

**APPENDIX A:
PROJECT DESCRIPTION
EDZ 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

Environment and Development Zambia (EDZ) is a Zambian NGO established in 1998. As part of its mission to reduce poverty while protecting the environment, it has identified the production and marketing of honey as a viable enterprise to introduce to smallholder farmers. Since 2000, in furtherance of this objective, it has introduced beekeeping to farmers in several districts in the northern and central regions of Zambia. It has provided training, extension services and ecologically superior hives and provided a revolving loan fund to allow the farmers to purchase beekeeping equipment and hives, and then purchased and resold the honey produced. EDZ has now formed a for profit company, T&C Environment and Development Zambia, in which farmers hold shares. EDZ has developed a plan and requested a grant to expand the number of farmer-members in the company, to increase the quality and quantity of their output and to market the honey, both locally and internationally, distributing dividends to the farmers and to EDZ to carry on its development activities.

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

EDZ will contribute Zambian Kwacha 464,466,524 to the Project for administrative expenses and staff salaries. In addition, EDZ will make available its assets for use under the Project. EDZ's assets have a net value amounting to ZMK 76,458,533.

IV. Project Goal

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The goal of the Project is to reduce poverty in an environmentally sound manner among smallholder beekeepers who are members of T&C Environment and Development.

V. Project Purpose

The purpose of the Project is to increase income of T&C, its owners and member beekeepers generated from honey production and processing.

This will be accomplished by:

A. From a baseline of ZMK 0, the average beekeeper net income for Project years 1, 2, 3, 4 and 5 will be ZMK93,485; ZMK385,455; ZMK748,123; ZMK1,075,381; ZMK1,265,532 respectively.

B. From a baseline of ZMK 0, EDZ net income from dividends for Project years 1, 2, 3, 4 and 5 will be ZMK 0, ZMK 30,600,000; ZMK40,800,000; ZMK51,000,000 respectively.

C. From a baseline of ZMK 0, T & C net income (before CRG, taxes, depreciation and dividends) for Project years 1, 2, 3, 4 and 5 will be ZMK 87,956,179; ZMK 407,719,320; ZMK 657,492,608; ZMK 1,300,899,592; and ZMK 1,882,195,226 respectively.

VI. Outputs

The five outputs of the Project are as follows:

A. T&C's capacity to deliver credit services to beekeepers is expanded.

From a baseline of 156 beekeepers, the project will provide credit finance to 340 beekeepers in Year 1, 250 beekeepers in Year 2, 310 beekeepers in Year 3, and 199 beekeepers in Year 4. Each beekeeper will be provided with a loan for inputs amounting to ZMK392,000.

B. T&C's capacity to deliver extension services is improved.

From a baseline of two extension personnel, an extension service consisting of 14 community based extension agents will be functioning from years 1 - 5.

C. T & C's capacity to produce, process and market honey is increased.

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- From a baseline of 40.3 tons, T & C will achieve comb honey production of 85 tons 124 tons, 166 tons; 226 tons and 268 tons in Years 1, 2, 3, 4 and 5, respectively.

- From a baseline of 2 tons, T&C will export 50 tons, 75 tons, 100 tons, 143 tons and 170 tons of liquid honey in Years 1, 2, 3, 4 and 5, respectively.

- From a baseline of 0 tons, T&C will export wax of 13 tons, 19 tons, 24 tons, 34 tons and 40 tons for Years 1, 2, 3, 4 and 5, respectively.

- From a baseline of one international buyer, T&C will diversify its markets to include buyers in South Africa, Europe, Japan and the U.S.A. by year 5.

D. T&C's management capacity is improved.

- Gross margin on sales changes from a baseline of 35 percent to 59.8 percent; 60.2 percent; 58.7 percent; 59.3 percent and 59.4 percent in years 1, 2, 3, 4 and 5, respectively.

E. T & C is established in international markets as a supplier of organic honey.

- From a baseline of no fair trade or organic certification, Fair Trade and Organic certificates will be issued by internationally recognized certifying bodies by Year 3, and maintained through Years 4 and 5.


VII. ACTIVITIES

The major activities the Project will undertake to achieve the above-mentioned outputs will include:

A. Honey Production and Processing

T&C will mobilize smallholder farmers to produce honey. The Project anticipates involving approximately 1,500 farmers as beekeepers by the fourth year of implementation. T&C will provide the following services to the beekeepers:

1. loans up to ZMK 392,000 per farmer to purchase beekeeping equipment and material needed to construct mud top bar hives;
2. airtight buckets for storage of harvested honeycomb;
3. transport of the honey from collection sights to T&C's processing plant;
4. training in beekeeping best practices; and
5. extension services.

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T&C will pay the beekeepers at the collection site. The Project includes a honey purchase fund for this purpose. At the processing site, T&C will press and sieve the comb honey then store it in a settling tank to further remove impurities. T&C will pack the processed honey into drums for export or into appropriate packaging for local distribution and sales.

T&C will build its capacity to operate the honey processing and distribution business and manage the Project by undertaking the following:

1. retaining of its extension staff and financing of local extension workers;
2. training its chief executive officer, financial officer and personnel in sales;
3. training its management department in international trade; and
4. training appropriate staff in ADF's policies and procedures.

B. Market Development

T&C will develop an aggressive plan to penetrate new international markets. It will travel to Botswana and South Africa to establish marketing outlets. T&C will pursue attainment of organic and fair trade certificates to facilitate trade in international markets.

VIII. Roles and Responsibilities of the Parties

The staff and elected leadership of EDZ is responsible for the management and the proper implementation of the Project. ZATAC, ADF's partner in Zambia, will train the Grantee's leadership and members in the areas of management, ADF reporting, corporate/cooperative governance and business planning.

IX. Monitoring and Evaluation

Within sixty days of the effective date of this Agreement, the Grantee will form a monitoring and assessment committee composed of a representative cross-section of the Grantee's organization. The committee will develop a 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.

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