

**APPENDIX A:
PROJECT DESCRIPTION
Chinjara Livestock Cooperative Society Limited Dairy Project - Zambia**

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

ZATAC and the Government of Zambia's Agricultural Support Program (ASP) helped Chinjara Livestock Cooperative Society Limited (CLCS) set up a milk collection and commercial milk sales center in September 2005. CLCS would like to produce and market more milk and to sell it at better prices to benefit of its members and the cooperative. Currently, CLCS lacks management capabilities, business planning capabilities and the financial systems required for effective operation of a competitive enterprise. The cooperative also lacks effective marketing systems including marketing channels that would allow them to extend their sales beyond Chinjara and Chipata and to sell their milk at retail process.

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

CLCS will contribute its assets which include a building (milk collection center) as well as the membership dues it collects towards the financial sustainability of the organization. The cooperative will contribute the ongoing operations of its current milk collection center and will continue to purchase milk from the farmers and meet its business expenses.

C. Other Contributions

CLCS's members will contribute their dairy animals, land and land improvements such as paddocks, milk parlors, feeding and water troughs on their farms

IV. Project Goal

The goal of the Project is to increase incomes and provide sustaining employment for the poor in Zambia.

V. Project Purpose

The purpose of the Project is to improve CLCS'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. Outputs

- A. A comprehensive business plan to guide CLCS's growth in the short, medium and long term and increase its capabilities to better utilize additional funding.
- B. Established operational processes, business management and financial systems to manage investment capital effectively and establish a competitive enterprise.
- C. Increased operational and management capabilities (planning, buying, production, distribution and sales).

VII. Activities

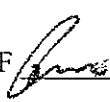

- A. *Output I: A comprehensive business plan to guide CLCS's growth in the short, medium and long term and increase its capabilities to better utilize additional funding.*
 1. CLCS will engage competent technical assistance that will work closely with the management team to develop a comprehensive business plan that will guide growth of CLCS in the short, medium to long term.
- B. *Output II: Established operational processes, business management and financial systems to manage investment capital effectively and establish a competitive enterprise.*
 1. CLCS will engage a technical assistant (TA) to work closely with the business manager to develop a field operations production manual that will define policies and systems related to dairy animal's selection, transportation, breeding and management. The manual will also include aspects of milk handling, testing and marketing.
 2. CLCS will engage technical assistance to review the governance/organizational structures of CLCS and develop business/

administrative policies, procedures and guidelines to guide the operations of CLCS.

3. CLCS will engage technical assistance to develop modalities for operating the input revolving fund and design an appropriate creditor database.
4. CLCS will engage a chartered accountant to work with its accountant to develop appropriate financial accounting procedures, policies and systems, including cost accounting and pricing, that will ensure timely and accurate financial reporting and enable CLCS to prepare for an audit by the end of the OAG. In order to support the accounting function CLCS will be provided with a computer, printer and appropriate accounting software.

C. *Output III: Increased operational and management capabilities (planning, buying, production, distribution and sales) in order to make better use of investment capital.*

1. CLCS will recruit and engage a qualified management team to carry out the day to day responsibilities of the organization. The management team will include a business manager, a book keeper and vet assistant.
2. To support the operations of the management team CLCS will provide the management team with the necessary office equipment and other facilities to facilitate their work.
3. CLCS will procure 2 motorbikes for the manager team and will meet the operating costs for the management team.
4. CLCS will engage technical assistance, preferably from Mpika College of Agriculture, to provide training in animal husbandry including feeding, milking, breeding practices, handling of milk and milk products and basic veterinary health care that the farmers are capable of doing.
5. CLCS board, management and staff will be trained in ADF financial procedures and reporting and loan management by ADF's Partner in Zambia. The board and management will also be trained in enterprise development and marketing.
6. The management team will be trained in use of computers including use of computer software packages such as MSWord, MSExcel and the accounting package Pastel.
7. CLCS will also conduct a study tour to a similar cooperative in the country that has addressed similar challenges and marketing constraints.
8. CLCS will purchase an oil expeller to generate income and also facilitate production of cake for use as stock feed that will be sold to farmers.
9. CLCS will also procure two Friesian bulls to complement the AI program that has been having problems.

ADF  Grantee 

VIII. Roles and Responsibilities of the Parties

The staff and elected leadership of CLCS are responsible for the management and the proper implementation of the Project. ADF's Partner in Zambia, will provide training in the areas of management, ADF reporting, corporate/cooperative governance and business planning. The Partner will also provide technical assistance to the members and leadership in those areas.

