PROJECT DESCRIPTION

Kachia All Farmers Cooperative Union Capacity Building 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

Kachia All Farmers Cooperative Union ("KAFCU," "the Cooperative") is an umbrella organization comprised of seventeen separate cooperatives in Anguwan Fada village in the Kachia Local Government Area of Kaduna State. The membership of KAFCU includes over one hundred low-income, small-scale rice producers who cultivate rice on individual plots and collectively on the Cooperative's farm. KAFCU processes members' rice for sale as seed and milled table rice. Throughout Nigeria there exists a shortage of rice, leading the country to rely on imports to satisfy its demand. While KAFCU wants to increase production to capitalize on domestic demand, it is hindered by outdated production and processing techniques, and inadequate management, financial, and marketing systems.

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

KAFCU will contribute the labor of its members and funding to finance the lease of land.

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 Kaduna.

V. Project Purpose

The purpose of the Project is to improve KAFCU'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:

1. KAFCU's Board of Trustees meets quarterly to assess management progress and address implementation constraints necessary to move the organization forward; and

2. KAFCU's Board of Trustees convenes the Annual General Meeting to update members on KAFCU's on-going activities.

B. Improved financial management capacity as evidenced by:

1. KAFCU produces financial statements that include monthly income, balance sheet and cash flow statements, consolidated quarterly and annual statements, adequate financial controls, accounting procedures, policies, and systems that meet international audit standards; and

2. the Executive Council routinely utilizes financial statements 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 KAFCU's milled table rice improves through use of modern agricultural techniques and use of its modern rice processing and milling facility from a baseline of 100 percent broken to 70 percent broken; and

2. KAFCU receives two letters of intent to purchase rice from two wholesalers or retail outlets.

VII. Activities

A. Management and Accounting Improvement Activities

1. KAFCU will recruit a general business manager by month six of Project year one. The general business manager will have overall management responsibility for the Cooperative's operations. A member of the Cooperative will work closely with the general business manager in order to acquire the skills to take over the position at the end of the Project.

2. KAFCU will hire an accountant by month six of Project year one. The accountant will operate the Cooperative's financial systems and advise the Board of Trustees and Executive Council on the financial status of the organization. A member of the Cooperative will work closely with the accountant in order to acquire the skills to take over the position at the end of the Project.

3. KAFCU will engage a technical assistance provider to work with the accountant by month six of Project year one. The accountant and technical assistance provider will train KAFCU's members, Board of Trustees, and Executive Council on financial procedures by month eight of Project year one. The training will result in a manual of procedures that establishes internal controls and documents accounting policies by month eight of Project year one, with the intent to receive ADF financial certification by the end of the Project.

4. KAFCU will engage a financial systems consultant by month six of Project year one. The consultant will establish IT-based financial and internal control systems for the Cooperative. The consultant will train KAFCU's members, Board of Trustees, and Executive Council on maintenance of financial records and bookkeeping, and ensure that the Executive Council routinely utilizes financial documents produced during the Project.

5. KAFCU will engage a management consultant by month six of Project year one. The consultant will collaborate with KAFCU's members, Board of Trustees, and Executive Council to establish a manual of management systems and procedures related to personnel, procurement, and training.

6. KAFCU will hire a technical assistance provider to train KAFCU's members, Board of Trustees, and Executive Council in monitoring and evaluation techniques. The training will be conducted by month six of Project year one, and a follow-up training session will occur before the end of the Project.

7. KAFCU will hire a technical assistance provider to train KAFCU's members, Board of Trustees, and Executive Council in group dynamics. The training will focus on encouraging a healthy relationship among those working on the Project. The training will be conducted by month six of Project year one.

8. KAFCU will hire a technical assistance provider to train KAFCU's members, Board of Trustees, and Executive Council on business skills and entrepreneurship. The training session will focus on identifying business opportunities, the importance of planning, and strategies for managing a rice production enterprise. The training will be completed by month six of Project Year One.

9. KAFCU will hire a technical assistance provider to train KAFCU's members, Board of Trustees, and Executive Council on organizational development. The training will result in a clearly articulated vision and mission for the Cooperative and help ensure that all members understand the Cooperative's objectives. The training will be completed by month six of Project Year One.

10. KAFCU will hire a technical assistance provider to train KAFCU's Board of Trustees and Executive Council in governance. The training will focus on defining specific roles for members of the board of Trustees and Executive Council, and good governance practices. The training will be conducted by month six of Project year one.

11. The general business manager, with the help of the Executive Council and management consultant, will develop a comprehensive five-year business plan detailing opportunities for further expansion and sustained profitability. The plan will:

    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 the 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 members, such as income and rice production on individual plots;

    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. include 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.

B. Production Improvement Activities

1. KAFCU will hire a technical assistance provider to train KAFCU's members, Board of Trustees, and Executive Council in modern rice production techniques. The training will focus on the proper use of equipment and industry best practices, including hazard analysis and critical control points. The training will be conducted by month eight of Project year one.

2. KAFCU will engage a production and processing supervisor by month ten of Project year one. The supervisor will ensure that KAFCU's members, Board of Trustees, and Executive Council put into practice the training they receive in modern rice production techniques. A member of the Cooperative will work closely with the production and processing supervisor in order to acquire the skills to take over the position at the end of the Project.

3. KAFCU will hire a technical assistance provider to train KAFCU's members, Board of Trustees, and Executive Council in modern agronomic practices. The Agronomist will provide technical assistance related to land preparation, weed control, and rice cultivation. The training will be conducted by month eight of Project year one.

4. KAFCU will recruit an agronomist by month ten of Project year one. The agronomist will ensure that KAFCU's members, Board of Trustees, and Executive Council put into practice the training they receive in modern agronomic practices. The agronomist will provide extension services on KAFCU members' individual farms, as well as on the Cooperative's shared farm.

5. Members of KAFCU will embark on a study tour of another, similar rice processing and milling facility. The study tour will take place by month eight of Project year one.

6. Members of KAFCU will attend a lessons learned workshop, where similar ADF-funded cooperatives will share their challenges and successes. The workshop will take place by month eight of Project year one.

7. KAFCU will establish a rice processing and milling facility by month one of Project year two. The facility will use standard rice processing and milling machinery and equipment capable of reducing the percentage of foreign bodies and breakages in processed rice.

8. KAFCU will purchase rice paddy from KAFCU members and other farmers in the surrounding communities for processing and milling into polished rice. The processed rice will be sold in local markets and will be marketed to wholesalers and regional outlets. Rice paddy will be purchased by month two of Project year two.

C. Marketing Improvement Activities

1. The general business manager and management consultant will develop a marketing and sales strategy by month ten of Project year one. The strategy will be twofold, first focusing on marketing the Cooperative's quality milled table rice at the local and regional levels, and second on promoting the Cooperative's processing and milling services to other rice farmers.

2. The Cooperative will display its final products for sale and market its processing and milling services to rice growers at trade fairs and agricultural shows by month four of Project year two.

VIII. Roles and Responsibilities of the Parties

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