

PROJECT DESCRIPTION

ZAPCO Vegetable 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

Zakudimba Producers and Marketing Cooperative Society (ZAPCO) is a registered cooperative society located in Bvumbwe, Malawi that promotes smallholder vegetable production as a means of enhancing the economic sustainability and food security of the rural communities in Bvumbwe and Thyolo districts. ZAPCO would like to take advantage of a currently unfulfilled demand for both fresh and processed vegetables; 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

ZAPCO will contribute its time, skills, land, labor, office space, and infrastructure to the implementation of the Project.


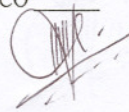
IV. Project Goal

The goal of the ZAPCO Vegetable Capacity Building Project is to improve the standard of living of smallholder vegetable farmers in Malawi.

ADF  ZAPCO

Page 1 of 4

Grant Agreement No. 2234-MWI

 CLEMENT L. BANDA

V. Project Purpose

The purpose of the Project is to improve ZAPCO'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, ZAPCO will achieve the following.

- A. Improved management and operating procedures as demonstrated by:
 1. ZAPCO 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;
 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 Association; 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 ZAPCO as demonstrated by the value of raw materials purchased from the farmers increasing from MWK 2,397,780 in the Project's base year to MWK 2,700,000 in Year 1.

VII. Project Activities

ZAPCO will ensure the following major activities are implemented.

- A. Improve the management and institutional capability of ZAPCO 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. hiring a trainer to implement good governance training to improve leadership skills of the Board of Governors;
 3. training 75 farmers on business management and development;
 4. training 15 farmer Zone Leaders on group dynamics and leadership skills; and
 5. acquiring office equipment and furniture to increase the organization's financial management and communications capacity. This will include desks, chairs, filing cabinets, a photocopier, telephone, computers, and printers, as well as Internet service.
- B. Institute improved financial and operating procedures by:
1. hiring an office manager to oversee the daily operations of the ZAPCO office, an accountant to manage ZAPCO's financial operations, and a store clerk to manage the group's inventory of raw and processed vegetables;
 2. purchasing accounting software and training staff in use of software;
 3. developing accounting processes and functions specifically tailored to the operations of ZAPCO and documenting them in an accounting procedures manual; and
 4. developing staff management procedures and documenting them in a policy manual.
- C. Improve production capacity by:
1. purchasing protective clothing, packaging, and labeling materials for processing vegetables;
 2. training staff on food production techniques and machinery operation, as well as good health and safety practice; and
 3. purchasing a backup generator for continued operation of cold storage room during electricity outages.

VIII. Roles and Responsibilities of the Parties

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

III. Funding

A. ADF Contribution

The financial plan for ADF's contribution is set forth in Appendix A-1 of this Agreement. The Parties may make changes to the financial plan without formal amendments, such changes are made in accordance with Article 2 of the Agreement and do not change ADF's contribution or exceed the obligated amount specified in Article 4, section 4.1 of the Agreement.

B. Grants Cash Flowing

ZAPCO will maintain its bank, utility, mail, labor, office space, and other records to the implementation of the Project.

IV. Project Goal

The goal of the ZAPCO Financial Capacity Building Project is to improve the standard of living of smallholder vegetable growers in Malawi.

ADF

ZAPCO

Page 4 of 4

Grant Agreement No. 2234-MWI