

APPENDIX A

Project Description

Agbangnizoun Maize Warrantage 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

According to the National Poverty Reduction Strategy in Benin, 85 percent of the inhabitants of Agbangnizoun Commune live below the monetary poverty level, where the collapse of cotton production has left a legacy of acute food insecurity and severe soil erosion. L'Union Communale des Producteurs d'Agbangnizoun (UCP-A) was founded in 1996 to promote the development of profitable agricultural production through provision of production inputs, marketing services, and technical assistance. Since its restructuring in 2007, UCPA has successfully implemented a program to diversify and intensify maize and soybean production in the area that has resulted in expanded production as alternate sources of cash as well as food for their households. Corn is a staple food crop in southern Benin. However, corn yields in Agbangnizoun are low due to limited access to fertilizer and lack of familiarity with best practices in corn production. The farmers of Agbangnizoun are unable to produce enough corn to satisfy local market demand, and corn prices remain out of reach for local households during much of the year. In addition, the Union's member farmers currently earn far less than they could from maize cultivation, as their need for cash at harvest time obliges them to sell when prices are low. A few months later, these farmers and other members of the community often have to buy maize at the higher prices, often on credit, to meet their own consumption needs.

UCP Agbangnizoun has worked for years to supply its farmers with seed corn and fertilizer, but lacks the capital needed to purchase these inputs in sufficient quantities to substantially boost the production of its members. As a result, most members depend on informal lenders to obtain production inputs that they are obliged to reimburse at unfavorable market prices at harvest time. High borrowing costs also make members reticent to adopt more input intensive production methods needed to improve the yields on their crops. UCPA would like to help progressive members increase their production and store enough of it to ensure that vulnerable members of the community can purchase maize at preferential prices during the lean season, but it currently does not have the necessary storage facilities or capital to enable its members to do so.

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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. UCP-A's Contribution

The Union will contribute land for construction of the warehouse.

IV. Project Goal

The goal of the Project is to improve the food security of farmers and other community members in Agbangnizoun Commune, Benin.

V. Project Purpose

The purpose of the Project is to sustainably increase the amount of maize available for sale by UCP-Agbangnizoun at affordable prices to members of the community from zero to:

- A. 120 tons in Year 1;
- B. 180 tons in Year 2;
- C. 240 tons in Year 3;
- D. 300 tons in Year 4; and
- E. 360 tons in Year 5.

VI. Outputs

- A. The amount of maize produced by participating farmers increases from a baseline of 60 tons to:
 - 1. 240 tons in Year 1;
 - 2. 360 tons in Year 2;
 - 3. 480 tons in Year 3;
 - 4. 600 tons in Year 4; and
 - 5. 720 tons in Year 5.

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B. The value at time of sale of the stored maize as compared with the value when placed in storage increases by the following amounts:

1. CFA 6,000,000 in Year 1;
2. CFA 9,000,000 in Year 2;
3. CFA 12,000,000 in Year 3;
4. CFA 15,000,000 in Year 4; and
5. CFA 18,000,000 in Year 5.

C. Participating member farmers increase from a baseline of zero to:

1. 40 in Year 1;
2. 60 in Year 2;
3. 80 in Year 3;
4. 100 in Year 4; and
5. 120 in Year 5.

VII. ACTIVITIES

The Union will establish a production input and warrantage (inventory credit) program to provide members with the opportunity to increase their production and store a portion of their maize at harvest time until prices rise, using the stored crops as collateral for loans from a local savings and loan institution to address farmers' immediate cash needs. Stored maize will be made available to community members at discounted prices during periods of high market prices to improve overall food availability and affordability for vulnerable community members.

A. Warehouse Construction

The Union will hire a qualified contractor to construct a fenced warehouse storage complex capable of storing at least 600 tons of maize, with two offices, bathrooms, and meeting facilities, and a security post so that it is able to properly store and preserve the quality of the grain. The Union will hire a construction specialist to assist them with preparation of competitive bidding documents and supervision of construction.

B. Training and Technical Assistance

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

1. ADF procedures. This session will provide representatives of UCPA, technical personnel, and personnel from the savings and

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- loan institution with basic requirements for management and administration of the ADF grant.
2. Technical training. A Training of Trainers (TOT) session will provide technical trainers working with UCPA and UCPA officers with technical skills and knowledge for production, harvest, drying, storage, monitoring, packaging, and grading of maize. These trainers will then provide advice to farmers selected to participate in the production and warrantage program to ensure that their produce meets all necessary quality control standards. The technical trainers will organize training sessions with all participating farmers to provide the farmers with information on the production and warrantage program, conditions for participation, and technical requirements for improved grain production and storage.
 3. Financial, accounting, and internal controls management training. Members of the Board of Directors, audit committee, the accounting secretary, manager, monitoring specialist and relay trainers will receive training on accounting, financial administration, and internal controls. The consultant will also update the Union's written financial and administrative procedures to reflect any changes in their procedures and policies.
 4. Adult literacy training. UCPA will hire an adult literacy trainer to provide numeracy and literacy training in Fon to the forty participating producers over a one year period to enable them to participate effectively in monitoring and documenting the activities of the Project.
 5. Exchange visit. The Union will organize an exchange visit by the forty producers, trainers, and Union officials and employees with the warrantage program in Zogbodome.

C. Production and Warrantage

1. UCPA will assist selected members to access production and maize storage loans from a local development bank. A deposit will be provided with grant funds equal to one third of the loan amount provided by the bank for production credit to forty Union members during the first year of the Project. Additional loans that are secured by maize stored at the UCPA headquarters will be available to producers at harvest time. Farmers who register for the program will deliver maize with a value based on the prevailing market price in the Zogbodome market equal to 1.25 times the loan amount that they receive.
2. UCPA will sell the maize in storage on behalf of the producers to community members at a discounted price when maize prices reach a threshold price agreed upon in advance, or at any time

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during the final month of the loan period to ensure that community members have access to maize at affordable prices.

3. During the first year of the Project, UCPA will use ADF funds to set up a bank account to guarantee loans for members that it recommends to the bank for financing. The Union and the bank will enter into an agreement that the bank will provide total loans of three times the amount of the deposit provided by the Union to those recommended members that meet the bank's own underwriting criteria at interest rates of one percent per month for up to ten months.
4. UCPA will hire a storage specialist to monitor the grain on at least a weekly basis during the storage period to ensure that it is adequately protected against insects, moisture, mold, rodents, or other factors affecting grain quality.
5. At the end of the repayment period for each round of production and warrantage loans, UCPA, the bank, and ADF will assess the performance of the program 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 bank facility. If the Union decides not to continue with the bank loan guarantee fund, the unused funds will be used by the Union to establish an agricultural input and marketing fund that meets ADF approval, make another capital investment that is approved by ADF, or return the funds to the Foundation. Upon expiration of the Grant, any unused funds in the loan guarantee fund will be used either to continue the bank loan guarantee fund or to increase the Union's agricultural input and marketing 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 Partner staff in Benin will provide technical support and guidance.

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IX. Monitoring and Evaluation

Within sixty days of the effective date of this Agreement, the Grantee, working with ADF Benin Partner staff, will form a monitoring and assessment committee composed of a representative cross-section of the Grantee organization. The committee will provide the Partner 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.

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- C. Participating member farmers increase from a baseline of zero to:
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 - 2. 60 in Year 2;
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 - 5. 120 in Year 5.

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