

**PROJECT DESCRIPTION****Ouidah Capacity Building Project****Benin****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**

L'Union Communale des Producteurs d'Ouidah ("UCP Ouidah" or "Union") was established in 1995 with the purpose of promoting profitable horticulture farming among its members. The Union has successfully managed the provision of credit and technical assistance to its 226 member farmers on a limited scale. There is a rising market demand in Ouidah and nearby cities for fresh vegetables. Union member farmers would like to take advantage of this lucrative market opportunity but are constrained by lack of access to horticultural training, agricultural credit, inadequate irrigation systems, and inputs needed to finance expanded production.

**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**

The Union will contribute a venue where training sessions will be conducted and labor for rehabilitation of the warehouse.

**IV. Project Goal**

The goal of the Project is to improve the standard of living of smallholder horticulture farmers in Ouidah, Benin.

## V. Project Purpose

The purpose of the Project is to improve UCP Ouidah's prospects for sustained expansion of services to its members as indicated by the development of a comprehensive three-year plan that ADF deems suitable for funding by a donor or other financial institutions.

## VI. Outputs

The achievement of the Project purpose will result from the following outputs:

- A. The Union's financial management capabilities are improved, as demonstrated by the following.
  - 1. The Union produces financial statements and documents that include monthly income and expenses, balance sheet and cash flow statements, consolidated quarterly and annual statements, and establishes an effective cash management system with adequate financial controls, accounting procedures, policies, and systems.
  - 2. The management team routinely utilizes management and financial reports produced such as performance reports, budget expenditures, profit and loss statements, cash flow statements, and balance sheets in making financial and management decisions.
- B. Revenues for thirty UCP Ouidah members benefiting from improved irrigation systems will change from a baseline of CFA 19,500,000 to CFA 19,500,000 in Year 1 and CFA 78,000,000 in Year 2 of the Project.

## VII. Activities

### A. Warehouse Rehabilitation

The Union will hire a qualified contractor to rehabilitate its storage warehouse, so that is able to properly store and conserve the quality of its seeds, pesticides, and fertilizers. UCP Ouidah members will provide unskilled labor when needed during construction.

### B. Training

The Union will hire experts to conduct a series of training sessions designed to improve the professionalism of members' farming activities. The sessions will cover the following topics:

- 1. Production techniques for high-value crops including tomatoes, peppers, onions, watermelons, cabbage, lettuce, and carrots. Topics will include shading, crop rotation, fertilizer and safe pesticide use, use of organic fertilizer, and awareness of prohibited pesticides.
- 2. Marketing for agricultural products, including market identification, negotiation, and contracts. This will also include collaboration among

- members to identify and meet market opportunities for quantities of vegetables larger than can be supplied by any one member at a particular point in time.
3. Basic accounting and financial forecasting.

The above training will be provided to "relay farmers" organized in groups of ten who will in turn train the other members of the Union, with the assistance of the training consultants. The horticultural technician, with members of the Union Board of Directors, will assess changes in members' technical and marketing practices at the end of each production season, or at least three times per year.

The members of the Board of Directors and the Project management staff will receive training in financial and operations management; internal financial controls; ADF procedures; and the management and recovery of equipment credit.

#### C. Exchange Visits

The Union will organize exchange visits with other vegetable producers during the Project, including visits by up to 200 Union members with other farmer organizations in and around Ouidah to exchange experiences with irrigation systems, production techniques, and other aspects of horticulture farming.

#### D. Technical Assistance

The Union will hire an accountant or accounting firm to assist with the preparation of financial reports and the establishment of a financial management system that meets the standards for ADF financial certification. The consultant will also prepare a manual of financial and administrative procedures that will be adopted and followed by the Union.

The Union will recruit an agricultural technician specializing in horticulture farming to assist the Union and the "relay farmers" with management and monitoring of Project activities. The Union will also hire an irrigation specialist to assist with the assessment and design of members' expansion needs and plans for their irrigation systems. The horticultural technician, with input from the irrigation specialist, BRS representatives, and the other technical assistants, will assist the Union to prepare a follow-on three-year plan to expand members' access to the irrigation equipment loan facility and increase its own service capabilities to its members.

The Union will hire a qualified consultant to assist with the design and installation of irrigation equipment.

#### E. Production Equipment and Loan Guarantee Fund

UCP Ouidah will assist selected members to access loans to buy irrigation equipment and infrastructure on a pilot basis with a local development bank, the Banque Régionale de Solidarité (BRS). ADF will provide UCP Ouidah with up to CFA 10 million to set up a bank account to guarantee loans for members that it recommends to the BRS for financing. The Union and BRS will enter into an agreement for the loan guarantee fund that BRS will provide loans of twice the amount of the deposit provided by the Union to those recommended members that meet the BRS' own

underwriting criteria at interest rates not to exceed ten percent per annum. The guarantee fund will serve to cover one hundred percent of any defaults in payments by Union members up to the maximum amount of the deposit. Average loan size will be approximately CFA 700,000, with a maximum individual loan size of CFA 1,000,000. Additional loans will be made to other members as repayments of principal from the initial loans are received by the bank.

UCP Ouidah will intensively monitor the productivity gains achieved by the first thirty farmers receiving loans for irrigation equipment to assess the effectiveness of the investments.

ADF will finance the establishment of an agricultural input fund that the Union will use to purchase fertilizers and pesticides that meet ADF environmental criteria to be sold on a cash basis through the Union's input store. At the end of the repayment period for the first round of irrigation loans, UCP Ouidah, BRS, and ADF will assess the performance of the loans to determine whether to continue the program and if so, what level of deposit may be required of the Union to provide additional members with access to the BRS facility. If the Union decides not to continue with the BRS loan guarantee fund, the unused funds will be used by the Union to increase its agricultural input fund or to make another capital investment that is approved by ADF. Upon expiration of the Grant, any unused funds in the loan guarantee fund will be used either to continue the BRS loan guarantee fund or to increase the Union's agricultural input fund after full repayment of all loans outstanding granted through the loan guarantee fund.

### **VIII. Roles and Responsibilities of the Parties**

The Union has primary responsibility for ensuring that the Project's activities are properly implemented. Within the organization, the Board of Directors will be the highest decision making body, subject to review by the General Assembly. Day to day management of Project activities will be carried out by the Management Committee. ADF's staff and/or Partner in Benin will provide technical support and guidance.

### **IX. Monitoring and Evaluation**

Within sixty days of the effective date of this Agreement, the Grantee, working with ADF Benin, will form a monitoring and assessment committee composed of a representative cross-section of the Grantee organization. The committee will provide ADF with input for the Project monitoring plan. In addition, during implementation the committee will be responsible for ensuring that the Project follows the implementation plan and that problems identified through monitoring and evaluation are adequately addressed in a timely manner.