

**PROJECT DESCRIPTION****Chipepo Fisheries Company Capacity Building Project****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**

Chipepo Fisheries Company (CFC) Limited is a company owned by seven fishing cooperatives near Lake Kariba and the Chipepo Royal Establishment, a community-based organization in Chipepo. CFC buys fish from members of the cooperatives at points along Lake Kariba, transports the fish to Chipepo, and sells it at its Fish Marketing Center. CFC benefits remote fishing communities by connecting them to outside markets and providing training in fish management techniques. CFC also benefits the Chipepo community by investing dividends from the fish market in local development initiatives. CFC seeks to capitalize on Zambia's strong market for fish. However, inadequate financial systems and management structures constrain CFC's ability to grow.

**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**

Chipepo Fisheries Company Limited will contribute an ice plant and cold room, backup generator, water pump and tank, and the Fish Market Center.

**IV. Project Goal**

The goal of the Project is improve the standard of living of fish farmers in Gwembe district of Southern Province, Zambia.

## V. Project Purpose

The purpose of the Project is to improve CFC'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 financial management

1. CFC produces financial statements that include monthly income, balance sheet, and cash flow statements, consolidated quarterly and annual statements, adequate financial controls, accounting procedures, policies and systems that meet international audit standards; 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 for the Company.

### B. Improved business management capacity as evidenced by:

1. a functioning and active board of directors meets quarterly to assess management implementation progress and addresses implementation constraints necessary to move the company forward; and
2. the board convenes the Annual General Meeting (AGM) in accordance with its constitution to update members on CFC's on-going activities.

### C. Improved marketing capacity as evidenced by CFC establishing at least one new formal market outlet and obtaining a letter of intent from the buyer to purchase fish in bulk from CFC.

## VII. Activities

### A. Financial Management Improvements

1. CFC will hire an accountant who will manage the financial system of the Company. The accountant will be responsible for setting up internal control systems, recording financial transactions, and reporting the financial status of the Company to the board. The accountant will be hired by month four of Project Year 1.

2. CFC will hire a consultant with expertise in financial management on a short term contract to work closely with the CFC accountant to develop appropriate financial accounting procedures, policies and systems that will ensure timely and accurate financial reporting, with the intent of meeting ADF's financial certification requirements by the end of the Project. The financial consultant will work with the accountant to document the financial systems developed in a financial management manual. Once the financial system is in place, the consultant will provide follow-up training where necessary and assess the implementation of the financial system by conducting quarterly visits to the company. Financial systems will be established by month eight of Project Year 1 and follow up services will be provided on a quarterly basis.

B. Business Management Improvements

1. CFC will obtain its formal certificate of registration from PACRO by month three of Project Year 1.
2. CFC will hire a business manager responsible for overall management of the Association. Specifically the business manager will be responsible for coordinating contracts, procurements, processing, packaging and marketing of fish. The business manager will be hired by month four of Project Year 1.
3. CFC will establish an office in Chipepo for its management team. The office will be equipped with computers, computer accessories, office furniture and internet connectivity. The office will be fully equipped by month six of Project year 1.
4. CFC will hire a consultant to develop, in consultation with management, administrative policies, procedures and guidelines to guide the operations of the Association. The administrative system will focus on personnel policy, safety and security procedures, procurement, and use of Company assets and will be documented in an administrative manual. The administrative manual will be completed and in use by month nine of Project Year 1.
5. CFC will hire a consultant to develop, in consultation with management, governance policies, procedures and guidelines. The governance system will focus on principles of good governance, rules of conduct of board members, functions of the board of directors, conduct at the Annual General Meeting (AGM), issues of conflict of interest, and financial responsibilities of the board and will be documented in a governance manual. A governance manual will be completed and in use by month nine of Project Year 1.

6. CFC management and board will be trained in good corporate governance and strategic planning. The training will be conducted during several sessions and will be completed by month eleven of Project Year 1.

C. Technical Capacity Building

1. CFC will hire a consultant to hold a training workshop in Chipepo, where member fish farmers will learn sustainable fishing techniques.
2. CFC will establish a supply shop in Chipepo where member farmers can purchase affordable nets, hooks, and other fishing gear. Proceeds from the shop will go into a revolving fund that will be used to purchase more affordable fishing supplies.
3. CFC will improve the transportation of fresh fish from member fish farmers to Chipepo Market by establishing Fish Collection Points. The fish collection points will house two insulated storage containers and one hook weighing scale. CFC will lease two boats to pick up fish at the collection points. CFC will also lease a refrigerated truck that will collect fresh fish from the boats and provide transport to the fish marketing center.
4. CFC will hire a consultant to develop, in consultation with management, an operations manual. The operations manual will provide guidelines on how to develop annual work plans and budgets, establish formalized methods for purchasing and transporting fish from Fish Collection Points to the Chipepo Fish Marketing Center, and guidelines for packaging and storing fish. The operations manual will also govern the credit system and the fish purchase fund, under which CFC will purchase fish from member fish farmers and store and sell it at the Fish Marketing Center. The operations manual will be completed and used by management by month eleven of Project Year 1.
5. CFC's management team and board of directors will attend training in enterprise development, marketing and management of revolving funds. The training will help CFC identify new markets and negotiate prices with potential customers. Training will be complete by month 8 of Project Year 1.

D. Business Plan Development

CFC will hire a consultant to work closely with the management team and board to develop a comprehensive five-year business plan that will be completed by month three of Project Year 2. The business plan will address the following:

1. analyze the best organization and staffing structure to operate a sustainable and profitable business. This will involve analyzing CFC's organizational structure;

2. assess and recommend product lines that CFC can develop based on the relative profitability of fish found in Lake Kariba, and provide strategies for penetrating markets for product lines recommended;
3. provide strategies for integrating more area fish farmers into affiliated cooperatives;
4. assess the manpower, training and technical assistance requirements for expansion of the company;
5. analyze existing costs of production and compare the costs and benefits of buying versus leasing boats for fishing and buying versus leasing a truck for transport of fish to market;
6. provide five-year production and profit and loss projections based on current production, costs and sales trends; and
7. undertake any additional analyses that will prepare the Company for expansion and sustained growth, to be determined during the design process of the business plan and through implementation of this Project.

#### **VIII. Roles and Responsibilities of the Parties**

The staff and elected leadership of CFC 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 Company to ensure proper reporting, adherence to the project implementation plan by the Company 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 Company as part of the on-going performance assessment.