

PROJECT DESCRIPTION**Mweru-Luapula Fishing Association 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

Mweru-Luapula Fishing Association ("MLFA," "the Association") is located in Nchelenge District in Luapula Province in Zambia. The domestic supply of fish is unable to meet the large market demand, and MLFA strives to take advantage of this opportunity. However, the Association has limited financial and business management capacity, and currently uses inefficient fishing, fish storage, and fish transportation techniques.

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

MLFA will contribute land along Lake Mweru where Project activities will take place, and members' fishing equipment. Members of MLFA will contribute their labor.

IV. Project Goal

The goal of the Project is to improve the standard of living of low income fish farmers in Nchelenge District of Luapula Province, Zambia.

V. Project Purpose

The purpose of the Project is to improve MLFA'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 capacity as evidenced by:
 - 1. MLFA producing financial statements 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 international audit standards; and
 - 2. MLFA's management team routinely utilizing the management and financial reports produced such as performance reports, budget expenditures, profit and loss statements, cash flow statements, and balance sheets in making financial and management decisions for MLFA.
- B. Improved business management capacity as evidenced by:
 - 1. A functioning and active Board of Directors that meets quarterly to assess management implementation progress and addresses implementation constraints necessary to move the company forward, and convenes the Annual General Meeting in accordance with its constitution to update members on MLFA's on-going activities; and
 - 2. The management team using a formalized payment and reconciliation system to facilitate payments to farmers for fish supplied.
- C. Improved technical capacity as evidenced by MLFA using a formalized cold storage and transportation system from the fish buying point to market.

VII. Activities

- A. Financial Management Improvements
 - 1. MLFA will hire a bookkeeper who will manage MLFA's financial systems. The bookkeeper will be responsible for setting up internal control systems, recording financial transactions, and reporting the Association's financial status to the Board. The bookkeeper will be hired by month four of Project Year One.

2. MLFA will hire a financial management consultant to work closely with the MLFA bookkeeper to develop financial accounting policies and procedures 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 system will be documented in a financial management manual. Once the financial system is in place, the consultant will provide follow-up training and assess the establishment of the financial system by conducting visits to the Association. The financial system will be established and the financial management manual will be in use by month eight of Project Year One.

B. Business Management Improvements

1. MLFA will hire a business manager responsible for overall management of the Association. The business manager will be responsible for coordinating contracts, procurements, processing, packaging and/or marketing of fish. The business manager will be hired by month four of Project Year One.
2. MLFA staff will receive training in marketing skills and practices, including any applicable regulations and laws. The Association will also register a separate marketing company that will be owned by the Association. Marketing training will be completed by month nine of Project Year One and the marketing company will be registered by month one of Project Year Two.
3. MLFA will establish an office in Nchelenge for its management team. The office will be equipped with computers and office furniture. The office will be fully equipped by month six of Project Year One.
4. MLFA will hire a consultant who will work with the management team to develop administrative policies and procedures to guide the operations of the Association. The administrative system will focus on personnel policy, safety and security procedures, procurement, and use of Company assets. The administrative system will be documented in an administrative manual. The administrative manual will be completed and in use by the end of Project Year One.
5. MLFA will hire a consultant who will work with the management team to develop governance policies and procedures. The governance system will focus on principles of good governance, rules of conduct of Board members, functions of the Board of Directors, conduct at the Annual General Meeting, issues of conflict of interest, and financial responsibilities of the Board. The governance system will be documented in a governance manual. The governance manual will be completed and in use by the end of Project Year One.

6. MLFA's Board and management team will be trained in good corporate governance and strategic planning. Additionally, the Board and management team will be trained in enterprise development and marketing. The trainings will be completed by month nine of Project Year One.

C. Technical Capacity Building

1. MLFA will hire a consultant to train members of MLFA in sustainable fishing techniques, consistent with local laws and regulations. The training will be completed by month nine of Project Year One.
2. MLFA will pilot a fish purchase fund for the purchase of fish from its members. The fish purchase fund will be established by month twelve of Project Year One.
3. MLFA will establish a refrigeration system to store and transport fish from the buying point to market. MLFA will rent cold storage facilities, purchase a deep freezer, and purchase a refrigerated truck. Cold storage facilities will be rented and the refrigerated truck will be purchased by the end of Project Year One.
4. MLFA will hire a consultant to who will work with the management team to develop an operations manual. The operations manual will provide guidelines on how to develop annual work plans and budgets, establish formalized methods for purchasing and transporting fish, and provide guidelines for packaging and storing fish. The operations manual will also govern the fish purchase fund, under which MLFA will purchase fish from member fish farmers and store and market the fish. The operations manual will be completed and in use by the end of Project Year One.

D. Business Plan Development

MLFA will hire a consultant to work closely with the Board and management team to develop a comprehensive five-year business plan. The business plan will be completed by month four of Project Year Two and will:

1. analyze MLFA's organizational structure to determine the best organization and staffing structure to operate a sustainable and profitable business;
2. assess and recommend product lines that MLFA can develop based on the relative profitability of fish found in Lake Mweru, and provide strategies for penetrating markets for these product lines;
3. assess the manpower, training and technical assistance requirements for expansion of the Association;

4. provide strategies for integrating more area fish farmers into MLFA;
5. determine the financial profitability of the Association and recommend equitable ways of distributing benefits to MLFA members;
6. provide five-year production and profit and loss projections based on current production, costs and sales trends; and
7. 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 MLFA 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.