

PROJECT DESCRIPTION

Headway Rice Processing and Milling 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

Headway Multipurpose Cooperative Society (HMCS) is a Cooperative wholly owned by a group of 38 small-scale low-income rice producers located at Afaka village in Igabi Local Government Area of Kaduna State, in the northern part of Nigeria. HMCS members produce and process rice individually as well as collectively at HMCS 30 hectare farm. This rice is then sold by the Cooperative as paddy and milled table rice.

There is increasing local demand for rice in Nigeria and HMCS hopes to increase production and take advantage of this large and growing market. Before increasing production, the Cooperative must first overcome several obstacles, such as inadequate working capital, outdated processing equipment, insufficient knowledge of modern production techniques and limited business and financial management skills.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

HMCS will contribute the labor of its members and up to Nigerian Naira (NGN) 450,000 to finance purchase of raw materials and part of operating costs at the processing and milling facility.

ADF



HMCS



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IV. Project Goal

The goal of this Project is to improve the standard of living of poor rice producers in the northern Nigerian State of Kaduna.

V. Project Purpose

The purpose of the Project is to improve HMCS's 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 as evidenced by the following:

1. The management team routinely 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.
2. A functioning and active board of directors meets quarterly to assess management implementation progress and addresses implementation constraints necessary to move the organization forward. The board convenes the Annual General Meeting (AGM) in accord with its constitution to update members on HMCS's on-going activities.
3. Production of financial statements from the financial and accounting system that include monthly income, balance sheet and cash flow statements, consolidated quarterly and annual statements, adequate financial controls, accounting procedures, policies and systems that will be capable of being audited by an independent accounting or audit firm.

B. Improved Technical Capacity as evidenced by the following:

1. Quality of the HMCS milled table rice from a baseline of 100 percent broken to 70 percent broken.
2. HMCS establishes letters of intent with two major wholesalers or retail outlets.

ADF



HMCS



VII. Activities**A. Production Improvement Activities**

1. The Cooperative will purchase and use high-yielding improved rice varieties, such as FARO 44, WITA 4, CISDANE and NERICA.
2. The Cooperative will establish a rice processing and milling facility. The Cooperative will also purchase and install all of the rice processing equipment that will be used at the milling facility. Members will provide their labor at the facility.
3. Technical Assistance Providers will train HMCS members, members of Board of Trustees and the management team in improved rice production and agronomic practices, use of modern technology in rice processing and milling, proper disposal of effluents from the facility, HACCP and environmentally-friendly and industry best practices.
4. A production and processing supervisor will be recruited to supervise activities at the Cooperative's processing and milling facility. He will also train members in standard and quality control, environmentally-friendly and industry best practices in modern rice processing and milling activities at the facility. Current Executive Council members will act as understudies to the production and processing supervisor to build their own management capabilities.
5. An agronomist will be recruited and will be responsible for ensuring that the Cooperative and its members adopt the use of modern agronomic practices that enhance productivity while reducing production costs. The agronomist will also provide extension services on the HMCS 30 hectare lowland farm, the 60 hectare upland farm and to HMCS members at their individual farms.

B. Management and Accounting Improvement Activities

1. A general and business manager will be recruited and have overall management responsibility for the Cooperative's operations. Current Executive Council members will act as understudies to the general and business manager to build their own management capabilities.
2. The general and business manager, with the help of the other members of the management team and the management consultant will develop a comprehensive 5-year business plan detailing opportunities for further expansion and sustained profitability. The business plan will include the following:

- 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 this 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;
 - f. develop a business strategy for marketing of the cooperative's products and services;
 - g. explore options for additional income generation activities for the Cooperative;
 - h. provide an assessment of current market trends as well an analysis of related risks; and
 - i. 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.
3. An Accountant will be recruited and will establish and operate the Cooperative's financial systems and will advise the management and Board on the financial status of the organization. Current Executive Council members will act as understudies to the accountant to build their own management capabilities.
 4. A Consultant will work closely with the accountant and Executive Council understudies to develop appropriate financial accounting procedures, policies and systems that will be documented in a financial systems manual. The Consultant will develop the financial skills of the accountant and understudies and provide training in financial principles to members of the management team, Executive Council and Board of Trustees.
 5. Technical Assistance Providers will train HMCS members, the Board of Trustees, and the management team in business principles, monitoring and evaluation techniques, group dynamics, organizational development, and business entrepreneurship.

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6. A Technical Assistance Provider will work with the management team to develop a comprehensive set of organizational policies and procedures and a manual of internal controls.

C. Marketing Improvement Activities

The General Manager, with the aid of the management consultant, will develop a market and sales strategy that will focus on marketing of cooperative's quality milled table rice at the local and other regional. This strategy will target major wholesalers and retail outlets in Kaduna and neighboring states. The strategy will also focus on marketing the processing and milling services to be offered by the cooperative to other rice producers and processors in the State.

VIII. Roles and Responsibilities of the Parties

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

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