

PROJECT DESCRIPTION

Luyengo Dairy Expansion 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 Luyengo Dairy Farmers Association is located in the Manzini region of Swaziland and has 27 members. Its principal economic activity is the collection of milk sold to the Association from its members at its collection center and then the marketing of milk to local buyers. Luyengo Dairy Farmers Association benefited from a two-year Enterprise Development Investment (EDI) grant, which resulted in, among other things improved business and financial management capacity. Currently, there is increased demand for milk and there is an opportunity to produce local raw milk to meet market demand. However, Luyengo Dairy does not have the marketing and production capacity or the access to expansion capital to take advantage of this opportunity.

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. Client Contribution

The Association will cover operating and maintenance costs, salaries of the three part-time collection center attendants, one-half of the salaries for the new Project Coordinator and Bookkeeper and it will contribute the labor of its members.

IV. Project Goal

The goal of this Project is to improve the standard of living of small-scale milk producers in the Manzini region of Swaziland.

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V. Project Purpose

The purpose of the Project is to increase the income of Luyengo Dairy Farmers Association, the salaries of its employees and incomes of its farmer members. The verifiable indicators to monitor achievement of this purpose are as follows.

- A. Luyengo Dairy's annual net income (before depreciation and taxes) will change from a baseline of Swaziland Lilangeni (SZL) -7,018 to the following:
 1. SZL -137,614 in Project Year I;
 2. SZL -48,512 in Project Year II;
 3. SZL -55,344 in Project Year III;
 4. SZL 10,812 in Project Year IV; and
 5. SZL 43,682 in Project Year V.

- B. Annual salaries paid to employees of Luyengo Dairy will change from a baseline of SZL 22,670 to the following:
 1. SZL 61,120 in Project Year I;
 2. SZL 72,832 in Project Year II;
 3. SZL 73,395 in Project Year III;
 4. SZL 80,735 in Project Year IV; and
 5. SZL 88,808 in Project Year V.

- C. The total gross income paid to member farmers from the sale of their milk to Luyengo Dairy will change from a baseline of SZL 83,358 to the following:
 1. SZL 119,952 in Project Year I;
 2. SZL 347,478 in Project Year II;
 3. SZL 362,027 in Project Year III;
 4. SZL 564,871 in Project Year IV; and
 5. SZL 694,164 in Project Year V.

VI. Outputs

- A. A major output of the Project is the increased capacity of Luyengo Dairy to produce and sell raw milk as evidenced by increased production volumes and increased gross revenues as follows.
 1. Luyengo Dairy's raw milk ^{Sales} ~~production~~ volumes will increase from a baseline of 27,786 liters to the following:
 - a. 39,984 liters in Project Year I;
 - b. 115,826 liters in Project Year II;
 - c. 109,705 liters in Project Year III;
 - d. 155,612 liters in Project Year IV; and
 - e. 173,976 liters Project Year V.

2. Luyengo Dairy's gross annual revenues will increase from a baseline of SZL 110,751 to the following:
 - a. SZL 155,138 in Project Year I;
 - b. SZL 494,260 in Project Year II;
 - c. SZL 515,085 in Project Year III;
 - d. SZL 802,298 in Project Year IV; and
 - e. SZL 988,534 in Project Year V.

- B. Luyengo Dairy's strong commitment to community development is evidenced by its donation of a portion of its milk to three neighborhood care points (NCP) and pre-schools that will benefit an estimated 60 children per year. The annual amounts of in-kind contributions will be as follows:
 1. 0 in Project Year I;
 2. SZL 8,640 in Project Year II;
 3. SZL 9,504 in Project Year III;
 4. SZL 10,454 in Project Year IV; and
 5. SZL 11,500 in Project Year V.

- C. Luyengo Dairy's strong commitment to community development is evidenced by its implementation of a "Heifer model" type program involving the donation of cows to vulnerable homesteads outside of the Association membership beginning in project year three with the following estimated monetary value, assuming a value of SZL 3,000 per donated calf will be the following:
 1. 0 in Project Year I;
 2. 0 in Project Year II;
 3. SZL 36,300 in Project Year III;
 4. SZL 75,867 in Project Year IV; and
 5. SZL 61,488 in Project Year V.

