

PROJECT DESCRIPTION

NUMA Feeds Capacity Building

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

NUMA Feeds Limited (NUMA), operational since 1995, buys agricultural produce from smallholder farmers to process both assorted cereal flours and its animal feeds. Although NUMA has demonstrated that it is profitable, the company needs assistance to strengthen its management and financial systems, improve its quality of products by meeting government standards for hygiene and environmental regulations, increase its production levels, and expand its marketing capacity to provide a steady and favourable market for the smallholder framers of Kabwohe.

The smallholder farmers that supply raw materials to NUMA are currently very loosely organized and lack capacity to access outside funding or find additional markets for their goods. By formalizing these groups, they could achieve greater production volume and earning potential, some economies of scale, and provide a more steady supply of goods to NUMA Feeds as well as to additional buyers.


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 4, Section 4.1 of the Agreement.

B. NUMA Contribution

NUMA will contribute its assets, estimated at UGX 140,000,000, towards the implementation of this project. NUMA will also continue to pay salaries to its existing staff (approximately UGX 32,300,000) and other operational costs estimated at UGX 65,000,000 annually. NUMA will train all factory workers in health and safety procedures and also provide on-site training to its contract farmers in post harvest handling and good farming practices as part of their contribution to the project.



IV. Project Goal

The goal of this project is to improve the standard of living for NUMA employees and farmers associated with NUMA in Bushenyi and Mbarara Districts, Western Region.

V. Project Purpose

The purpose of this project is to improve NUMA Feed's prospects for expansion as demonstrated by the development of a business plan that ADF deems suitable for funding and the improvement in organizational capacity of smallholder farmer groups in NUMA's supply chain.

VI. Project Outputs

- A. Strategic five-year business and marketing plan(s) consisting of:
- an analysis of company structure with recommendations for improving sales and marketing function;
 - achievable production targets that account for factors such as demand, cost and supply of raw materials, production capacity and competition; and
 - a marketing strategy that includes promotion, pricing and distribution for both animal feeds and cereal products.
- B. Improved marketing by NUMA demonstrated by:
- hiring a qualified marketing officer who implements a marketing plan;
 - advertising regularly on radio;
 - offering different product sizes for residential use; and
 - implementing a cost-efficient distribution system.
- C. Improved financial management, corporate governance, and human resource capacity as demonstrated by:
- a fully functional financial management system certified as compliant with ADF requirements;
 - the Board of Directors and management team trained in corporate governance; and
 - a functional human resource manual.
- D. Improved quality control systems as demonstrated by:
- a qualified production officer;
 - an established and equipped mini laboratory;
 - acquisition of the Uganda National Bureau of Standards Certification (UNBS); and
 - compliance with National Environment Management Authority (NEMA) requirements.
- E. Strong supply chain for raw materials as demonstrated by:
- signed buyer contracts with farmers that guarantee a fair minimum price, utilize *FoodNet's* SMS pricing tool, and allow flexibility of farmers to sell to other buyers under certain conditions; and
 - procurement of higher yielding millet and maize seeds for the farmer groups.

Appendix A

- F. Selected producer groups demonstrate ability to effectively manage their associations by meeting regularly, planning their activities, and achieving production goals.
- G. Improved processing capacity as demonstrated by a 12% increase in revenue from a projected 2008 baseline of UGX 656,000,000.

VII. Activities

- A. NUMA will improve its prospects for expansion by:
 - commissioning a strategic five-year business and marketing plan(s) that:
 - analyzes current marketing activities and recommends significant enhancements;
 - proposes structural changes for greater efficiency;
 - projects target growth; and
 - streamlines the distribution system.
 - strengthening existing accounting systems by:
 - procuring computers and appropriate software to computerize the finance and accounting systems;
 - redefining credit policies and evaluating financial position; and
 - improving its existing accounting procedures manual and training staff on the policies and procedures.
 - training the Board of Directors and management team in corporate governance.
 - compiling, editing and implementing a human resource manual.
- B. NUMA will improve its current marketing function by:
 - recruiting and hiring a qualified marketing officer;
 - implementing a clear marketing strategy;
 - advertising on the radio; and
 - producing and distributing a mix of product sizes with consistent branding.
- C. NUMA will enhance its quality assurance systems by:
 - recruiting and hiring a qualified production officer;
 - creating and implementing the mini laboratory for onsite product analysis;
 - procuring the moisture meter and weighing scale;
 - acquiring the UNBS quality certification; and
 - complying with NEMA requirements.
- D. NUMA will increase its production capacity by:
 - maintaining strong farmer relations and providing fair, guaranteed minimum pricing, transport of goods and extension services; and
 - installing the following production equipment:
 - milling machine;
 - huller; and
 - grain cleaner.

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Appendix A

- E. Strengthen the reliability of the supply chain by:
- recruiting technical assistance providers to train four producer groups in leadership, group dynamics, corporate governance, and business management skills; and
 - assisting farmer groups to develop statutes and acquire their legal status.

VIII. Roles and Responsibilities of the Parties

ADF's partner in Uganda will provide the necessary standard ADF training in bookkeeping, monitoring and assessment. NUMA is responsible for ensuring the proper management and implementation of the grant. The ADF Partner in Uganda will provide NUMA with technical and management assistance during implementation.

Additionally, the Partner will closely supervise the identification of Technical Assistance Providers, training and all activities related to farmer groups' formalization. NUMA will contract and pay the consultants while the Partner will ensure quality control in terms of service delivery.

NUMA will work closely with the National Agricultural Advisory Services (NAADS) to procure high yielding millet and maize seeds for distribution to farmers.

IX. Monitoring and Evaluation

ADF's Partner in Uganda will closely monitor the activities of NUMA to ensure proper reporting, adherence to the project implementation plan by the client and movement towards the achievement of project objectives. The Partner will continuously assess the project risk and take remedial actions as needed. Monitoring by the Partner will be an important aspect of the ongoing coaching and advisory service. The Partner will review NUMA's quarterly reports and will submit comments and observations to the management of NUMA's as a part of the on-going performance assessment.

X. Other Implementation Issues

During the project, NUMA plans to donate 'Bushera' (local porridge meal) to the Children's Ward and HIV Patients at Kabwohe Health Center.

NUMA will attend three trade fairs (in Uganda) and Jua Kali Shows in Kenya and Tanzania during the EDI period. The Ugandan shows are: (a) The Farmers' Show in Masaka Municipality; (b) The SME Trade Show in Mbale Municipality; and (c) The Uganda Manufacturers' Association International Trade Fair at Lugogo, Kampala City.

NUMA will assure its compliance with all of the Government of Uganda's statutory requirements including, but not limited to, PAYE, NSSF and Workman's Compensation.

NUMA will ensure that employees handling any chemical or working in the processing chambers wear protective clothing. Additionally, NUMA will provide continuous training in health and safety procedures for all factory workers.

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