

## PROJECT DESCRIPTION

### Lupembe Farmers Improvement and Expansion Project

#### Tanzania

#### 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

Lupembe Farmers Cooperative Joint Enterprise Ltd (LFCJEL) is a registered cooperative society located in the Iringa Region of Tanzania. The cooperative grows, processes, and markets green leaf tea for export. LFCJEL would like to take advantage of unmet local and international market demand; however, outdated and obsolete technology, weak internal management capability, lack of working capital, and low marketing capability prevent the company from capitalizing on the market 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

LFCJEL will contribute the time and skills of its staff in the implementation of the Project.

#### IV. Project Goal

The goal of the Project is to improve the standard of living for farmers in the Iringa Region of Tanzania.

## V. Project Purpose

The purpose of the Project is to increase the income of LFCJEL's employees and its suppliers as follows.

- A. LFCJEL's net income (before taxes and depreciation) will increase from the current baseline of TZS 17,046,511 to:
  1. TZS 41,400,000 in Year 1;
  2. TZS 89,000,000 in Year 2;
  3. TZS 103,000,000 in Year 3; and
  4. TZS 98,500,000 in Year 4.
  
- B. Total salaries and wages paid to workers (full time and part time) will increase from TZS 32,399,828 in the Project's base year to:
  1. TZS 38,000,000 in Year 1;
  2. TZS 43,000,000 in Year 2;
  3. TZS 48,000,000 in Year 3; and
  4. TZS 53,000,000 in Year 4.
  
- C. The value of loans disbursed to members will increase from TZS 2,000,000 in the Project's base year to:
  1. TZS 79,000,000 in Year 1;
  2. TZS 85,400,000 in Year 2;
  3. TZS 93,000,000 in Year 3; and
  4. TZS 101,000,000 in Year 4.
  
- D. The value of raw materials purchased from farmers will increase from TZS 98,146,414 in the Project's base year to:
  1. TZS 124,000,000 in Year 1;
  2. TZS 143,000,000 in Year 2;
  3. TZS 170,000,000 in Year 3; and
  4. TZS 208,000,000 in Year 4.

## VI. Project Outputs

By the end of the Project period, the capacity of LFCJEL and its members to process and market green leaf tea will increase as evidenced by the following.

- A. Increase in LFCJEL's sales revenue from TZS 140,584,540 in the Project base year to:

1. TZS 180,000,000 in Year 1;
  2. TZS 207,500,000 in Year 2;
  3. TZS 247,000,000 in Year 3; and
  4. TZS 302,000,000 in Year 4.
- B. Increase in the number of total farmers supplying raw materials from 6,036 farmers in the Project base year and Year 1 to:
1. 6,136 farmers Year 2;
  2. 6,236 farmers Year 3; and
  3. 6,336 farmers in Year 4.
- C. Increase in the number of women supplying raw materials from 2,850 farmers in the Project base year and Year 1 to:
1. 2,900 farmers Year 2;
  2. 2,950 farmers Year 3; and
  3. 3,000 farmers in Year 4.

## VII. Project Activities

LFCJEL will ensure the following major activities are completed with the assistance of consultants where necessary.

- A. Improve the management and institutional capability of LFCJEL by:
1. training LFCJEL management and board of directors on good governance;
  2. acquiring additional office equipment;
  3. purchasing two motorcycles for field extension services; and
  4. establishing a more professional leadership core by recruiting and paying association staff including an extension officer.
- B. Institute improved financial and operating procedures by developing accounting processes and roles specifically tailored to the operations of LFCJEL and documenting them in a financial manual.
- C. Improve green leaf tea production systems by:
1. improving product quality through acquisition and use of green tea leaf processing equipment;
  2. supplying working capital inputs to members of the co-op;
  3. constructing two green leaf tea sheds;
  4. establishing tea nurseries;
  5. purchasing a truck in order to transport tea leaves from the fields to the factories;

6. purchasing a tractor for use in expanding tea farms and during road rehabilitation;
7. supplying revolving loan fund inputs to members of the co-op; and
8. training farmer leaders in best agronomic practices.

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

ADF's Partner in Tanzania will provide the standard ADF training in bookkeeping, monitoring and assessment. LFCJEL is responsible for ensuring the proper management and implementation of the Grant. The ADF Partner in Tanzania will provide LFCJEL with technical and management assistance during implementation.

### **IX. Monitoring and Evaluation**

ADF's partner in Tanzania 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.

