

PROJECT DESCRIPTION
Busangwa Organic Farmers Association
Organic Cotton Production and Marketing

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

Busangwa Organic Farming Association (BOFA) is an association of cotton farmers headquartered at Shinyanga, Tanzania, that grows and sells high quality organic lint cotton, chick peas and sunflower products. As a community-based farming association, BOFA's vision is to become a world class producer and exporter of high quality organic cotton lint and chickpeas.

BOFA received an ADF Operations Assistance Grant (OAG) that enabled the Association to build its managerial and technical capacities; establish financial controls and measurement systems; test the efficacy of a revolving inputs loan fund; acquire organic certification; and demonstrate the market viability of organic cotton for export. BOFA has also established organic cotton production, handling, ginning and marketing systems certified by Ceres as meeting international quality standards for organic cotton lint.

BOFA is currently constrained by limited production inputs and no access to expansion capital. To grow and expand, BOFA needs to increase its seed cotton purchase and ginning working capital; expand its input revolving loan fund; enlarge its membership of farmers who are organically certified; and improve and maintain the quality of its products.

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 make ADF's contribution to exceed the obligated amount specified in Article 4, section 4.1 of the Agreement.

B. Client Contribution

BOFA will provide TZS 5,000,000 from members' funds to contribute to training, administrative costs, and other activities that will enable them to accomplish the activities set forth in this document. In addition, they will contribute the labor of existing staff, administrative premises, office equipment and use of assets.

IV. Investment Goal

The goal of the BOFA investment is to improve the standard of living for the marginalized rural farmers in the Meatu District of the Shinyanga region of Tanzania.

V. Investment Purpose

The main purpose of the investment is to increase the incomes of BOFA and its farmer members in a very impoverished region of Tanzania as demonstrated by:

- A. BOFA's institutional net income (before tax and depreciation) will increase from a baseline of TZS -2,348,380 to:

TZS 10,655,651 in Year I;
 TZS 26,801,385 in Year II;
 TZS 55,568,198 in Year III;
 TZS 86,086,244 in Year IV; and
 TZS 119,969,739 in Year V.

- B. The total value of net income earned by the farmer members will increase from a baseline of TZS 29,670,608 to:

TZS 26,159,344 in Year I;
 TZS 25,576,105 in Year II;
 TZS 43,999,876 in Year III;
 TZS 66,405,905 in Year IV; and
 TZS 93,629,261 in Year V.

VI. Outputs

A major output of this project is to expand the capacity and operations of BOFA so that it can improve its support to current and future farmer members, with the aim of increasing incomes, membership and access to regional and international markets, as evidenced by the following indicators:

- A. BOFA's institutional revenue will increase from the current baseline of TZS 98,998,615 to:
- TZS 184,826,147 in Year I;
 - TZS 196,547,654 in Year II;
 - TZS 277,255,612 in Year III;
 - TZS 366,155,107 in Year IV; and
 - TZS 465,506,543 in Year V.
- B. BOFA's lint cotton production volumes will increase from a baseline of 38,850 Kg to:
- 51,000 Kg in Year I;
 - 51,000 Kg in Year II;
 - 68,000 Kg in Year III;
 - 85,000 Kg in Year IV; and
 - 102,000 Kg in Year V.
- C. BOFA's total export revenue will increase from a baseline of TZS 79,074,000 to:
- TZS 153,000,000 in Year I;
 - TZS 163,710,000 in Year II;
 - TZS 233,559,600 in Year III;
 - TZS 312,385,965 in Year IV; and
 - TZS 401,103,579 in Year V.
- D. BOFA's membership base will increase from a baseline of 123 to:
- 150 members in Year I;
 - 150 members in Year II;
 - 200 members in Year III;
 - 250 members in Year IV; and
 - 300 members in Year V.
- E. BOFA will strengthen its fiscal and social responsibility as demonstrated by its compliance with the Re-Investment Commitment Schedule set forth in Appendix A-2 to this Agreement.
- F. BOFA will improve its revolving loan fund management capacity as demonstrated by an increase in repayment rate from a baseline of 71 percent to at least 95 percent by Year V.
- G. BOFA will increase the capacity of farmers to grow organic cotton as demonstrated by an increase in certified growers from a baseline of 56 members to at least 200 members in Year V.

VII. Activities

A. Production

BOFA produces organic cotton and food products for regional and export markets. This investment will enable BOFA to improve its product quality, production efficiency and volume through the implementation of the following activities:

- BOFA will re-train its existing field staff in organic production to the international quality standards, and will recruit and train additional agricultural production and extension staff as more farmers join the program;
- BOFA will provide farmers production input loan packages that ensure timely availability of good quality inputs as required for production of high quality products for the international market;
- BOFA will ensure its organic production systems and procedures provide checks and balances throughout the production. Tanzania Organic Certification Association and Tanzania Cotton Lint & Seed Board will provide additional procedural and technical backstopping;
- BOFA will purchase and new production and transport equipment (land preparation and spraying equipment) to ensure smooth production operations;
- BOFA will complete all preparations by September 2008 ready for the 2008/09 production season. The calendar of the production activities will be printed and displayed at the BOFA offices as a reminder for the project monitoring team to follow up and ensure strict compliance and accountability; and
- BOFA will construct a warehouse with an office in Mwanima for storage of seed cotton seeds for farmers in that village.

B. Marketing

BOFA will hire a Marketing and Sales Manager, with capabilities in customer relations, business plan development and marketing/sales. Marketing activities will include the following:

- analyzing demand trends and growth rates;
- developing a strategy to increase BOFA's competitiveness and market feedback mechanisms;
- designing new organic cotton and chickpea promotional materials;

- identifying and then developing a strong relationship with buyers; and
- developing an understanding of the industry economics across the value chain.

C. Management Improvement

BOFA's managers will receive extensive training in management best practices. Along with the Managing Director, they will coordinate the implementation of a management improvement plan that will include the following activities:

- developing and improving financial and information systems;
- developing inputs procurement and contracting plans;
- developing organic production and systems improvement strategies;
- marketing systems development (product branding, promotion, customer relations, and so on); and
- providing training and technical assistance in planning, budgeting, financial management cost management and accounting.

VIII. Roles and Responsibilities of the Parties

BOFA's Managing Director, Production Manager, Marketing Manager, and Accountant have primary responsibility for implementation of the project activities as planned. The ADF Partner in Tanzania will play a lead role in holding BOFA accountable for meeting production and training milestones. In addition, the ADF Partner will provide BOFA with technical and management assistance during implementation.

IX. Monitoring and Evaluation

Within sixty days of the effective date of this Agreement, BOFA, working with the ADF Partner, will form a monitoring and assessment committee composed of a representative cross-section of the BOFA's organization. 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.