

PROJECT DESCRIPTION
Kubacha Ginger Processing Project

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

Members of Kubacha Ginger Farmers Cooperative Society (“KGFCS,” “the Cooperative”) grow and process ginger in Kagarko Local Government Area of Kaduna State in Northern Nigeria. KGFCS is wholly-owned by its sixty members, all of whom are small-scale ginger farmers. KGFCS is located in a fast expanding regional ginger market. After successfully completing an Enterprise Development Investment Project, Cooperative members have begun to use modern methods of producing and processing ginger. However, low crop yields have prevented the Cooperative’s members from expanding production commensurate with market growth, and from realizing increased incomes from sales of processed ginger.

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 Cooperative will contribute the members’ existing farmland for ginger production and will finance the salaries of the marketing staff and salaries of the production staff.

IV. Project Goal

The goal of this Project is to improve the standard of living of small-scale ginger farmers in the northern Nigeria State of Kaduna.

V. Project Purpose

The purpose of the Project is to increase the income of Kubacha Ginger Farmers Cooperative Society (KGFCS), the salaries of its employees, and the incomes of its farmer members, as indicated by the following activity:

APPENDIX A

- A. KGFCS' annual net income (before depreciation and taxes) will increase from a baseline of Nigerian Naira (NGN) 4,068,000 to:
1. NGN 5,288,400 in Project Year I;
 2. NGN 7,028,000 in Project Year II;
 3. NGN 8,466,000 in Project Year III;
 4. NGN 10,257,000 in Project Year IV; and
 5. NGN 12,254,000 in Project Year V.
- B. The value of annual salaries paid to employees of KGFCS will increase from a baseline of NGN 284,000 to:
1. NGN 568,000 in Project Year I;
 2. NGN 1,200,000 in Project Year II;
 3. NGN 1,320,000 in Project Year III;
 4. NGN 1,452,000 in Project Year IV; and
 5. NGN 1,597,000 in Project Year V.
- C. An increase in the gross annual income of member farmers working in ginger production will be accomplished by two means. First, KGFCS members will be paid for the ginger they contribute to the Cooperative. Secondly, KGFCS members will receive an equal share of 20 percent of annual net profits. The verifiable indicators are as follows:
1. Member farmer's gross income from sales of ginger to the Cooperative will increase from a baseline of NGN 331,500 to:
 1. NGN 663,000 in Project Year I;
 2. NGN 1,687,500 in Project Year II;
 3. NGN 1,781,250 in Project Year III;
 4. NGN 1,893,000 in Project Year IV; and
 5. NGN 1,977,000 in Project Year V.
 2. Annually distributed profits to member farmers will be implemented beginning in Project Year 1. The annual amounts will increase as follows:
 1. NGN 200,000 in Project Year I;
 2. NGN 603,920 in Project Year II;
 3. NGN 805,240 in Project Year III;
 4. NGN 1,055,980 in Project Year IV; and
 5. NGN 1,335,560 in Project Year V.

VI. Outputs

The major output of the Project is the increased capacity of KGFCS to produce and sell processed ginger as evidenced by increased production volumes and increased gross revenues as follows:

- A. KGFCS' production volumes of ginger will increase from a baseline of 300 metric tons (MT) to:

1. 450 MT in Project Year I;
2. 716 MT in Project Year II;
3. 823 MT in Project Year III;
4. 955 MT in Project Year IV; and
5. 1098 MT in Project Year V.

B. KGFCs' gross annual revenues will increase from a baseline of NGN 4,859,000 to:

1. NGN 6,316,700 in Project Year I;
2. NGN 11,600,000 in Project Year II;
3. NGN 13,340,000 in Project Year III;
4. NGN 15,474,000 in Project Year IV; and
5. NGN 17,794,000 in Project Year V.

C. The number of employees of KGFCs will increase from a baseline of 8 to:

1. 16 in Project Year I;
2. 30 in Project Year II;
3. 33 in Project Year III;
4. 36 in Project Year IV; and
5. 40 in Project Year V.

VII. Activities

The following production and marketing activities will enable KGFCs to increase production of and sales revenues from ginger:

A. Production

The following activities will enable KGFCs to increase ginger production:

1. KGFCs will construct a storage facility. The facility will be used to store raw and processed ginger;
2. KGFCs will purchase a tractor to facilitate agricultural activities related to ginger cultivation; and
3. KGFCs will acquire a vehicle to facilitate the transportation of inputs and produce between farms and the storage facility.

B. Marketing

The following marketing activities will enable KGFCs to expand its market penetration:

1. KGFCs will purchase and utilize polyethylene bags branded with the Cooperative's logo and inscriptions to be used to package finished products; and

2. KGFCS will hire two sales personnel to undertake regular market surveys to gauge consumer preferences and to maintain market linkages with existing bulk purchasers.

VIII. Roles and Responsibilities of the Parties

The staff and management of KGFCS 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

Within sixty days of the effective date of this Agreement, KGFCS, working with the ADF Partner, will form a monitoring and assessment committee composed of a representative cross-section of KGFCS. 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.