

PROJECT DESCRIPTION**Misuku Coffee Processing and Marketing****Malawi****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

Misuku Coffee Growers Co-operative Society (MCGCS) assists farmers to grow and market coffee in the Chitipa district of Malawi. MCGCS would like to take advantage of unmet export demand for specialty coffee; however, inconsistent product quality, outdated and obsolete technology, weak management capability, and low marketing capability prevent the company from capitalizing on the market demand.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

MCGCS 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 and economic welfare of the rural poor in Malawi.

V. Project Purpose

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

- A. MCGCS's net income (before taxes and depreciation) will increase from MWK 4,004,380 in the Project's base year to:
1. MWK 6,100,000 in Year 1;
 2. MWK 9,100,000 in Year 2; and
 3. MWK 12,900,000 in Year 3.
- B. Total salaries and wages paid to workers (full time and part time) will increase from MWK 1,771,400 in the Project's base year to:
1. MWK 1,900,000 in Year 1;
 2. MWK 2,100,000 in Year 2; and
 3. MWK 2,400,000 in Year 3.
- C. The value of raw materials purchased from farmers will increase from MWK 25,578,000 in the Project's base year to:
1. MWK 36,900,000 in Year 1;
 2. MWK 52,300,000 in Year 2; and
 3. MWK 71,700,000 in Year 3
- D. The value of loans disbursed to members will increase from MWK 0 in the Project's base year and Year 1 to:
1. MWK 6,900,000 in Year 2; and
 2. MWK 8,500,000 in Year 3

VI. Project Outputs

By the end of the Project period, the capacity of MCGCS to process and market coffee will increase as evidenced by the following.

- A. The number of total farmers supplying raw materials will increase from 649 farmers in the Project's base year to:
1. 727 farmers Year 1;
 2. 814 farmers Year 2; and
 3. 912 farmers Year 3.
- B. MCGCS's sales revenue will increase from MWK 42,630,000 in the Project's base year to:
1. MWK 61,400,000 in Year 1;
 2. MWK 87,200,000 in Year 2; and
 3. MWK 119,500,000 in Year 3.
- C. The volume of coffee cherries produced will increase from 730,800 kilograms in the Project's base year to:
1. 877,000 kilograms in Year 1;

2. 1,100,000 kilograms in Year 2; and
3. 1,300,000 kilograms in Year 3.

VII. Project Activities

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

- A. Improve the management and institutional capability of MCGCS by:
 1. training MCGCS board of directors on good governance;
 2. increasing access to market information and improving communication with buyers through acquisition of appropriate office equipment; and
 3. purchasing a truck to deliver parchment to the processing plant and to transport working capital inputs.
- B. Institute improved financial and operating procedures by training MCGCS staff to use Pastel accounting software and revolving loan fund micro banking software.
- C. Improve coffee production systems by:
 1. improving product quality through acquisition and use of new coffee processing equipment;
 2. undertaking an environmental analysis of the impact of the use of updated coffee processing equipment and taking necessary steps to mitigate any negative impact, including proper disposal of waste water and handling of other waste products;
 3. supplying loans to farmer members for purchase of inputs;
 4. constructing pulperies for the coffee processing units;
 5. visiting an organic coffee outgrowers association in Tanzania to learn from their experiences;
 6. training farmers in best agronomic practices; and
 7. finding alternative agrochemicals to replace EPA-restricted chemicals.

VIII. Roles and Responsibilities of the Parties

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

IX. Monitoring and Evaluation

ADF's partner in Malawi will closely monitor the activities of the Cooperative to ensure proper reporting, adherence to the Project implementation plan by the Cooperative 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 quarterly reports to ADF and will submit comments and observations to the management of the Cooperative as part of the on-going performance assessment.