

PROJECT DESCRIPTION**Zakpota Food Security 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

Zakpota Commune is one of the three poorest in Benin and suffers from high rates of food insecurity, migration, and the highest levels of child trafficking in the country, according to statistics from the Children's Ministry. The Kpondéhou Women's Group of Zakpota, whose name means "set an example" in the Fon language, is composed of 56 women who engage in income-generating activities that also contribute to local food security, including storage and sale of corn and peanuts. The women earn less than two dollars a day from these activities, as they have not been able to access the investment capital needed to acquire large stocks of corn and peanuts or storage facilities needed to house large quantities of these staples. Without these resources, the women cannot purchase reserves of corn and peanuts at harvest time when prices are low to store for resale when prices rise later in the year. They also lack the storage facilities and technical assistance needed to sustainably expand the scope of their business.

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 Group will contribute a plot of land measuring 1500 square meters for the construction of a warehouse, and labor as necessary for successful execution of the Project activities.

IV. Project Goal

The goal of this Project is to improve the food security of low-income households in the Zakpota Commune of Benin.

V. Project Purpose

The purpose of the Project is to improve the Kpondéhou Women's Group of Zakpota's prospects for increased income and growth through the development of a sustainable business plan.

VI. Outputs

- A. Improved financial management capacity of Kpondéhou Women's Group of Zakpota as evidenced by the following.
 - 1. The Group produces quarterly and annual income and expense statements, and demonstrates adequate financial controls, accounting procedures, policies, and systems that can be audited by an independent accounting or audit firm.
 - 2. The Group's management team routinely uses financial documents such as quarterly bank reconciliation, budget expenditures, and income and expense statements produced during the Project to make financial and management decisions for the organization.
- B. Improved operating and marketing capacity of Kpondéhou Women's Group as evidenced by the following.
 - 1. The quantity of corn stored and sold by the Group increases from a baseline of 11,700 kg in the year before the Project to:
 - a. 19,500 kg in Year 1; and
 - b. 27,300 kg in Year 2.
 - 2. The quantity of peanuts stored and sold by the group increases from a baseline of 5,916 kg in the year before the Project to:
 - a. 6,500 kg in Year 1; and
 - b. 8,800 kg in Year 2.
 - 3. The price paid by group and community members for corn is discounted by at least ten percent as compared with the price of corn in Zakpota market.

4. The on-time repayment rate of loans guaranteed by the Group to BRS bank remains at or above 98 percent throughout the Project.
5. Net operating income from the crop storage activities is positive in Year 2 and thereafter.

VII. Activities

A. Warehouse Construction

The Group will hire a qualified contractor to construct a fenced warehouse facility with warehouse building measuring 10 meters by 7 meters by 5 meters for the storage of maize and peanuts. The facility will include latrines and an office for the Group. The Group will hire a construction specialist to assist in preparation of competitive bidding documents and supervision of construction.

B. Grain Storage and Marketing

1. The Group will access loans from a local development bank for the purchase of corn and peanut stocks. A deposit will be provided with grant funds equal to one third of the loan amount provided by the bank, which will serve to cover one hundred percent of any defaults in payments by the Group up to the maximum amount of the deposit.
2. The Group will sell the corn in storage to community members at a discounted price when market prices reach a threshold price agreed upon in advance, or at any time during the final month of the loan period to ensure that community members have access to corn at affordable prices. The amount of corn that can be purchased by each person may be limited to ensure that it is intended for consumption rather than resale.
3. The Group will purchase peanuts at harvest when prices are lowest, and resell to Group members and community residents when market prices reach a threshold price agreed upon in advance, or at any time during the final month of the loan period. The Group will set peanut purchase and sales prices at levels that ensure sufficient income to cover the overall operating costs of the storage and marketing activity, including loan interest. The Group will purchase two manual peanut shellers, which will be used to add value by shelling stored peanuts at the time of sale.
4. At the end of the repayment period for each round of storage loans, the Group, 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 Group to acquire additional stocks of corn and peanuts. If the Group decides not to continue with the bank loan

guarantee fund, the Group will use the guarantee fund to 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 make another capital investment that is approved by ADF, after full repayment of all loans outstanding granted through the loan guarantee fund.

C. Training and Technical Assistance

1. The Group will hire a qualified project manager to ensure accounting and reporting of Project funds and to coordinate execution of the Project. The project manager will also train the group's treasurer and other members to ensure the continuity of appropriate financial management by the group after the Project period has ended. Finally, the project manager will assist the group to develop a sustainable business plan suitable for financing by ADF or another financial institution.
2. The Group will hire a storage specialist to monitor the corn and peanuts at least twice per month during the storage period to ensure that it is adequately protected against insects, moisture, mold, rodents, or other factors affecting its quality.
3. The Group will hire specialized consultants to conduct a series of training sessions designed to improve the professionalism of members' crop storage activities. The sessions will cover the following topics.
 - a. ADF procedures. This session will familiarize members of the Group and technical personnel with basic requirements for management and administration of the ADF grant.
 - b. Financial, accounting, and internal controls management training. Members of the Board of Directors and Audit Committee and technical staff will receive training on accounting, financial administration, and internal controls.
 - c. Storage and conservation of corn and peanuts. The Group will recruit a consultant to train 24 members in best practices for drying, storage, monitoring, packaging, and grading of corn and peanuts.
 - d. Marketing, negotiation and business contracting. The Group will hire a consultant to train 22 members and two technical staff in basic business management, including marketing, negotiation, and contracting.
 - e. Association management. The Group will hire a consultant to train its members and technical staff in the management of cooperative associations.
 - f. Adult literacy training. The Group will hire an adult literacy trainer to provide numeracy and literacy training in Fon to the 56 members of

- the group over a one year period to enable them to participate effectively in monitoring and documenting the activities of the Project.
- g. Health and disease prevention. The Group will hire a consultant to train the 56 group members and technical support staff in health and disease prevention.
 - h. Exchange visit. The Group will organize an exchange visit by eleven members and two technical staff to the cooperative groups engaged in crop storage and resale in Kissam Couffo.

VIII. Roles and Responsibilities of the Parties

The members and management of Kpondéhou Women's Group are responsible for the management and the proper implementation of the Project. ADF-designated community development entities in Benin will provide training in the areas of standard ADF bookkeeping, monitoring, and assessment, and will also provide technical and management assistance during implementation. To the maximum extent practical, Kpondéhou Women's Group and ADF will use third party disbursements for procurement of large items and services.

IX. Monitoring and Evaluation

ADF-designated community development entities in Benin will closely monitor the activities of Kpondéhou Women's Group to ensure proper reporting, adherence to the Project implementation plan by the company, and progress towards the achievement of Project objectives. They will continuously assess risks and take remedial actions as needed. Monitoring by these entities will be an important aspect of the on-going coaching and advisory service. They will review the company's quarterly reports to ADF and will submit comments and observations to the management of Kpondéhou Women's Group as part of the on-going performance assessment.