

PROJECT DESCRIPTION**Itezhi Tezhi District Business 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

Sixty-five fishermen and –women in Itezhi Tezhi District in Luapula Province in Zambia comprise Itezhi Tezhi District Business Association (“IDBA,” “the Association”). Currently, IDBA is unable to meet the large domestic market demand for fish because it 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

IDBA will contribute land along Lake Itezhi Tezhi where Project activities will take place. Members of IDBA 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 Itezhi Tezhi District of Luapula Province, Zambia.

V. Project Purpose

The purpose of the Project is to improve IDBA’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.

ADF



IDBA



VI. Outputs

- A. Improved financial management capacity as evidenced by:
1. IDBA produces 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 are able to be audited; and
 2. IDBA's 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 IDBA.
- 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 IDBA'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 marketing capacity as evidenced by IDBA obtaining two new letters of intent from buyers to purchase fish in bulk from the Association by the end of the Project period.
- D. Improved technical capacity as evidenced by IDBA fully implementing a formalized cold storage and transportation system from the fish buying point to market in accordance with the operations manual developed as part of this Project.

VII. Activities

- A. Financial Management Improvements
1. IDBA will hire a bookkeeper who will manage IDBA'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 1.
 2. IDBA will hire a financial management consultant to work with the IDBA bookkeeper to develop financial accounting policies and procedures, 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 management consultant will be hired by month six of Project Year 1.

B. Business Management Improvements

1. IDBA 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 1.
2. IDBA will establish an office for its management team. The office will be equipped with computers and office furniture. The office will be equipped by month six of Project Year 1.
3. IDBA will hire an administrative systems 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 be documented in an administrative manual. The Administrative systems consultant will be hired by month ten of Project Year 1.
4. IDBA will hire a governance consultant who will work with the management team to develop governance policies and procedures. The governance system will be documented in a governance manual. The governance consultant will be hired by month ten of Project Year 1.
5. IDBA's Board, management team, and all members will be trained in good governance so the Board and all members understand their formal roles and responsibilities. The training will be complete by month ten of Project Year 1.
6. The Board, management team, and all members will be trained in enterprise development and marketing. The training will focus on providing an understanding to all members of best business practices. The training will be completed by month ten of Project Year 1.
7. IDBA will register a separate marketing company that will be owned by the Association. The marketing company will be registered by month one of Project Year Two.
8. IDBA staff and Board will receive training in marketing strategy development. This training will teach IDBA how to develop a marketing plan, including how to develop market penetration strategies, negotiate with buyers and develop formal strategies to market their products to new markets. Marketing training will be completed by month nine of Project Year 1.
9. IDBA will establish a pilot fish purchase fund to allow the Association to purchase fish from its members, store, transport, and market the fish. The fish purchase fund will be established by month three of Project Year Two.
10. IDBA staff and Board will attend a lessons learned workshop, which would provide an opportunity for IDBA to share their experiences with other ADF grantees in the course of implementing their various projects. The workshop will be held by month three of Project Year Two.

C. Technical Capacity Building

1. IDBA will hire a trainer to train members of IDBA in sustainable fishing techniques, consistent with local laws and regulations. The training will be completed by month six of Project Year One.
2. IDBA will establish a refrigeration system to store and transport fish from the buying point to market. IDBA will rent cold storage facilities and purchase a refrigerated truck. Cold storage facilities will be rented and the refrigerated truck will be purchased by month twelve of Project Year One.
3. IDBA will hire an operations consultant to who will work with the management team to develop an operations manual. The operations consultant will be hired by month ten of Project Year One.

D. Business Plan Development

IDBA will hire a business plan 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 six of Project Year Two and will:

1. analyze IDBA'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 IDBA 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 IDBA;
5. determine the financial profitability of the Association and recommend equitable ways of distributing benefits to IDBA members;
6. provide five-year financial projections that include profit and loss, cash flow, and balance sheets based on current production, costs and sales trends; and
7. explain measures the Association will take to ensure the sustainability of fish populations in fishing areas in light of the Association's increasing fishing activities; and
8. 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 IDBA 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 monitor the Association's activities closely 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.

X. Other Implementation Issues

All member fisherman of the Association will use fishing nets of the recommended sizes as stipulated, regulated and monitored by the Department of Fisheries of Zambia. The Association will work closely with the Department's fisheries officers to ensure all members' adherence to the procedures specified by Zambia government regulations and legal requirements.