

PROJECT DESCRIPTION

Nkhotakota Rice Milling Expansion

Malawi

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

Nkhotakota Smallholder Farmers Joint Association Limited (NKKSFJA) is located in Nkhotakota, Malawi and provides technical support to smallholder farmers for the growing and marketing of rice. NKKSFJA would like to take advantage of a currently unexploited local market for milled rice; however, a lack of infrastructure and equipment, unaffordable prices of high quality inputs, limited access to credit, and weak governance capability prevent the organization from capitalizing on the market demand.

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

NKKSFJA will contribute its time, skills, labor, and land to the implementation of the Project.

IV. Project Goal

The goal of the NKKSFJA Capacity Building Project is to improve the standard of living of smallholder rice farmers in Malawi.

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V. Project Purpose

The purpose of the Project is to increase the income of NKKSFA's farmers and office employees as follows.

- A. NKKSFA's net income (before taxes and depreciation) will increase from MWK 261,620 in the Project's base year to:
 1. MWK 1,500,000 in Year 1;
 2. MWK 2,400,000 in Year 2; and
 3. MWK 7,300,000 in Year 3.

- B. Total salaries and wages paid to workers (full time and part time) will increase from MWK 1,095,426 in the Project's base year to:
 1. MWK 1,800,000 in Year 1;
 2. MWK 2,000,000 in Year 2; and
 3. MWK 2,200,000 in Year 3.

- C. Total income earned by farmers through the sale of rice will increase from MWK 409,117,560 in the Project's base year to:
 1. MWK 532,000,000 in Year 1;
 2. MWK 651,000,000 in Year 2; and
 3. MWK 787,000,000 in Year 3.

VI. Project Outputs

By the end of the Project period, the capacity of NKKSFA to process and market rice will have increased as evidenced by the following.

- A. The number of total farmers supplying raw materials will increase from 400 in the Project's base year to:
 1. 440 in Year 1;
 2. 484 in Year 2; and
 3. 532 in Year 3.

- B. Total revenue earned from sales of rice will increase from MWK 409,561,600 in the base year to:
 1. MWK 543,400,000 in Year 1;
 2. MWK 666,800,000 in Year 2; and
 3. MWK 809,000,000 in Year 3.

- C. The volume of milled rice produced will increase from 222,020 kilograms in the Project's base year to:
1. 2,800,000 kg in Year 1;
 2. 3,400,000 kg in Year 2; and
 3. 4,000,000 kg in Year 3.
- D. The value of loans disbursed to members will increase from MWK 0 in the Project's base year and Year 1 to:
1. MWK 4,200,000 in Year 2; and
 2. MWK 5,100,000 in Year 3.

VII. Project Activities

NKKSFA will ensure the following major activities are implemented.

- A. Improve the management and institutional capability of NKKSFA by:
1. training NKKSFA's Board of Directors on good governance; and
 2. establishing a stronger administrative core by recruiting and paying association staff, including an accountant, marketing officer, credit assistant, and secretary.
- B. Enhance the ability of NKKSFA and its members to fully engage in the rice market by hiring a consultant to conduct a research study on the market for various grades of rice.
- C. Acquire the necessary training and micro banking software to establish a revolving loan fund for rice growing inputs.
- D. Improve rice production systems by:
1. improving product quality through acquisition of fertilizers and good quality seeds;
 2. initiating processing operations through acquisition of rice milling machinery;
 3. constructing a warehouse for storing milled and un-milled rice;
 4. providing farmers with access to high quality inputs through a revolving loan fund; and
 5. training farmers in best agronomic practices and providing them with extension services.

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VIII. Roles and Responsibilities of the Parties

ADF's Partner in Malawi will provide the standard ADF training in bookkeeping, monitoring and assessment. NKKSFA is responsible for ensuring the proper management and implementation of the Grant. The ADF Partner in Malawi will provide NKKSFA with technical and management assistance during implementation.

IX. Monitoring and Evaluation

Within sixty days of the effective date of this Agreement, the Grantee, working with the ADF Partner, will form a monitoring and assessment committee composed of a representative cross-section of the Grantee's organization. The committee will provide the Partner input for the Project monitoring plan. In addition, during implementation, the committee will have responsibility for ensuring that the Project follows the implementation plan, and that problems identified through monitoring and evaluation are properly addressed in a timely manner.