

PROJECT DESCRIPTION**Buseko Timber and Grass Cooperative****Zambia****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

Buseko Timber and Grass Cooperative (BTGC) is a legally registered cooperative society that processes raw grass and timber for sale at Buseko market. BTGC has a customer base of carpenters, hardware stores, lodge owners, and others, but it struggles to meet their demand in terms of the quantity of wood and the type of processed products. BTGC's lack of professional management, technical training, and proper equipment constrains its capacity to meet customer demand.

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. Grantee Contribution

BTGC will contribute its assets, which include land, buildings and members' expertise in the timber industry.

IV. Goal

The goal of the Project is to promote the growth of small scale cooperatives that increase the standard of living in Lusaka.

V. Purpose

The purpose of the Project is to improve Buseko Timber and Grass Cooperative'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 institutions.

VI. Outputs**A. Improve financial management as evidenced by:**

1. BTGC produces financial statements from the financial and accounting system that include monthly income, balance sheet, and cash flow statements, consolidated quarterly and annual statements, and utilizes adequate financial controls, accounting procedures, policies, and systems that will be capable of being audited by an independent accounting or audit firm; and
2. the management team routinely utilizes the management and financial reports produced such as performance reports, budget expenditures, profit and loss statements, cash flow statements, and balance sheets in making financial and management decisions on how to move the organization forward.

B. Improved business management capacity as evidenced by a functioning and active board of directors that meets quarterly to assess management implementation progress and addresses implementation constraints necessary to move the organization forward. In addition, the board convenes the Annual General Meeting in accordance with its constitution to update members on BTGC on-going activities.**C. Improved technical and operational capacity as evidenced by a valid contract to purchase and transport timber from Western Province to Lusaka.****VII. Activities****A. Financial Management Activities**

1. BTGC will hire a chartered accountant to manage its finances. The Accountant will work with a financial systems consultant to create a manual of procedures that establishes internal controls and documents accounting policies by the end of month six of the Project. The accountant will operate the Cooperative's financial systems and will advise the management and Board on the financial status of the organization. All major purchases will be third-party disbursements until the financial systems are in place to safeguard the assets and documents of the transactions.

B. Business Management and Governance Activities

1. BTGC will hire a business manager responsible for the overall management of the timber processing business. Specifically, the business manager will be responsible for facilitating production, coordinating the raw timber supply contracts, and buying, processing, packaging and marketing processed wood planks to carpenters, hardware stores, and other buyers. The business manager will be hired by month four of Project Year 1.
2. BTGC will establish an office with two desktop computers, computer accessories, accounting software, and office furniture. The office will be fully equipped by month six of Project Year 1.
3. BTGC will use a consultant to complete an administrative manual that describes matters of personnel recruitment, conditions of service, safety policies for wood processing equipment, procurement procedures, travel policy, and the proper use of company property. The management team will collaborate and assist in the creation of the administrative manual, which will be complete by month nine of Project Year 1.
4. BTGC will use a consultant to complete an operations manual that provides guidelines on the development of annual work plans and budgets, processes for purchasing raw timber and transporting it to Lusaka, and guidelines on timber marketing and sales. Buseko will work closely with ZATAC to develop the necessary terms of reference for the consultant. The business manager will collaborate and assist in the creation of the operations manual, which will be complete by month nine of Project Year 1.
5. BTGC will develop a governing manual and attend training on implementing its policies. By the end of month nine of the Project, the management team will collaborate with a consultant in the creation of the governance manual. The manual will establish policies for the democratic election of the Board of Directors, guidelines for reporting progress to members, and conditions for member participation in decision making. Members will also attend a corporate governance training session, which will feature guidance on implementing good governance policies.

C. Technical Capacity Building Activities

1. Members of BTGC will attend training classes that emphasize modern wood processing techniques and the proper and safe use of timber equipment, such as a woodmizer. Members will learn how to add value to planks by creating finished products (e.g., furniture).
2. BTGC will lease carpentry equipment for training members in value-adding skills. Members will practice making cabinets, chairs, tables, and other products.
3. BTGC will establish a timber purchase fund by month twelve of the Project. The wood bought with the fund will be used primarily as a pilot program for members to apply and practice the skills learned in the training classes.

4. Selected members will embark on a study tour of another wood processing center, where they will observe how a similarly-sized enterprise acquires raw timber, processes it, and transports and sells it at market.
 5. In implementing best timber practices by BTGC members, BTGC will obtain necessary conveyance and production licenses for the timber it handles and will only purchase timber from entities with valid concession licenses that follow stipulated procedures for the tree cutting and for minimizing the environmental impact of tree harvesting.
- D. BTGC will use a consultant to work closely with the management team to develop a medium and long term growth strategy. The business plan will address the following:
1. develop the best organization and staffing structure to operate a sustainable business, given BTGC's background, mission, skills, and resources;
 2. assess members' capacity to engage in value-added processing, develop training schedules to teach new skills, and assess the viability of various finished wood products, based on the pilot production activities;
 3. develop the correct mix of product lines to maximize BTGC's long term profitability. The mix of products will take into account market demand, profit margins, BTGC's processing skills and equipment, and BTGC's capacity to transport its products to market;
 4. distribute an equitable amount of benefits, taking into account the long-term profitability of the company; and
 5. develop a strategy for expansion that assesses the human capital, training, and technical assistance requirements for sustainable growth.

VIII. Roles and Responsibilities of the Parties

The staff and elected leadership of BTGC are responsible for the management and the proper implementation of the Project. ZATAC, ADF's Partner in Zambia, will provide training in the area of standard ADF bookkeeping, monitoring and assessment. ZATAC will also provide technical assistance and management during implementation.

IX. Monitoring and Evaluation

ADF's Partner in Zambia will closely monitor the activities of the cooperative 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 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 cooperative as part of the on-going performance assessment.