

**APPENDIX A:
PROJECT DESCRIPTION
CHOPPA 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

In 2005, local farmers in the Changwe District of Zambia came together to form the Changwe Organic Producers and Processors Association (CHOPPA). CHOPPA provides its members technical assistance in organic crop production and marketing. The Association received its formal registration certificate on September 7, 2005. However, the organization lacks management capabilities and financial systems required for effective management of a competitive enterprise.

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 7 of the Agreement and do not cause ADF's contribution to exceed the obligated amount specified in Article 3, Section 3.1 of the Agreement.

B. Grantee Contribution

CHOPPA will contribute the membership dues it collects towards the financial sustainability of the organization.

C. Other

CHOPPA's members will contribute the land for cultivation of organic cotton.

IV. Project Goal

The goal of the Project is to reduce poverty in the Changwe district of Lusaka Province.

V. Project Purpose

The purpose of the Project is to improve CHOPPA's capacity to manage efficiently an organic cotton processing and marketing services operation, as indicated by an increase in the Association's net surplus to revenue ratio from a negative 26 in Project Year 1 to 1 in Project Year 2.

VI. Outputs

A. Output

Effective production extension services will be implemented as indicated by the following:

1. from a baseline of twenty farmers planting twenty hectares to 107 farmers mobilized to plant 107 hectares of organic cotton by the end of the Project;
2. from a baseline of 800 kilograms per hectare, the total average farmer productivity will remain at 800 kilograms per hectare in year 1 and increase to 880 kilograms per hectare in year 2;
3. total farmer production of seed cotton, from a baseline of 20 tons will increase to 85 tons of cotton in year 1 to 94 tons in year 2; and
4. cotton growers guide published and disseminated to farmers by month 6.

B. CHOPPA'S credit delivery services will improve as indicated by the following:

1. revolving loan fund established and operational by month 6; and
2. procedures for input loan distribution and recovery established by month 6.

C. CHOPPA'S marketing services will improve as indicated by the following:

1. procedures for cotton purchase and grading at depots established; and
2. thirty-seven tons of organic cotton lint ginned and exported by year 2.

D. CHOPPA'S financial and administrative systems will improve, as indicated by the following:

1. financial policies and procedures established by month 6;
2. transition plan for transfer of all administrative functions from Kassisi Agricultural Training Centre (KATC) to CHOPPA; and
3. properly maintained records and accurate reporting of financial data by the end of the project.

E. CHOPPA'S planning process will improve as indicated by the development of a comprehensive business plan that contains a growth strategy, marketing plan and sustainability plan and is suitable for funding by ADF or other donors.

VII. ACTIVITIES

ADF

[Signature]
Grantee *PC*

CHOPPA will undertake the following clusters of activities to provide the Project's outputs.

- A. Provide input loans
- ensure timely procurement and distribution of good quality seeds to the farmers;
 - manage production contracts/agreements; and
 - operate revolving loan fund to provide farmers production inputs.

- B. Provide extension services to farmers
- recruit an extension officer;
 - engage KATC to provide extension services to CHOPPA farmers;
 - implement the internal control system (ICS) for organic certification.
- Train farmers; and
- Establish three demonstration plots.

- C. Manage the marketing and processing of cotton
- procure packing materials;
 - procure hook scales and platform scales;
 - administer crop purchase fund;
 - hire transport to move cotton to ginning plant;
 - negotiate ginning and baling of seed cotton;
 - negotiate storage of cotton lint before export;
 - pre-agricultural seasons identification, negotiations and securing signed contracts for export markets;
 - phytosanitary certification for export;
 - negotiate containerization of cotton lint
 - negotiate inland haulage of export cotton lint; and
 - negotiate shipment of cotton lint

- D. Implement training, technical assistance and administrative activities required to build management capacity
- recruit a business development officer and an accountant;
 - procurement of office equipment and furniture;
 - train CHOPPA executive;
 - engage KATC to undertake financial management and training of CHOPPA staff; and
 - prepare management guidelines;

VIII. Roles and Responsibilities of the Parties

The staff and elected leadership of CHOPPA are responsible for the management and the proper implementation of the Project. KATC will deliver the items outlined in the Memorandum of Understanding between CHOPPA and KATC, which is incorporated into this agreement by reference.

ADF *AD* Granite *PC*

ZATAC, ADF's partner in Zambia, will provide training in the areas of management, ADF reporting, corporate/cooperative governance and business planning. ZATAC will also provide technical assistance to the members and leadership in those areas.

IX. Monitoring and Evaluation

Within sixty days of the effective date of this Agreement, the Grantee will form a monitoring and assessment committee composed of a representative cross-section of the Grantee's organization. The committee will develop a 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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ADF  Grantee _____