

PROJECT DESCRIPTION

MAFACOS Productivity Enhancement

Uganda

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

Mairirwe Farmers Cooperative Society Limited (MAFACOS) is a registered smallholder rice farmer cooperative located in Mairirwe village, Bugambe, Sub-County Hoima, Uganda. Currently, there is a large unmet demand for domestic rice in Uganda. MAFACOS wishes to help its members take advantage of this market opportunity.

III. Funding

A. ADF Contribution

The financial plan for ADF's contribution is set forth in Appendix A.-1 of 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. MAFACOS Contribution

MAFACOS will contribute the time, skills and labor of its existing members and part time workers including the walking tractor technicians. The Cooperative will continue to pay its own annual operational costs not covered by ADF such as salaries and wages, rent, office space and storage costs. It will also contribute land on which the proposed storage facility will be constructed, pay for the construction of the rice mill house, pay for electricity and water, and pay for truck rental to transport paddy from the collection centers. MAFACOS will cover the full gross salaries for the project manager/marketing officer, bookkeeper, and extension officer starting 12 months after their initial dates of hire.

IV. Project Goal

The goal of this Project is to promote the development of small scale agricultural enterprises and improve the economic welfare of poor farmers in Uganda.

V. Project Purpose

The purpose of this Project is to increase the income of MAFACOS' farmer-members and its employees as evidenced by the following.

- A. Total annual adjusted net income (before taxes and depreciation) for MAFACOS increases from the baseline of UGX 54,600,000 in 2008 to:
 1. UGX 67,000,000 in Project Year 1;
 2. UGX 102,900,000 in Project Year 2; and
 3. UGX 160,000,000 in Project Year 3.
- B. Value of raw materials supplied by farmers increases from the baseline of UGX 172,800,000 in 2008 to:
 1. UGX 259,800,000 in Project Year 1;
 2. UGX 319,200,000 in Project Year 2; and
 3. UGX 416,800,000 in Project Year 3.
- C. MAFACOS's payroll increases from the baseline of UGX 0 in 2008 to:
 1. UGX 12,600,000 in Project Year 1;
 2. UGX 13,800,000 in Project Year 2; and
 3. UGX 15,100,000 in Project Year 3.

VI. Project Outputs

By the end of the Project, the capacity of MAFACOS and its members to grow and sell upland rice will increase as evidenced by the following.

- A. Total annual sales revenues increase from the baseline of UGX 273,200,000 in 2008 to:
 1. UGX 306,200,000 in Project Year 1;
 2. UGX 409,200,000 in Project Year 2; and
 3. UGX 578,800,000 in Project Year 3.
- B. Total annual volume of milled rice sold increases from the baseline of 119 tons in 2008 to:
 1. 130 tons in Project Year 1;
 2. 159 tons in Project Year 2; and
 3. 205 tons in Project Year 3.
- C. Total number of rice-growing farmer members increases from the baseline of 96 in 2008 to:
 1. 105 in Project Year 1;
 2. 110 in Project Year 2; and
 3. 116 in Project Year 3.

- D. Total annual volume of paddy rice produced by members increases from the baseline of 216 tons in 2008 to:
1. 236 tons in Project Year 1;
 2. 265 tons in Project Year 2; and
 3. 315 tons in Project Year 3.
- E. Improved productivity and quality control of milled rice as evidenced by an increase in sales price from the baseline of UGX 2,300 per kilogram in 2008 and Project Year 1 to:
1. UGX 2,523 per kilogram in Project Year 2; and
 2. UGX 2,768 per kilogram in Project Year 3;
- F. MAFACOS management and financial capacity improves as evidenced by:
1. MAFACOS has automated financial management and accounting systems that meet ADF requirements, and it routinely produces financial statements, reports, and documents which the Board of Directors and management team use in decision making.
 2. MAFACOS has an increased management capacity as evidenced by an increase in the number of staff employed from the current baseline of zero (0) in 2008 to five (5) from Project Year 1 to the end of the Project.
 3. MAFACOS has monitoring and evaluation systems and tools in place to support its program activities. MAFACOS collects, collates and processes data on its economic activities and uses these systems and tools to ensure: (a) data on progress of individual members are collected regularly; (b) these data are consistently processed and evaluated; (c) possible economic challenges are identified at early stages; and (d) remedial activities are proposed and approved in a participatory manner and applied by all participating members.

