

**PROJECT DESCRIPTION**  
**Chinjara Livestock Cooperative Society Milk Project**

**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**

The Chinjara Livestock Cooperative Society Limited (CLCS) is a Zambian cooperative owned by small-scale dairy farmers in the Chinjara area of the Chipata District of Eastern Province. CLCS has benefited from an Enterprise Development Investment (EDI) grant from ADF which resulted in, among other things, the development of a business plan for CLCS's expansion and improved operational and management capability.

There is currently a large, unmet demand for raw and pasteurized milk in the Eastern Province of Zambia. CLCS would like to take advantage of the opportunity to meet this unmet demand and have its members produce and sell more raw milk. However, it is currently constrained by limited production capacity and market access.

**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. Grantee Contribution**

CLCS will contribute its existing assets to the project and up to Zambian Kwacha (ZMK) 756,241,000 of CLCS's funds to help finance production activities, market improvement activities, management and coordination activities, and operating costs.

**IV. Project Goal**

The goal of this project is to improve the standard of living of small-scale milk producers of in the Chipata District of Eastern Province.

ADF

*[Signature]*

CLCS

*[Signature]*

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## V. Project Purpose

The purpose of the project is to increase the income of CLCS, the salaries of its employees and incomes of its farmer members. The verifiable indicators to monitor achievement of this purpose are as the follows.

- A. CLCS's annual net income (before depreciation and taxes) will change from a baseline of Zambian Kwacha (ZMK) -23,669,000 to:
1. ZMK -38,732,880 in Project Year I;
  2. ZMK 50,105,472 in Project Year II;
  3. ZMK 117,751,320 in Project Year III;
  4. ZMK 174,710,160 in Project Year IV; and
  5. ZMK 209,750,760 in Project Year V.
- B. The value of annual salaries paid to full-time employees of CLCS will change from a baseline of ZMK 58,500,000 to:
1. ZMK 61,200,000 in Project Year I;
  2. ZMK 66,096,000 in Project Year II;
  3. ZMK 71,384,000 in Project Year III;
  4. ZMK 77,093,000 in Project Year IV; and
  5. ZMK 83,263,000 in Project Year V.
- C. The total gross income paid to member farmers from the sale of their milk to CLCS will change from a baseline of ZMK 72,600,000 to:
1. ZMK 140,719,680 in Project Year I;
  2. ZMK 250,932,528 in Project Year II;
  3. ZMK 354,170,880 in Project Year III;
  4. ZMK 479,840,640 in Project Year IV; and
  5. ZMK 552,285,240 in Project Year V.

## VI. Outputs

- A. A major output of the Project is the increased capacity of CLCS to produce and sell raw milk as evidenced by increased production volumes and increased gross revenues as follows.
1. CLCS raw milk production volumes will increase from a baseline of 73,200 liters to:
    - (a) 130,296 liters in Project Year I;
    - (b) 215,208 liters in Project Year II;
    - (c) 281,088 liters in Project Year III;
    - (d) 352,824 liters in Project Year IV; and
    - (e) 375,960 liters Project Year V.

## APPENDIX A

2. CLCS's gross annual revenues will increase from a baseline of ZMK 107,400,000 to:
  - (a) ZMK 201,984,800 in Project Year I;
  - (b) ZMK 399,752,000 in Project Year II;
  - (c) ZMK 562,987,200 in Project Year III;
  - (d) ZMK 762,220,800 in Project Year IV; and
  - (e) ZMK 876,908,000 in Project Year V.
- B. CLCS 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

CLCS's principal business is the marketing and supply of raw milk that it purchases from its farmer members. The following activities will enable CLCS to increase production and sales revenues of its raw milk. They are categorized according to production, marketing and management activities:

#### A. Production

The following activities will enable CLCS to increase production and productivity.

1. Operations Improvement
  - (a) Increase milk production through purchase and distribution to members of 100 dairy animals, 50 to be purchased by the end of year one of the project and 50 to be purchased by the end of project year two.
  - (b) Design and implement a restocking revolving loan fund to purchase and distribute animals to new members from funds generated from repayment of the initial 100 animals, thereby increasing membership and the number of productive dairy animals.
  - (c) Increase milk production by increasing the number of lactating cows from the current 38 percent to 60 percent through the implementation of an artificial insemination (AI) breeding program starting in year one of the project.
  - (d) Improve the quality and decrease the spoilage of milk by strengthening the cold chain through the purchase of a 10 ton refrigerated truck and a backup generator in project year one.
  - (e) Improve milk production volumes and decrease the mortality rate of cows by implementing disease control and animal husbandry programs starting in month six of project year one.

## APPENDIX A

### 2. Training

- (a) Farmer members will be trained in breeding (i.e. artificial insemination), disease control, and animal husbandry techniques starting in month six of project year one.
- (b) Technical experts will train management in the latest milk production techniques.

### B. Marketing

The following marketing activities will enable CLCS to sell its expanded production to existing customers at a better price and to expand its markets:

1. CLCS will negotiate with existing customers on an annual basis to obtain a better price of raw milk and increase supply of raw milk to existing customers to meet their current demand levels;
2. CLCS will develop a transportation system to transport milk to new markets by purchasing a ten ton refrigerated truck by end of project year one; and
3. CLCS will identify and distribute milk to at least one new buyer in either Chipata and Katete districts or to Malawi by end of project year two.

### C. Management

CLCS will improve its management capabilities to prepare the Cooperative for expansion through the following activities.

#### 1. Operations Improvement

- (a) Automated accounting software will be installed and used by the end of project year one to generate financial statements, timesheets and bank reconciliation statements.
- (b) CLCS will have annual internal audits conducted in project year one in coordination with the Zambia Ministry of Agriculture and Cooperatives.

#### 2. Training

CLCS staff will receive training on the use of the new accounting software by the end of project year one.

## VIII. Roles and Responsibilities of the Parties

The staff and management of CLCS are responsible for the management and the proper implementation of the Project.

ZATAC, ADF's partner in Zambia, will provide training in the areas of management, USADF reporting, governance and business planning. ZATAC will also provide technical assistance to the members in leadership methods.

**IX. Monitoring and Evaluation**

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

ADF Jed CLCS J.P.C.

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