

APPENDIX A:
Project Description
GAPEC Cereal Banks

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

Food production in Niger has declined as a result of irrational farming practices due to large-scale migration of men in search for food during the lean period. Some farmers are forced to work on other people's lands to raise money to be able to meet their families' needs before working on their own plots. After harvest, producers are forced to sell their agricultural production at low prices because at that specific period, the supply is greater than the demand and producers are in immediate need of cash to face basic needs.

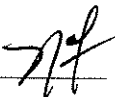

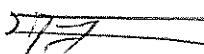
Every year, shortly before the harvest, staple food supply is lean. The farmers have limited funds; therefore, cannot purchase sufficient quantity of cereals to meet the high local demand during the lean season. As there is no organized staple food stores in most of the villages, people are left with no choice, but to refer to the cereal banks in the neighboring villages for staple food such as millet, beans, etc. Consequently, the cereal bank stock is rapidly depleted and people are then forced to purchase commodities from merchants at costs two or three times their initial prices. For the target population, this is a serious problem to take care of, and one of the highest priorities.

GAPEC (*Groupe d'Appui à l'Auto Promotion des Entreprises à Caractère Coopératif*) would like to address this problem by establishing 8 cereal banks, managed by community based organizations (CBOs), that will operate as micro enterprises focusing on the purchase of grains at harvest time, storage, and sale of agricultural commodities to the communities at affordable prices. GAPEC lacks sufficient capital to purchase significant quantities of cereal to be able to cover needs in the lean period, to better serve its clients including delivery of non-financial services, and to build the capacity of the village organizations and that of GAPEC itself.

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 7 of the Agreement and do not cause ADF's contribution to exceed the obligated amount specified in Article 3, Section 3.1 of the Agreement.

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B. Grantee Contribution

GAPEC will contribute the cost for administrative expenses for four years valued at FCFA 26,067,725. GAPEC will cover costs of M&A, stock management and group dynamic training for the daughter bank members. They will also either be part of a TOT in order to deliver the HIV training as well or arrange for another experienced NGO to do so. The CBOs will cover the costs of stipends of the trainers of stock management and group dynamics.

IV. Project Goal

The Project goal is to contribute to the reduction of poverty within the target CBO's members in the region of Zinder.

V. Project Purpose

The Project purpose is to build the capacity of CBOs to increase their incomes. This will be measured by the following:

- Increased annual average sales per cereal bank from 0 in year 1; CFA 10,169,000 in year 2; CFA 10,474,000 in year 3; CFA 10,893,000 in year 4 and CFA 11,437,000 in year 5
- Increased average annual net profit per cereal bank from 0 before project to CFA (135,503) in year 1; CFA 3,019,000 in year 2; CFA 3,316,000 in year 3; CFA 3,721,000 in year 4 and CFA 4,248,000 in year 5

VI. Outputs

The two expected outputs for this project and their performance indicators are as follows:


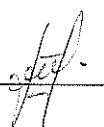
Improved lending capacity of the IO

- Increased annual average gross income for GAPEC from CFA 3,803,028 before project to CFA 6,802,000 in year 1; CFA 20,034,000 in year 2; CFA 22,826,000 in year 3; CFA 25,617,000 in year 4 and CFA 28,409,000 in year 5
- Increased annual net profit for GAPEC from 1,044,175 before project to (CFA 2,613,920) in year 1; CFA 7,056,000 in year 2; CFA 12,084,000 in year 3; CFA 14,733,000 in year 4 and CFA 17,377,000 in year 5
- Number of members assisted increased from 0 before project to 918 from year 1 through year 2; 1,038 in year 3; 1,158 in year 4; 1,278 in year 5 of project
- Number of first time loans increased from 0 before project to 918 through year 2; to 120 each year from year 3 through year 5 of the project
- Loan recovery achieved and maintained to at least 95 % each year

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Management and technical capacities of the IO and CBOs members are strengthened

- IO members keep regular records and submit the requested reports (activities, performance and financial) from the first year of the Project.
- CBOs will collect and keep regular data on cereals stocks and sold as of the first year of the Project.
- The initial 5 banks successfully constitute their own revolving funds by the end of the Project.
- Nine full time employment opportunities are created by the end of year 1 of the Project

VII. Activities to be funded under this Grant

A. Installation of Cereal Bank system

GAPEC will address the problem of food shortage by assisting five village-based organizations to create cereal banks in their respective villages. Using the ADF Grant, GAPEC will contract with a local construction firm to construct five warehouses that will each serve as a storage facility for 60 tons of cereals accompanied by modest but adequate office space. The community will provide unskilled labor as its contribution toward the construction of the warehouses. Through the project, GAPEC will provide each village organization with funds on credit to purchase the cereal to be stored. Regardless the size of the villages, each bank set up in each village within this project area, will receive 60 tons of agricultural commodities.



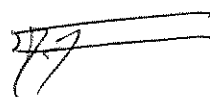
The initial cereal stock is to be repaid with interest to GAPEC by the beneficiaries in four consecutive years, with partial repayment every year. GAPEC will use the repayment to establish a new daughter bank beginning in the third year and to cover the cost of support of GAPEC to these banks.

B. Procurement of Equipment and Supplies

GAPEC will use funds provided by this Grant to purchase, operate, and maintain a motorcycle that will be used for coordination and monitoring of activities among the cereal banks, and to purchase equipment and furniture for the five warehouses and office. In addition, GAPEC will use ADF funds to engage a local company experienced in the application of approved chemicals for crop protection and warehouse fumigation. ADF funds will also be provided to cover all administrative costs outlined in the project budget for the first year of the project.

C. Training and Technical Assistance

GAPEC members and their beneficiaries will participate in training in the following areas: (i) monitoring and assessment; (ii) financial management; (iii) stock management; (iv) ADF's standard bookkeeping training; (v) cooperative management and group dynamics, and (vi) HIV/AIDS education. Consultants will conduct the training in collaboration with ADIDB. All training will take place at the project site.

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In collaboration with ADIDB, GAPEC will recruit one supervisor who will be in charge of providing close monitoring and technical assistance to the group in purchase and sale operations. The supervisor and 5 cereal banks managers will receive salaries from the project funds for a 12-month period. The remaining four years' expenses will be taken care of by GAPEC and the cereal banks benefiting from this project.

VIII. Roles and Responsibilities of the Parties


GAPEC is responsible for ensuring the proper management and implementation of the Project. The ADF Partner in Niger, ADIDB, will provide technical and management assistance to GAPEC during the implementation of the Project.

XI. 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.

X. Other Implementation Issues

The products and warehouses will be treated for pest management, based on a contract with the chemical products company, AGRIMEX. Cereal banks and GAPEC will ensure that the emptied packing material of the chemical products that are used to treat the commodities and the warehouses are properly disposed of by AGRIMEX.

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