PROJECT DESCRIPTION

Naturals.m Capacity Building

Malawi

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

Naturals.m is a partnership based in Blantyre, Malawi, that was established in 2006 as a result of a successful micro-enterprise program. The company organizes rural communities from five villages to harvest baobab fruit and process it into pulp, purchases the pulp from the communities for juice processing, trains the communities in enterprise leadership, and manufactures, packages, markets and distributes the baobab fruit juice. Naturals.m would like to take advantage of unmet demand for baobab juice in Blantyre and Lilongwe. To increase its potential to capture additional market share, Naturals.m needs to improve its management and technical capabilities as well as its financial management systems.

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

Naturals.m will contribute land and labor.

IV. Project Goal

The goal of the Naturals.m grant is to improve the standard of living for farmers in Malawi.

V. Project Purpose

The purpose of the investment is to improve Naturals.m's prospects for sustained expansion as demonstrated by the development of a comprehensive five-year business plan that ADF deems suitable for funding by a donor or other financial institution.

VI. Project Outputs

By the end of the Project period, Naturals.m will achieve the following.

A. Improved technical capacities as demonstrated by the value of raw material purchases from farmers increasing from MWK 973,000/year to at least MWK 4,781,210/year by year two.

B. Improved management and operating systems capacity as demonstrated by:

1. improved business systems and accounting systems are implemented and Naturals.m is certified as compliant with ADF financial and reporting requirements; and
2. management uses financial and accounting reports and audited yearly account reports in its decision making.

VII. Project Activities

Naturals.m will ensure the following major activities are implemented.

A. Improve the management and institutional capability of Naturals.m by:

1. training Naturals.m staff in health and safety practices;
2. preparing a comprehensive business plan;
3. conducting a market study;
4. conducting a production process study; and
5. furnishing the Naturals.m office with additional furniture and IT equipment.

B. Institute improved financial and operating procedures by:

1. hiring an accountant to manage the financial accounting system and handle the finances of the association;
2. developing accounting processes and roles specifically tailored to the operations of Naturals.m and documenting them in a financial manual; and

3. conducting an internal audit to identify and resolve weaknesses in the financial records or systems.

C. Improve baobab fruit and juice production systems by:

1. improving product quality through acquisition and use of baobab juice processing equipment;
2. training Naturals.m staff to operate automated machinery;
3. improving identification of potential buyers through attendance at trade fairs;
4. developing promotional materials;
5. training the communities in group dynamics and association formation;
6. drawing up a supply contract between Naturals.m and the suppliers; and
7. conducting a raw materials study;

VIII. Roles and Responsibilities of the Parties

ADF's Partner in Malawi will provide the standard ADF training in bookkeeping, monitoring and assessment. Naturals.m is responsible for ensuring the proper management and implementation of the Grant. The ADF Partner in Malawi will provide Naturals.m with technical and management assistance during implementation.

IX. Monitoring and Evaluation

Within sixty days of the effective date of this Agreement, the Client, working with the ADF Partner, will form a monitoring and assessment committee composed of a representative cross-section of the Client's organization. The committee will provide the Partner input for 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 monitoring and evaluation are properly addressed in a timely manner.

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