

PROJECT DESCRIPTION

Chavuma Rice 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

The Chavuma District farmers Association (DFA) is an organization of rice farmers in Zambia's Chavuma District. Chavuma DFA provides extension services to its members and connects individual farmers to wholesale purchasers, such as Zambia's Food Reserve Agency. High urban demand for rice has prompted more wholesale companies, such as National Milling, to express interest in purchasing rice from Chavuma DFA if it can produce a good quality rice in large quantities. Currently, the Association is not able to take advantage of this market opportunity because of weak managerial capacity, no financial systems in place and the rice farmers providing rice are using inefficient production methods.

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

Chavuma DFA will contribute its assets which include land and a warehouse. In addition the Association will continue to support the position of office orderly and guard. Further the Association will contribute its annual subscription fees and commission income from FRA towards activities of this project.

IV. Project Goal

The goal of the project is to improve the standard of living of poor rice farmers in Northwestern Province of Zambia

V. Project Purpose

The purpose of the project is to improve Chavuma DFA'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 as evidenced by:
1. Chavuma DFA produces financial statements that include monthly income, balance sheet, and cash flow statements, consolidated quarterly and annual statements, and establish adequate financial controls, accounting procedures, policies and systems that meet international audit standards; and
 2. The management team routinely utilizes management and financial documents produced such as performance reports, budget expenditures, profit and loss statements, cash flow statements, and balance sheets in making financial and management decisions for Chavuma DFA.
- 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 and the Board convenes the Annual General Meeting (AGM) in accord with its Constitution to update members on Chavuma DFA's on-going activities.
- C. Improved marketing capacity as evidenced by Chavuma DFA establishes one new formal market outlet and obtains a letter of intent from the buyer to purchase rice in bulk from Chavuma DFA.

VII. Activities

- A. Improved Financial Management
1. Chavuma DFA will hire a bookkeeper who will manage the financial system of the Association. The bookkeeper will be responsible for setting up internal control systems, recording financial transactions, and reporting the financial status of the Association to the board. The bookkeeper will be hired by month four of Project Year 1.
 2. Chavuma DFA will hire a consultant with expertise in financial management to work closely with the Chavuma DFA bookkeeper 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

bookkeeper to document the financial systems developed in a financial management manual. Once the financial systems are in place, the consultant will provide follow-up training where necessary and assess the implementation progress by conducting quarterly visits to the Association. Financial systems will be established by month eight of Project Year 1 and follow up services will be provided on a quarterly basis.

B. Improved Business Management

1. Chavuma DFA will hire a business manager responsible for overall management of the association. Specifically the business manager will be responsible for coordinating production contracts, procurement, processing, packaging and marketing of rice. The business manager will be hired by month four of Project Year 1.
2. Chavuma DFA will install electrical fittings to the office that will be situated at the warehouse. It will procure two computers, computer accessories, office furniture, and internet connectivity. The office will be fully equipped by month six of Project Year 1.
3. Chavuma DFA 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 cover personnel policies, safety and security procedures, procurement, and use of Association assets and will be documented in an administrative manual. An administrative manual will be issued and in operation by month nine of Project Year 1.
4. Chavuma DFA 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 and 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 governance manual. A governance manual will be completed and in operation by month nine of Project Year 1.
5. Chavuma DFA management and board will be trained in good corporate governance and the application of then governance manual. The management and board will also be trained in enterprise development. The training will be conducted during several sessions and will be completed by month eleven of Project Year 1.

C. Improved Operations and Marketing Capacity

1. Chavuma DFA will strengthen its extension delivery system by purchasing a motorbike for use by the business manager. The motorbike will be purchased and in use by month six of the Project Year 1. Major capital purchases before the establishment of financial controls will be made directly to vendors.

2. Chavuma DFA will strengthen the Association's capacity to manage a purchase fund by establishing a pilot crop purchase fund and will purchase rice seed for multiplication purposes. Chavuma DFA will begin using the purchase fund during the beginning of harvest season. Chavuma DFA will purchase rice seed by month six of Project Year 1.
3. Chavuma DFA farmers will receive training in sustainable agriculture and internal control systems covering soil fertility, inter-planting, conservation tillage, green manure, biological control, and compost making. Chavuma DFA farmers will also be trained in seed multiplication covering methods to identify, produce and reproduce high quality seed. Trainings will be complete by month five of Project Year 1.
4. Chavuma DFA will purchase and operate a rice mill and equipment including a platform scale, two hook scales, five tarpaulins, protective clothing, one moisture meter, two probes and two pallets. Chavuma DFA mill operators will be trained in maintenance and repair of milling equipment. The rice mill and equipment will be in use by month nine of Project Year 1. Training will be completed by month eight of Project Year 1.
5. Chavuma DFA will hire a consultant to develop an operations manual, in consultation with management. The operations manual will provide guidelines on how to develop annual work plans and budgets, formalized crop purchase methods including transportation logistics, storage and marketing including characteristics of principal markets. The operations manual will be completed and used by the Association management by month eleven of Project Year 1.
6. Chavuma DFA will purchase packaging materials for marketing, complete by month nine of Project Year 1. In addition, Chavuma DFA will obtain Organic Producers and Processors Association of Zambia (OPPAZ) certification by month twelve of the Project.
7. Chavuma DFA farmers will undertake a study tour to another similar rice group by month one of Project Year 2.

D. Business Plan Development

Chavuma DFA will hire a consultant to work closely with the management team and board to develop a comprehensive five-year business plan complete by month fifteen. 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 Chavuma DFA's organizational structure;

2. assess and recommend product lines that Chavuma DFA can develop based on the relative profitability and feasibility of production of each. Provide strategies for penetrating markets for product lines recommended;
3. analyze international markets for organic rice, including quality, certifications required and quantity needed. Provide strategy for entering export market for organic rice;
4. define the fee and commission structure for Chavuma DFA members for each of its products and service lines;
5. provide strategies for integrating more Chavuma farmers into the project for it to be sustainable;
6. assess the manpower, training, and technical assistance requirements for expansion of production;
7. provide five-year production and profit and loss projections based on current production, costs and sales trends;
8. provide a detailed plan for the disposal of waste products from rice processing; and
9. undertake any additional analyses that will prepare the Association 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 Chavuma DFA 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 Association to ensure proper reporting, adherence to the project implementation plan by the Association 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 Association as part of the on-going performance assessment.