

**APPENDIX A
PROJECT DESCRIPTION
MOTLHWARE TRUST
SMALL LIVESTOCK MARKETING EDI**

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 main objectives of the Mothlware Trust are to mobilize and organize community members to participate in viable income-generating projects in the areas of livestock production, agribusiness, and indigenous chicken production. Small stock farming of goats and sheep is the community's major economic activity.

However, there is no organized small-stock marketing system in the Letlhakeng sub-district, a situation which also prevails in the rest of the country. Farmers tend to market their small stock as individuals where each farmer has a handful of goats or sheep to sell. In many circumstances, small stock farmers sell their animals when they require cash for specific needs such as school uniforms, weddings, or funerals. This translates into higher costs for the farmers, as well as high transaction costs for the buyer. The overall effect is that fewer sheep and goats reach the market and the farmers lose an opportunity to earn increased income.

III. Funding

A. USADF Contribution

The financial plan for USADF'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 make USADF's contribution to exceed the obligated amount specified in Article 4, section 4.1 of the Agreement.

B. Client Contribution

Mothlware Trust will contribute the time of its management team and farmer members to the Project. The Trust will also provide its office facilities and land for the marketing center.

IV. Project Goal

The goal of the Project is to increase the incomes of small-stock farmers in the Letlhakeng sub-district through the establishment of a sustainable marketing enterprise.

V. Project Purpose

The overall purpose of the Project is to improve the Trust's prospects for sustained expansion as indicated by a comprehensive business plan that USADF deems suitable for funding by a donor or other financial institution.

VI. Project Outputs

The expected outputs from the Enterprise Development Investment are:

- A. A comprehensive business plan that includes at a minimum the following elements:
 - a marketing and distribution strategy that enables the Trust to expand and reach existing and new customers; and
 - projected financial results that support any proposed investment(s) as evidenced by acceptable returns on investment.

- B. A fully functional financial and management system that complies with USADF reporting requirements and is consistent with internationally accepted standards, as indicated by:
 - a full set of internal controls, cash management procedures, inventory and other records in place by year two as demonstrated by accurate and fully reconciled quarterly financial reports and quarterly business financial statements;
 - installation of a new financial accounting system certified as fully compliant with USADF and investor reporting requirements;
 - documented financial management policies and procedures;
 - fully trained bookkeeper in place to utilize the new system; and
 - proficiency in the management of the Motlhwane Trust financial systems as demonstrated by an audit that is free of material findings by the end of year two of the investment.

- C. Increased marketing capacity, as demonstrated by:
 - expanded linkages with butcheries and institutional consumers;
 - an increase in the number of buyers who make repeat orders and purchase an average of 200 goats per month to ten buyers by year two of the project;

- marketing tools defined and utilized to support identification of new buyers;
- sales and marketing officer trained and capable of routinely communicating with customers and implementing a successful marketing and sales plan; and
- enhanced telephone and communications infrastructure utilized to maintain regular contact with buyers.

D. Enhanced operational capabilities, as demonstrated by:

- a human resources organizational plan;
- Motlhwane Trust operating with a sound governance structure that ensures adherence to the regulations as laid out in the Deed of Trust and in its financial procedures manual; and
- a community development plan, which results from the effective mobilization of the community of Letlhakeng using participatory development methods.

E. Enhanced community participation, as indicated by:

- mobilization of at least 400 farmers to participate in small stock sales by 2009 from a baseline of 131 farmers who sold stock to Motlhwane Trust in 2005 and 2006; and
- increased income from small stock sales for households in the Letlhakeng sub-district to at least Pula 500,000 per annum by 2009 from a baseline of Pula 91,825 per annum in 2006.

VII. Major Activities to be Financed under the Agreement

A. Business Plan

A business consulting firm will be engaged to develop a business plan. The business plan will research and determine baseline incomes of participating farmers. It will document and demonstrate the expected social and income improvements at the household level from any future enterprise expansion investment.

B. Marketing Strategy

A marketing consulting company will be engaged to develop a strategic marketing plan, which will include a distribution plan, the identification of specific buyers who make repeat purchases of Motlhwane products, and detailed and measurable demand projections. Appropriate marketing and promotional tools will be developed. The Trust will participate in agricultural and trade fairs. A manager will be trained in marketing and customer service relations skills. The Trust will purchase additional small

stock from local farmers as a pilot effort to expand the Trust members' capacity to supply small stock to the market.

C. Community Mobilization

The Trust will carry out eight workshops for the purpose of mobilizing at least 400 community members as project suppliers. The mobilized community members will fully participate in formulating a community development plan.

D. Operations Capabilities Improvement

The Trust will engage technical advisors to assist it in reviewing and improving its operational and management systems. It will recruit and train a center manager.

E. Accounting and Financial Systems Development

An outside accounting consultant will recruit and train a bookkeeper to maintain proper accounting systems and controls. The accounting system will include all policies, procedures, and records that are required to meet USADF's full financial certification.

VIII. Roles and Responsibilities of the Parties

USADF's Partner in Botswana, AEET, will provide the necessary standard USADF training in bookkeeping, monitoring and assessment. USADF, through its Partner AEET, will provide Motlhware with technical and management assistance during the implementation of the project.

Motlhware Trust is responsible for ensuring the proper management and implementation of the Enterprise Development Investment.

IX. Monitoring and Evaluation

AEET will closely monitor the activities of Motlhware Trust to ensure proper reporting, adherence to the project implementation plan by the Client, and movement towards the achievement of Project objectives. AEET will continuously assess the project risk and take remedial actions as needed. Monitoring by AEET will be an important aspect of the ongoing coaching and advisory service. AEET will review Motlhware Trust's quarterly reports and will submit comments and observations to the management of Motlhware Trust as a part of the annual Project evaluation. The two organizations will jointly design the evaluation process.