

**APPENDIX A:
PROJECT DESCRIPTION
Mpika Dairy Farmers Cooperative Society Dairy 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

ZATAC and the Government of Zambia's Agricultural Support Program (ASP) helped Mpika Dairy Farmers Cooperative Society Limited (MDFCS) set up a milk collection and commercial milk sales center in September 2005. MDFCS would like to produce and market more milk and sell it at better prices to benefit its members and the cooperative. Currently, MDFCS lacks management capabilities, business planning capabilities and the financial systems required for effective management of a competitive enterprise. The cooperative also lacks effective marketing channels to distribute and sell their milk beyond Mpika town.

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

MDFCS will contribute its assets which include a building (milk collection center) and the membership dues it collects towards the financial sustainability of the organization. The cooperative will contribute the ongoing operations of its current milk collection center and will continue to purchase milk from the farmers and meet the costs of the sales assistants and other business expenses.

C. Other Contributions

MDFCS's members will contribute their dairy animals, land and land improvements such as paddocks, milk parlors, feeding and water troughs on their farms.

IV. Project Goal

The goal of the Project is to increase incomes and provide sustaining employment for the poor in Zambia.

V. Project Purpose

The purpose of this Project is to improve the Grantee'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. Develop a comprehensive business plan to guide the growth of MDFCS in the short, medium and long term.
- B. Establish operational processes, business management and financial systems to effectively manage investment capital and establish a competitive enterprise.
- C. Increased operational and management capabilities (planning, buying, production, distribution and sales).

VII. Activities

- A. Output 1: Develop a comprehensive business plan to guide the growth of MDFCS in the short, medium and long term.
 1. MDFCS will engage competent technical assistance to work closely with the management team to develop a comprehensive business plan that will guide growth of MDFCS in the short, medium and long term.
- B. Output 2: Establish operational processes, business management and financial systems to manage investment capital effectively and establish a competitive enterprise.
 1. MDFCS will engage a technical assistant (TA) to work closely with the business manager to develop a field operations production manual that will define policies and systems related to dairy animal's selection, transportation, breeding and management. The manual will also include aspects of milk handling, testing and marketing.
 2. MDFCS will also engage technical assistance to review the governance/ organizational structures of MDFCS and also develop business/ administrative policies, procedures and guidelines to guide the operations of MDFCS.
 3. MDFCS will engage technical assistance to develop modalities for operating the input revolving fund including designing an appropriate creditor database.

4. MDFCS will engage a chartered accountant to work with its accountant to develop appropriate financial accounting procedures, policies and systems, including cost accounting and pricing, that will ensure timely and accurate financial reporting and enable MDFCS to prepare for an audit. In order to support the accounting function MDFCS will acquire a computer, printer and appropriate accounting software.

C. Output 3: Increased operational and management capabilities (planning, buying, production, distribution and sales) in order to make better use of investment capital.


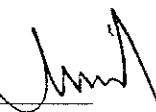
1. MDFCS will recruit and engage a qualified management team to carry out the day to day responsibilities of the organization. The management team will include a business manager, an accountant and vet assistant.
2. To support the operations of the management team MDFCS will identify and rent suitable office space and provide the management team with the necessary office equipment and other facilities to facilitate their work.
3. MDFCS will procure 1 motorbike for the business manager and will meet the operating costs for the management team.
4. MDFCS will engage technical assistance, preferably from Mpika College of Agriculture, to provide training in animal husbandry including feeding, milking, breeding practices, handling of milk and milk products and basic veterinary health care that the farmers are capable of doing.
5. MDFCS board, management and staff will be trained in ADF financial procedures, reporting, and loan management by ADF's partner in Zambia. The board and management will also be trained in enterprise development and marketing.
6. The management team will be trained in use of computers including use of common computer packages such as MSWord, MSEXcel and the accounting package Pastel
7. MDFCS will also conduct a study tour in the region where a similar small scale cooperative has purchased processing equipment and is selling pasteurized milk and other products.
8. MDFCS will purchase a deep freezer to facilitate sour milk sales and will also hire transport to deliver milk on a pilot basis to markets in the northern route up to the Tanzanian border.

VIII. Roles and Responsibilities of the Parties

The staff and elected leadership of MDFCS are responsible for the management and the proper implementation of the Project. ADF's Partner in Zambia, will provide training in the areas of management, ADF reporting, corporate/cooperative governance and business planning. The Partner 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, 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.

ADF  Grantee 

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