VII. Project Activities

MAFACOS will implement the following major activities.

- A. Technical and Production Capacity Activities
1. Employing a project manager that will coordinate and supervise all activities and services and implement marketing strategies
 2. Employing a field extension officer and providing him/her with motorcycle transportation to facilitate coordination of activities and to provide more frequent assistance to farmers
 3. Purchasing for hiring out to farmers two walking tractors and their accessories to help farmer members in land preparation
 4. Purchasing and installing a rice dryer and a rice mill together with their respective accessories such as a de-stoner, a moisture meter, weighing scale, tarps and protective equipment to improve the quantity and quality of milled rice produced by the farmer-members of MAFACOS
 5. Installing a three-phase electrical transformer connecting the production

line of MAFACOS to the national electrical grid to lower costs and provide more consistent power to the rice mill and other equipment

6. Supplying farmer members with high yielding NARICA four rice varieties through the mechanism of a revolving seed fund
7. Training farmers in good agricultural practices

B. Bulking and Marketing Capacity Activities

1. Constructing a storage facility of sufficient size to hold between 400 to 500 tons of rice and purchasing wooden pallets to protect the rice from moisture. This will allow MAFACOS to bulk large quantities of milled rice before selling to obtain better sales prices for its members;
2. establishing a crop finance fund that will enable MAFACOS to buy a significant quantity of its farmer-members' produce on a cash basis;
3. providing funds for truck transport of large quantities of paddy rice; and
4. conducting a marketing campaign via the FM radio stations to increase awareness of MAFACOS' produce and to take advantage of opportunities to expand its sales in local markets.

C. Management Capacity Activities

1. Procuring and installing computer, printer, and internet facilities to aid in information management and decision making by board and management;
2. conducting training on standard ADF participatory monitoring and evaluation techniques;
3. training of cooperative members and management committee members in cooperative management and governance issues such as group cohesion and dynamics and farming as a business; and
4. identification of possible recipients for Community Reinvestment Grants within the first four (4) months of the Project.

D. Financial Management Capacity Activities

1. Conducting training in standard ADF accounting practices such as consolidated accounting including computerization and accounting techniques required for accrual based accounting;
2. hiring a bookkeeper to manage and report on MAFACOS' finances;
3. upgrading the existing manual accounting system to provide timely and accurate financial information for decision making;
4. organizing past financial records and conducting an audit of MAFACOS' operations;
5. working with the ADF Partner to develop and implement an accounting policies and procedures manual; and
6. demonstrating the ability to satisfy ADF financial and accounting requirements.

VIII. Roles and Responsibilities

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

IX. Monitoring and Evaluation

ADF's Partner in Uganda will closely monitor the activities of MAFACOS to ensure proper reporting, adherence to the Project implementation plan and movement towards the achievement of Project objectives. The Partner will continuously assess the project risk 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 MAFACOS' quarterly reports and will submit comments and observations to the management of MAFACOS as part of the on-going performance assessment.

X. Other Implementation Issues

Having changed its legal status from a locally registered association to a cooperative, MAFACOS will realign its management and governance systems to comply with the statutory cooperative requirements as laid out in the Cooperative Act. Such requirements include holding monthly management meetings and an annual meeting, keeping accurate books of accounts, having its books of accounts audited by the government district commercial officer annually, and paying dividends fairly and to all shareholders at the end of each year.

ADF's financial assessment tool will be administered by the end of the first year of the Project.

