

PROJECT DESCRIPTION**Chibusa High Energy Protein Supplement EDI****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

Chibusa Home Based Care (CHBC) Association is owned by 20 paid-up members and 13 affiliate members. The Association, located in Mungwi District in the Northern Province of Zambia, is a social services agency that provides HIV/AIDS counseling, promotes good nutrition practices, donates foodstuffs to communities in need and undertakes other social welfare projects. In addition to these activities, CHBC generates income by purchasing agricultural produce from members and other farmers in the area and producing High Energy Protein Supplements (HEPS) that it sells on the open market.

CHBC has the opportunity to increase sales of HEPS as it is currently not able to meet market demand. Before it can expand production, however, CHBC has to address its limited financial and business management capability. The Association lacks the capacity necessary to manage the income generation operations of the Association streamline its production processes and generate sufficient income for the Association and its members.

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

CHBC will contribute the land where the members cultivate the raw materials for production of HEPS. CHBC will contribute their labor in the production of raw materials. In addition, CHBS will contribute its land and building in Mungwi as well as the hammer mill that will be donated by Caritas.

IV. Project Goal

The goal of the Project is to promote the growth of small scale processing enterprises that improve the standard of living of low-income agricultural producers in the Northern Province of Zambia.

V. Project Purpose

The purpose of the project is to improve CHBC's prospects for sustained expansion as evidenced by the development of a comprehensive five-year business plan that ADF deems suitable for funding by a donor or other financial institutions.

VI. Outputs

A. Improved management capacity as evidenced by the following.

1. The management team routinely utilizes financial documents produced during the Project, such as quarterly bank reconciliations, budget expenditures, profit and loss statements, balance sheets and cash flow statements in making financial and management decisions for the Association.
2. A functioning and active board of directors meets quarterly to assess management implementation progress and addresses implementation constraints necessary to move the organization forward. In addition, the board convenes the Annual General Meeting (AGM) in accordance with its constitution to update members on CHBC's on-going activities.

B. Improved technical capacity as evidenced by;

1. The establishment of two additional markets for HEPS; and
2. Certification in food handling and trading in accordance with the Government of Zambia food and safety regulations.

VII. Activities

A. Enterprise Development

1. CHBC will hire a consultant that will work closely with the management team and board to develop a comprehensive five-year business plan that will guide the growth of the Association. Specifically, the business plan will:

- a. analyze the best organizational and staffing structure to operate a sustainable and profitable business. This will involve analyzing CHBC's organizational structure;
 - b. assess the market for HEPS and develop strategies for penetrating these markets including mode of distribution of the product to market;
 - c. assess and recommend product lines that CHBC can develop based on the relative profitability and feasibility of production of each;
 - d. recommend equitable ways of profit sharing to members;
 - e. determine the most cost-effective method of obtaining raw materials;
 - f. identify the high priority social needs of the affiliate members and recommend methods to support them through CHBC social support activities;
 - g. assess the technology required for efficient and effective production of HEPS;
 - h. assess the manpower, training and technical assistance requirements for expansion of production; and
 - i. undertake any additional analyses that will prepare the Association for expansion and sustained growth, to be determined during the design process of the business plan and through implementation of this Project.
2. CHBC will separate its cost structures by registering an entity dedicated to the profitable production and marketing of HEPS. The entity will be separate from the social services provision functions of CHBC.

B. Management Improvement

1. CHBC will hire a business manager responsible for the overall management of the HEPS income generation entity. Specifically the business manager will coordinate bulk purchase orders, procurement of raw materials, processing including quality control and marketing of HEPS.
2. CHBC will hire a bookkeeper who will manage the financial management of the HEPS operation. The bookkeeper will be responsible for setting up internal control systems, recording financial transactions and reporting the financial status of the Association the board of directors.

3. CHBC will hire a Chartered Accountant on a short-term contract to work closely with the bookkeeper to develop appropriate financial accounting procedures, policies and systems that will ensure timely and accurate financial reporting.
4. CHBC will hire a consultant to work closely with the management team to develop operational, administrative and governance systems that will be documented in an operations manual.
5. CHBC will purchase the necessary office space, office equipment, a solar generator to accommodate for blackouts and a motor bike for transportation.

C. Technical and Operational Improvement

1. CHBC hammer mill operators will be trained on operations and maintenance of the hammer mill.
2. To expose members and management to commercial roasting, CHBC will go on a study tour to a commercial roaster.
3. CHBC will hire a professional roaster to train its production staff in commercial roasting.
4. CHBC will hire a marketing consultant to work closely with the business manager on the marketing of HEPS. Specifically, the marketing consultant will explore alternative markets, improve CHBC current packaging and labeling and establish an appropriate bar code for the sale of HEPS in supermarkets.
5. CHBC will establish a crop purchase fund, lease a warehouse and purchase a commercial roaster, mixer, and sieve in addition to accessories such as moisture-meter and probe, tarpaulin, empty grain bags, drums, pallets, wheel barrows and packaging materials.
6. CHBC management and board will be trained in good governance practices, strategic planning and enterprise development.

VIII. Roles and Responsibilities of the Parties

The staff and elected leadership of CHBC are responsible for the management and the proper implementation of the Project. ZATAC, ADF's partner in Zambia, will provide training in the area of standard ADF bookkeeping, monitoring and assessment. ZATAC will also provide technical assistance and management during implementation.

IX. Monitoring and Evaluation

ADF's Partner in Zambia will closely monitor the activities of the cooperative 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.