

PROJECT DESCRIPTION
SODIFA Commodities and Services Limited
SOCOSE Capacity Building (Uganda)

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

SODIFA Commodities and Services Ltd. (SOCOSE) is a private, limited liability company incorporated in Uganda on August 17, 2001. It was formed by the Soroti District Farmers Association (SODIFA), made up of 2,990 smallholder farmers, for the purpose of selling agricultural commodities such as millet, groundnuts, sesame, maize and sorghum on behalf of SODIFA's farmer members in the Teso Region. SODIFA, as the parent company, holds 90 percent of the shares of SOCOSE, while individual shareholders hold the remaining 10 percent. A major constraint on SOCOSE's growth and profitability is its operational structure, which is closely intertwined with that of SODIFA, preventing either organization from operating efficiently. In addition, SOCOSE lacks sufficient capital to pay farmers in full when their produce is delivered for marketing; therefore, farmers have to wait two to three months before being fully paid. SOCOSE also lacks adequate capital to expand its current storage facility and thereby increase its own revenues and those of its farmers.

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 4, Section 4.1 of the Agreement.

B. SOCOSE's Contribution

SOCOSE will contribute Ugandan Shillings (UGX) 26,782,896 towards the implementation of this Project, an amount that represents the net book value of its assets according to the audited accounts for the period ended December 31, 2007.

IV. Project Goal

The goal of the project is to promote the growth of small-scale agricultural enterprises and improve the standards of living and economic welfare of smallholder farmers in the Soroti District of Uganda.

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V. Project Purpose

The purpose of this Project is to improve SOCOSE's prospects for sustained expansion and business growth as indicated by the development of a comprehensive five-year business plan that ADF deems suitable for funding by ADF, a donor or other financial institution.

VI. Outputs

By the end of the Project period, SOCOSE will achieve the following.

- A. Improved financial management, corporate governance, and human resource capacity as demonstrated by:
 1. a fully functional financial management system certified as compliant with ADF requirements;
 2. functional governance and management structures for SOCOSE that are separate from those of the parent company, SODIFA; and
 3. the registration of all shareholders and the issuance of share certificates.
- B. Improved supply chain and other operations of the company as demonstrated by:
 1. the design and implementation of an efficient inventory system;
 2. signed supply contracts with members, including clear terms of delivery and payment; and
 3. increased storage facilities.

VII. Activities

SOCOSE will ensure the following major activities are implemented.

- A. Improve prospects for expansion by commissioning the development of comprehensive business plan that includes the following:
 1. an analysis of the markets for each of the products sold by the company with clear marketing segmentation;
 2. clear expansion strategies in terms of market share, a profitability plan and human resource management;
 3. a marketing strategy that includes promotion, pricing and distribution; and
 4. a storage facility expansion investment appraisal report.
- B. Improve corporate governance capacity by:
 1. commissioning governance review and ensuring complete separation of SOCOSE from SODIFA;
 2. initiating a process by which all members pay for their shares and are issued share certificates;
 3. organizing a special Annual General Meeting and conducting elections for members of the management committee; and
 4. training the management committee in governance issues.

- C. Strengthen SOCOSE's financial management and human resource capacity by:
 - 1. commissioning a human resource review with the subsequent development of an effective management structure as well as a human resource function and procedures for the company;
 - 2. re-defining tasks and developing job descriptions for all positions within the company;
 - 3. documenting the human resource and accounting systems in a manual;
 - 4. recruiting a qualified accountant;
 - 5. installing an automated accounting system for the company;
 - 6. training existing management and new accounting staff to use the new accounting software; and
 - 7. undertaking the financial certification of the company.

- D. Streamline and improve company operations by:
 - 1. commissioning an improved inventory control system;
 - 2. developing and executing supply contracts with member suppliers;
 - 3. utilizing a crop finance fund to pay farmers in full upon delivery of produce;
 - 4. establishing a quality assurance system throughout the SOCOSE commodities supply chain;
 - 5. increasing storage facilities;
 - 6. purchasing and utilizing a moisture meter and weighing scales; and
 - 7. constructing fifteen maize cribs.

VIII. Roles and Responsibilities of the Parties

ADF's Partner in Uganda, Uganda Development Trust (UDET), will provide SOCOSE standard ADF training in bookkeeping, monitoring and assessment.

SOCOSE will be responsible for ensuring that there is proper management and implementation of the Project. The ADF Partner in Uganda, UDET, will provide SOCOSE with technical and management assistance during the implementation of the Project.

IX. Monitoring and Evaluation

ADF's Partner in Uganda will closely monitor the activities of SOCOSE to ensure proper reporting, adherence to the Project implementation plan by the client and movement towards the achievement of Project objectives. The Partner will continuously assess the Project risk and take remedial actions 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 SOCOSE as part of the on-going performance assessment.

X. Other Implementation Issues

None.

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