:					
LOCAL TRAVEL	\$2,000	\$2,000	\$4,000	\$4,000	\$12,000
OFFICE SUPPLIES	\$7,000	\$6,000	\$5,000	\$5,000	\$23,000
COMMUNICATIONS	\$4,000	\$12,000	\$12,000	\$14,000	\$52,000
OFFICE RENT	\$11,000	\$11,000	\$11,000	\$11,000	\$44,000
UTILITIES	\$8,000	\$8,000	\$8,000	\$8,000	\$32,000
VEHICLE OPERATIONS	\$14,000	\$14,000	\$14,000	\$14,000	\$56,000
INTERNATIONAL TRAVEL	\$8,000	\$6,000	\$6,000	\$6,000	\$26,000
GENERAL OPERATIONS	\$20,000	\$10,000	\$10,000	\$10,000	\$50,000
TOTAL OPERATIONS	\$84,000	\$69,000	\$70,000	\$72,000	\$295,000
IV. MATERIALS AND EQUIPMENT					
ADDITION TO CAPITAL	\$57,000	\$51,000	\$96,000	\$183,000	\$387,000
DESIGN AND PROTOTYPE	\$4,000	\$5,000	\$6,000	\$6,000	\$21,000
TOTAL MATERIALS & EQUIPMENT	\$61,000	\$56,000	\$102,000	\$189,000	\$408,000
V. INSTITUTIONAL SUPPORT					
CARE OVERHEAD (9.19%)	\$23,000	\$0	\$0	\$0	\$23,000
VI. AUDIT					
	\$3,000	\$3,000	\$3,000	\$3,000	\$12,000
VII. BIENNIAL EVALUATION					
	\$0	\$25,000	\$0	\$25,000	\$50,000
GRAND TOTALS	\$252,000	\$557,000	\$581,000	\$470,000	\$1,860,000

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