

PROJECT DESCRIPTION**Bvumbwe Dairy Capacity Building****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

Bvumbwe Dairy Farmers Cooperative Society (Bvumbwe) is a registered cooperative located in Thyolo District, Malawi that provides animal feed, extension services, and marketing assistance to local dairy farmers. Bvumbwe would like to take advantage of an increased demand for milk; however, inadequate financial management systems, weak governance capability, a lack of formalized procedures and policies, and a lack of strategic planning prevent the organization 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

Bvumbwe will contribute their time, skills, labor, and infrastructure to the implementation of the Project.

IV. Project Goal

The goal of the Bvumbwe Dairy Capacity Building Project is to improve the standard of living of smallholder dairy farmers in Malawi.

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V. Project Purpose

The purpose of the Project is to improve Bvumbwe's prospects for sustained expansion as demonstrated by the development of a comprehensive three-year business plan that ADF deems suitable for funding by a donor or other financial institution.

VI. Project Outputs

By the end of the Project period, Bvumbwe will achieve the following.

- A. Improved management and operating procedures as demonstrated by:
 1. Bvumbwe uses accounting software to produce 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;
 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 tracing financial transactions, and making financial and management decisions for the Cooperative; and
 3. staff management procedures are implemented in accordance with written plans and procedures.

- B. Improved technical capacities of smallholder farmers who receive training and technical assistance from Bvumbwe as demonstrated by the value of raw materials purchased from the farmers increasing from MWK 53,856,807 in the Project's base year to MWK 58,000,000 in Year 1.

VII. Project Activities

Bvumbwe will ensure the following major activities are implemented.

- A. Improve the management and institutional capability of Bvumbwe by:
 1. working with a consultant to prepare a comprehensive business plan. At a minimum, this business plan should include a marketing analysis, a technology analysis, a production plan, a worker safety analysis, an environmental analysis, and a financial analysis;
 2. procuring a trainer to implement governance training to improve leadership skills of the Board of Governors; and
 3. acquiring office equipment that will increase the organization's financial management and communications capacity. This equipment

will include computers, desks, and chairs, as well as a printer and a scanner.

B. Institute improved financial and operating procedures by:

1. developing accounting processes and roles specifically tailored to the operations of Bvumbwe and documenting them in an accounting procedures manual;
2. developing staff management procedures and documenting them in a policy manual;
3. ensuring that at least 50 farmers receive training on improved husbandry techniques;
4. training production staff on improved techniques for the processing and handling of milk, including hygiene and food safety; and
5. purchasing, installing, and training key staff on the use of Pastel accounting software to enhance Bvumbwe's accounting and internal control systems.

VIII. Roles and Responsibilities of the Parties

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

IX. Monitoring and Evaluation

Within sixty days of the effective date of this Agreement, the Grantee, working with the ADF Partner, will form a monitoring and assessment committee composed of a representative cross-section of the Grantee's organization. The committee will provide the Partner input for the Project monitoring plan. In addition, during implementation, the committee will have responsibility for ensuring that the Project follows the implementation plan, and that problems identified through monitoring and evaluation are properly addressed in a timely manner.

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