

PROJECT DESCRIPTION**Egebeni Horticulture Capacity Building Project****Swaziland****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

Egebeni Development Company (EDC) was formed by a group of 63 small-scale farmers in the town of Egebeni. The group has been allocated 366 hectares of land, 80 percent of which is arable, as well as several tools and equipment, by the Government of Swaziland. Individually, members have knowledge and skills in vegetable production and have already begun selling yellow maize as a group. Buyers have demonstrated there is market demand for vegetable products. EDC is constrained, however, by limited management and operational capacity to run EDC as a business enterprise and insufficient funds to rehabilitate the assets donated from the Government of Swaziland.

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

EDC will contribute the land on which the Project is located, water from its existing water rights, infrastructure in the form of the existing buildings, a tractor and water pump, the labor of its members and a van to be used for transport.

IV. Project Goal

The goal of this Project is to improve the standard of living of poor farmers in the Manzini region of Swaziland.

V. Project Purpose

The purpose of the Project is to improve Egebeni Development Company (EDC)'s prospects for sustained expansion as evidenced 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 capacity as evidenced by:

1. the production of financial statements from the financial and accounting system of EDC 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 audit standards; and
2. the Management Team of EDC routinely utilizes financial documents produced during the Project, such as quarterly bank reconciliations, budget expenditures, profit and loss statements, balance sheets and cash flow statements in making financial and management decisions for the Company.

B. Improved management and governance as evidenced by:

1. the executive committee of EDC meets quarterly to assess management progress and address implementation constraints in order to advance the Company; and
2. the executive committee of EDC convenes an Annual General Meeting (AGM) in accordance with their constitution to update members on Company activities.

C. EDC improves its operational capacity as evidenced by formalized crop production, collection, storage and sales and a full utilization of the first five hectares of land by the end of Project Year 1, with the ability to expand to an additional 5 hectares in Project Year 2.

VII. Activities

A. Improved Financial Management Activities

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

2. EDC will hire a consultant with expertise in financial management on a short term contract to work closely with the EDC 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 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 six of Project Year 1 and follow up services will be provided on a quarterly basis.

B. Improved Business Management Activities

1. EDC will hire a project coordinator to manage the daily operations of the Company. The project coordinator will be hired by month four of Project Year 1.
2. EDC will provide the necessary equipment for its office by purchasing two computers, a printer, two computer desks, visitor chairs and a conference table. The office will be fully equipped by month four of Project Year 1.
3. By month six of Project Year 1, the executive committee of EDC will be trained in corporate governance to improve their understanding of their legal roles, of effective project management and of oversight.
4. Beginning in month nine of Project Year 1 and continuing on a quarterly basis for four quarters, the executive committee and management team of EDC will conduct monitoring and evaluation meetings with the entire membership to assess the success and constraints faced in implementing the Project, establish ways to address constraints, and produce a quarterly performance assessment report.
5. Beginning in month nine of Project Year 1, EDC will conduct meetings and visit individual households in Egebeni village to present EDC to the community and encourage community members to join. The goal of this mobilization will be to increase community participation and expand existing membership.

C. Improved Operational and Marketing Capacity Activities

1. EDC initially will utilize five hectares for vegetable and maize cultivation in Project Year 1. Upon full utilization of the first five hectares of land, an additional five hectares will be cultivated until the total amount of land used will be 30 hectares. Land will be allocated among a women's group, a men's group and a youth group. Each group will be allocated an equal portion of land. Farmers will use modern inputs such as fertilizers and improved seed varieties to grow cabbage,

green patty pans, baby marrow, yellow maize, onions and green beans. EDC will utilize crop rotation to minimize disease and will scout pests on a weekly basis to limit the need for insecticides. EDC will purchase all necessary inputs so it can begin cultivation of the first five hectares by month six of Project Year 1.

2. EDC will rehabilitate the existing infrastructure it received from the Government of Swaziland to improve its operational capacity. EDC will rehabilitate the existing water pump and lay down an irrigation system for furrow irrigation. It will wire and repair the two existing buildings to be used for an office and a pack house. EDC will use the pack house for storing the produce before it is delivered to market and picked up by buyers. Five hectares of land will be fenced off, and the existing tractor will be repaired to plough the land. In order to begin cultivation by month six of Project Year 1, the existing infrastructure will be ready for use by month six of Project Year 1.
3. To improve EDC's marketing capacity, EDC's members will be trained on how to market their produce and how to write a sound marketing plan. A consultant will lead participatory meetings with all members to develop a marketing plan. The consultant will also travel to various markets to conduct assessments of EDC's potential for market penetration. Training will begin in month nine of Project Year 1 and a marketing plan will be developed and in use by the end of Project Year 1.
4. Beginning in month six of Project Year 1, members will be trained in proper horticulture production. This training will build the capacity of all members and allow for skills transfer from the skilled members to those less skilled.

D. Business Plan

The project coordinator, with the help of a management consultant, will develop a comprehensive business plan, detailing the Company's strengths and market opportunities for further expansion and sustainability. The plan will be complete by month six of Project Year 2 and will include the following:

1. determine the most cost-effective ways of production and marketing of the Company's products and services;
2. analyze the costs and benefits of various technology options with regards to production, including organic farming techniques, mechanical production, and advanced equipment;
3. assess current skill levels of members and determine ways to improve skills as necessary;
4. document lessons learned from Project Year 1, particularly in the implementation of industry best practices;

5. explore options for expanding membership of the Company;
6. develop indicators that track benefits and establish a system of distributing profits to the members of EDC;
7. develop a strategy for marketing the Company's products with an emphasis on how to penetrate wider market outlets, including a recommended price structure for both local and overseas markets;
8. assess existing products and recommend additional income generation activities for the Company;
9. provide an assessment of current market trends as well an analysis of related risks; and
10. perform any other additional analysis 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 management of EDC are responsible for the management and the proper implementation of the Project. Regional Excellence Development Initiative (REDI), ADF's Partner in Swaziland, will provide training in the areas of standard ADF bookkeeping, monitoring and assessment. REDI will also provide technical assistance and management assistance during implementation.

IX. Monitoring and Evaluation

ADF's Partner in Swaziland will closely monitor the activities of EDC 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 actions 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 EDC as part of the on-going performance assessment.