

## PROJECT DESCRIPTION

## Mwinilunga District Farmers Cooperative Union

## 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**

Mwinilunga District Farmers Cooperative Union (MDFCU) is owned by 54 primary cooperative societies that represent nearly 2,400 small-scale farmers. Of the 2,400 farmers, 1,000 are involved in the growing of pineapples, some of which are sold in Lusaka to large companies such as Fresh Mark, Rivonia and Fresh Pikt. The remaining produce is sold at a large open-air market in Lusaka and on small market stalls on highways.

Studies show there continues to be considerable and growing interest globally in pineapple production, processing and marketing. In addition, the recent opening of a copper mine in the Lumwana area near MDFCU has stimulated the local economy and as a result, local demand for pineapples is expected to increase. However, MDFCU lacks the management and operational capacity necessary to coordinate and support the activities of affiliate members and is currently using inefficient, non-market linked systems and procedures.

**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. Client Contribution**

MDFCU will contribute the labor of its members, the office that it is currently leasing, the salaries of its staff and its existing assets. The value of its contribution is Zambian Kwacha (ZMK) 235,674,051.

**IV. Project Goal**

The goal of this Project is to promote the growth of small scale agricultural enterprises and improve the standard of living of poor farmers in the Northwestern Province of Zambia.

**V. Project Purpose**

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

**VI. Outputs**

By the end of the Project period, MDFCU will achieve the following.

- A. Improved financial management, corporate governance and human resource capacity as demonstrated by:
  - 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 cooperative; and
  - 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 MDFCU's on-going activities.
- B. Improved capacity to compete in the pineapples market as demonstrated by the following:
  - 1. two tons of packaged pineapples sold by the end of Project; and
  - 2. three new buyers of packaged pineapples identified by the end of the Project.

**VII. Activities**

MDFCU will ensure the following major activities are implemented.

- A. Planning Activities
  - 1. MDFCU will hire a qualified marketing consultant who will, with the involvement of the board and management team, develop a comprehensive marketing plan that will link MDFCU's activities to market demand. The marketing plan will include the following:
    - a. a comprehensive analysis of the national, regional and international pineapple market including the market size, effect of middlemen, factors affecting demand, price trends and the characteristics of pineapple customers in Zambia;
    - b. analysis of the demand and growth potential in the local and export market for different pineapple products including unpackaged

pineapples, packaged pineapples and various processed pineapple products and provide recommendations for value addition;

- c. a strategy for negotiating supply contracts and letters of intent with potential customers in the identified target markets; and
  - d. a marketing strategy to enable MDFCU to supply pineapple and pineapple products to the identified markets with scheduled marketing activities.
2. MDFCU will hire a consultant who will, with the involvement of the board and management team, develop a feasibility study as a follow-up to the marketing plan to determine the feasibility and technology options of pineapple processing in Mwinilunga district. The feasibility study will include the following:
    - a. recommendation on the potential location, construction and maintenance costs and technical capacity necessary for a processing facility;
    - b. identification of the technology options available depending on recommendations from the marketing plan for investment in certain processed pineapple products; and
    - c. an analysis of the potential environmental effects of investing in a processing facility.
  3. MDFCU will hire a consultant who will work closely with the board and management team to develop a comprehensive five-year business plan that will guide the growth of MDFCU. The business plan will include the following:
    - a. an analysis of the best organizational and staffing structure for a sustainable enterprise.
    - b. a staff audit to determine MDFCU's optimum staff skills mix and current staff skills gap. Recommend whether restructuring, training, or staff recruitment/termination will be needed to enable MDFCU's sustainable growth.
    - c. a management accounting system to specify how MDFCU should be organized by cost centers, trace costs and revenues by product and determine at what level the Cooperative is sustainable.
    - d. a market research and marketing plan covering all of MDFCU's current product lines. The marketing plan will recommend which markets to target for each product, the appropriate product mix and a marketing and pricing strategy for all products. In addition, the marketing plan will determine whether to organically certify MDFCU's products.

- e. recommendations for best practice methodologies in the production of the product lines recommended for expansion and a comprehensive training plan to increase technical capacity as necessary.
- f. incorporation of results from the marketing plan and the feasibility study for the pineapple product line.
- g. identification and development of appropriate systems for measuring benefits to beneficiaries and recommend a framework for the distribution of profits and income to MDFCU members; and
- h. any additional analysis that will prepare MDFCU for expansion and sustained growth, to be determined during the design process of the business plan and through implementation of this project.

B. Improved Management Capacity Activities

- 1. MDFCU will hire a General Manager with demonstrated business skills who will oversee project activities, provide day-to-day management of the Cooperative and lead the management team.
- 2. MDFCU will provide the management team with the necessary business supplies to perform their duties by equipping the MDFCU office with office equipment and furniture.
- 3. MDFCU will hire a chartered accountant on a short-term contract who will work closely with the MDFCU accountant to develop appropriate financial accounting procedures, policies and systems that will be documented in a financial management manual.
- 4. MDFCU will hire a technical expert who will review existing governance / organizational structures and develop administrative policies, procedures and that will be documented in a governance manual and an administrative manual. The governance manual will focus on principles of good governance and the administrative manual will address matters of personnel policy.
- 5. MDFCU will hire a technical expert who will work closely with the management to develop an operations manual to guide the business, marketing and technical operations of the cooperative.
- 6. Experts will train MDFCU's board and management team in enterprise development and marketing and in good government practices.

C. Marketing Pilot Activities

- 1. MDFCU will purchase pineapples through a crop purchase fund, purchase packaging materials and labels to undertake the marketing of sorted, graded, and packaged pineapples to the local market.

2. MDFCU will strengthen its extension delivery system by purchasing a motorbike and bicycles for suitable transport to visit farm sites and coordinate farmer activity.
3. MDFCU member farmers working in the pilot pineapple production activity will be trained in best practices of pineapple production, sorting, grading and packaging and will be trained in sustainable agriculture and Internal Control Systems in an effort to receive organic certification for its pineapples.

#### VIII. Roles and Responsibilities of the Parties

The staff and management of MDFCU are responsible for the management and the proper implementation of the project. ZATAC, ADF's partner in Zambia, will provide training in the areas of standard ADF bookkeeping, monitoring and assessment. ZATAC will also provide technical assistance and management assistance during implementation.

#### IX. Monitoring and Evaluation

Within sixty days of the effective date of this Agreement, the Grantee, working with ADF's Partner in Zambia, will form a monitoring and assessment committee composed of a representative cross-section of the Client's organization. The committee will work with the Partner to develop the project monitoring plan. In addition, during implementation, the committee will have responsibility for ensuring that the project follows the implementation plan, and that problems identified through the monitoring and evaluation are properly addressed in a timely manner.