

**APPENDIX A:
PROJECT DESCRIPTION
Lumuli Paprika 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

In 1999, in response to the demand for paprika created when the Tanzania Spice Company (TSC) began its paprika purchasing business, eighty farmers in the Iringa District of Southern Tanzania created the Lumuli Paprika Growers Association (LPGA). LPGA was formed to provide its members technical assistance in paprika cultivation and affordable credit for agricultural inputs and irrigation. However, productivity of LPGA's farmers has remained low, and they have not been able to meet LPGA's demand for paprika.

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

LPGA will contribute its farms, farm equipment, other infrastructure and its experienced staff to the project. The total value of the Grantee's contribution is estimated at TSh 40.0 million.

IV. Project Goal

The goal of the Project is to reduce poverty among members of the Lumuli Paprika Growers Association.

ADF  Grantee _____

V. Project Purpose

The purpose of the Project is to increase the incomes of LPGGA, its members, and employees as follows.

- A.
1. The total annual income paid by the Cooperative to LPGGA farmers increases from a baseline of 16,000,000 TSh to:
TSh 26,884,000 in Year I,
TSh 46,577,000 in Year II,
TSh 54,774,000 in Year III,
TSh 64,414,000 in Year IV,
TSh 74,398,000 in Year V

- B.
- LPGGA's annual net income before taxes, depreciation and CRG will change from TSh 800,000 to:
- | |
|----------------------------|
| TSh (4,045,000) in Year I |
| TSh 1,123,000 in Year II |
| TSh 11,561,000 in Year III |
| TSh 15,737,000 in Year IV |
| TSh 20,166,000 in Year V |

- C.
- LPGGA's staff salaries will increase from a baseline of TSh 1,080,000 to:
- | |
|------------------------|
| Year 1 - TSh 5,813,000 |
| Year 2 - TSh 6,103,000 |
| Year 3 - TSh 6,409,000 |
| Year 4 - TSh 6,729,000 |
| Year 5 - TSh 7,065,000 |

VI. Outputs

The two major outputs of the Project are listed and their indicators are provided below.

- A.
- LPGGA members' capacity to produce high quality paprika will increase as indicated by the following targets:
1. yields of paprika for LPGGA farmers increase from the current baseline average of 450 kilograms per acre to:
 - Year 1 - 463 kilograms per acre
 - Year 2 - 517 kilograms per acre
 - Year 3 - 575 kilograms per acre
 - Year 4 - 642 kilograms per acre
 - Year 5 - 708 kilograms per acre
 2. quality of LPGGA members' paprika increases from baseline of 80 percent, 13 percent, 7 percent for grades A, B, C respectively to the following in Year 2 and beyond:

- 85 percent grade A
- 10 percent grade B
- 5 percent grade C

3. LPGA members' production quantities increase from the current baseline of 16 tons to:

- Year 1 - 37 tons
- Year 2 - 62 tons
- Year 3 - 69 tons
- Year 4 - 77 tons
- Year 5 - 85 tons

4. Increase the number of acres of paprika farmed by LPGA members from the current baseline of 0.5 acres in FY 2003 to:

- Year 1 - 1.0 acres
- Year 2 - 1.5 acres
- Year 3 - 1.5 acres
- Year 4 - 1.5 acres
- Year 5 - 1.5 acres

B. LPGA's management capacity will improve as indicated by the following:

1. timely delivery of required inputs and services to members farmers;
2. timely payments made to member farmers;
3. three (3) annual independent audits conducted;
4. proper financial reports maintained; and
5. increase the number of LPGA employees from the current number of two (2) to ten (10) starting in Project Year 1.

C. LPGA's marketing capacity will improve as indicated by the following increases in LPGA's gross revenue (total sales).

- Year 1 - TSh 42,494,000
- Year 2 - TSh 73,672,000
- Year 3 - TSh 86,597,000
- Year 4 - TSh 101,817,000
- Year 5 - TSh 117,599,000

VII. ACTIVITIES

A. Paprika Production

Under this Project, LPGA's member farmers will increase productivity and expand production of paprika. LPGA will undertake the following activities in support of its members:

1. establish and manage a farm input and equipment purchase revolving loan fund;
2. lease tractors and other equipment needed for pre-planting land preparation and harvesting;

3. produce and translate easy to use pamphlets and other literature for the farmers;
4. acquire certified seeds from TSC, inputs (fertilizers and agro-chemicals), nursery equipment (tools and fumigation kits), irrigation equipment, and drying equipment;
5. distribute fertilizers to members through a seasonal input loan program;
6. oversee the establishment and successful implementation of paprika nurseries; and
7. provide technical assistance and training to farmers in nursery management, crop management, costing and procuring, contract farming; and drying, moisture testing and baling of paprika.

The training and technical assistance will be designed to reinforce the farmers' knowledge and skills in environmentally friendly farming practices, such as safe handling and use of agro-chemicals, integrated pest and weed management, solar drying, recycling and use of organic manure, and the judicious use of pesticides.

B. LPGA Institutional Strengthening

LPGA will strengthen its capacity to deliver services to farmer members in the following areas:

1. improved paprika production and husbandry skills, transplanting and field preparation, crop management, picking, drying and packing;
2. agribusiness and entrepreneurial skills, including costing for pricing and contract farming;
3. participatory extension skills for project staff and group leaders;
4. the proper utilization of fertilizers and agro-chemicals; and
5. monitoring and coordination of association farming, harvesting and marketing activities.

In addition, LPGA's members, staff and executive committee (board) will receive training in various disciplines aimed at improving performance and governance of the Association.

VIII. Roles and Responsibilities of the Parties

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

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

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.

ADF  Grantee _____