

PROJECT DESCRIPTION

ST. LUKE FARMERS COOPERATIVE SOCIETY LIMITED

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

St. Luke Cooperative Society Limited (St. Luke) is a registered smallholder farmer Cooperative society located in Akalo Sub County, Apac District of Northern Uganda. St. Luke empowers its farmer members to increase agricultural productivity through training and agricultural extension services. The Cooperative has also started bulking members' produce for group marketing in the off-season as a way of helping farmers get better prices for their produce. However, the cooperative lacks resources to maximize its potential in the bulking and marketing processes. It also lacks capacity in the management of the Cooperative operations. This Project is designed to help St. Luke enhance its competitiveness by improving its infrastructure and operational systems as well as by strengthening its managerial and technical capacity.

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. St. Luke Farmers Cooperative Society Limited Contribution

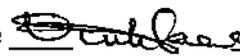
St. Luke will contribute the land on which the storage facility is built, provide casual labor during construction, and pay for the purchase of locally made pallets for the new store and the salary of the security guard. The Cooperative will also contribute the time, skills, and labor of its volunteers and members in the operation of the Project.

IV. Project Goal

The goal of the Project is to improve the economic welfare of smallholder farmers in Apac District, Uganda.

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V. Project Purpose

The purpose of this Project is to improve St. Luke's prospects for sustained growth and expansion of services for farmer members through 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 financial management capacity as evidenced by the following:
1. St. Luke produces financial reports from financial and accounting systems that include monthly income and expense statements, consolidated quarterly and annual statements, as well as adequate financial controls, accounting procedures, policies and systems that will be capable of being audited by an independent accounting or audit firm; and
 2. St. Luke's management team routinely utilizes financial documents produced during the Project, such as quarterly bank reconciliations, budget expenditures, cash flow statements, and profit and loss statements, in making financial and management decisions for the Cooperative.
- B. Improved operational capacity in procuring and marketing farmer members' produce as demonstrated by an increase in the total value of produce procured from farmer members from UGX 21,634,8000 in the base year to:
1. UGX 29,400,000 in Year 1; and
 2. UGX 40,000,000 in Year 2.
- C. Increase in the total value of produce sold on the market from UGX 27,539,150 in the base year to:
1. UGX 37,400,000 in Year 1; and
 2. UGX 50,900,000 in Year 2.

VII. Activities

St. Luke will ensure, with the assistance of consultants as necessary, that the following major activities are implemented.

A. St. Luke's Institutional Capacity Building Activities

- ~~1. St. Luke will implement a computerized financial management system capable of regularly producing accounting reports for management review.~~
2. St. Luke will establish an accounting manual with policies and procedures.

3. St. Luke will train farmer members in cooperative principles and collective produce marketing.
4. St. Luke will complete a farmer member baseline needs analysis, utilize results to identify gaps, and implement additional relevant training.

B. St. Luke's Agricultural Production

1. St. Luke will recruit two qualified agricultural extension workers, identify and select four contact farmers, and implement an effective farmer extension service.
2. St. Luke will recruit a qualified project/marketing manager who develops and implements an appropriate marketing plan.
3. St. Luke will train farmer members on the benefits of bulk marketing and signing forward contracts with members.
4. St. Luke will facilitate a study tour for select staff and board members to visit other ADF-funded Projects in Hoima District, Uganda.

- C.** St. Luke develops a comprehensive five-year business plan with achievable production targets that account for factors such as demand, cost, and supply of raw materials, production capacity and competition, as well as a marketing strategy that includes promotion, pricing, and distribution for all the farm produce marketed through the cooperative society.

VIII. Roles and Responsibilities of the Parties

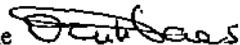
ADF's Partner, UDET, will provide the Grantee standard ADF training in bookkeeping, monitoring and assessment. St. Luke will be responsible for ensuring that there is proper management and implementation of the Project. The ADF Partner in Uganda, UDET will provide St. Luke with the technical and management assistance during the implementation of the Project.

IX. Monitoring and Evaluation

Within sixty (60) 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 with the inputs 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

Within two months after the completion of the bulking warehouse, the Grantee will purchase and install sufficient pallets needed to stack sacks of farm produce to prevent spoilage.

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