

PROJECT DESCRIPTION**Kachia Bright Future Maize 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 Bright Future Multipurpose Cooperative Society (KBFMCS) is owned by a group of small-scale low-income maize producers located at Kutaho village in Kagarko Local Government Area of Kaduna State in northern Nigeria. The Cooperative's members cultivate maize on individual plots and collectively on a farm. KBFMCS processes members' maize for sale as maize flour, offal, and bran. There is a large unmet demand for maize flour in Kaduna State and neighboring states. However, KBFMCS has been unable to seize this market opportunity due to weak management capacity, weak financial and management and accounting structures, weak technical production capacity, and inefficient production equipment.

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

KBFMCS will contribute the labor of its members and funding to finance processing and milling operations and the lease of land.

IV. Project Goal

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

V. Project Purpose

The purpose of the Project is to improve KBFMCS' 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 governance as evidenced by:
 - 1. the Cooperative's board of directors meets quarterly to assess management progress and address implementation constraints necessary to move the organization forward; and
 - 2. the Cooperative convenes the Annual General Meeting (AGM) in accordance with its Constitution to update members on KBFMCS' on-going activities.
- B. Improved financial management capacity as evidenced by:
 - 1. KBFMCS produces financial statements such as monthly income, balance sheet and cash flow statements, consolidated quarterly and annual statements, and implements standard financial controls, accounting procedures, policies, and systems that are able to be audited; and
 - 2. the Cooperative's 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.
- C. Improved technical capacity as evidenced by KBFMCS' receipt of at least two letters of intent to purchase maize flour from two major wholesalers or retail outlets.

VII. Activities**A. Management and Accounting Improvement Activities**

1. KBFMCS will hire an experienced accountant by month six of Project year one to manage its finances. The accountant will operate the Cooperative's financial systems and will advise the management and board 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.
2. KBFMCS 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.
3. KBFMCS will engage a technical assistance provider to train the accountant and general business manager in the use of accounting software to produce financial reports. The training will be completed by month eight of Project year one.
4. KBFMCS will recruit a financial systems consultant by month eight of Project year one to work with the organization for a ten month period. Specifically, the consultant will train KBFMCS members, the Board of Trustees, and the Executive Council on the use of financial procedures. The training will result in a manual of procedures that establishes internal controls and documents accounting policies with the intent to receive ADF financial certification by the end of the Project.
5. The financial systems consultant will also provide continued advisory and expert support to the Cooperative during the ten month period. He/she would be charged with ensuring the establishment and correct implementation of appropriate electronic based financial and internal control systems. He/she would be expected to continually train members of staff on proper maintenance of financial records and bookkeeping on a periodic, as needed basis.
6. A technical assistance consultant will train KBFMCS' members, the Board of Trustees, and the Executive Council in monitoring and evaluation techniques. The training will be conducted by the

end of month seven Project year one, and a follow-up training session will occur before the end of the Project.

7. A technical assistance provider will train KBFMCS' members, the Board of Trustees, and the Executive Council in group dynamics by the end of month seven of Project year one. The training will focus on encouraging a healthy working relationship among everyone working on the Project.
8. KBFMCS' Executive Council and members will attend a training workshop on business skills and entrepreneurship. The training session will focus on identifying business opportunities, the importance of planning, and strategies for managing a maize production enterprise. The training will be completed by the end of month eight of Project year one.
9. KBFMCS' Board of Trustees, executive council and members will attend a training session on organizational development. The training will focus on team building, management techniques, and goal setting. The training will result in a clearly articulated vision and mission for the Cooperative and help ensure that all members understand Cooperative objectives. The training will be completed by month eight of Project year one.
10. KBFMCS will engage a technical assistance provider to train KBFMCS's Board of Trustees and the Executive Council in governance. The training will build the capacity of the Board of Trustees and the Executive Council to provide direction to the Cooperative and to ensure responsible management of the Project. The training will be completed by month eight of Project year one.
11. KBFMCS will engage a technical assistance provider to collaborate with KBFMCS' members, Board of Trustees, and Executive Council to establish a manual of policies and procedures for the Cooperative. The manual will be developed by month ten of Project year one.
12. KBFMCS will recruit a management consultant who will collaborate with members of KBFMCS and the management team to implement appropriate management systems. He or she will also assist the Cooperative to develop and implement a business outreach and marketing strategy (as further described under section VII.C.1 below). The consultant will be engaged for a period of about ten months, to start by the end of month eight of Project year one.

13. The general business manager, with the help of the executives of the Cooperative and the management consultant, will develop a comprehensive five-year business plan detailing opportunities for further expansion and sustained profitability. The business 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 maize 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 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. KBFMCS will recruit an agronomist by month eleven of Project year one. The agronomist will provide technical assistance related to modern agronomic practices. The agronomist will help members choose high-yielding seeds and environmentally sound herbicides. He or she will also advise members on land preparation, weed control, and maize cultivation practices. The agronomist will provide extension services to members' individual farms, as well as the Cooperative's shared farm.

2. KBFMCS will engage a technical assistance provider to train KBFMCS members in the subject of agronomic techniques of raw material production. This training will instruct cooperative members about the variety of maize to plant, type of herbicides and pesticides to use, the right time to harvest and how to store the harvested maize properly before processing. This training will also build the capacity of the Cooperative in areas of quality control, Hazard Analysis and Critical Control Points, and environmental awareness. The training will be completed by month nine of Project year one.
3. A technical assistance provider will train KBFMCS members in the subject of value-added processing best practices. The Cooperative members will be trained on modern maize processing. That is the processes involved in transforming maize into maize flour and other by-products. Training will be completed by month nine of Project year one.
4. KBFMCS will recruit a production and processing supervisor to oversee activities at the cooperative's processing facility by month ten of Project year one. The supervisor will ensure members put into practice the technical training received. 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.
5. KBFMCS will establish a maize processing and milling facility. The facility will use standard maize processing and milling machinery and equipment capable of reducing the percentage of foreign bodies and stones. This activity will be carried out by the end of Project year one.
5. KBFMCS will purchase maize from members and other farmers in the surrounding communities for processing and milling into maize flour. This activity will be carried out by the end of Project year one.
6. Members of KBFMCS will embark on a study tour of another maize processing company. The management team will choose the company to visit based on similarities in size and strategy to KBFMCS. The study tour will occur before the end of Project year one.
7. In Project year two, representatives from KBFMCS will attend a lessons learned workshop, where similar ADF-funded cooperatives

will share their challenges and successes. The workshop will occur by month one of Project year two.

C. Marketing Improvement Activities

1. The general manager, with the aid of the management consultant, will develop a marketing and sales strategy by month six of Project year two. First, it will explore the opportunity to market the Cooperative's maize flour at the local and other regional markets. Second, the strategy will promote the processing and milling services to be offered by the cooperative to other maize producers and processors.
2. The Cooperative will display its products for buyers and market its processing facilities to maize growers at trade fairs and agricultural shows by month six of Project year two.

VIII. Roles and Responsibilities of the Parties

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