

**APPENDIX A:
PROJECT DESCRIPTION
Kihihi Silk Farmers Association Sericulture Project - 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 to as amending any of the definitions, conditions, or terms of the Agreement.

II. Background

When their traditional cash crop, coffee, suffered wilt disease and its price on the world market dropped sharply, the subsistence farmers of the Kihihi Silk Farmers Association (KISIFA) adopted the more lucrative silk farming as a source of income. However, over the last five years few of KISIFA's members have reached profitable production levels. Consequently, the average annual family income of a KISIFA member is less than Uganda's average annual per capita income of \$280. KISIFA members are constrained in silk farming by their lack of 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 3.1 of this Agreement.

B. Grantee Contribution

Members of KISIFA will contribute a total of 1,308 acres of land for planting mulberry trees, valued at Ush 200,000 each acre and 3 acres of land, valued at Ush 200,000 each acre, to construct silkworm incubation facilities. In addition, KISIFA will contribute locally available building materials and unskilled labor and Ush 1,962,000 in cash. KISIFA's total contribution to the project is estimated at Ush 285,162,000.

IV. Project Goal

The Project's goal is to improve the living conditions and economic welfare of farmers in Kanungu District through the promotion of sericulture as a high value non-traditional cash crop.

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V. Project Purpose

The purpose of the Project is to increase incomes of Project participants in Kanungu District.

VI. Project Outputs

1. Members' annual net income increased from Ush 150,000 in year 0 to 524,095 in year 1, to 681,437 in year 2, to 802,294 in year 3, to 894,920 in year 4, to 984,230 in year 5.
2. Silkworm rearing and silk production increased.
 - a. Number of boxes of worms produced by the central hatchery increased from 600 in year 0 to 2,140 in year 1, 4,644 in year 2, 7,102 in year 3, 9,386 in year 4 and 11,496 in year 5.
 - b. Number of farmers rearing 10 cycles of silkworms and producing 500 kilograms of cocoons per year increased from 0 in year 0 to 157 in year 1, 283 in year 2, 397 in year 3, 508 in year 4 and 611 in year 5.
 - c. Silk production per farmer per year from 75 kilograms in year 0 to 341 kilograms in year 1, 410 kilograms in year 2, 447 kilograms in year 3, 470 kilograms in year 4 and 500 kilograms in year 5.
3. KISIFA net income from central hatcheries increased from 0 Ush to 76,172,000 in year 1, 130,065,000 in year 2, 191,816,000 in year 3, 259,827,000 in year 4 and 334,613,000 in year 5.
4. Project profitability improved (hatcheries and all members) from 0 Ush to 37,128,000 in year 1, 171,427,000 in year 2, 299,035,000 in year 3, 438,049,000 in year 4 and 588,942,000 in year 5.
5. Number of farmers trained in sericulture and qualifying for loans increased from 183 in year 1, to 311 in year 2, 427 in year 3, 535 in year 4 and 636 in year 5.
6. Improved viability of the revolving loan fund as evidenced by number of farmers repaying their loans: 40 in year 2, 192 in year 3, 320 in year 4 and 436 in year 5.

VII. Major Activities to be financed under the Agreement

KISIFA will undertake the following activities to generate the Project's expected outputs.

A. Hatching Silk Worm Eggs and Rearing the Silk Worms

KISIFA will hatch silkworm eggs and rear silkworms using three hatchery and nursery facilities. The Grantee will sell the silk worms to the farmers as inputs for the farmers' rearing houses. KISIFA will construct and equip a building for the hatching and rearing activities. The management team for the hatching and rearing operation will consist of a project manager, financial officer, and administrative officer. Extension officers and zonal production control managers will monitor quality and train KISIFA's members and workers who incubate, hatch, and rear the worms for the 1st and 2nd instars. In each incubation and hatchery center, eight rearing assistants will carry out activities required for incubating, hatching and caring for the worms.

B. Production of Silk Cocoons

The member farmers will produce silk cocoons. KISIFA will sell the silk cocoons to NOBWE Silk Association Ltd, the sole processor of cocoons into silk yarn in east Africa, and compensate the farmers. 611 KISIFA members will construct individual silk worm rearing houses for production of silk cocoons. KISIFA will establish and manage a revolving loan fund to provide loans to members for the construction of nursery and rearing houses and purchase of cocoon frames and silkworms. Each member will produce at least 5,000 mulberry plants to sustain the silkworms.

C. Training Assistance

The KISIFA project manager, bookkeeper, administrative secretary and management committee will receive training in project management, group dynamics, leadership, credit management and HIV/AIDS awareness and sensitization. KISIFA will contract with a supplier for this training. NOBWE silk experts will conduct sericulture training of trainers' workshops for area production leaders, rearing assistants, and seven member farmers. Those trained will train the farmers and KISIFA staff in sericulture and the proper cultivation and maintenance of mulberry trees. The Ugandan Development Trust (UDET) will train appropriate KISIFA representatives in participatory monitoring and evaluation. In addition, UDET will train farmers in the ADF accounting and participatory monitoring and evaluation methodologies.

VIII. Roles and Responsibilities of the Parties

KISIFA is responsible for ensuring the proper management and implementation of the Project. The executive management committee (EMC) and the production committee

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(PC) are responsible for the day-to-day management of the association and for ensuring the full participation of each member in the affairs of the grantee.

The ADF partner in Uganda, the Uganda Development Trust (UDET), will provide technical and management assistance to KISIFA 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.