VII. Activities

The following activities will enable Luyengo Dairy to increase production and sales revenues of its raw milk. They are categorized according to production, marketing and management activities.

A. Production

The following activities will enable Luyengo Dairy to increase production and productivity.

1. Production Improvement

- a. Luyengo Dairy will purchase 48 Jersey cows to be distributed to the existing membership by the end of project year one. Luyengo Dairy will ensure that cows receive the necessary veterinary services throughout the project. Using the Heifer model, Luyengo Dairy will design a herd expansion plan to donate cows to non-members by the end of project

year one. Artificial insemination of the 48 Jersey cows will begin in project year two. Cow donations will begin in project year three and will extend five years.

- b. Luyengo Dairy will ensure a stable water source for pasture by installing, managing and maintaining an irrigation system by the end of project year one.
- c. Luyengo Dairy will increase the milk collection capacity and improve the quality of the collection center by purchasing a 200 liter shop cooler, additional milk cans and buckets and upgrades to the sinks and hygiene facilities of the collection center by the end of project year one.
- d. Luyengo Dairy will reduce milk spoilage by developing and implementing an internal monitoring and evaluation plan starting from the point of production to the point of sale by the end of project year one.

2. Training

Member farmers will be trained in dairy herd environmental management by the end of month six of project year one.

B. Marketing Improvement

The following marketing activities will enable Luyengo Dairy to expand its markets and improve its transport system of milk to market:

1. Luyengo Dairy will develop a transportation system to distribute milk to existing markets and to new sale points. It will also purchase a second-hand pick-up truck and a 400 liter cooling tank to sit atop the vehicle by end of Project Year One. Luyengo Dairy will improve its marketing abilities by developing labels for the Association and using its branding labels on all of its products and transportation equipment.
2. The Project development committee members will be trained in marketing methods and strategies to improve their marketing skills by the end of month six of project year one.

C. Management

Luyengo Dairy will improve its management capabilities to prepare the Association for expansion. Luyengo Dairy will hire a full-time project coordinator who will be responsible for overseeing the day to day operations of the business. A part-time bookkeeper will be hired to insure that the new financial systems and internal controls developed under the EDI are implemented and functioning properly.

D. Business Systems Improvement

Luyengo Dairy will complete the digital recordkeeping of all financial systems and records including production, sales, delivery sites, membership, and accounting records begun during the EDI grant.

VIII. Roles and Responsibilities of the Parties

The staff and management of Luyengo Dairy are responsible for the management and the proper implementation of the Project. REDI, ADF's partner in Swaziland, will provide training in the areas of management, ADF reporting, governance and business planning. REDI will also provide assistance in the development the herd and membership expansion plan.

IX. Monitoring and Evaluation

Within sixty days of the effective date of this Agreement, Luyengo Dairy, working with the ADF Partner, will form a monitoring and assessment committee composed of a representative cross-section of Luyengo Dairy. The committee will provide the Partner input for the 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.

X. Other Implementation Issues

A. Veterinary Services

Luyengo Dairy Association will institute use charges for the proposed veterinary services beginning in Project Year One and on a permanent basis thereafter to cover the costs of providing veterinary services.

B. Irrigation

Luyengo Dairy Association will institute use charges for the irrigation system beginning in Project Year Two and on a permanent basis thereafter to cover operating, maintenance and replacement costs with the goal of a sustainable irrigation system.

C. Environmental Safety

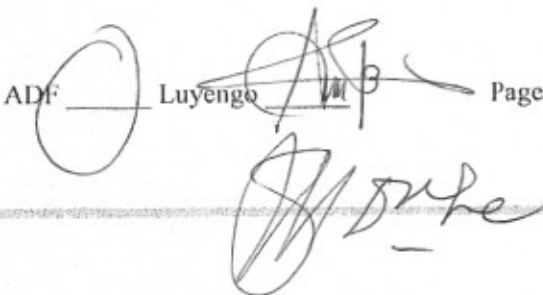
Luyengo will implement the land use management and safety measures specified in the mitigation section of the ESR.

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