

PROJECT DESCRIPTION**Mulondolwa Bio Soap 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

Mulondolwa Jatropha Industry (MJI) is a recently formed company in the Mungwi District of Zambia that purchases Jatropha seeds, a local plant, from farmers and uses the oil from the seeds to produce and market bath and laundry soap. MJI has found a ready market in the local region for its soap and the raw materials to produce the soap are readily available. The group is limited by insufficient capital to purchase seeds in large quantities, no full-time management, no financial systems and poor quality production methods that yield low amounts of oil from the Jatropha seeds.

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

MJI farmers selling seeds to the company will contribute the land where they have been growing Jatropha plants. MJI will contribute its existing assets, which include a manual oil expeller, soap moulds and buckets. Beginning in month 19, MJI will contribute its land where it will house its office and production facility.

IV. Project Goal

The goal of the project is to promote the growth of small scale enterprises that improve the standard of living of poor farmers in the Mungwi district of Zambia.

V. Project Purpose

The purpose of the project is to improve MJI'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 meet quarterly to assess management implementation progress and addresses implementation constraints necessary to move the organization forward.
- C. MJI improves its marketing capacity as evidenced by letters of intent from two buyers of its soap.

VII. Activities

- A. Financial Management Activities
1. MJI will hire a part-time bookkeeper who will manage the financial systems of the company. The bookkeeper will be responsible for setting up internal control systems, recording financial transactions, and reporting the financial status of MJI to the board of directors. The bookkeeper will be part-time during Project Year 1 as business activity is projected to be small and will transition to full-time during Project Year 2 as the Company grows. The bookkeeper will be hired by month four of Project Year 1.
 2. MJI will hire a consultant with expertise in financial management on a short term contract to work closely with the MJI bookkeeper to develop appropriate financial accounting procedures, policies and systems that will ensure timely and accurate financial reporting. The consultant will 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 MJI. 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. MJI will hire a business manager responsible for the overall management of the business. Specifically the business manager will be responsible for facilitating production, coordinating production contracts, buying, processing, packaging and marketing of Jatropha products. The business manager will be hired by month four of Project Year 1.
2. MJI will establish an office with two desktop computers, computer accessories, and accounting software to be used by the accountant and office furniture. MJI's office will be fully equipped by month six of Project Year 1.
3. MJI will hire a consultant to develop, in consultation with management, administrative policies, procedures and guidelines to guide the operations of MJI. The consultant will complete an administrative manual by month nine of Project Year 1.
4. MJI will hire a consultant to review its, 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 farmers from the region. The consultant will document work in a governance manual. The work will be complete by month nine of Project Year 1.
5. MJI management and board of directors will be trained in good governance and the application of the governance manual. 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. MJI will strengthen the extension delivery system it offers to Jatropha farmers by purchasing a motorbike for use by the Business Manager. The motorbike will be purchased by month six of Project Year 1.
2. MJI will hire two part-time production assistants to coordinate the daily production of soap. The production assistants will be hired by month four of Project Year 1.
2. MJI will improve the Company's capacity to manage a purchase fund by establishing a pilot Jatropha seed purchase fund. MJI will begin using the purchase fund by month six of Project Year 1.

3. MJI will improve its capacity to formalize the production process by purchasing an electric oil expeller, a mixer and a scale and by renting space where it can process Jatropha seeds into soap. MJI will have purchased and begun operating this equipment by month six of Project Year 1.
4. Farmers supplying Jatropha seeds will be trained in sustainable agriculture to improve their methods used for growing Jatropha. Management and board members will be trained in quality control methods of soap production. Training will be complete by month nine of Project Year 1.
5. MJI 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 Jatropha seed purchasing, processing of seeds into oil and soap, packaging of soap, storage of raw materials and finished product, and guidelines on marketing of soap. The operations manual will be complete and used by MJI management by month twelve of Project Year 1.
6. MJI will pilot the marketing of bath and laundry soap by purchasing packaging materials. In addition, MJI will hire a consultant to develop appropriate packaging and labeling materials. Marketing materials will be purchased and the marketing consultancy will be complete by the end of Project Year 1.
7. Management and selected board members will conduct a study tour to a similarly sized soap manufacturer to inform them on the proper structure of a soap producing enterprise. The study tour will be complete by month three of Project Year 2.

D. Business Plan Development

MJI 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 nine of Project Year 2. The business plan will address the following:

1. analyzing the best organization and staffing structure to operate a sustainable and profitable business. This will involve analyzing MJI's organizational structure;
2. assessing and recommending product lines that MJI can develop based on the relative profitability and feasibility of production of each and provide strategies for penetrating markets for product lines recommended;
3. measuring the benefits to members and recommend ways to expand membership and extend benefits to members;

4. conducting a market analysis of existing and potential product lines, including competitors, and additional markets in Zambia;
5. assessing the current production capacity and determine the levels of manpower, additional training in technical expertise and capital investment needed for production expansion;
6. providing five-year production and profit and loss projections based on current production, costs and sales trends; and
7. conducting 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 MJI 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 MJI to ensure proper reporting, adherence to the project implementation plan by MJI 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 company as part of the on-going performance assessment.

X. Other Implementation Issues

Jatropha seedcake may not be used as animal feed.. The seedcake must be composted before use as fertilizer. The Grantee will research the maximum recommended application rate for composted jatropha seedcake and disseminate this information to farmers interested in buying or using the seedcake as fertilizer.