

PROJECT DESCRIPTION
Sabon Sarki Boda Ginger 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

Sabon Sarki Boda Market Ginger Farmers' Cooperative Society (SSGFCS) is a farmer-owned ginger growing and processing cooperative society located in Sabon Sarki, Boda, Kaduna State, which is in the north of Nigeria. The Cooperative members produce the ginger, undertake rudimentary value-added activities individually and give their output to the Cooperative for sale. The Cooperative sells its ginger at the local market to middlemen and agents that sort, dry and grade the ginger for sale to large ginger exporter companies.

There is a rapidly expanding regional market for good quality ginger. The Cooperative's location in the heart of the largest ginger growing area of Nigeria and close proximity to a fast-expanding regional ginger market present SSGFCS with a business opportunity to increase output yield, improve quality and sell directly to large ginger exporters. However, SSGFCS is currently constrained by weak, outdated ginger production methods, a lack of agricultural inputs and machinery and weak management, marketing and financial accounting skills.

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 4, Section 4.1 of the Agreement.

B. Grantee Contribution

SSGFCS will contribute the farmer members' labor, inputs for the demonstration farm, a crop purchase fund and up to Nigerian Naira (NGN) 3,105,000 to help finance operating costs of the production facility.

IV. Project Goal

The goal of this project is to promote the growth of small scale agricultural enterprises and improve the standard of living of poor farmers in the northern Nigeria state of Kaduna.

V. Project Purpose

The purpose of the project is to improve SSGFCS's prospects for sustained expansion as indicated 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 ginger production methods as evidenced by:

an increase of fresh ginger yields from a current baseline average of seven metric tons per half hectare to eight metric tons per half hectare by the end of the Project.

B. Improved product quality as evidenced by:

1. a decrease in extraneous and foreign matter in dried ginger from a current baseline of 10 percent to 5 percent by Project Year 2; and
2. a decrease in the water content of dried ginger from a current baseline of 17 – 18 percent to 14 percent by Project Year 2.

C. Improved management capacity as evidenced by the following.

1. A functioning and active Board of Directors meets quarterly to assess management implementation progress and address implementation constraints impeding operational efficiency and progress. It also convenes the Annual General Meeting (AGM) in accord with its constitution to update members on SSGFCS's on-going activities.
2. SSGFCS uses improved marketing skills to assist farmer members to sell dried ginger processed at the processing plant by having in place two one year contracts with non-local buyers and two contracts with large local buyers.

D. Improved Business Skills

The management team consistently utilizes 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.

VII. Activities

A. Production Improvement

1. The Cooperative will establish a 2.5 hectare demonstration farm on which it will train farmers in the use of modern agricultural inputs and equipment to improve crop yields and quality.

2. The Cooperative will establish a small pilot processing facility with the necessary equipment where fresh ginger from the demonstration farm will be sorted, graded, cleaned, dried, split and bagged for sale.
3. An agricultural extension services manager will be recruited and will train the farmers in best practices of ginger production at the demonstration farm, the processing facility and on the members' own farms.
4. The Cooperative will rent a small storage facility to store the Cooperative's sorted, graded, and unsorted ginger.

B. Management and Accounting Improvement.

1. A general business manager will be recruited and have overall management responsibility for the Cooperative's operations. The general business manager will mentor the current in-house management on business management during the Project.
2. The general business manager, with the help of senior managers and an outside consultant 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 cost of production per hectare;
 - (b) project the returns on investment;
 - (c) document lessons learned from year one of this Project, particularly in the implementation of agricultural best practices and techniques;
 - (d) explore options for expanding membership of the Cooperative and providing benefits to non-members;
 - (e) develop indicators that track benefits to beneficiaries;
 - (f) explore options for additional income generation activities for Cooperative;
 - (g) evaluate the commercial viability of exporting ginger;
 - (h) explore the possibility of going into organic farming;
 - (i) provide an assessment of current market trends as well an analysis of related risks;
 - (j) provide an assessment of the current in-house management team's ability to manage the business and financial aspects of the Cooperative on its own; and

- (k) any other analyses 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.
3. A newly recruited accountant will establish and operate the Cooperative's financial systems and advise the management and board on the financial status of the organization. The accountant will mentor the current in-house management on in sound financial systems and procedures.
 4. Technical experts will train SSGFCS members, the Board of Trustees and the management team in accounting and financial business principles, group dynamics, and business management.
 5. A technical expert will work with the management team and will develop a comprehensive set of organizational policies and procedures, an internal controls manual, and an accounting procedures manual.
- B. Marketing Improvement
1. The general business development manager and a consultant will develop a market and sales strategy that will focus on eliminating the need for intermediaries between SSGFCS and major domestic buyers and retailers of ginger.
 2. The Cooperative will purchase and package dried ginger in branded bags to distinguish the Cooperative from other ginger sellers on the market.

VIII. Roles and Responsibilities of the Parties

The staff and management of SSGFCS 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 SSGFCS 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 SSGFCS as part of the on-going performance assessment.

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