

PROJECT DESCRIPTION**Ushaa Area Farmers 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

Ushaa Area Farmers Association, Limited (hereafter "Ushaa" or the "the Association") is an association based in Ushaa Agricultural Camp in Luena Constituency, Mongu District, Western Province. Ushaa member farmers have been involved in rice production for several years. Members have not been able to take advantage of the market opportunities for coordinated rice demand due to several constraints. The Association members have inadequate modern technical knowledge and lack the implements needed for rice farming and the Association has limited business and financial management capabilities.

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

Ushaa will contribute its land, estimated at 200 hectares, for rice farming and for office facilities, and its members will contribute their labor and their individual rice plots.

IV. Project Goal

The goal of the Project is to improve the standard of living of rice farmers in Mongu district in the Western Province of Zambia.

V. Project Purpose

The purpose of the Project is to improve Ushaa'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. the Association produces financial statements that include monthly income, balance sheet and cash flow statements, consolidated quarterly and annual statements, and implements adequate financial controls, accounting procedures, policies, and systems that can be readily audited; and
 2. the management team routinely utilizes financial documents produced during the Project such as performance reports, budget expenditures, profit and loss statements, cash flow statements, and balance sheets in making financial and management decisions for the Association.
- 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 as necessary to move the Association forward; and
 2. the board convenes the Annual General Meeting (AGM) in accord with its constitution to update members on the Association's on-going activities.
- C. Ushaa will improve its operational capacity by implementing formalized and regular payments to farmers for rice sold to the Association as verified by the Association's record keeping.

VII. Activities

- A. Financial Management Improvements
1. Ushaa will hire an accountant to manage the financial system of the Association. The accountant will be responsible for setting up internal control systems, recording financial transactions, and reporting the financial status of the Association to the board. The accountant will be hired by month six of Project Year 1.
 2. Ushaa will hire a consultant with expertise in financial management on a short term contract to work closely with the Ushaa accountant to develop appropriate financial accounting procedures, policies, and systems 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 consultant will work with the management to document the financial systems developed in a financial management manual. Once the financial system is in place, the consultant will provide follow-up training where necessary and assess the implementation of the financial system by conducting quarterly visits to the company. Financial systems will be established by month eight of Project Year 1 and follow-up services will be provided on a quarterly basis.

B. Business Management Improvements

1. Ushaa will hire a business manager responsible for overall day-to-day management of the Association. Specifically, the business manager will be responsible for coordinating contracts, procurements, packaging, and marketing of rice. The business manager will be hired by month six of Project Year 1.
2. Ushaa will establish an office in Mongu 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. Ushaa will hire a consultant to develop, in consultation with management, governance policies, procedures, and guidelines. The governance systems 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. In addition, this consultant will help Ushaa to put in place basic administrative systems. A governance manual will be completed and be in operation by month nine of Project Year 1 with follow-up services provided on a quarterly basis.
4. Ushaa board, management, and members will be trained in good governance so the board and all members understand their formal roles and responsibilities, including understanding the constitution and the governance manual. The training will be completed during several sessions by month ten of Project Year 1.
5. 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.

C. Technical Capacity Building

1. Ushaa will hire a part-time extension officer who will train farmers in ecological agriculture and crop handling and harvesting, monitor the farmers' rice production activities, and provide advice on good practices in rice production. The extension officer will by month six of Project Year 1.
2. Ushaa will purchase a motorbike to enable the business manager and extension officer to provide effective monitoring and extension services to farmers by month six of Project Year 1.
3. Ushaa will hire a consultant to develop, in consultation with management, an operational manual. The operational manual will provide guidelines on how to develop annual work plans and budgets, and establish formalized methods for purchasing the rice and transporting it to market, and guidelines for handling and storing rice. The operational manual will also govern the rice purchase fund, under which Ushaa will purchase rice from member rice farmers and store and process the rice using a portion of the fund. The operational manual will be

completed and used by the Association management by month seven of Project Year 1 with follow up services provided on a quarterly basis.

4. Ushaa board, management, and selected members will undergo training in fund management by month seven of Project year 1. This training will help members get a better understanding of how to manage the rice purchase fund.
5. Ushaa management, board and selected members will attend training in sustainable agriculture by month ten of Project Year 1. The training will enable the farmers to learn from individuals who have undertaken years of practical research on how to grow crops such as rice in a sustainable manner.
6. Ushaa will hire a trainer to conduct training in crop handling and harvesting techniques by month nine of Project year one. Members of Ushaa will receive formal training on how to manage rice from planting to harvesting. It will help improve their farming techniques and lead to higher yields.
7. Ushaa will establish a pilot rice purchase and marketing fund to facilitate the purchase of rice from members. The fund will be used to cover the purchase of rice from members, and the polishing, packaging, and marketing of processed rice. The rice purchase fund will be established by month twelve of Project Year 1.

D. Business Plan Development

Ushaa will hire a consultant to work closely with the management team and board to develop a comprehensive five-year business plan. 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 Ushaa's organizational structure;
2. conduct a market analysis of existing and potential product lines, including competitors, and additional markets in Zambia and internationally. Provide strategies for penetrating markets for product lines recommended;
3. identify and assess the technology options, technical capacity needed, and manpower for each of the potential product lines and for expansion of existing products;
4. provide strategies for integrating more area farmers into the rice production business so as to increase the volumes of rice marketed and the Association's profitability;
5. recommend the price structure for the Association's products and services, and establish a framework for distributing profits generated from the business ventures to the individual farmer members;
6. assess the manpower, training, and technical assistance requirements for expansion of the Association;

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 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 Ushaa 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.