

## PROJECT DESCRIPTION

### Arewa Cassava 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

Arewa Multipurpose Cooperative Society (AMCS) is a cooperative society composed of 48 members, 28 of whom are women. The center of the Cooperative's value-adding activities is in Rafin Kimba, Kagarko Local Government Area of Kaduna State in the north of Nigeria. The business of this Cooperative encompasses the production, processing and sale of cassava and its derivatives including *garri*, planting material, animal feed ingredient and industrial starch. There is a huge, unmet international and local demand for cassava and *garri*. AMCS wishes to take advantage of this market opportunity but is constrained by poor technology. The AMCS's farmer members currently employ inefficient, ineffective and inappropriate technologies, and lack infrastructure and capital resources to take advantage of the market opportunity.

#### 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. Client Contribution

AMCS will contribute the members' existing farmland for cassava production; finance the salaries of the marketing staff and salaries of the production staff after month six of Project Year 1. In addition, the Cooperative will contribute Nigerian Naira (NGN) 4,900,000 to help finance the implementation of Project activities.

#### IV. Project Goal

The goal of this Project is to improve the standard of living of small-scale farmers in the northern Nigeria state of Kaduna.

## V. Project Purpose

The purpose of the Project is to increase the income of AMCS, the salaries of its employees and incomes of its farmer members. The verifiable indicators to monitor achievement of this purpose are as follows.

- A. AMCS's annual net income (before depreciation and taxes) will change from a baseline of Nigerian Naira (NGN) 1,287,755 to the following:
  1. NGN -6,705,600 in Project Year I;
  2. NGN 1,869,980 in Project Year II;
  3. NGN 5,917,087 in Project Year III;
  4. NGN 11,875,634 in Project Year IV; and
  5. NGN 12,710,883 in Project Year V.
  
- B. The value of annual salaries paid to employees of AMCS will change from a baseline of NGN 0 to the following:
  1. NGN 3,960,000 in Project Year I;
  2. NGN 4,264,920 in Project Year II;
  3. NGN 4,593,318 in Project Year III;
  4. NGN 4,947,004 in Project Year IV; and
  5. NGN 5,327,924 in Project Year V.
  
- C. The Project also aims to increase the gross annual income of member farmers working in cassava production. This will be accomplished by first paying member farmers for the cassava they contribute to the Cooperative. Second, AMCS members will receive an equal share of 20 percent of annual net profits. The verifiable indicators are as follows.
  1. Annual farmer members' gross income from sales of raw cassava to the Cooperative will change from a baseline of NGN 3,036,380 to the following:
    - a. NGN 4,250,930 in Project Year I;
    - b. NGN 6,199,500 in Project Year II;
    - c. NGN 6,819,450 in Project Year III;
    - d. NGN 7,344,547 in Project Year IV; and
    - e. NGN 7,910,078 in Project Year V.
  
  2. Annually distributed profits to member farmers will be implemented beginning in Project Year I. The annual amounts are:
    - a. zero in Project Year I;
    - b. NGN 62,902 in Project Year II;
    - c. NGN 872,323 in Project Year III;
    - d. NGN 2,064,033 in Project Year IV; and
    - e. NGN 2,231,082 in Project Year V.

## VI. Outputs

A major output of the Project is the increased capacity of AMCS to produce and sell the cassava derived products garri, animal feed and starch as evidenced by increased production volumes and increased gross revenues as follows.

- A. AMCS production volumes of garri, animal feed and starch will increase from a baseline of 80 metric tons of garri, 65 MT of animal feed and 20.2 MT of starch to the following:
  1. 125 MT of garri, 60 MT of feed and 60 MT of starch in Project Year I;
  2. 262 MT of garri, 150 MT of feed and 150 MT of starch liters in Project Year II;
  3. 393 MT of garri, 190 MT of feed and 190 MT of starch in Project Year III;
  4. 524 MT of garri, 260 MT of feed and 260 MT of starch in Project Year IV; and
  5. 524 MT of garri, 260 MT of feed and 260 MT of starch in Project Year V.
  
- B. AMCS's gross annual revenues will increase from a baseline of NGN 4,680,774 to the following:
  1. NGN 7,392,000 in Project Year I;
  2. NGN 17,748,960 in Project Year II;
  3. NGN 27,049,451 in Project Year III;
  4. NGN 39,176,480 in Project Year IV; and
  5. NGN 42,192,788 in Project Year V.
  
- C. Strengthened fiscal and social responsibility as demonstrated by AMCS's compliance with the Re-Investment Commitment Schedule set forth in Appendix A-2 to this Agreement.

## VII. Activities

The following activities will enable AMCS to increase production and sales revenues of the cassava derived products garri, animal feed and starch. They are categorized according to production, marketing and management activities.

### A. Production Improvement

AMCS will construct a processing building and warehouse to be operational by month nine of Project year one. The facility will be used to process cassava and store cassava derived products with the capacity to process 10 metric tons of cassava per day. AMCS will procure, install and test the new mechanized machines and equipment to ensure that the mechanized processing line is fully functional and running smoothly by month nine of Project year one. The new mechanized processing equipment will enable the Cooperative to process first class garri. AMCS management will hire twenty technical workers who will be trained in the use of the new processing equipment and machinery by the installers and vendors of the equipment. This training will take place at the processing facility by month nine of project year one. In addition, AMCS will

establish a laboratory at the processing facility to perform quality control and testing of its products with the objective of gaining certification from the National Foods and Drugs Administration and Control (NAFDAC) by month nine of project year one.

B. Marketing Improvement

AMCS will purchase and utilize branded polyethylene bags for water-proofing and quality maintenance of garri. The Cooperative's unique logo and inscriptions will be on the bags at the time of final packaging of garri by the end of project year one. AMCS will hire a salesperson to undertake regular market surveys to gauge consumer preferences and maintain market linkages with existing buyers purchasing in bulk by the end of Project year one.

C. Management Improvement

To enable AMCS to achieve its strategic management objectives, the Cooperative will hire a consultant to train the management, staff and the executive committee in business management techniques such as group dynamics and organizational development by the end of project year one. AMCS will hire a consultant to train the executive committee in best practices of cooperative management. To help AMCS meet ADF's reporting standards, five staff members of the cooperative will also undergo training on ADF's accounting systems and reporting requirements.

### VIII. Roles and Responsibilities of the Parties

The staff and management of AMCS 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

Within sixty days of the effective date of this Agreement, AMCS, working with the ADF Partner, will form a monitoring and assessment committee composed of a representative cross-section of AMCS. The committee will provide the Partner 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.

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