

PROJECT DESCRIPTION**Mansa Pastors Rice and Maize 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

Mansa Pastors Fellowship Cooperative Society Limited ("MPFCSL", "the Cooperative") has a membership of 25 pastors that are based in Mansa District. MPFCSL is currently milling maize and rice for members as well as non-members for a fee. Milling services are in high demand from MPFCSL customers and there is an additional opportunity for members to process their excess rice and maize through the Cooperative for sale in the local market. Currently, the Cooperative has limited managerial capacity, no financial system in place, and lacks the appropriate equipment and formal operational procedures to 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 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

MPFCSL will contribute its existing infrastructure to the Project which includes a hammer mill and dehuller. MPFCSL will also contribute the remaining cost of constructing a storage shed/mill house, after ADF contribution is complete. The estimated contribution from the Cooperative for the construction of the storage shed/mill house is Zambian Kwacha 18,000,000. Cooperative members will contribute their labor to the completion of the Project.

IV. Project Goal

The goal of the Project is to improve the standard of living of poor rice and maize farmers in Luapula Province of Zambia.

V. Project Purpose

The purpose of the Project is to improve MPFCSL'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 as evidenced by:
1. MPFCSL produces financial statements and reports that include monthly income, balance sheet and cash flow statements, consolidated quarterly and annual statements, and it establishes adequate financial controls, accounting procedures, policies, and systems that meet international audit standards; and
 2. the management team routinely utilizes 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 the Cooperative.
- B. Improved business management capacity as evidenced by:
1. a functioning and active board of directors meets quarterly to assess management implementation progress and addresses implementation constraints necessary to move the organization forward; and
 2. the board convenes the Annual General Meeting (AGM) in accord with its constitution to update members on MPFCSL's on-going activities.
- C. Improved operational and marketing capacity as evidenced by the Cooperative's application of formalized production processes according to its operations manual, which include milling of rice and maize, storage and packaging of mealie meal and rice for sale.

VII. Activities

- A. Financial Management Improvements
1. MPFCSL will hire a bookkeeper who will manage the financial system of the Cooperative. The bookkeeper will be responsible for setting up internal control systems, recording financial transactions, and reporting the financial status of the Cooperative to the board. The bookkeeper will be hired by month four of Project Year 1.
 2. MPFCSL will hire a consultant with expertise in financial management on a short term contract to work closely with the MPFCSL bookkeeper to develop appropriate financial accounting procedures, policies, and systems that will ensure timely and accurate financial reporting. The financial consultant will work with the bookkeeper to document the financial systems developed in a

financial management manual. Financial systems will be established by month eight of Project Year 1.

3. By the end of Project Year 1, the board and management of MPFCSL will receive training in financial management. This training will teach the board and management the basics of financial management and ensure board members are able to understand accounting documents and ask pertinent questions to management.
4. Once the financial system is in place, MPFCSL will hire a consultant to mentor the bookkeeper during the development of the financial management manual. The financial systems mentor will provide follow-up training where necessary and assess the implementation of the financial system by conducting monthly visits to the Cooperative. The financial systems mentor will provide assistance to the bookkeeper for the duration of the project.

B. Business Management Improvements

1. MPFCSL will hire a business manager responsible for overall management of the Cooperative and specifically will be responsible for coordinating production contracts, procurements, processing, packaging, and marketing. The business manager will be hired by month four of Project Year 1.
2. MPFCSL will establish an office for its management team. The office will be equipped with computers, computer accessories and office furniture. The office will be fully equipped by month six of Project Year 1.
3. MPFCSL will hire a consultant to develop, in consultation with management, administrative policies, procedures, and guidelines to guide the operations of the Cooperative. The administrative system will focus on personnel policy, safety and security procedures, procurement, and use of Cooperative assets, and will be documented in an administrative manual. An administrative manual will be completed and in operation by month nine of Project Year 1.
4. MPFCSL will hire a consultant to develop, in consultation with management, governance policies, procedures, and guidelines. 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 (AGM), issues of conflict of interest, and financial responsibilities of the board, and will be documented in a governance manual. A governance manual will be completed and in operation by month ten of Project Year 1.
5. MPFCSL will hire a consultant to mentor the business manager and Board of MPFCL. The business management mentor will help the Cooperative develop its for-profit activities into a sustainable business by enhancing the management's business skills and providing follow-up training where necessary. The business mentor will conduct monthly visits to the Cooperative and will submit status reports to the ADF Partner in Zambia on a regular basis. The business mentor will provide assistance to the Cooperative for the duration of the Project.

6. MPFCSL will conduct a study tour to a similar cooperative to improve the Cooperative's business skills. The study tour will help MPFCSL better understand how a non-for profit organization can sustainably manage for-profit activities. MPFCSL will visit Diocese of Mongu Development Center (DMDC) or similarly organized organization by the end of Project Year 1.

C. Operational and Marketing Improvement

1. MPFCSL will hire a consultant to conduct a training workshop on maize and rice processing. The miller and other MPFCSL staff will be trained in proper maize and rice processing techniques by month eight of Project Year 1.
2. MPFCSL's management team and board of directors will attend training in enterprise development and marketing. The training will help MPFCSL identify new markets and negotiate prices with potential customers. Training will be complete by month eight of Project Year 1.
3. MPFCSL will establish a pilot crop purchase fund to facilitate the purchase of maize and paddy rice from members and non-member farmers at the buying point. The buying point will be equipped with two hook weighing scales purchased as part of this Project. The crop purchase fund will be established by month nine of Project Year 1.
4. MPFCSL will purchase a milling machine and a rice and maize dehuller with the capacity to process one ton of rice and two tons of maize per hour. MPFCSL will hire a consultant to train the miller and general business manager in proper milling equipment repair and maintenance of milling equipment. Training will be conducted once additional milling equipment is purchased in month ten of Project Year 1.
5. MPFCSL will hire a consultant to develop, in consultation with management, 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 commodities, and guidelines for packaging and storing. The operations manual will also govern the crop purchase fund, under which MPFCSL will purchase maize and paddy rice. The operations manual will be completed and used by the Cooperative management by month eleven of Project Year 1.
6. MPFCSL will construct a storage shed/mill house by the end of Project Year 1. The facility will also be used as a location from which to market processed mealie meal and rice.

D. Business Plan Development

MPFCSL will hire a consultant to work closely with the management team and board to develop a comprehensive five-year business plan by month three of Project Year 2. The business plan will address the following:

1. analyze the best organization and staffing structure to operate a sustainable and profitable business. This will involve analyzing MPFCSL's organizational structure;
2. assess and recommend product lines that MPFCSL can develop based on the relative profitability of milling services, mealie meal and rice. Provide strategies for penetrating markets for product lines recommended;
3. provide strategies for integrating more members into the Cooperative, including conditions for membership and a review of existing membership fees;
4. assess the manpower, training and technical assistance requirements for expansion of production;
5. conduct an analysis of all equipment proposed for expansion including diesel vs. electricity powered equipment, ongoing and long-term maintenance costs for all equipment, alternatives for major pieces of equipment and production capacity capabilities of all equipment considered;
6. investigate the market potential of all product lines, including existing competitors, prevailing market prices, current and future market demand by segmenting buyers according to characteristics and demands;
7. provide five-year production and profit and loss projections based on current production, costs and sales trends; and
8. undertake any additional analyses that will prepare the Cooperative 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 MPFCSL 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 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 ADF's quarterly reports and will submit comments and observations to the management of the Cooperative as part of the on-going performance assessment.