

**PROJECT DESCRIPTION**  
**Mumbwa District Farmers Association Paprika 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**

Mumbwa District Farmers Association (Mumbwa DFA) is located in the Mumbwa district of the Central Province and has 1,500 registered small scale farmer members. The Association is an affiliate of the Zambia National Farmers Union (ZNFU), which is the national farming advocacy entity in Zambia. The Association has benefited from an Enterprise Development Investment (EDI) grant from ADF which resulted in, among other things, the development of a business plan for Mumbwa DFA's expansion, improved financial management and accounting systems, improved management capacity, improved paprika production skills of farmers through a pilot project that demonstrated the market viability for paprika.

There is large unmet demand for paprika both in the Zambian local market and the export market in Southern Africa. Mumbwa DFA would like to take advantage of this unmet demand for paprika, but is constrained by a lack of access of working capital, limited paprika production by farmers and limited capacity to access markets.

**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**

Mumbwa DFA will finance some affiliation fees to ZNFU, seed distribution costs and sundries. It will contribute staff time of its management and Board. The paprika farmers will contribute their land and labor towards growing the crop. The amount of the grantee contribution is Zambian Kwacha (ZMK) 1,112,125,000.

**C. Other Contributions**

ZNFU will finance costs of operating the project office, salaries of the business and office managers, and capacity building training activities. The amount of the ZNFU contribution is ZMK 350,000,000.

ADF



MDFA



#### IV. Project Goal

The goal of this Project is to improve the standard of living of small scale Zambian crop producers in the Mumbwa district of Central Province.

#### V. Project Purpose

The purpose of the Project is to increase the income of the Association, its full-time employees and its farmer members. The verifiable indicators to monitor achievement of this purpose are as follows:

- A. Mumbwa DFA's net annual income (before depreciation and taxes) will change from a baseline of Zambian Kwacha (ZMK) 6,122,000 to:
- ZMK 90,177,000 in Project Year I;
  - ZMK 200,983,000 in Year II;
  - ZMK 197,895,000 in Year III;
  - ZMK 248,192,000 in Year IV; and
  - ZMK 271,446,000 in Year V.
- B. The total value of annual salaries paid to full-time employees of Mumbwa DFA will change from a baseline of ZMK 82,033,333 to:
- ZMK 88,596,000 in Year I;
  - ZMK 95,673,000 in Year II;
  - ZMK 119,863,000 in Year III;
  - ZMK 129,451,000 in Year IV; and
  - ZMK 139,809,000 in Year V.
- C. The total gross annual income paid to member farmers from the sale of their paprika to Mumbwa DFA will change from a baseline of ZMK 70,056,000 to:
- ZMK 201,620,000 in Year I;
  - ZMK 287,528,000 in Year II;
  - ZMK 402,842,000 in Year III;
  - ZMK 486,254,000 in Year IV; and
  - ZMK 525,154,000 in Year V.

#### VI. Outputs

- A. A major output of the Project is the increased capacity of Mumbwa DFA to produce and sell paprika, as evidenced by the following indicators:

1. Mumbwa DFA's annual paprika production volumes will change from a baseline of 21 tons to:
    - 60 tons in Project Year I;
    - 79 tons in Project Year II;
    - 102 tons in Project Year III;
    - 114 tons in Project Year IV; and
    - 114 tons in Project Year V.
  2. Mumbwa DFA's projected annual gross revenues will change from a baseline of ZMK 88,464,000 to:
    - ZMK 317,029,000 in Project Year I;
    - ZMK 458,840,000 in Project Year II;
    - ZMK 652,401,000 in Year III;
    - ZMK 787,486,000 in Year IV; and
    - ZMK 850,485,000 in Year V.
  3. Farmer members will increase paprika production per hectare from a current baseline average of 262 kg. / ha. to 458 kg. / ha. in Project Year V.
- B. Mumbwa DFA 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.

## VI. Activities

The following activities will enable Mumbwa DFA to increase production and sales revenue of its paprika. Project activities are categorized as production, marketing, and management activities:

### A. Production

The following activities are designed to increase the production and productivity of paprika and facilitate farmer members' access to production inputs and services:

- increase the number of farmer members participating in the out-growers program from the current baseline of 230 to 500 by the end of Project Year III;
- implement a revolving input loan fund in Project Year I to cover participating farmers' costs of growing paprika;
- establish and implement a crop purchase fund in Project Year I to purchase paprika from farmers;
- strengthen its extension delivery system by recruiting one additional extension officer and eight additional contact farmers by the end of Project Year II;
- provide continuous monitoring of production activities, which will be facilitated by the purchase one Honda motorbike and eight bicycles for

use by the additional extension officer and contact farmers by the end of Project Year II;

- the Business Manager will monitor implementation of activities and the purchase of a one ton van in Project Year I will enable the Association to deliver inputs to information centers.;
- conduct annual training of farmers in nursery management, transplanting, field management, harvesting and post harvesting practices;
- improve the efficiency of paprika processing before marketing by purchasing baling equipment, woven plain bags and hook scales by the end of year two; and
- increase income from other crops by marketing maize seed in Project Year I to members and other farmers in the district.

#### B. Marketing

The following marketing activities will enable Mumbwa DFA to sell its expanded production to existing customers at a better price and to expand its market access:

- increase sales of paprika exported to the South African market by entering into a memorandum of understanding with the Central Growers Association by the end of Project Year I;
- export sales of its paprika to the South African market at a higher price by establishing a direct export contract by the end of Project Year II.
- provide for safe storage of paprika for sale in one consolidated location by leasing the Food Reserve Agency (FRA) warehouse in Mumbwa by the end of Project Year II; and
- monitor movements of local prices and export prices of paprika throughout the project duration.

#### C. Management

Mumbwa DFA will improve its management capabilities to prepare the Association for expansion by doing the following activities:

- strengthen its management and financial control systems by partnering with Land-o-Lakes or other established company to obtain experienced volunteers to train the business manager and accountant by the end of Project Year I;
- improve the management capacity of the business manager and continually assess his skills by hiring a management consultant to mentor the business manager on a quarterly basis for 10 days per quarter beginning with the first quarter of the Project;
- develop and implement annual work plans and budgets and monitor implementation progress of work plans; and
- strengthen its financial control systems by preparing bank reconciliation statements, implementing timesheets, and conducting statutory audits.

### VII. Roles and Responsibilities of the Parties

ADF



MDFA



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The staff and elected leadership of Mumbwa DFA 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 and ADF reporting. ZATAC will also provide technical assistance to the members and assistance in leadership methods.

**VIII. Monitoring and Evaluation**

Within sixty days of the effective date of this Agreement, the Grantee will form a monitoring and assessment committee composed of a representative cross-section of the Grantee's organization. The committee will develop a 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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