

PROJECT DESCRIPTION

Kukula Women Rice Capacity Development Project

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

Kukula Women Multipurpose Cooperative Society ("KWMCS," "the Cooperative") is wholly owned by thirty small-scale low-income rice farmers in the Tafawa Balewa Local Government Area of Bauchi State in northern Nigeria. Members of KWMCS produce and process rice individually on small plots and collectively on the Cooperative-owned plot. Demand for rice in Nigeria has risen steadily over the past forty years, but rice producers have been unable to meet domestic demand, forcing the country to rely on rice imports. While KWMCS wants to increase production to capitalize on domestic demand, it is hindered by outdated production and processing techniques, inadequate management, financial, and marketing systems, and lack of access to working capital.

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

KWMCS will fully finance the lease on the land to be used for the Project and will partially finance operating costs at the processing and milling facility; it will also contribute the labor of its members.

IV. Project Goal

The goal of this Project is to improve the standard of living of low-income rice producers in the northern Nigerian State of Bauchi.

V. Project Purpose

The purpose of the Project is to improve KWMCS'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 KWMCS's functioning and active Board of Directors that meets quarterly to assess management implementation progress and addresses implementation constraints that must be overcome to move the organization forward. In addition, the Board convenes the Annual General Meeting (AGM) in accordance with its constitution to update members on KWMCS's ongoing activities.
- B. Improved financial capacity as evidenced by:
 - 1. KWMCS produces financial statements from its financial and accounting systems 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; and
 - 2. KWMCS 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.
- C. Improved technical capacity as evidenced by:
 - 1. the quality of KWMCS's milled table rice improves through use of its modern rice processing and milling facility from a baseline of 100 percent broken to 75 percent broken; and
 - 2. KWMCS receives at least one letter of intent to purchase rice from two major wholesalers or retail outlets.

VII. Activities

- A. Financial and Management Improvement Activities
 - 1. A general business manager will be hired by month six of Project year one. S/he will have overall management responsibility for the Cooperative's operations.
 - 2. An accountant will be hired by month six of Project year one. S/he will establish and operate the Cooperative's financial systems and will advise the Board and management team on the financial status of the organization.

APPENDIX A

3. A management consultant will work with the management team to develop a comprehensive set of organizational policies and procedures, a manual of internal controls, and a manual of accounting procedures. The management consultant will be hired by month six of Project year one. The manuals will be developed by month twelve of Project year one.
4. A financial systems consultant will be hired by month eight of Project year one. S/he will train KWMCS members and the management team in accounting and financial business principles.
5. Technical assistance providers will train KWMCS members, the Board, and the management team in monitoring and evaluation techniques, group dynamics, organizational development, and business entrepreneurship. Training will be completed by month twelve of Project year one.
6. By month six of Project year one, the general business manager, with the help of the management consultant and the management team, will develop a comprehensive five-year business plan. The business plan will detail opportunities for further expansion and sustained profitability. Specifically, the business plan will:
 - (a) determine the most cost-effective ways to produce and market the Cooperative's products and services;
 - (b) project the returns on KWMCS's investments;
 - (c) document lessons learned from Project year one, 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 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 as an analysis of related risks;
 - (i) address the issue of rice husk disposal; and
 - (j) provide any other additional analysis that will prepare the Cooperative for expansion and sustained growth, to be determined during the design of the business plan and through implementation of the Project.

APPENDIX A

B. Production and Marketing Improvement Activities

1. A production and processing supervisor will be hired by month eight of Project year one. S/he will supervise activities at the Cooperative's processing and milling facility. Specifically, the production and processing supervisor will lead the Cooperative in employing measures to reduce production costs, enhance labor productivity, and ensure quality control of its end products.
2. Technical assistance providers will train KWMCS members, the Board, 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, environmentally-friendly practices, and/or industry best practices. Training will be completed by month twelve of Project year one.
3. An agronomist will be hired by month twelve of Project year one. S/he will be responsible for ensuring that the Cooperative adopts modern agronomic practices to enhance productivity while reducing production costs. S/he will provide extension services to the Cooperative to improve productivity on members' individual plots and on the Cooperative-owned plot.
4. KWMCS will establish a rice processing and milling facility with a production capacity of two tons of milled rice per day. The facility will be established by month one of Project year two.
5. KWMCS will establish a revolving loan scheme by month one of Project year two. Members of the Cooperative will benefit from this loan scheme by obtaining individual loans to enable them to purchase necessary inputs for use on their individual farms.
6. The general manager, with the aid of the management consultant, will develop a strategy to market and sell the Cooperative's milled table rice at local and regional markets. The strategy will also focus on marketing KWMCS's processing and milling services to other rice producers and processors in Bauchi State. This strategy may target major wholesalers and retail outlets in neighboring states. The strategy document will be developed by month three of Project year two.

VIII. Roles and Responsibilities of the Parties

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