

**APPENDIX A:
PROJECT DESCRIPTION
Mpongwe Organic Expansion 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

The Coffee and Organic Cooperative Society of Mpongwe (Mpongwe Cooperative) is a Zambian farmer owned cooperative established in 2000 with 337 members, 102 of which are women. As part of its mission to promote the economic interests of its members through sustainable agriculture, Mpongwe Cooperative has supported the export of organic groundnuts produced by its members and the export of organic mushrooms. However, Mpongwe lacks even the basic organizational infrastructure to expand its operations and better serve its members.

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

Mpongwe Cooperative will make available its existing assets for use under the Project. Mpongwe Cooperative's assets have an estimated net value of ZMK 80,692,000.

IV. Project Goal

The goal of the Project is to position Mpongwe Cooperative as a financially and operationally self-sustaining organization.

V. Project Purpose

The purpose of the Project is to increase Mpongwe Cooperative's capacity to absorb capital investments required to grow and sustain its operations, as indicated by the following:

- A. Mpongwe will develop a comprehensive business plan by month 22 of the Project that ADF deems suitable for donor funding; and
- B. Mpongwe will achieve profitability by the end of Year 2 reaching a marginal profit of ZMK 1,094,823 from a loss of ZMK39, 204,959 in Year 1.

VI. Project Outputs

- A. Mpongwe will have improved its capacity to deliver services to its members.
 1. By the 12th month of implementation, an extension and internal inspection program using 16 trained contact farmers who regularly provide assist members engaged in production of groundnuts for export by the Cooperative will be functioning;
 2. By the end of Year 2 Mpongwe will have 150 farmer members producing and exporting organic groundnuts through the Cooperative.
 3. By the end of Year 2 Mpongwe Cooperative will have a basic depot system in each zone with two centrally located warehouses.
 4. By the end of month six, Mponge will have developed modalities of a crop purchase fund.
- B. Improved management and quality control systems and procedures
 1. A Business plan including marketing plan, sustainability plan and management transition plan will be developed by month 24 of the project.
 2. A crop purchase fund will be functioning by month 6.
 3. Improved production processes (including aflatoxin testing) will be in place by month six..
 4. By the end of year 2 a reliable internal control system and computerized information system will be functioning.

VI. ACTIVITIES

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

- A. Establish the aflatoxine testing program.
 - Procure and install the aflatoxin testing device.

- Train contact farmers and all Cooperative employees in use of the aflatoxin testing units.
- B. Improve the extension delivery system and put in place a basic depot system.
- Create 8 zones for areas with the Cooperative's members.
 - Identify and recruit 16 contact farmers 2 from each of the 8 zones.
 - Train the 16 contact farmers and assign 8 for extension delivery and the other 8 for internal organic inspection.
 - Identify 2 centrally located buildings to rent.
 - Procure shellers, scales, graders, bicycles, and pallets and distribute them to the contact farmers.
- C. Put in place a management team.
- Advertise and recruit the business manager and the financial officer.
 - Develop a business plan
 - Develop a sustainability plan that would also define strategic relationships and alternative avenues of financing. This will be prepared by the business manager who would be assisted by the Voluntary Service Overseas (VSO) volunteer.
- D. Computerize management information system.
- Procure the desktop computer with a printer and install Quicken accounting package.
 - Design of chart of accounts, accounting procedures and internal controls.
- E. Procure organic certification for 150 producers of groundnuts.
- Pay organic certification fees to ECOCERT for 150 members by Year 2 and engage them in production of groundnuts for export through the Cooperative.
- F. Establish a crop-purchasing fund.
- Mobilization of farmers/members in production.
 - Develop and put in writing modalities of the crop purchasing fund.
- G. Train 1,500 mushroom pickers.
- Mobilize the mushroom pickers.
 - Engage the trainer.
 - Train the pickers.
- H. Audit
- A mid term audit of the Project's activities.

VII. Roles and Responsibilities of the Parties

The staff and elected leadership of the Mpongwe Cooperative are responsible for the management and the proper implementation of the Project.

ZATAC, ADF's partner in Zambia, will provide training in the areas of management, ADF reporting, corporate/cooperative governance and business planning. ZATAC will also provide technical assistance to the members and leadership in those areas.

VIII. 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.



