

**APPENDIX A
PROJECT DESCRIPTION
SFDF COMMERCIAL VEGETABLE FARMERS PROJECT: SWAZILAND**

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 Swaziland Farmer Development Foundation (SFDF) is a registered non-governmental organization (NGO) that has worked with community groups in Swaziland for 20 years. It provides management services and technical expertise to assist in the implementation of agricultural projects identified as priorities by people in the poorest areas of the country. It also provides community training and assists communities with infrastructure development.

Prolonged drought has lead to substantial food losses and has greatly affected the country's capacity to deal with food shortages and the health of the poor rural communities. This has been exacerbated by the HIV/AIDS pandemic, which has damaged the economy both in terms of the impact on the productive proportion of the population as well as the active members of the rural economy who would otherwise be heavily involved in rural economic pursuits, especially for poor families.

SFDF has had substantial success in increasing the food security of people living in rural parts of Swaziland, including farmer groups located in Dumako and the Mkhondvo River Valley who exploit ten garden plots with a total area of approximately thirty hectares. However, while the training in vegetable production has improved food production for local consumption, the groups have not reached national and export markets because of access and organizational problems.

III. Funding

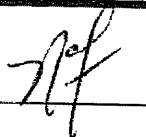
A. ADF Contribution

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

The Grantee will contribute existing vehicles, personnel, and office equipment to the project.

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IV. Project Goal

The goal of the Project is to reduce poverty, improve nutrition, and mitigate the impact of HIV/AIDS among subsistence grassroots households to in the Dumako and Mkhondvo River Valley areas of Swaziland.

V. Project Purpose

The purpose of the Project is to increase the incomes of 280 farm households in the Dumako and Mkhondvo River Valleys as measured by:

Total income to participants from vegetable sales increased from SZL 34,780 to:

Year 1 – SZL 133,376

Year 2 – SZL 167,937

Year 3 – SZL 275,837

Year 4 – SZL 302,042

Year 5 – SZL 330,735

Salaries received by employees of the Marketing Organization increase from 0 to:

Year 1 – SZL 93,475

Year 2 – SZL 99,270

Year 3 – SZL 105,425

Year 4 – SZL 90,995

Year 5 – SZL 85,503

VI. Outputs

The Project will generate the following major outputs in order to attain the Project's purpose.

A. Increased production and marketing of vegetables by 280 farm households in the Dumako and Mkhondvo River Valley areas:

1. Total vegetable sales are increased from SZL 74,000 to:

Year 1 – SZL 619,883

Year 2 – SZL 752,433

Year 3 – SZL 1,198,626

Year 4 – SZL 1,272,941

Year 5 – SZL 1,351,863

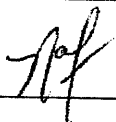
2. Total vegetable production is increased from 83 metric tons (MT) to:

Year 1 – 415 MT

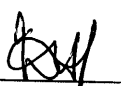
Year 2 – 819 MT

Year 3 – 1,229 MT

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Year 4 – 1,229 MT
Year 5 – 1,229 MT

B. Marketing Organization able to cover all of its costs:

1. Net profits increase from 0 to:
Year 1 – SZL (185,483)
Year 2 – SZL (171,548)
Year 3 – SZL 59,500
Year 4 – SZL 211,911
Year 5 – SZL 324,038

VII. ACTIVITIES

SFDF will undertake the following activities to generate the Project's expected outputs:

A. **Establishment and operation of a registered horticultural marketing company owned by the beneficiary farmers**

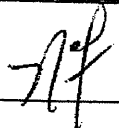
SFDF and the Africa Co-Operative Action Trust (ACAT) will establish a marketing center with refrigerated transport and storage facilities as a private joint venture ~~with ten farmer groups in the project area~~. The head office of the marketing center will be located in Manzini. The center will trade directly with other producers, outside of the 10 garden schemes and ACAT's producers, if opportunities arise. An SFDF Marketing Coordinator will supervise marketing-related activities. 7/2/11
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The shareholders in the marketing organization will elect directors to the Board who will manage the organization's affairs, including appointment of the marketing manager. A sub-committee of the Board will form a steering group that will co-opt other stakeholders to allocate vegetable production.

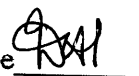
The marketing organization will initially be wholly owned by SFDF and ACAT as equal partners. At the end of the first year, 49 percent of the shares will be transferred at nominal value to the individual farmer participants. At the end of the second year of the project, a further 49 percent of the shares will be transferred to those holding the earlier 49% stake, leaving SFDF and ACAT with two percent of the shares. During the first year of operation, details for transfer of the legal structure will be worked out by SFDF in consultation with the other participants to ensure that transfer of ownership can take place during the second year with due consideration of business efficiency and tax implications.

