

PROJECT DESCRIPTION**Chambeshi Rice Enterprise Development 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

Chambeshi Rice Farmers Association (CRFA) is an organization that is owned by 500 paid-up producer members. Producer members own land on which they cultivate rice that is then marketed by the Association.

CRFA has been able to identify local demand for its rice and aims in the longer-term to determine possibilities for entering the export market for organic rice. In order to further develop their business and take advantage of these opportunities, CRFA members have identified the need to address current limitations in management and operational capacity. CRFA does not have the financial or technical capability to resolve these constraints on its own.

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 8 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

CRFA will contribute the land where the members cultivate rice, the labor of its members and membership and subscription fees towards board expenses.

IV. Project Goal

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

ADF JWP CRFA H.C.
B.M.

V. Project Purpose

The purpose of the project is to improve CRFA'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 institution.

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 accord with its constitution to update members on CRFA's on-going activities.
 3. Production of financial statements from the financial and accounting system that include monthly income, balance sheet and cash flow statements, consolidated quarterly and annual statements, adequate financial controls, accounting procedures, policies and systems that will be capable of being audited by an independent accounting or audit firm.
- B. Improved technical capacity as evidenced by the establishment of two additional markets for CRFA rice.

VII. Activities

- A. Enterprise Development
1. CRFA 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 include the following:
 - a. analyze the best organization and staffing structure to operate a sustainable and profitable business. This will involve analyzing CRFA's organizational structure;

- b. assess and recommend product lines that CRFA can develop based on the relative profitability and feasibility of production of each. Provide strategies for penetrating markets for product lines recommended;
- c. analyze international markets for organic rice, including quality, certifications required and quantity needed. Provide strategy for entering export market for organic rice;
- d. define the fee and commission structure for CRFA members for each of its products and service lines;
- e. determine strategies for increasing membership of CRFA organic rice producers;
- f. assess the manpower, training and technical assistance requirements for expansion of production; and
- g. 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.

B. Management Improvement

1. CRFA will hire a business manager responsible for the overall management of the Association. Specifically the business manager will coordinate bulk purchase orders, procurement of raw materials, processing including quality control and marketing of CRFA rice.
2. CRFA will hire an accountant who will manage the financial management of the Association. The accountant will be responsible for setting up internal control systems, recording financial transactions, and reporting the financial status of the Association to the board of directors.
3. CRFA will hire a Chartered Accountant on a short-term contract to work closely with the accountant to develop appropriate financial accounting procedures, policies, and systems that will ensure timely and accurate financial reporting.
4. CRFA will hire a consultant to work closely with the management team to develop operational systems that will be documented in an operations manual, focusing on guidelines specific to a rice production and marketing enterprise.
5. CRFA will hire a consultant to review the governance and organizational structure of the Association and develop a governance manual to document the organizational procedures of CRFA.

6. CRFA will purchase the necessary office space and office equipment.

C. Technical and Operational Improvement

1. CRFA will strengthen the extension delivery system through access to transportation by purchasing a motorbike for use by the business manager.
2. CRFA member farmers will be trained in sustainable agriculture and internal control systems.
3. CRFA board and management will be trained in warehouse management. The board and management will also conduct a study tour to an organic rice producer to learn about the steps necessary to produce organic rice.
4. CRFA will establish a crop purchase fund, lease a warehouse, mill its rice at a nearby facility, and purchase various equipment; such as hook scales and pallets.
5. CRFA 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 CRFA 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 Association 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.

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