PROJECT DESCRIPTION**MAFACOS Productivity Enhancement****Uganda****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

Mairirwe Farmers Cooperative Society Limited (MAFACOS) is a registered smallholder rice farmer cooperative located in Mairirwe village, Bugambe, Sub-County Hoima, Uganda. Currently, there is a large unmet demand for domestic rice in Uganda. MAFACOS wishes to help its members take advantage of this market opportunity.

III. Funding**A. ADF Contribution**

The financial plan for ADF's contribution is set forth in Appendix A.-1 of 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. MAFACOS Contribution

MAFACOS will contribute the time, skills and labor of its existing members and part time workers including the walking tractor technicians. The Cooperative will continue to pay its own annual operational costs not covered by ADF such as salaries and wages, rent, office space and storage costs. It will also contribute land on which the proposed storage facility will be constructed, pay for the construction of the rice mill house, pay for electricity and water, and pay for truck rental to transport paddy from the collection centers. MAFACOS will cover the full gross salaries for the project manager/marketing officer, bookkeeper, and extension officer starting 12 months after their initial dates of hire.

IV. Project Goal

The goal of this Project is to promote the development of small scale agricultural enterprises and improve the economic welfare of poor farmers in Uganda.

V. Project Purpose

The purpose of this Project is to increase the income of MAFACOS' farmer-members and its employees as evidenced by the following.

- A. Total annual adjusted net income (before taxes and depreciation) for MAFACOS increases from the baseline of UGX 54,600,000 in 2008 to:
 - 1. UGX 67,000,000 in Project Year 1;
 - 2. UGX 102,900,000 in Project Year 2; and
 - 3. UGX 160,000,000 in Project Year 3.

- B. Value of raw materials supplied by farmers increases from the baseline of UGX 172,800,000 in 2008 to:
 - 1. UGX 259,800,000 in Project Year 1;
 - 2. UGX 319,200,000 in Project Year 2; and
 - 3. UGX 416,800,000 in Project Year 3.

- C. MAFACOS's payroll increases from the baseline of UGX 0 in 2008 to:
 - 1. UGX 12,600,000 in Project Year 1;
 - 2. UGX 13,800,000 in Project Year 2; and
 - 3. UGX 15,100,000 in Project Year 3.

VI. Project Outputs

By the end of the Project, the capacity of MAFACOS and its members to grow and sell upland rice will increase as evidenced by the following.

- A. Total annual sales revenues increase from the baseline of UGX 273,200,000 in 2008 to:
 - 1. UGX 306,200,000 in Project Year 1;
 - 2. UGX 409,200,000 in Project Year 2; and
 - 3. UGX 578,800,000 in Project Year 3.

- B. Total annual volume of milled rice sold increases from the baseline of 119 tons in 2008 to:
 - 1. 130 tons in Project Year 1;
 - 2. 159 tons in Project Year 2; and
 - 3. 205 tons in Project Year 3.

- C. Total number of rice-growing farmer members increases from the baseline of 96 in 2008 to:
 - 1. 105 in Project Year 1;
 - 2. 110 in Project Year 2; and
 - 3. 116 in Project Year 3.

- D. Total annual volume of paddy rice produced by members increases from the baseline of 216 tons in 2008 to:
1. 236 tons in Project Year 1;
 2. 265 tons in Project Year 2; and
 3. 315 tons in Project Year 3.
- E. Improved productivity and quality control of milled rice as evidenced by an increase in sales price from the baseline of UGX 2,300 per kilogram in 2008 and Project Year 1 to:
1. UGX 2,523 per kilogram in Project Year 2; and
 2. UGX 2,768 per kilogram in Project Year 3;
- F. MAFACOS management and financial capacity improves as evidenced by:
1. MAFACOS has automated financial management and accounting systems that meet ADF requirements, and it routinely produces financial statements, reports, and documents which the Board of Directors and management team use in decision making.
 2. MAFACOS has an increased management capacity as evidenced by an increase in the number of staff employed from the current baseline of zero (0) in 2008 to five (5) from Project Year 1 to the end of the Project.
 3. MAFACOS has monitoring and evaluation systems and tools in place to support its program activities. MAFACOS collects, collates and processes data on its economic activities and uses these systems and tools to ensure: (a) data on progress of individual members are collected regularly; (b) these data are consistently processed and evaluated; (c) possible economic challenges are identified at early stages; and (d) remedial activities are proposed and approved in a participatory manner and applied by all participating members.

