

PROJECT DESCRIPTION**UMGT Sunflower Oilseed Processing and Marketing****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

Uncle Milo General Traders Limited (UMGT) is a registered company based in the Dodoma Region of Tanzania. The company purchases sunflower oilseeds from smallholder farmers and processes and markets sunflower oil and sunflower seed cake for domestic and regional markets. UMGT would like to take advantage of unmet local and international market demand; however, inconsistent product quality, limited storage space, outdated and obsolete technology, weak internal capability, and low marketing capability prevent the company from capitalizing on the market demand.

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

UMGT will contribute the time and skills of its staff in the implementation of the project. As part of its contribution, the company will provide a plot of land for the construction of the processing plant and will provide construction materials including sand, stones, and labor.

IV. Project Goal

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

V. Project Purpose

The purpose of the Project is to increase the income of UMG T's employees and its suppliers as follows.

- A. UMG T's net income (before taxes and depreciation) will increase from the current baseline of TZS 75,261,738 to:
 - 1. TZS 88,620,000 in Year 1;
 - 2. TZS 117,480,000 in Year 2;
 - 3. TZS 143,370,000 in Year 3; and
 - 4. TZS 173,167,000 in Year 4;

- B. The value of raw materials (sunflower seeds) purchased from farmers will increase from TZS 161,990,000 in the Project's base year to:
 - 1. TZS 251,789,000 in Year 1;
 - 2. TZS 283,404,000 in Year 2;
 - 3. TZS 324,756,000 in Year 3; and
 - 4. TZS 385,289,000 in Year 4;

VI. Project Outputs

By the end of the Project period, the capacity of UMG T and its members to process and market sunflower seeds will increase as evidenced by the following.

- A. Increase in the volume of raw materials purchased from farmers from the current 8,350 kilograms in the Project base year to:
 - 1. 11,690 kilograms in Year 1;
 - 2. 13,090 kilograms in Year 2;
 - 3. 14,920 kilograms in Year 3; and
 - 4. 17,610 kilograms in Year 4;

- B. Increase in the volume of sunflower oil produced from the current 167,000,000 liters in the Project base year to:
 - 1. 259,576,000 liters in Year 1;
 - 2. 292,169,000 liters in Year 2;

3. 334,800,000 liters in Year 3; and
 4. 397,205,000 liters in Year 4;
- C. Increase in the volume of sunflower cake produced from the current 105,679,688 kilograms in the Project base year to:
1. 164,263,000 kilograms in Year 1;
 2. 184,888,000 kilograms in Year 2;
 3. 211,866,000 kilograms in Year 3; and
 4. 251,356,000 kilograms in Year 4;
- D. Increase in UMGT's sales revenue from TZS 272,679,688 in the Project base year to:
1. TZS 423,839,000 in Year 1;
 2. TZS 477,057,000 in Year 2;
 3. TZS 546,666,000 in Year 3; and
 4. TZS 648,562,000 in Year 4;

VII. Project Activities

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

- A. Improve the management and institutional capability of UMGT by:
1. Training UMGT staff, management and board of directors on good governance, inventory management, total quality management, and health and safety practices;
 2. developing a personnel manual;
 3. identifying additional distribution channels;
 4. acquiring additional office equipment;
 5. purchasing a truck and a motorcycle; and
 6. establishing a more professional leadership core by recruiting and paying association staff including a plant technician.
- 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 UMGT and documenting them in a financial manual.

C. Improve sunflower seed production systems by:

1. improving product quality through acquisition and use of sunflower seed processing equipment;
2. mobilizing farmers and registering a savings and credit cooperative society (SACCOS);
3. establishing a smallholder farmers supply contract;
4. supplying revolving loan fund inputs;
5. constructing a refurbished processing plant;
6. improving the design, packaging, and labelling of sunflower oil; and
7. training farmers in best agronomic practices and improved production processes.

VIII. Roles and Responsibilities of the Parties

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