

PROJECT DESCRIPTION
Mpongwe Bulima Organics Cooperative

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

Mpongwe Bulima Organics Cooperative Society (MBOC) is a Zambian farmer owned cooperative headquartered in the Mpongwe District in the Copperbelt Province of Zambia. Registered in 2000, MBOC is a 100 percent community-owned business with 102 paid up members, of which 54 are women. The Cooperative is engaging in the marketing of groundnuts that it purchases from its members and other small scale farmers in the province. MBOC sells its groundnuts to the local market and has recently sold to the regional market at the Democratic Republic of Congo border (Kasumbalesa). MBOC has benefited from an EDI grant from ADF which resulted in, among other things, a business plan for the expansion of MBOC to benefit its members. As described in the business plan, MBOC requires further investment if it is to expand into a sustainable profitable enterprise. MBOC is currently lacking the working capital and transportation capacity to purchase groundnuts and transport them for cross border export to the Democratic Republic of Congo.

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. MBOC Contribution

MBOC will contribute its existing assets to the project and up to Zambian Kwacha (ZMK) 732,879,000 of MBOC's funds to help finance production activities, market improvement activities, management and coordination activities and operating costs.

IV. Investment Goal

The goal of this investment is to improve the standard of living of small scale subsistence farmers in the Copperbelt Province that are engaged in the production of groundnuts.

ADF *JS* MBOC *MN*

V. Investment Purpose

The purpose of the investment is to increase the incomes of farmers selling to the cooperative, MBOC and its employees. The verifiable indicators to monitor achievement of this purpose are as follows:

- A. MBOC's net income (before depreciation and taxes) will increase from a baseline of Zambian Kwacha (ZMK) 41,865,000 to:
- ZMK 37,879,000 in Year I;
 - ZMK 92,344,000 in Year II;
 - ZMK 115,887,000 in Year III;
 - ZMK 150,937,000 in Year IV; and
 - ZMK 161,088,000 in Year V.
- B. The total value of salaries paid to full-time employees of MBOC will increase from a baseline of ZMK 69,000,000 to:
- ZMK 58,000,000 in Year I;
 - ZMK 62,688,000 in Year II;
 - ZMK 67,703,000 in Year III;
 - ZMK 71,771,000 in Year IV; and
 - ZMK 77,514,000 in Year V.
- C. The total gross income paid to farmers (members and non-members) from the sale of their groundnuts to MBOC will increase from a baseline of 95,000,000 to:
- ZMK 148,500,000 in Year I;
 - ZMK 189,540,000 in Year II;
 - ZMK 220,450,000 in Year III;
 - ZMK 272,098,000 in Year IV; and
 - ZMK 293,866,000 in Year V.

VI. Outputs

The outputs of this Project will reinforce and ensure that the Project purpose is met. A major output of the Project is the increased capacity of MBOC to produce and sell groundnuts as evidenced by increased production volumes and increased gross revenues as follows:

- A. MBOC groundnuts production volumes will increase from a baseline of 30 tons to:
- 55 tons in Year I;
 - 65 tons in Year II;
 - 70 tons in Year III;
 - 80 tons in Year IV; and
 - 80 tons in Year V.

- B. MBOC's projected gross revenues will increase from a baseline of ZMK 161,185,000 to:
- ZMK 275,000,000 in Year I;
 - ZMK 351,000,000 in Year II;
 - ZMK 408,240,000 in Year III;
 - ZMK 503,840,000 in Year IV; and
 - ZMK 544,160,000 in Year V.
- C. MBOC 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.

VII. Activities

MBOC's main business activity is the marketing of shelled groundnuts. The following activities will enable MBOC to increase production and sales revenue of its groundnuts:

- leasing of warehouse facilities at the DR Congo border to facilitate marketing of groundnuts at prices in excess of ZMK 4,500 per kg;
- securing timely trade finance funds for purchase of the groundnuts when prices are lowest;
- timely shelling of groundnuts to enable MBOC to capture peak prices at the Congo border;
- purchase of groundnuts from previously untapped areas of the Copperbelt Province from farmers in designated areas;
- establishing additional depots for collection of groundnuts in designated areas;
- use of a crop purchase fund to facilitate timely purchase of groundnuts and offering farmers competitive prices for groundnuts to avoid side selling;
- purchase of a 10 ton truck and implementation of a distribution system to facilitate delivery of the groundnuts to the markets when the price is at its peak;
- recruitment of a driver to drive the delivery truck once purchased; and
- recruitment of a stores office and marketing officer on a part-time basis during peak periods to assist with groundnuts purchases, distribution and marketing.

VIII. Roles and Responsibilities of the Parties

The Management Team composed of the Business Manager, the Accountant, and the Extension Officer, the MBOC staff and elected Board of Directors of MBOC have the primary responsibility for ensuring that the project activities are properly implemented.

The USADF Partner in Zambia will provide training in the areas of management, USADF reporting, corporate/cooperative governance and business planning. The Partner will also provide technical assistance to the cooperative's members and leadership in those areas.

IX. Monitoring and Evaluation

Within sixty days of the effective date of this Agreement, MBOC will form a monitoring and assessment committee. 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.

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