

**PROJECT DESCRIPTION****Nangweshi Livestock Cooperative Society 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**

Nangweshi Livestock Cooperative Society Limited (NLCS) is a Cooperative society made up of small-scale cattle farmers based in Shangombo District, Western Province, Zambia. All members of the Cooperative are traditional cattle farmers with large herds. However, the farmers lack fair market access for their animals as they are often exploited by large buyers. The farmers are interested in creating a viable livestock marketing center in Nangweshi, Shangombo District, through which their members and other cattle farmers can sell their animals without having to trek great distances to reach markets. However, the Cooperative lacks the management and operational capacity to successfully manage the business and the capital to establish a cattle purchase fund.

**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**

Nangweshi Livestock Cooperative Society Limited (NLCS) will contribute land and labor to the Project.

**IV. Project Goal**

The goal of the Project is improve the standard of living of cattle farmers in Shangombo District in the Western Province of Zambia.

**V. Project Purpose**

The purpose of the project is to improve NLCS' 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. NLCS 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 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 company forward; and
  - 2. the Board convenes the Annual General Meeting (AGM) in accord with its constitution to update members on NLCS's on-going activities.
- C. Improved marketing capacity as evidenced by NLCS establishing at least one new formal market and obtaining a letter of intent from the buyer to purchase cattle from NLCS.

**VII. Activities**

- A. Financial Management Improvements
  - 1. NLCS will hire a full time accountant to manage the financial system of the Cooperative. The accountant will be responsible for setting up internal control systems, recording financial transactions, and reporting the financial status of the Cooperative to the Board.
  - 2. NLCS will hire a consultant with expertise in financial management on a short term contract to work closely with the NLCS 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 accountant to document the financial systems developed in a financial management manual. Once the financial system is in place, the consultant will assess the implementation of the financial system and will provide follow-up training where necessary.

3. NLCS will engage a consultant to train the Board and Management on how to manage the cattle purchase fund.

B. Business Management Improvements

1. NLCS will hire a business manager responsible for overall management of the Project. Specifically the business manager will be responsible for coordinating contracts, purchasing and marketing of animals.
2. NLCS will establish an office in Nangweshi for its management team. The office will be equipped with computers, computer accessories and office furniture.
3. NLCS will hire a consultant to develop, in consultation with management, administrative policies, procedures and guidelines to guide the operations of the Cooperative. The administrative systems will focus on personnel policy, safety and security procedures, procurement, and use of Cooperative assets and will be documented in an administrative manual.
4. NLCS 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.
5. NLCS management and Board will be trained in good corporate governance planning.
6. NLCS management and Board will receive training in Enterprise Development and Marketing.

C. Technical Capacity Building

1. NLCS will hire a consultant to conduct a training workshop in animal husbandry. During the training, farmers will gain knowledge in good animal husbandry techniques including feed formulation and disease control.
2. NLCS will establish a cattle purchase fund to facilitate the purchase of animals from cattle farmers in Shangombo District.
3. NLCS will purchase a motorbike for use by the business manager and vet officer to facilitate the mobilization of farmers and their animals and to ensure that the vet officer is able to access farmers that require his services.
4. NLCS 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 and transporting animals from the livestock marketing center. The operational manual will also govern the cattle purchase fund, under which NLCS will purchase animals from member cattle farmers and sell them to the market.

5. NLCS' management team and Board of Directors will attend training in marketing and enterprise development. The training will help NLCS identify new markets and negotiate prices with potential customers.

#### D. Business Plan Development

NLCS 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 NLCS' organizational structure;
2. assess and recommend product lines that NLCS can develop based on the relative profitability of cattle and various beef products, and provide strategies for penetrating markets for product lines recommended;
3. provide strategies for integrating more area farmers into the livestock marketing center business so as to increase the volumes of animals marketed and the centre's profitability;
4. assess the manpower, training and technical assistance requirements for expansion of the company;
5. provide five-year production and profit and loss projections based on current production, costs, and sales trends; and
6. undertake any additional analyses, including any necessary environmental impact analysis, 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 NLCS 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.