VII. Project Activities

MAFACOS will implement the following major activities.

- A. Technical and Production Capacity Activities
1. Employing a project manager that will coordinate and supervise all activities and services and implement marketing strategies
 2. Employing a field extension officer and providing him/her with motorcycle transportation to facilitate coordination of activities and to provide more frequent assistance to farmers
 3. Purchasing for hiring out to farmers two walking tractors and their accessories to help farmer members in land preparation
 4. Purchasing and installing a rice dryer and a rice mill together with their respective accessories such as a de-stoner, a moisture meter, weighing scale, tarps and protective equipment to improve the quantity and quality of milled rice produced by the farmer-members of MAFACOS
 5. Installing a three-phase electrical transformer connecting the production

line of MAFACOS to the national electrical grid to lower costs and provide more consistent power to the rice mill and other equipment

6. Supplying farmer members with high yielding NARICA four rice varieties through the mechanism of a revolving seed fund
7. Training farmers in good agricultural practices

B. Bulking and Marketing Capacity Activities

1. Constructing a storage facility of sufficient size to hold between 400 to 500 tons of rice and purchasing wooden pallets to protect the rice from moisture. This will allow MAFACOS to bulk large quantities of milled rice before selling to obtain better sales prices for its members;
2. establishing a crop finance fund that will enable MAFACOS to buy a significant quantity of its farmer-members' produce on a cash basis;
3. providing funds for truck transport of large quantities of paddy rice; and
4. conducting a marketing campaign via the FM radio stations to increase awareness of MAFACOS' produce and to take advantage of opportunities to expand its sales in local markets.

C. Management Capacity Activities

1. Procuring and installing computer, printer, and internet facilities to aid in information management and decision making by board and management;
2. conducting training on standard ADF participatory monitoring and evaluation techniques;
3. training of cooperative members and management committee members in cooperative management and governance issues such as group cohesion and dynamics and farming as a business; and
4. identification of possible recipients for Community Reinvestment Grants within the first four (4) months of the Project.

D. Financial Management Capacity Activities

1. Conducting training in standard ADF accounting practices such as consolidated accounting including computerization and accounting techniques required for accrual based accounting;
2. hiring a bookkeeper to manage and report on MAFACOS' finances;
3. upgrading the existing manual accounting system to provide timely and accurate financial information for decision making;
4. organizing past financial records and conducting an audit of MAFACOS' operations;
5. working with the ADF Partner to develop and implement an accounting policies and procedures manual; and
6. demonstrating the ability to satisfy ADF financial and accounting requirements.

VIII. Roles and Responsibilities

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

IX. Monitoring and Evaluation

ADF's Partner in Uganda will closely monitor the activities of MAFACOS to ensure proper reporting, adherence to the Project implementation plan and movement towards the achievement of Project objectives. The Partner will continuously assess the project risk 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 MAFACOS' quarterly reports and will submit comments and observations to the management of MAFACOS as part of the on-going performance assessment.

X. Other Implementation Issues

Having changed its legal status from a locally registered association to a cooperative, MAFACOS will realign its management and governance systems to comply with the statutory cooperative requirements as laid out in the Cooperative Act. Such requirements include holding monthly management meetings and an annual meeting, keeping accurate books of accounts, having its books of accounts audited by the government district commercial officer annually, and paying dividends fairly and to all shareholders at the end of each year.

ADF's financial assessment tool will be administered by the end of the first year of the Project.