

PROJECT DESCRIPTION**Da All Green Sorghum Expansion Project****Nigeria****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

Da All Green Seeds Limited (DAGS) is a limited liability company that produces quality sorghum seeds and supplies them to 2,052 farmers and farmer groups on credit who then sell harvested sorghum back to the company. There is strong market demand for Da All Green's sorghum, primarily from malting companies in the local area. Currently, Da All Green has a limited fund to purchase harvested grains from farmers, participating farmers are using poor production techniques and do not have sufficient access to finance for the purchase of inputs. As a result, Da All Green is unable to meet market demand.

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

Da All Green Seeds Limited will contribute the labor of its members and up to Nigerian Naira (NGN) 3,246,000 to finance salaries, transport costs and banking and communication costs.

IV. Project Goal

The goal of this Project is to improve the standard of living of small-scale sorghum farmers in the northern Nigerian State of Kaduna.

ADF  DAGS _____

V. Project Purpose

The purpose of the Project is to increase the income of Da All Green Seeds enterprise, the salaries of its employees and incomes of its out-grower farmers. The verifiable indicators to monitor achievement of this purpose are as follows.

- A. DAGS's annual net income (before depreciation and taxes) will change from a baseline of Nigerian Naira (NGN) 6,749,256 to the following:
 1. NGN 11,783,833 in Project Year I;
 2. NGN 26,546,795 in Project Year II;
 3. NGN 32,135,661 in Project Year III;
 4. NGN 40,582,221 in Project Year IV; and
 5. NGN 50,935,958 in Project Year V.

- B. The value of annual salaries paid to employees of DAGS will change from a baseline of NGN 2,148,000 to the following:
 1. NGN 2,256,000 in Project Year I;
 2. NGN 2,515,561 in Project Year II;
 3. NGN 3,243,284 in Project Year III;
 4. NGN 3,627,936 in Project Year IV; and
 5. NGN 4,058,238 in Project Year V.

- C. Annual out-grower farmers' income from the sale of sorghum to DAGS will change from a baseline of NGN 54,036,000 to the following:
 1. NGN 56,760,000 in Project Year I;
 2. NGN 96,200,000 in Project Year II;
 3. NGN 134,510,000 in Project Year III;
 4. NGN 180,558,000 in Project Year IV; and
 5. NGN 235,634,000 in Project Year V;

- D. DAGS' out-grower farmers will each receive an equal share of 25 percent of annual net income (after depreciation and taxes). This will change from a baseline of NGN zero to the following:
 1. NGN 1,959,033 in Project Year I;
 2. NGN 4,542,552 in Project Year II;
 3. NGN 5,555,132 in Project Year III;
 4. NGN 7,055,873 in Project Year IV; and
 5. NGN 8,095,277 in Project Year V.

VI. Outputs

A major output of the Project is the increased capacity of DAGS to produce and sell sorghum seeds and grains. These are evidenced by increased production volumes of sorghum grains and seeds and increased gross revenues as follows.

- A. DAGS's production volume of sorghum grains will increase from a baseline of 1,200 metric tons to the following:
 1. 1,320 MT in Project Year I;
 2. 2,000 MT in Project Year II;
 3. 2,500 MT in Project Year III;
 4. 3,000 MT in Project Year IV; and
 5. 3,500 MT in Project Year V.

- B. DAGS's production volume of sorghum seeds will increase from a baseline of 20 metric tons to the following:
 1. 25 MT in Project Year I;
 2. 30 MT in Project Year II;
 3. 35 MT in Project Year III;
 4. 40 MT in Project Year IV; and
 5. 45 MT in Project Year V.

- C. DAGS's gross annual revenues will increase from a baseline of NGN 68,400,000 to the following:
 1. NGN 78,240,000 in Project Year I;
 2. NGN 131,546,960 in Project Year II;
 3. NGN 183,560,320 in Project Year III;
 4. NGN 246,061,400 in Project Year IV; and
 5. NGN 320,805,100 in Project Year V.

VII. Activities

- A. Production Improvement Activities
 1. DAGS will expand the production of improved sorghum seeds for sale to participating farmers. DAGS produces quality seeds, tests them on its own farm and sells the seeds on credit to farmers and farmer groups who are affiliated to the company at a subsidized price. The use of improved seed, such as fara-fara/ex-Kano and ICSV400 will allow farmers to increase productivity on their individual farms.

