

**PROJECT DESCRIPTION****FWHC Small Scale Agriculture Capacity Building 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 Foundation for Wildlife and Habitat Conservation (FWHC) was formed to promote environmental conservation and improve the livelihood of rural residents of the Mpika District. FWHC has begun a program to support legume farmers in the Mpika District in order to provide an alternate source of income to farmers and reduce their dependency on poaching. FWHC purchases beans and groundnuts from farmers and farmer groups and then markets them to wholesalers.

FWHC has determined that beans and groundnuts are suitable to the local climate, can generate good profit margins and are in high demand in Zambia. However, FWHC does not have adequate management capacity, operational capacity and financial management controls to generate sufficient income for the Foundation and participating farmers.

**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. Client Contribution**

Farmers selling to FWHC will contribute their land where they cultivate groundnuts and beans. FWHC will contribute its existing assets which include one motor vehicle, one computer, one printer, and fuel and maintenance cost for the motor vehicle.

**IV. Project Goal**

The goal of the project is to promote the growth of small scale agricultural enterprises that improve the standard of living of farmers in Northern Province of Zambia.

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**V. Project Purpose**

The purpose of the project is to improve FWHC's prospects for sustained expansion as indicated 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. Improve financial management as evidenced by:
1. 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; and
  2. the management team routinely utilizes the management and financial reports produced such as performance reports, budget expenditures, profit and loss statements, cash flow statements, and balance sheets in making financial and management decisions on how to move the organization forward.
- B. Improved business management capacity as evidenced by a functioning and active board of directors that 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 FWHC on-going activities.
- C. FWHC improves its operational capacity as evidenced by a separately registered business entity that applies formalized crop collection, storage, packaging and marketing systems in accordance with its operations manual.
- D. FWHC improves its marketing capacity by taking steps to establish one formal market outlet for its groundnuts and one formal market outlet for its beans as demonstrated by letters of intent from each buyer.

**VII. Activities**

- A. Financial Management Activities
1. FWHC will hire a part-time bookkeeper who will manage the financial management of the Foundation. The bookkeeper will be responsible for setting up internal control systems, recording financial transactions, and reporting the financial status of FWHC to the Board of Directors. The bookkeeper will be hired by month four of Project Year 1.



2. FWHC will hire a consultant with expertise in financial management on a short term contract to work closely with the FWHC bookkeeper to develop appropriate financial accounting procedures, policies and systems that will ensure timely and accurate financial reporting. The consultant will work with the FWHC bookkeeper to document the financial systems developed in a financial management manual. Once the financial system is in place, the consultant will provide follow-up training where necessary and assess the implementation of the financial system by conducting quarterly visits to FWHC. Financial systems will be established by month six of Project Year 1 and follow-up services will be provided on a quarterly basis for an additional four quarters.

B. Business Management Activities:

1. FWHC will hire a business manager responsible for the overall management of the Foundation. Specifically, the business manager will be responsible for coordinating production contracts, procurement, and packaging and marketing of groundnuts and beans. The business manager will also help organize the three farmer groups to develop an organizational structure and complete registration. The business manager will be hired by month four of Project Year 1.
2. FWHC will establish an office with two desktop computers, computer accessories, and accounting software to be used by the accountant and office furniture. The FWHC office will be fully equipped by month six of Project Year 1.
3. FWHC will hire a consultant to develop, in consultation with FWHC management, administrative policies, procedures, and guidelines to guide the operations of FWHC. The administrative systems will focus on personnel policy, safety and security procedures, procurement and use of FWHC assets, and will be documented in an administrative manual. An administrative manual will be complete and in operation by month nine of Project Year 1.
4. FWHC will hire a consultant to review its registration status, composition, membership, shareholding, and decision making processes. The consultant will review the ownership structure of FWHC and the FWHC business entity, and will provide recommendations on how to expand the ownership to include farmers from the region. The consultant will ensure that the qualifications, election, and responsibilities of the board members are clearly defined as well as the relationship between the Foundation and the for-profit business entity. The consultant will help the FWHC board and management develop a constitution, and will produce a governance manual complete by month nine of Project Year 1.
5. FWHC will register a separate for-profit business entity for the purchase and marketing of agricultural products by month ten of Project Year 1.

6. FWHC management and board of directors will be trained in good governance and the application of the governance manual, including strategic planning. An estimated five members from each of the three farmer groups will also participate in the training sessions. Training will be complete by month eleven of Project Year 1.

C. Production and Marketing Activities

1. FWHC farmers will be trained in sustainable agriculture and internal controls to be completed by month six of Project Year 1.
2. FWHC will hire a consultant to develop, in consultation with FWHC management, an operations manual that will guide the operations of the management team. The operations manual will focus on guidelines for how to develop annual work plans and budgets, formalized crop purchase methods including transportation logistics and storage, and marketing including characteristics of principal markets, transportation logistics and modes of payment. The operations manual will be complete and used by FWHC management by month nine of Project Year 1.
3. FWHC will strengthen the extension delivery system through access to transportation by purchasing a motorbike for use by the business manager. The motorbike will be purchased and in use by month six of Project Year 1.
4. FWHC will establish a crop purchase fund, lease a warehouse in each of the three chiefdoms where FWHC operates, and purchase three platform scales and pallets for weighing and storage. FWHC will begin using the crop purchase fund and new facilities and equipment by month nine of Project Year 1.
5. FWHC will hire a consultant to design appropriate packaging and labeling for FWHC products, and FWHC will purchase the materials necessary for packaging and labeling. The design consultancy and purchase of marketing materials will be complete by the end of Project Year 1.
6. FWHC will register with the Organic Producers and Processors Association of Zambia (OPPAZ). Registration will be complete by the end of Project Year 1.

D. Business Plan Development

FWHC will hire a consultant that will work closely with the management team and board to develop a comprehensive five-year business plan. The business plan will be completed three months before the end of the Project. The business plan will address the following:

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1. Analyze the best organization and staffing structure to operate a sustainable and profitable business. This will involve analyzing FWHC's organizational structure.
2. Assess and recommend product lines that FWHC can develop based on the relative profitability and feasibility of production of each. Provide strategies for penetrating markets for product lines recommended.
3. Recommend methods of distributing profits among members and what percentage of profits will be reinvested to support FWHC's social objectives.
4. Conduct a market analysis of existing and potential product lines, including competitors, additional markets in Zambia and internationally and international markets for organic produce.
5. Assess the current production capacity and determine the levels of manpower, additional training in technical expertise and capital investment needed for production expansion.
6. Provide five-year production and profit and loss projections based on current production, costs and sales trends.
7. Analyze the development of the three farmer groups and provide detailed next steps necessary for each group to receive a next phase of funding with a timeline for achievement of those steps.
8. Include any other additional analysis that will prepare the organization for expansion and sustained growth, to be determined during the design process of the business plan and implementation of this Project.

### VIII. Roles and Responsibilities of the Parties

The staff and elected leadership of FWHC 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 training in bookkeeping, monitoring and assessment. ZATAC will also provide technical and management assistance during implementation.

### IX. Monitoring and Evaluation

ADF's Partner in Zambia will closely monitor the activities of the FWHC to ensure proper reporting, adherence to the project implementation plan 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 FWHC as part of the on-going performance assessment.

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