

**APPENDIX A:
Sengani Dairy Development Social Enterprise Pilot**

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 Swaziland Dairy Development Board (SDDB) believes there is substantial room for the country's nascent dairy industry to increase its production, since Swaziland imports significant quantities of milk products from South Africa. Sengani Dairy Association (SDA), as the strongest among dairy farmer associations in the country, is advantageously positioned to exploit the untapped market potential, if it exists. However, SDA does not have essential information to determine demand for locally produced dairy products and the feasibility of overcoming major constraints to increasing production (particularly its members' lack of access to water for livestock). SDA's dairy capabilities are also significantly challenged by ineffective delivery systems and lack of equipment to produce diversified products.

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 3, Section 3.1 of the Agreement.

B. Grantee Contribution

Sengani Dairy Association's primary contributions to the project include: voluntary time inputs for project implementation, existing assets and resources, office space, and the proposed expansion of the existing collection centre to accommodate future growth resulting from the business plan output.

C. Other Contributions

The Swaziland Dairy Development Board (SDDB) will continue to provide technical assistance to the Association in the form of a dedicated extension officer. The financial value of the SDDB's contribution is approximately SZL E3660.00.

IV. Project Goal

The goal of the project is to improve the income derived from the marketing of dairy products for the Sengani Dairy Association members.

V. Project Purpose

The purpose of the Project is to improve SDA's production and marketing capacity as indicated by the following.

- A. The Association will increase its milk and emasi processing and packaging from a baseline of 71,299 liters per year to:

Year 1 : 93, 237 liters
Year 2 : 122,870 liters
- B. The Association's collection center will increase its sales from the current E 341, 315 to:

Year 1 : 468, 652
Year 2 : 700, 552
- C. The Association's collection center will increase its profit from a baseline of E11, 382 to E 102,069 by the end of the pilot project period.

VI. Outputs

The Project will generate the following major outputs to achieve this purpose:

- A. improved production technology and processes in use by Project month 6 as indicated by the production of pasteurized dairy products with longer shelf life; and
- B. improved financial and management systems as indicated by:
 - an efficient dairy product delivery system in use by Project month 4;
 - accounts are computerized by Project month 6;
 - digital record keeping for the Association membership logbook, monthly dairy logbook, and annual financial and dairy summary in use by Project month 6 and maintained thereafter;
 - a comprehensive business and marketing plan for milk products (based on a market survey, sales point analysis, improved animal husbandry, and expanded dairy herd operations) that ADF deems suitable for funding by a donor or financial institution developed by Project month 17; and

- a farmer financing program to increase farmers ability to participate in the project developed.

VII. ACTIVITIES

The following activity components will be completed in order to generate the above outputs.

A. Surveys

1. Water Feasibility Survey. Lack of reliable, permanent supplies of water for individual herds is a major obstacle to increased production by Association members. The Grantee will contract with a qualified vendor to assess the feasibility of and design a plan to supply adequate water to a majority of the members.
2. Market Survey. This survey will help the Grantee determine realistic market goals regarding matters such as urban and rural sales points, appropriate price ranges for products (raw, pasteurized, urban, rural, wholesale), and areas for new product development. The Grantee will contract with a qualified vendor to undertake the survey.

B. Training and Technical Assistance

ADF will provide required training on accounting/reporting and monitoring/evaluation as an in-kind contribution to the Grantee. LULOTE will provide four business training courses and monitoring/evaluation for the business plan development. The SDDDB will provide on-going technical support (including curriculum development for the HIV/AIDS and dairy processing course), a dairy refresher course, and pasteurizing technical assistance. The Grantee will select appropriate members to receive computer literacy and accounting training. In addition, the Grantee will recruit a qualified vendor to provide all Association members HIV/AIDS training, with a focus on dairy processing hygiene.

C. Pilot Operations

The Grantee will undertake pilot milk processing and marketing activities to test the feasibility of diversifying its market to include pasteurized milk products, expanded production, increased competitiveness through improved management and marketing systems, and improved production facilities. LULOTE will assist the Grantee to monitor and evaluate the processing and marketing operations. The Grantee will use results of the monitoring and evaluation (along with results from the water and marketing surveys) as input for the development of a business plan. LULOTE will provide the Grantee technical expertise in support of the planning process and the formulation of the business plan.

VIII. Roles and Responsibilities of the Parties

Sengani Association will elect a Project Development Committee (PDC) from within its membership. The project coordinator will chair the PDC. The PDC will be responsible for project implementation, and it will report back to the membership and the existing Management Committee (MC). The Association will hire an accountant/secretary, who will be added to the MC. The accountant/secretary will prepare all grant financial management and reporting, which will be approved by the PDC and the MC.

Local technical assistance in the form of SII Irrigation Services and REDI will carry out a water survey and market study respectively according to timeframes in the implementation plan.

IX. Monitoring and Evaluation

Within sixty days of the effective date of this Agreement, the Grantee will form a monitoring and evaluation committee composed of a representative cross-section of the Grantee's organization. The committee will provide 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. LULOTE will assist/oversee monitoring and evaluation relating to the development of the business plan output.

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