

PROJECT DESCRIPTION**Danhassan Rice Production and Processing 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

Danhassan Fadama Farmer Cooperative Society (DFFCS), located in Kano State Nigeria, is owned by its 100 members. The Cooperative's members cultivate rice on individual plots and collectively on a 30 hectare farm. Nigeria consumes more rice than it is able to produce, leading to high demand for domestically grown rice. DFFCS would like to take advantage of the market opportunity but is hampered by weak governance and financial management capacity and by its reliance on outdated and ineffective agricultural farming processing methods.

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

DFFCS will contribute up to NGN 637,500 in the form of labor of its members for clearing land, and administering fertilizer, herbicides, and pesticides.

IV. Project Goal

The goal of this project is to improve the standard of living of low-income rice producers in Kano State, Nigeria.

V. Project Purpose

The purpose of the project is to improve DFFCS' prospects for sustained expansion as evidenced 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**A. Improved Management Capacity**

1. An active board of trustees meets quarterly to assess management implementation progress and address implementation constraints necessary to achieve organizational goals; and
2. the board convenes the Annual General Meeting (AGM) in accordance with its Constitution and to update members on DFFCS' on-going activities.

B. Improved Financial Management:

1. DFFCS produces financial statements that include monthly income, balance sheet and cash flow statements, consolidated quarterly and annual statements, adequate financial controls, accounting procedures, policies and systems that meet international audit standards; and
2. the Executive Council and management team routinely use 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.

C. Improved operational capacity as evidenced by DFFCS success in obtaining letters of intent to purchase rice from two major wholesalers or retail outlets.**VII. Activities****A. Management and Accounting Improvement Activities**

1. DFFCS will hire an experienced accountant to manage its finances. The accountant will work with a financial systems consultant to establish a manual of procedures that establishes internal controls and documents accounting policies by the end of month six of the Project. The accountant will oversee the Cooperative's financial systems and will advise the Executive Council and Board on the financial status of the organization. A member of the Cooperative will work closely with the accountant in order to acquire the skills to take over the position at the end of the Project.
2. DFFCS will hire a general/business manager by month four of the Project. The general/business manager will run the day to day operations of the project, based on a business development strategy that she or he creates. The general/business manager will create and implement a marketing strategy for DFFCS and establish linkages with major buyers in both local and regional markets.

3. DFFCS will recruit a management consultant who will collaborate with members of DFFCS and the Executive Council to establish a manual of management systems and procedures. He or she will also assist the general/business manager in the creation and execution of the marketing strategy, and will generally assist the Executive Council to identify and solve project implementation problems. The management consultant will identify qualified organizations or consultants to provide training in monitoring and evaluation, organizational development, entrepreneurship, and group dynamics conducted during the Project. The consultant will be engaged for a period of about ten months, to start by the end of month four of the Project.
4. A technical assistance consultant will train DFFCS members, the Board of Trustees, and the Executive Council in monitoring and evaluation techniques. The training will be conducted by the end of month five of the Project, and a follow-up training session will occur before the end of the Project.
5. A technical assistance consultant will train DFFCS members, the Board of Trustees, and the Executive Council in group dynamics by month five of the Project. The training will focus on integrating the new members of the Cooperative society and encouraging teamwork for all working on the Project.
6. A technical assistance consultant will train the Board of Trustees and the Executive council to assist them in understanding their roles within the organization. The training will establish appropriate operational procedures and systems in the organization.
7. The general/business manager and a technical assistance consultant, in cooperation with the Executive Council and the Board, will develop a comprehensive five-year business plan detailing opportunities for further expansion and sustained profitability. The business plan will:
 - a. determine the most cost-effective ways of production and marketing of the Cooperative's products and services;
 - b. project the returns on investment;
 - c. document lessons learned from year one of the Project, particularly in the implementation of industry best practices;
 - d. explore options for expanding membership of the Cooperative and / or providing benefits to non-members;
 - e. develop indicators that track benefits to beneficiaries, such as income and rice production on individual plots;
 - f. develop a business strategy for marketing of the cooperative's products and services;
 - g. explore options for additional income generation activities for Cooperative;
 - h. provide an assessment of current market trends and an analysis of related risks; and
 - i. include any other additional analysis that will prepare the Cooperative for expansion and sustained growth, to be determined

during the design process of the business plan and through implementation of this Project.

B. Production Improvement Activities

1. DFFCS will hire a consultant to conduct a training session for all members at the beginning of the cropping season in modern agronomic practices. The training session will present land preparation and weed control practices and promote the use of drought resistant high-yielding seeds and environmentally sound herbicides.
2. DFFCS will recruit an agronomy consultant by month 11 of the Project. The agronomist will provide on-going support to members in the adoption of techniques taught at the training session. The agronomist will also conduct soil analysis, recommend fertilizer use, and advise members on conservation and sustainable use practices. The agronomist will provide extension services to members' individual farms, as well as the shared Cooperative farm, for the entire cropping season.
3. DFFCS members will use modern techniques, taught by the agronomy consultant, to clear and plough the cooperative's 30 hectare farm. They will apply environmentally-sound herbicides and pesticides using knapsap sprayers provided through the Project.
4. DFFCS will hire a consultant by the end of month four to supervise activities at the cooperative's processing and milling facility. The consultant will train members in modern rice processing, including the use of equipment, quality control, and the implementation of environmentally-friendly modern rice processing and milling activities at the facility. She or he will also be responsible for ensuring the proper disposal of production byproducts and adherence to HACCP and industry best practices.
5. Members of DFFCS will embark on a study tour of another rice processing company. The management team will choose the company to visit based on similarities in size and strategy to DFFCS.
6. Representatives from DFFCS will attend a lessons learned workshop, where similar ADF-funded cooperatives will share their challenges and successes.

C. Marketing Improvement Activities

1. The general/business manager, with the aid of the management consultant, will develop marketing and sales strategy to focus on marketing the cooperative's high quality milled table rice at the local and regional markets.
2. DFFCS will hire a consultant to train management and members in business and entrepreneurship. The training will emphasize skills in identifying and penetrating markets and business opportunities.

3. The Cooperative will display its products for buyers and market its processing facilities to rice growers at trade fairs and agricultural shows.

VIII. Roles and Responsibilities of the Parties

The staff and management of DFFCS 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 DFFCS to ensure proper reporting, adherence to the project implementation plan by the Cooperative 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 DFFCS as part of the on-going performance assessment.