

PROJECT DESCRIPTION**TanCert Organic Certification and Inspection Services for the Organic Industry****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

Tanzania Organic Certification Association ("TanCert") is a non-governmental organization ("NGO") established in 2003 that provides organic certification and inspection services for organic agricultural producers in Tanzania. Its major customers include more than 30 organic commercial farms or producer groups. The reach of TanCert exceeds 7,500 rural farmers spread across the regions of Kilimanjaro, Kagera, Kigoma, Iringa, Zanzibar, Morogoro, Dar es Salaam, Tanga, Shinyanga and Mbeya. In general, TanCert works with smallholder farms capable of producing some 15,000 tons of organic products annually.

Besides providing organic certification services, TanCert has developed organic standards for Tanzania based on IFOAM Basic Standards ("IBS") and has contributed substantially to the establishment of the East Africa Organic Standards as well. It has developed and registered the logo "Hai" for Tanzania's organic products, trained internationally recognized inspectors, and collaborated with the Institute for Marketecology (IMO) in Switzerland, CERES in Germany, and BioInspecta in Switzerland on inspection of organic production. TanCert is poised to expand its operations to offer international inspection and certification services to farmers in Tanzania, which will in turn create local jobs, provide more cost-effective services to local farmers, and increase TanCert's profitability. In order to expand, however, TanCert needs to improve its financial and management systems and develop a market-driven business plan.

III. Funding**A. USADF Contribution**

The financial plan for USADF'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 USADF's contribution to exceed the obligated amount specified in Article 4, section 4.1 of the Agreement.

B. TanCert Contribution

TanCert is contributing financial resources to the Investment in the amount of Tanzania Shillings (TSH) 43,974,764, which include the estimated income from ongoing operations in 2008 of TSH 32,828,250; fixed assets of TSH 5,477,158; and current assets of TSH 5,669,356. TanCert will continue to pay the salaries of staff and workers, who will contribute their skills and time toward implementing this Project.

IV. Project Goal

The goal of the Investment is to promote the growth of small-scale enterprises and improve the living standards of the rural poor by providing high-quality and cost-effective organic certification and technical services to agricultural producers in Tanzania.

V. Project Purpose

The purpose of the Investment is to improve TanCert's prospects for profitable growth and sustained expansion as indicated by the development of a comprehensive business plan that USADF deems suitable for funding by a donor or other financial institution.

VI. Project Outputs

This Investment will enable TanCert to analyze and overcome constraints to its expansion, which in turn will lead to vastly improved services for rural organic farmers and operators. Specifically, the Investment will enable TanCert to achieve the following:

- A. A comprehensive market-driven business plan based on a detailed analysis of customers, competitors, industry trends and the regulatory environment, and including the following elements:
 - a thorough analysis of the industry demand drivers and where and how to position TanCert for profitable growth and business development;
 - the impact of gaining accreditation on TanCert's business, and how to position and promote TanCert to capture the opportunities that will result from gaining accreditation, first for the European market and then for the U.S. and Japan; and
 - an analysis of the current fee structure for organic certification services offered in Tanzania, and how to price TanCert's service offerings to promote industry growth, increased affordability for rural farmers, and profitability for TanCert.

- B. Improved operational, management and governance capabilities, as demonstrated by:
- attainment of IFOAM, ISO65 and NOP accreditation;
 - additional core staff recruited and in place, including a finance manager, inspection manager and certification manager;
 - enhanced human resource management as evidenced by a human resource manual and job descriptions for each position in the enterprise; and
 - strengthened governance, as a result of increasing the number of Board members with expertise in managing organic agricultural businesses.
- C. A fully functional financial management system certified as compliant with USADF and investor management reporting requirements, as indicated by:
- production of regular financial reports and statements according to accounting standards, and audited annual reports with recommendations;
 - automated accounting software (TALLY) installed and effectively utilized by a competent accountant; and
 - development of a financial manual that includes financial regulations and accounting principles.
- D. Improved capacity of TanCert inspectors and organic operators, as indicated by:
- the development of a training program tailor-made for small organic farmers and farming groups;
 - TanCert inspectors fully trained in various organic standards; and
 - TanCert inspectors trained in coaching, marketing and business development skills.

VII. Major Activities to be Financed Under the Agreement

TanCert will ensure the following major activities are implemented with the assistance of consultants, who will be selected in consultation and collaboration with CSDI, the USADF Partner in Tanzania. Major activities will include:

A. Development of a Business Plan

In developing a business plan with the help of a consultant, TanCert will review and profile current and future customers, pre and post-accreditation. It will review current product pricing policies and make recommendations for improvement. To improve its marketing and promotional activities, it will redesign its website and develop a plan for more effective direct marketing.

B. Accounting and Financial Systems Development

To improve its financial controls and management accounting system, TanCert will hire a part-time accountant to work with TanCert to establish financial accounting procedures, policies, and systems. It will purchase appropriate accounting software (TALLY) for the business and provide basic in-house training for users. It will develop and use appropriate financial manuals.

C. Improved Operational and Management Capability

To improve its human resource, governance and management systems, TanCert will develop a concise human resources manual, job descriptions and skills development programs for staff. It will conduct training for the Board and Committee members on sound governance principles and practices.

D. Training for Capacity Building

TanCert will conduct intensive training sessions for organic certification inspectors in order to broaden its services and improve its efficiency. It will also conduct workshops and training programs for small organic farmers in order to increase its client base.

VIII. Roles and Responsibilities of the Parties

USADF's Partner in Tanzania will provide the necessary standard USADF training in bookkeeping, monitoring and assessment. TanCert is responsible for ensuring the proper management and implementation of the Project. The USADF Partner in Tanzania will provide TanCert with technical and management assistance during the implementation of the Investment.

IX. Monitoring and Evaluation

USADF's Partner in Tanzania will closely monitor the activities of TanCert to ensure proper reporting, adherence to the Investment implementation plan by the Client, and movement towards the achievement of the Investment objectives. The Partner will continuously assess the Project risks and take remedial actions as needed. Monitoring by the Partner will be an important aspect of the ongoing coaching and advisory service. The Partner will review TanCert's quarterly reports and will submit comments and observations to the management of TanCert as a part of the ongoing performance assessment.

X. Other Implementation Issues

USADF Tanzania and CSDI will ensure close collaboration with organic experts, such as EPOPA, IFOAM and Kenneth Beigel.

TanCert will carefully analyze and weigh the advantages and disadvantages of transitioning from a non-profit NGO to a for-profit enterprise.