

**PROJECT DESCRIPTION****Coffee Productivity Enhancement****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 as amending any of the definitions, conditions, or terms of the Agreement.

**II. Background**

Kibinge Coffee Farmers Cooperative Society (KCFCS) is a registered primary coffee grower cooperative located in Kibinge, Uganda. KCFCS's sales have stagnated in the past two years due to its lack of capital to pay members cash for their coffee, expand its services, and procure equipment.

**III. Funding****A. ADF Contribution**

The financial plan for ADF's contribution is set forth in Appendix A.-1 of this Agreement. The parties may make changes to the financial plan without formal amendment, if such changes are made in accordance with Article 8 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. KCFCS Contribution**

KCFCS will contribute the time, skills and labor of its existing staff and members. The Cooperative will continue to pay for operational costs not covered by ADF. These costs include, but are not limited to, the following: salaries and wages for the Project Manager, ICS coordinator, Office Assistant, store keeper, factory guard, part-time workers, and electricity and water bills. Additionally, beginning in the second year and continuing through the life of the Project, KCFCS will cover all costs funded in the first year by ADF. These costs include, but are not limited to, the salaries of accountant, extension officer and technician and the rent for factory and coffee stores.

**IV. Project Goal**

The goal of this Project is to improve the standard of living of smallholder farmers in the Masaka District of Uganda.

**V. Project Purpose**

The purpose of this Project is to increase the income of KCFCS's members and its employees as follows.

- A. Increased adjusted net income (before taxes and depreciation) from UGX 9,000,000 in 2008 to:
  1. UGX 14,000,000 in Year 1;
  2. UGX 58,000,000 in Year 2;
  3. UGX 120,500,000 in Year 3; and
  4. UGX 176,500,000 in Year 4.
  
- B. Increased value of raw material supplied by KCFCS members (FAQ coffee) from UGX 142,600,000 in 2008 to:
  1. UGX 252,000,000 in Year 1;
  2. UGX 413,000,000 in Year 2;
  3. UGX 602,000,000 in Year 3; and
  4. UGX 820,000,000 in Year 4.
  
- C. Increased payroll from UGX 2,500,000 in 2008 to:
  1. UGX 24,000,000 in Year 1;
  2. UGX 30,000,000 in Year 2;
  3. UGX 33,000,000 in Year 3; and
  4. UGX 36,000,000 in Year 4.

**VI. Project Outputs**

The major output of this Project is an increase in KCFCS's capacity to provide services to its members for the production and marketing of Robusta coffee, as demonstrated by the following indicators.

- A. Improved agricultural skills among KCFCS members as evidenced by an increase in average coffee yields from 300 kilograms of dry cherry per acre in the project's base to 600 kilograms of dry cherry per acre by Year 4.
  
- B. Increased sales revenues from a baseline of UGX 183,028,000 in 2008 to:
  1. UGX 343,000,000 in Year 1;
  2. UGX 566,000,000 in Year 2;
  3. UGX 823,000,000 in Year 3; and
  4. UGX 1,123,000,000 in Year 4.
  
- C. Increased volume of coffee bought and processed from KCFCS members from 62 tons in 2008 to:
  1. 100 tons in Year 1;
  2. 150 tons in Year 2;
  3. 200 tons in Year 3; and
  4. 250 tons in Year 4.

- D. Increased number of staff employed from the current four in the Project baseline year to eight in Year 1 throughout the life of the project.
- E. Improved business systems as evidenced by internet communications and automated financial management and accounting systems that routinely produce records and reports for the Executive Committee's and management team's use in decision making.

## VII. Project Activities

KCFCS will ensure, with the assistance of consultants as necessary, the following major activities are implemented:

- A. Improve KCFCS's members' coffee production by:
  1. employing a field extension officer;
  2. purchasing motorcycles to improve members' access to services; and
  3. training farmers in good agricultural practices and facilitating additional members to be UTZ certified.
- B. Improve capacity of KCFCS to bulk and process coffee by:
  1. establishing a crop finance fund so that KCFCS can buy more farmers' produce on a cash basis;
  2. stocking collection centers with gunny bags and tarpaulins to increase quality of coffee bulked;
  3. renting storage areas for members' coffee stores as a cost reduction strategy;
  4. purchasing and installing a coffee grader; and
  5. hiring a technician to operate and maintain the processing equipment.
- C. Improve governance capacity of both management and members by:
  1. procuring training in corporate governance for management and executive board members; and
  2. procuring training for members in their rights and responsibilities as cooperative members, and the cooperative's by-laws and regulations.
- D. Strengthen financial management by:
  1. hiring an accountant to manage and report on KCFCS's finances;
  2. procuring accounting software and training for an automated accounting system; and
  3. developing and implementing an accounting policies and procedures manual.

## VIII. Roles and Responsibilities

ADF's Partner in Uganda will provide the standard ADF Training in bookkeeping, monitoring and assessment. KCFCS is responsible for ensuring the proper management and implementation of the Investment. The ADF Partner in Uganda will provide KCFCS with technical and management assistance during implementation.

**IX. Monitoring and Evaluation**

ADF's Partner in Uganda will closely monitor the activities of KCFCS 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 on-going coaching and advisory service. The Partner will review KCFCS's quarterly reports and will submit comments and observations to the management of KCFCS as part of the on-going performance assessment.

KCFCS will train farmers in best agronomic practices and facilitate their UTZ certification with funds from other donors including the Solidaridad of the Netherlands.

**X. Other implementation issues**

- A. Having changed its legal status from a company limited by guarantee to a cooperative, KCFCS will need to realign its management and governance systems to comply with the statutory cooperative requirements as laid out in the Cooperative Act. Such requirements include holding monthly management meetings and an Annual Meeting, keeping accurate books of accounts, having its books of accounts audited by the government district commercial officer annually as well as paying dividend as and when approved by the General Meeting.
- B. ADF's financial re-certification will be done at the end of the first year of the project.