SFDF will provide daily management to its marketing organization that then becomes the profit center and means of sustainability. SFDF will second two of its staff members to the marketing center. The part-time marketing manager will transfer sufficient skills to the center's marketing coordinator by the end of 2009 to become redundant and be transferred back to SFDF. In addition a part-time bookkeeper will keep computerized records of all transactions. The center

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will employ the marketing coordinator, a driver and assistant to drive the refrigerated truck, and casual workers to grade and pre-pack vegetables for delivery. The marketing center will sell product loose, bagged, and in prepack.

The marketing manager and coordinator will each attend at least one course per year for refresher marketing training. They will also each attend a regional trade fair at least once a year.

The Steering Committee will meet to decide and allocate delivery quotas to participating farmers after obtaining marketing information provided by the marketing organization. Each farmer group will be assigned a number of crops with plots or hectares and the month at which each crop will be planted. To acknowledge a binding commitment, farmer groups will enter and sign an accord with the marketing organization pledging to adhere to the planting program.

B. Promotion of increased vegetable production and marketing by registered farmer associations

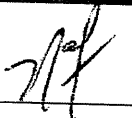
SFDF will provide horticultural training, post-harvest training, technical assistance, and marketing services to ten farmer groups located in the Dumako and the Mkhondvo River Valleys to support an increase in production levels and introduce new types of crops that may be demanded by the markets. SFDF will provide participants from 280 farm families associated with ten producer associations, each with its own constitution and organizational framework, with inputs to rehabilitate their plots and inputs for the first two months of production. Farmers will manage their plots communally or individually, depending upon each group's preference.

SFDF will administer a transfer of the funds for inputs to the associations in the form of physical inputs to initiate the production program production. Association members will repay the money as "plot fees" after crop sale to develop a revolving fund that will be managed by the association for future production requirements. SFDF's agricultural officer will ensure that the fund operates as planned.

SFDF staff will be used to assist farmers to organize production. A part-time Production Manager will lead a team of two other staff – a horticultural specialist and a community development specialist. In addition, SFDF will employ a person on a temporary basis to establish demonstration plots to train farmers in production of exotic vegetables popular in export markets, but for which there is little local demand as yet. These plots will continue be managed in subsequent years by the SFDF horticulturalist.

The SFDF agricultural extension officers with the representatives from each garden scheme association will ensure that each member adheres to the planting and delivery schedule. Before the end of each planting cycle, the marketing officer will verify the amount of land planted and relay that information to the marketing organization. The SFSD agricultural officer will organize harvest dates for all farmers who will have similar produce ready at the same time and arrange a collection date with the marketing center. The officer, in conjunction with each executive committee or designated farmer, will ensure that produce is graded, packed, labeled, and counted before the truck arrives.

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When the marketing organization's truck arrives, produce will be collected and recorded, and payment made to the farmers. Grant funds will be used for these payments during the first months of operation, until sales receipts are sufficient to cover the payments. Payment will be made by electronic transfer to the producer association's bank account or other secure mechanism to ensure that the farmers will always be paid at the collection point.

VIII. Roles and Responsibilities of the Parties

When the ADF grant is approved, SFDF will employ an accountant for activities within SFDF. This accountant will spend approximately one third of his/her time on this Project. SFDF will be responsible for overall performance of the project during Years One and Two, including setting up the Project management committee, hiring of staff, construction, development of marketing center regulations, development of a marketing strategy, farmer training, marketing, and all the necessary project reviews, and progress and financial reporting. SFDF will conduct regular site visits to the Project.

SFDF will use their existing financial systems to control and monitor the project, maintaining a separate bank account for project funds. Additionally the existing records kept by the farmer associations will be used to monitor production. The marketing organization, through the marketing manager, will establish its own financial management systems based on the budget elaborated in this proposal. These systems will control procurement, disbursements, management assets, and provide reporting as required by the Board, including statutory audited financial statements.

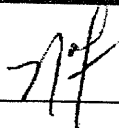
Pursuant to Article 10 of the Agreement, the ADF Partner in Swaziland will provide SFDF with technical assistance and advice during the implementation of this project.

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 (M&A) committee composed of a representative cross-section of the participating organizations. The committee will provide the Partner with input for the Project monitoring plan. The plan will include reporting on the amount of any distributions of dividends or profits to shareholders and employees, as well as any reinvestment of profits into the business. 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.

SFDF's Community Trainer, in consultation with NERCHA, will conduct a survey of participating households at the beginning of each program year. The survey will record family size, family composition, ages, family health, land property, crops grown, income, and especially measure and record indicators of HIV impact (elderly and orphan headed households, chronic illness, etc). A complete social analysis will also examine the social consequences and benefits

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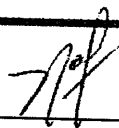


of the project. This social analysis will be disaggregated by gender, describing how the impacts of the project differ for women and men.

X. Other Implementation Issues

SFDF will open a separate non-interest bearing bank account to receive ADF funds in addition to its present operational bank accounts.

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