

PROJECT DESCRIPTION

Mando Almumamud Groundnut Oil 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

Mando Almumamud Oil Mill Multipurpose Cooperative Society (MAOMCS) is a cooperative society located in the outskirts of Kaduna, northern Nigeria. MAOMCS processes groundnut into two derivatives (groundnut oil and groundnut cake) and a by-product (sludge). The cooperative is currently made up of 30 members.

An important business opportunity exists, if MAOMCS is able to expand its operations and take advantage of the large groundnut market in Nigeria. This market prefers which prefers locally grown groundnut products. At present, MAOMCS is constrained by a number of factors including insufficient facilities for expansion, lack of working capital, and inadequate machinery and electricity supply. In order to grow and expand, MAOMCS must increase its current production capacity by refurbishing its equipment, purchasing additional equipment and training its production staff.

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

MAOMCS will contribute the salaries of the factory manager and administrative assistant throughout the life of the Project in addition to the salaries of production staff, accountant and laboratory technician after Project Year 1. In addition, the MAOMCS will contribute up to Nigerian Naira (NGN) 1,261,107 for marketing and promotion costs.

ADF



MAOMCS



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IV. Project Goal

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

V. Project Purpose

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

- A. MAOMCS's annual net income (before depreciation and taxes) will change from a baseline of Nigerian Naira (NGN) 218,562 to:
1. NGN (1,182,200) in Project Year I;
 2. NGN 1,886,053 in Project Year II;
 3. NGN 4,397,491 in Project Year III;
 4. NGN 6,089,263 in Project Year IV; and
 5. NGN 8,183,392 in Project Year V.
- B. The value of annual salaries paid to employees of MAOMCS will change from a baseline of NGN 3,620,200 to:
1. NGN 4,020,000 in Project Year I;
 2. NGN 4,413,960 in Project Year II;
 3. NGN 4,846,528 in Project Year III;
 4. NGN 5,321,488 in Project Year IV; and
 5. NGN 5,842,994 in Project Year V.
- C. The Project also aims to increase the gross annual income of member farmers and other farmers working in groundnut production. This will be accomplished by paying farmers for the groundnut they supply to the cooperative.

Annual farmers' gross income from sales of groundnut to the cooperative will change from a baseline of NGN 1,100,000 to the following:

1. NGN 2,200,000 in Project Year I;
2. NGN 2,415,600 in Project Year II;
3. NGN 2,652,329 in Project Year III;
4. NGN 2,912,257 in Project Year IV; and
5. NGN 3,197,658 in Project Year V.

VI. Outputs

A major output of the Project is the increased capacity of MAOMCS to produce and sell the groundnut derivatives of groundnut oil, groundnut cake and sludge as evidenced by increased product volumes and increased gross revenues as follows:

- A. MAOMCS' production volume of groundnut oil, groundnut cake and sludge will increase from a baseline of 24,960 liters, 28.4 metric tons (mt) and 1.4 metric tons (mt) respectively to:
1. 33,300 liters, 38 mt of groundnut cake and 1.9 mt of sludge respectively in Project Year I;
 2. 39,900 liters, 45 mt of groundnut cake and 2.2 mt of sludge respectively in Project Year II;
 3. 47,900 liters, 54.7 mt of groundnut cake and 2.7 mt of sludge respectively in Project Year III;
 4. 52,700 liters, 60 mt of groundnut cake and 3 mt of sludge respectively in Project Year IV; and
 5. 58,000 liters, 66 mt of groundnut cake and 3.3 mt of sludge respectively in Project Year V.
- B. MAOMCS' gross annual revenues from the sale of its groundnut products will increase from a baseline of NGN 8,200,841 to:
1. NGN 10,953,500 in Project Year I;
 2. NGN 14,413,842 in Project Year II;
 3. NGN 19,007,120 in Project Year III;
 4. NGN 22,944,927 in Project Year IV; and
 5. NGN 27,683,057 in Project Year V.

VII. Activities

The following activities will enable MAOMCS to increase production and sales revenues of its groundnut derivatives. They are categorized according to production, Technical assistance and training activities and management activities:

A. Production Improvement

MAOMCS will purchase additional raw material, with which MAOMCS will expand its production of groundnut oil and groundnut cake products for sale. In addition, MAOMCS will acquire, install and begin operating new processing equipment in Project Year 1 to increase the current production capacity.

B. Technical Assistance and Training Activities

MAOMCS staff will receive training on food safety and overall operational safety. MAOMCS 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), which will allow the cooperative to sell branded products thus increasing its customer base and overall sales.

C. Management

MAOMCS will hire an accountant to guide the Cooperative's move toward expanded operations. In addition, the accountant will manage the transition from the current paper-based financial management system in place to a computerized financial management system. MAOMCS will also purchase and install accounting software for this purpose.

MAOMCS will hire a laboratory/food technician to operate the testing of groundnut products and manage the Cooperative's goal of achieving NAFDAC certification.

D. Marketing

MAOMCS will improve its marketing capabilities by developing and hosting a website to improve its outreach. MAOMCS will receive technical assistance training in marketing to develop a branding, promotion and advertising campaign. MAOMCS will attend various regional trade fairs by hosting a stand.

VIII. Roles and Responsibilities of the Parties

The staff and management of Mando Almamud Groundnut Oil Cooperative Society 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 MAOMCS 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 MAOMCS as part of the on-going performance assessment.



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