

**APPENDIX A:
PROJECT DESCRIPTION
RSTGA Farm Inputs Project -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 as amending any of the definitions, conditions, or terms of the Agreement.

II. Background

Rungwe Smallholder Tea Growers Association (RSTGA) is a green tea leaf production and marketing association composed of approximately 14,000 farmers from 108 villages in the Mbeya Region of the southern highlands of Tanzania. The farmers sell their tea for processing and marketing to Wakulima Tea Company Limited (WATCO), in which they own a twenty percent interest. Wakulima's factories have the capacity to process sustainably more green tea leaf than is currently supplied by the farmers. A major obstacle to increasing tea production by association members is insufficient access to production inputs

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

RSTGA's executive leadership will provide administrative support (record keeping, managing, communications and basic monitoring). Members will also contribute their labor, equipment, and nurseries to the Project.

IV. Project Goal

The goal of the Project is to improve the living conditions and economic welfare of farmers and community members in the Rungwe District of Tanzania.

V. Project Purpose

The purpose of this Project is to increase the incomes of RSTGA and its members as measured by the following:

A. RSTGA's annual net income of from Project activities will increase from TSh 1,970,000 to:

ADF *[Signature]* Grantee *Aloulazans*

[Signature]

[Signature]

TSh 2,629,000 in Year I;
TSh 17,116,000 in Year II;
TSh 23,897,000 in Year III;
TSh 28,308,000 in Year IV; and
TSh 31,834,000 in Year V.

B. Participating farmers' average annual net income from Project activities will increase from TSh 100,000 to:

TSh 135,389 in Year I;
TSh 145,915 in Year II;
TSh 165,398 in Year III;
TSh 192,384 in Year IV; and
TSh 240,374 in Year V.

VI. Outputs

The major output of the Project will be RSTGA's increased production capacity as measured by the following.

A. RSTGA members' annual production of green leaf tea will increase from 4,900 tons to:

5,122 tons in Year I;
5,890 tons in Year II;
6,774 tons in Year III;
7,790 tons in Year IV; and
8,803 tons in Year V.

B. RSTGA's annual sales will increase from TSh 909 million to:



TSh 505.5 million in Year I;
TSh 616.3 million in Year II;
TSh 751.2 million in Year III;
TSh 915.7 million in Year IV; and
TSh 1,096.9 million in Year V.

C. RSTGA members' average annual yield per hectare is expected to increase from the current level of 4,424 kilograms to 8,364 kilograms in Year V.

VII. Activities

A. Tea Production

RSTGA will use Grant funds to promote improved green tea leaf production by 2,015 of its members. The participating members will receive production loans and training. The number of

ADF  Grantee 




eligible farmers will increase as additional funds become available through recapitalization of loan reflows and interest payments.

The Project participants will undertake the following activities.

1. RSTGA will extend interest bearing loans to selected members through a revolving input fund. The borrowers will use the loans to purchase fertilizer, herbicides, sprayers, and protective clothing. RSTGA will promote optimum fertilizer application rates and safe chemical application methods. Members will repay fertilizer and herbicide loans over a six-month period, while loans for sprayers and protective clothing will be repaid over a twelve-month period.

RSTGA will use Grant funds to retain a data entry clerk for eighteen months. The clerk will maintain farmers' records at WATC to ensure consistency and accuracy between RSTGA and WATC farmer's records for loans issued, sales, and loan repayments. RSTGA will be responsible for the clerk's salary throughout the remainder of the Grant period.

2. RSTGA will monitor the implementation of recommended production practices by the 2,015 selected members. RSTGA will recruit an agronomist/extension officer to serve as a coordinator for technical issues relating to production quality control and liaison with WATC on harvest issues. The Grant provides funds to pay the coordinator's salary for the first eighteen months of the Project, after which RSTGA will be responsible for the salary throughout the remainder of the Grant period. The Grant provides funds for equipment to carry out the monitoring.

B. Training and Technical Assistance

RSTGA's members, staff, and the executive committee will receive training in various disciplines aimed at improving performance.

1. Personnel from the Tea Research Institute of Tanzania will train the selected 2,015 RSTGA members in modern tea farming techniques. RSTGA will also select two hundred farmers from eight villages from among those members to become trainers in quality control, safety, and management of fertilizers, pesticides, and other chemicals.

2. Three specialists from the Tanzania AIDS Commission will train twenty RSTGA members as trainers on HIV/AIDS prevention.

3. RSTGA will hire experts to train staff and board members in communication and information management, agribusiness management, and corporate governance.

4. The ADF Country Partner will provide training to RSTGA staff and executive committee members on the ADF accounting system, best practices in financial management, and project performance assessment.

5. The ADF Partner in Tanzania will train appropriate RSTGA members in techniques of participatory evaluation and monitoring.

VIII. Roles and Responsibilities of the Parties

ADF [Signature] Grantee Almalamus

[Signature]
[Signature]

RSTGA is responsible for ensuring the proper management and implementation of the Project. RSTGA will ensure a General Manager is in place at start-up to oversee the day-to-day activities of the Project. The ADF Partner in Tanzania, the Center for Sustainable Development (CSDI) will provide RSTGA technical and management assistance 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. 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. The Project provides for a motorcycle and office equipment to help RSTGA improve its coordination, monitoring, and logistical capabilities.

X. Other Implementation Issues

RSTGA will establish three bank accounts: (a) an account to receive ADF funds; (b) the RSTGA current account; and (c) an account to manage the reinvestment funds. RSTGA will use the reinvestment account to receive regular deposits for equipment replacement and reserves to acquire additional equipment. It will make deposits to the account on at least a quarterly basis beginning as soon as the member groups receive their new equipment or start managing the new facilities, whichever occurs earlier.

20

ADF *[Signature]* Grantee *Almlarous*

[Signature]

[Signature]