

PROJECT DESCRIPTION**Mbingu Farmers Association Capacity Building****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

Mbingu Farmers Association (MOCOA) is an association based in Mbingu, Morogoro Region, Tanzania that produces and exports certified organic cocoa to the EU, US, and other specialized markets abroad. Demand for organic cocoa is fast increasing both locally and internationally at an annual rate of 10-15 percent. MOCOA would like to take advantage of increased market demand for certified organic cocoa in EU and US markets but to do so the organization needs to improve its management and technical capabilities as well as its financial management systems.

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 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. Client Contribution

MOCOA will contribute land and labor.

IV. Project Goal

The goal of the Project is to improve the standard of living for farmers in the Morogoro Region of Tanzania.

V. Project Purpose

The purpose of the investment is to improve MOCO A's prospects for sustained expansion as indicated by the development of a comprehensive five year business plan that ADF deems suitable for funding by a donor or other financial institution.

VI. Project Outputs

By the end of the Project period, MOCO A will achieve the following.

- A. Improved production capacity as demonstrated by organic cocoa production increases from 35 tons per year in Project year one to 330 tons per year in Project year two.
- B. Improved management and operating systems capacity as demonstrated by the following:
 - 1. improved business systems and accounting systems are implemented and MOCO A is certified as compliant with ADF financial and reporting requirements; and
 - 2. management uses financial and accounting reports and audited yearly account reports in its decision making.

VII. Project Activities

MOCO A will ensure the following major activities are completed with the assistance of consultants where necessary.

- A. Improve the management and institutional capability of MOCO A by:
 - 1. training MOCO A leaders, farmer's business group leaders, and management team on internal control systems in accordance with organic standards requirements, good governance and organization capability;
 - 2. preparing a comprehensive business plan;
 - 3. conducting a market study;
 - 4. leasing a warehouse;
 - 5. leasing office space, and acquiring furniture and IT equipment; and
 - 6. establishing a more professional leadership core by recruiting and paying association staff including a General Manager.
- B. Institute improved financial and operating procedures by:
 - 1. hiring a finance administration officer to manage the financial accounting system and handle the finances of the association; and
 - 2. developing accounting processes and roles specifically tailored to the operations of MOCO A and document them in an accounting manual.

- C. Improve organic cocoa production processes by:
1. improving product quality through acquisition and use of organic cocoa processing equipment;
 2. improving product quality through inspection and certification by TanCert;
 3. improving product quality through Fair Trade certification;
 4. mobilizing existing members and recruiting new members; and
 5. training MOCOA members in organic cocoa production methods;

VIII. Roles and Responsibilities of the Parties

ADF's Partner in Tanzania will provide the standard ADF training in bookkeeping, monitoring and assessment. MOCOA is responsible for ensuring the proper management and implementation of the Grant. The ADF Partner in Tanzania will provide MOCOA with technical and management assistance during implementation.

IX. Monitoring and Evaluation

ADF's partner in Tanzania will closely monitor the activities of the Association to ensure proper reporting, adherence to the Project implementation plan by the Association and movement towards the achievement of Project objectives. The Partner will continuously assess risks and take remedial action as needed. Monitoring by the Partner will be an important aspect of the on-going coaching and advisory service. The Partner will review ADF's quarterly reports and will submit comments and observations to the management of the Association as part of the on-going performance assessment.