

**PROJECT DESCRIPTION****Lua Lua Beekeeping Capacity Building 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**

Selected members of Lua Lua Savings and Credit Union Cooperative in Zambia have formed a group, Lua Lua Beekeepers, in order to pursue beekeeping as an income generation enterprise. Lua Lua Beekeepers purchases honey from beekeepers and sells it to supermarkets. Lua Lua Beekeepers has identified a strong market demand and a large potential supply if individual beekeepers can improve their organization and coordinate their output. The group is limited by insufficient capital to purchase honey in large quantities, no full-time management, unclear governance structures separating beekeeping from the other activities of the Credit Union, no financial systems and poor quality production methods used by many of the beekeepers.

**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**

Lua Lua will contribute its processing plant with processing equipment such as bar hives, protective clothing, bee smokers, honey presses, setting drums, a PVC tank, containers and dust coats. The equipment will be available to the participating beekeepers.

**IV. Project Goal**

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

**V. Project Purpose**

The purpose of the project is to improve Lua Lua Beekeepers 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 for how to move the organization forward.
- B. Improved business management capacity as evidenced by a functioning and active board of directors that meet quarterly to assess management implementation progress and addresses implementation constraints necessary to move the organization forward.
- C. Lua Lua Beekeepers improves its operational capacity as evidenced by a separately registered business entity that provides formalized honey collection, extension services to beekeepers and storage, packaging, and marketing systems in accordance with its operations manual.
- D. Lua Lua Beekeepers improves its marketing capacity as evidenced by letters of intent from two buyers of processed honey.

**VII. Activities**

- A. Financial Management Activities
1. Lua Lua Beekeepers will hire a bookkeeper who will manage the financial systems of the group. The bookkeeper will be responsible for setting up internal control systems, recording financial transactions, and reporting the financial status of Lua Lua Beekeepers to the Board of Directors. The bookkeeper will be hired by month four of Project Year 1.
  2. Lua Lua Beekeepers will hire a consultant with expertise in financial management on a short term contract to work closely with the Lua Lua Beekeepers bookkeeper to develop appropriate financial accounting procedures, policies and systems that will ensure timely and accurate

financial reporting. The consultant will work with the Lua Lua Beekeepers 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 Lua Lua Beekeepers. 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. Management Improvement

1. Lua Lua Beekeepers will hire a business manager responsible for the overall management of the beekeeping business. Specifically, the business manager will be responsible for facilitating production, coordinating the production contracts, and buying, processing, packaging and marketing raw honey from the honey producers. The business manager will be hired by month four of Project Year 1.
2. Lua Lua Beekeepers will establish an office with two desktop computers, computer accessories, accounting software to be used by the accountant and office furniture. The Lua Lua Beekeepers will be fully equipped by month six of Project Year 1.
3. Lua Lua Beekeepers will hire a consultant to develop, in consultation with management, administrative policies, procedures and guidelines to guide the operations of Lua Lua Beekeepers. The consultant will complete an administrative manual by month nine of Project Year 1.
4. Lua Lua Beekeepers will hire a consultant to review its registration status, composition, membership, benefits to members and decision making processes. The consultant will review the membership and will provide recommendations on how to expand the membership to include beekeepers from the region. The consultant will help the members write a constitution and will establish governance policies in a governance manual. The work will be complete by month nine of Project Year 1.
5. Lua Lua Beekeepers will register as a cooperative separate from the Lua Lua Savings and Credit Union Cooperative with separate membership by month ten of Project Year 1.
6. Lua Lua Beekeepers management and board of directors will be trained in good governance, the application of the governance manual and constitution as developed with the help of the consultant. Management will also be trained in strategic planning. Training will be complete by month eleven of Project Year 1.

## C. Operational and Marketing Improvements

1. Lua Lua Beekeepers will hire a field officer responsible for coordinating activities at the field level. The field officer will be hired by month four of Project Year 1.
2. Lua Lua Beekeepers will strengthen the extension delivery system it offers to beekeepers by purchasing a motorbike for use by the Business Manager. The motorbike will be purchased by month six of Project Year 1.
3. Beekeepers supplying honey to the Cooperative will be trained in beekeeping techniques to improve the production methods used. Training will be complete by month six of Project Year 1.
4. Lua Lua Beekeepers will improve the Cooperative's capacity to manage a purchase fund by establishing a pilot honey purchase fund and purchasing 500 buckets, four refractometers, four honey filters and one warmer for the proper testing and processing of honey. Lua Lua Beekeepers will begin using the purchase fund by month six of Project Year 1. Equipment will be purchased by month six of Project Year 1.
5. Lua Lua Beekeepers will hire a consultant to develop, in consultation with 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, best practices in honey purchases, processing, packaging and storage, and guidelines on marketing of honey. The operations manual will be complete and used by Lua Lua Beekeepers management by month twelve of Project Year 1.
6. Lua Lua Beekeepers will pilot marketing of honey by purchasing packaging and labeling materials. Management and Board members will also be trained in marketing methods. Marketing materials and training will be complete by the end of Project Year 1.
7. Lua Lua Beekeepers will register with the Organic Producers and Processors Association of Zambia (OPPAZ). The Cooperative will also become a member of the Honey Association of Zambia, which provides training and marketing outlets for its members. Membership with both groups will be complete by the end of Project Year 1.
8. Management and selected board members will conduct a study tour to a honey collection and processing enterprise. The study tour will provide valuable information to Lua Lua Beekeepers regarding the proper management of a honey enterprise. The study tour will be complete by month three of Project Year 2.

D. Business Plan Development

Lua Lua Beekeeping 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 by month three of Project Year 2. The business plan will:

1. analyze the best organization and staffing structure to operate a sustainable and profitable business. This will involve analyzing Lua Lua Beekeeping's organizational structure;
2. assess and recommend product lines that Lua Lua Beekeeping can develop based on the relative profitability and feasibility of production of each, and provide strategies for penetrating markets for product lines recommended;
3. measure the benefits to members and recommend ways to expand membership and extend benefits to members;
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 technical training 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; and
7. conduct 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 Lua Lua 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 Lua Lua to ensure proper reporting, adherence to the project implementation plan by the Cooperative 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.