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 committee composed of a representative cross-section of the Grantee'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.

**APPENDIX A:
PROJECT DESCRIPTION
Chinjara Livestock Cooperative Society Limited Dairy Project - Zambia**

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

ZATAC and the Government of Zambia's Agricultural Support Program (ASP) helped Chinjara Livestock Cooperative Society Limited (CLCS) set up a milk collection and commercial milk sales center in September 2005. CLCS would like to produce and market more milk and to sell it at better prices to benefit of its members and the cooperative. Currently, CLCS lacks management capabilities, business planning capabilities and the financial systems required for effective operation of a competitive enterprise. The cooperative also lacks effective marketing systems including marketing channels that would allow them to extend their sales beyond Chinjara and Chipata and to sell their milk at retail process.

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

CLCS will contribute its assets which include a building (milk collection center) as well as the membership dues it collects towards the financial sustainability of the organization. The cooperative will contribute the ongoing operations of its current milk collection center and will continue to purchase milk from the farmers and meet its business expenses.

C. Other Contributions

CLCS's members will contribute their dairy animals, land and land improvements such as paddocks, milk parlors, feeding and water troughs on their farms

IV. Project Goal

The goal of the Project is to increase incomes and provide sustaining employment for the poor in Zambia.

V. Project Purpose

The purpose of the Project is to improve CLCS'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. Outputs

- A. A comprehensive business plan to guide CLCS's growth in the short, medium and long term and increase its capabilities to better utilize additional funding.
- B. Established operational processes, business management and financial systems to manage investment capital effectively and establish a competitive enterprise.
- C. Increased operational and management capabilities (planning, buying, production, distribution and sales).

VII. Activities

- A. *Output I: A comprehensive business plan to guide CLCS's growth in the short, medium and long term and increase its capabilities to better utilize additional funding.*
 - 1. CLCS will engage competent technical assistance that will work closely with the management team to develop a comprehensive business plan that will guide growth of CLCS in the short, medium to long term.
- B. *Output II: Established operational processes, business management and financial systems to manage investment capital effectively and establish a competitive enterprise.*
 - 1. CLCS will engage a technical assistant (TA) to work closely with the business manager to develop a field operations production manual that will define policies and systems related to dairy animal's selection, transportation, breeding and management. The manual will also include aspects of milk handling, testing and marketing.
 - 2. CLCS will engage technical assistance to review the governance/organizational structures of CLCS and develop business/

administrative policies, procedures and guidelines to guide the operations of CLCS.

3. CLCS will engage technical assistance to develop modalities for operating the input revolving fund and design an appropriate creditor database.
4. CLCS will engage a chartered accountant to work with its accountant to develop appropriate financial accounting procedures, policies and systems, including cost accounting and pricing, that will ensure timely and accurate financial reporting and enable CLCS to prepare for an audit by the end of the OAG. In order to support the accounting function CLCS will be provided with a computer, printer and appropriate accounting software.

C. *Output III: Increased operational and management capabilities (planning, buying, production, distribution and sales) in order to make better use of investment capital.*

1. CLCS will recruit and engage a qualified management team to carry out the day to day responsibilities of the organization. The management team will include a business manager, a book keeper and vet assistant.
2. To support the operations of the management team CLCS will provide the management team with the necessary office equipment and other facilities to facilitate their work.
3. CLCS will procure 2 motorbikes for the manager team and will meet the operating costs for the management team.
4. CLCS will engage technical assistance, preferably from Mpika College of Agriculture, to provide training in animal husbandry including feeding, milking, breeding practices, handling of milk and milk products and basic veterinary health care that the farmers are capable of doing.
5. CLCS board, management and staff will be trained in ADF financial procedures and reporting and loan management by ADF's Partner in Zambia. The board and management will also be trained in enterprise development and marketing.
6. The management team will be trained in use of computers including use of computer software packages such as MSWord, MSExcels and the accounting package Pastel.
7. CLCS will also conduct a study tour to a similar cooperative in the country that has addressed similar challenges and marketing constraints.
8. CLCS will purchase an oil expeller to generate income and also facilitate production of cake for use as stock feed that will be sold to farmers.
9. CLCS will also procure two Friesian bulls to complement the AI program that has been having problems.

VIII. Roles and Responsibilities of the Parties

The staff and elected leadership of CLCS are responsible for the management and the proper implementation of the Project. ADF's Partner in Zambia, will provide training in the areas of management, ADF reporting, corporate/cooperative governance and business planning. The Partner will also provide technical assistance to the members and leadership in those areas.

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 committee composed of a representative cross-section of the Grantee'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.