

**APPENDIX A:
PROJECT DESCRIPTION
Ruembe Outgrowers Association Project (ROA) - Tanzania**

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 to as amending any of the definitions, conditions, or terms of the Agreement.

II. Background

Ruembe Outgrowers Association (ROA) is a sugarcane production and marketing association composed of 935 farmers organized in 15 groups located in Kilosa District, Morogoro Region in the Great Ruaha Valley in southeast Tanzania. The farmers are generally subsistence farmers who cultivate sugarcane as a cash crop. ROA markets its sugarcane to Kilombero Sugar Company (KSC) a private company, part of the Illovo Group of companies. The factory had been government owned and production had fallen to very low levels. After heavy investments, KSC is increasing sugar production and demanding larger amounts of raw sugar cane production from the sugarcane outgrowers. However, ROA's members, who currently provide 30 percent of KSC's inputs, are constrained in expanding sugar cane cultivation by their lack of technical skills and financial resources.

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 does not cause ADF's contribution to exceed the obligated amount specified in Article 3. Section 1. of this Agreement.

B. Grantee Contribution

ROA members will contribute three cane loaders worth TSh 135 million, furniture and office equipment worth TSh 458,000, and revolving fund capital for on-lending to members estimated at TShs 109 million (paid up shares to ROA KIRUVI SACCOS). In addition the Association will contribute 1,884 hectares of land for sugarcane production. ROA's total contribution to the Project is estimated at TShs 244,458,000.

IV. Project Goal

The Project's goal is to improve the living conditions and economic welfare of farmers in the Kiloso District through the increased sugar cane yield by the participating farmers.

V. Project Purpose

The purpose of the Project is as follows.

- Increase ROA members' individual annual net income from sugar cane sales from TSh 574,537 in FY2002 to:
 - TSh 561,719 in Year I,
 - TSh 632,705 in Year II,
 - TSh 737,096 in Year III,
 - TSh 835,691 in Year IV, and
 - TSh 945,822 in Year V (FY2007) and beyond.
- Increase ROA's members' total annual net income from TSh 537,200,000 in FY2002-03 to:
 - TSh 525,207,265 in Year I,
 - TSh 591,579,175 in Year II,
 - TSh 689,184,760 in Year III,
 - TSh 781,371,085 in Year IV, and
 - TSh 884,343,570 in Year V (FY2007) and beyond.
- Increase ROA's total annual income from TSh 61,745,000 in FY2002-03 to:
 - TSh 177,726,000 in Year I,
 - TSh 200,114,000 in Year II,
 - TSh 213,994,000 in Year III,
 - TSh 229,088,000 in Year IV, and
 - TSh 245,423,000 in Year V (FY2007) and beyond.

VI. Project Outputs

A. Improved Production Capacity

1. ROA members' total annual production of sugar cane is expected to increase from 95,725 tons in FY2002-03 to:
 - 103,000 tons in Year I,
 - 112,000 tons in Year II,
 - 121,000 tons in Year III,
 - 131,000 tons in Year IV, and
 - 142,000 tons in Year V (FY2007) and beyond.

2. ROA members' total annual sales of sugar cane to KSC is expected to increase from TSh 1,580,000,000 in FY2002-03 to:
 - TSh 1,705,647,000 in Year I,
 - TSh 1,956,201,000 in Year II,
 - TSh 2,243,562,000 in Year III,
 - TSh 2,573,134,000 in Year IV, and
 - TSh 2,951,120,000 in Year V (FY2007) and beyond.
3. ROA members' average annual yield per hectare is expected to increase from 50.8 tons in FY2002-03 to:
 - 55 tons in Year I,
 - 60 tons in Year II,
 - 65 tons in Year III,
 - 70 tons in Year IV, and
 - 75 tons in Year V (FY2007) and beyond.
4. ROA members are expected to rehabilitate a total of 1,850 hectares of old sugar cane farms by the end of Year V of the Project, including:
 - 376 ha by the end of Year I,
 - 752 ha by the end of Year II,
 - 1,128 ha by the end of Year III,
 - 1,504 ha by the end of Year IV, and
 - 1,850 ha by the end of Year V (FY2007).

B. ROA's Strengthened Service Capacity

1. ROA manage a revolving fund that will provide funds for land preparation and crop upkeep as indicated below:
 - TSh 139,600,000 in Year I,
 - TSh 194,302,000 in Year II,
 - TSh 249,004,000 in Year III,
 - TSh 303,706,000 in Year IV, and
 - TSh 358,408,000 in Year V (FY2007) and beyond.
2. The annual amount of members' sugar cane harvested by using ROA's cane harvesters is expected to increase from the current 65,000 tons to approximately 108,000 tons by Project Year II.

VII. Major Activities to be financed under the Agreement

A. Sugar Cane Production

ROA will use Grant funds to promote improved land management among its 935 members as a means to increase sugar cane production. The Project participants will undertake the following activities.

1. Land preparation: in order to achieve good yields, sugar cane crops should be replanted every five to seven years. ROA will assist its members in acquiring and negotiating services (e.g., plowing, ridging, harrowing, etc.) needed to prepare the land for re-cropping. In addition, the Grant will fund land rehabilitation equipment that ROA will rent to its members. ROA will deposit the rent in the input revolving fund.
2. Sugar cane husbandry: through the revolving input fund, ROA will provide loans to its members to purchase good quality seeds, fertilizer, and herbicides. In rehabilitating old sugar cane stands, ROA will promote inter-row spacing and the use of good quality seed cane timely planted, weeded, fertilized and harvested.
3. Production monitoring: ROA will monitor its members to encourage use of good production practices. The Grant provides funds for equipment to carry out the monitoring.

B. Training and Technical Assistance

Members, staff and the executive committee (board) will be trained in various disciplines aimed at improving performance.

1. ROA members will be trained in modern sugar cane farming and quality control. In addition, training on how to mitigate the economic impact of HIV/ AIDS will be provided.
2. ROA staff and board members will be trained on site in business management and corporate governance.
3. An expert from the Kibaha Sugar Research Institute will provide technical assistance services to members in choice of right stock of seed and quality improvement.
4. The ADF Country Partner, CSDI, will provide training to ROA staff and executive committee members on the ADF accounting system, best practices in financial management, and project performance assessment.

5. ROA members that form the Participatory Evaluation/Impact Assessment committee will be trained in various techniques of participatory evaluation and monitoring by the CSDI Evaluation Officer.

VIII. Roles and Responsibilities of the Parties

ROA is responsible for ensuring the proper management and implementation of the Project. The Association has four full time employees who manage the daily operations. The ROA board of trustees is the custodian of all properties and liabilities of ROA.

The ADF partner in Tanzania, the Centre for Strategic Development Initiatives (CSDI) will provide technical and management assistance to ROA during the implementation of the Project.

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, which will include the establishment of annual targets for the performance indicators. 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.