2. DAGS will expand its extension services offered to participating farmers by hiring an additional three extension officers in Project Year 1 and an additional two extension officers in Project Year 3 for a total of five additional extension officers. Extension services, which are composed of training in best farming practices and practical demonstrations on the individual farms, will continue to be offered free to farmers.
3. DAGS will provide farmers with access to credit through a revolving loan fund so farmers can purchase inputs and chemicals needed in the production process. Farmers will then repay the loan during harvest season. DAGS will begin implementing the revolving loan fund during the first planting season of Project Year 1, estimated to be July.
4. DAGS will increase its capacity to buy back sorghum from out-grower farmers at harvest. DAGS will also clean, re-bag and process sorghum purchased from out-grower farmers. Funds to purchase harvested sorghum will be used beginning during the first harvest season of Project Year 1, estimated to be October.

B. Management and Accounting Improvement Activities

1. DAGS will transition from a manual financial and accounting system to a computerized system by purchasing a computer, printer and accessories and equipping the computer with accounting software. The DAGS accountant will be trained on the use of the accounting software. DAGS will be operating a computerized accounting system by month six of Project Year 1.
2. DAGS extension workers will be trained in agronomic and extension services, focusing on new and improved sorghum production and processing techniques. Training will enable the extension workers to provide more effective services to farmers. Extension services training will be complete by month seven of Project Year 1.
3. DAGS staff and management will be trained in business management to ensure proper and responsive management of the Project. Business management training will be complete by month six of Project Year 1.
4. DAGS staff and management will receive training in monitoring and evaluation to help them monitor and evaluate progress of the Project. Training will be complete by month nine of Project Year 1.

C. Marketing Improvement Activities

DAGS will enhance its marketing efforts in order to expand its customer base by producing radio advertisements and printing handbills for distribution. DAGS will also develop a website to further advertise its services. Radio ads and handbills will be used by the end of Project Year 1 and a website will be developed by month three of Project Year 2. DAGS will monitor its new customer relationships resulting from these marketing efforts.

D. Farmer Groups Capacity Building Activities

1. Farmer groups working with DAGS will receive training in best practices regarding the proper management of cooperatives. The goal of the training will be to build the capacity of the leaders of the groups so they can give proper policy direction and leadership to their groups. This training will be completed by month nine of Project Year 1.
2. Organizational development training will be held to train leaders of the participating farmer cooperatives. The training will assist members in developing strategies and methods necessary to achieve cooperative goals. This training will be completed by the end of Project Year 1.
3. Business and entrepreneurship training will be held to train leaders of the participating farmer cooperatives. This training will assist members in identifying and exploiting business opportunities. This training will be completed by the end of Project Year 1.
4. Representatives of the cooperative's board of directors will participate in board of trustees training to help them understand their roles and effectively provide oversight functions. This training will be completed by month three of Project Year 2.
5. Group dynamics training will be held with participating farmers groups to help encourage a healthy working relationship among members of the various cooperatives. This training will be completed by month three of Project Year 2.
6. A consultant will be hired to develop a comprehensive model policies and procedures manual which the various farmer cooperatives working with DAGS can adapt for their use. The

manual will be complete by month six of Project Year 2 and farmer groups will have adopted the manual three months thereafter.

7. Representatives of the farmer cooperatives working with DAGS will undertake study tours to well-established cooperatives to gain an understanding of the management of a cooperative. Study tours will be completed by the end of Project Year 2.

VIII. Roles and Responsibilities of the Parties

The staff and management of Da All Green Seeds Limited are responsible for the management and the proper implementation of the Project. Diamond Development Initiatives (DDI), ADF's Partner in Nigeria, will provide training in the areas of standard ADF bookkeeping, monitoring and assessment. DDI will also provide technical assistance and management assistance during implementation.

IX. Monitoring and Evaluation

ADF's Partner in Nigeria will closely monitor the activities of DAGS to ensure proper reporting, adherence to the Project implementation plan by the organization and movement towards the achievement of Project objectives. The Partner will continuously assess risks and take remedial actions 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 DAGS as part of the on-going performance assessment.