APPENDIX A:
PROJECT DESCRIPTION
ECO-DEVELOPPEMENT PARTICIPATIF (EDP)
WARRANTAGE 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

In the department of Maradi in central Niger, commodity prices fluctuate greatly between harvest and non-harvest periods. During the harvest when supply temporarily exceeds demand, producers often must sell their commodities to traders at prices below production cost. Six to seven months later, the traders, who can warehouse the crops, sell the commodities at significantly higher prices due to the decrease in supply. Primary producers, therefore, loose significant income because they lack access to storage facilities.

This loss of income is a root cause of poverty in the farming communities -- even to the point that producers can afford to neither buy inputs (seeds, fertilizers) nor allocate resources to other economic activities. In addition, after the rainy season of three to four months, there is neither rainfall nor run-off water adequate to undertake crop production. Consequently, crop production stops, and producers have little to no alternative sources of income.

As a response to this situation, three years ago Eco-Developpement Participatif (EDP) developed a "Warrantage" program. This program helped producer members of community-based organizations (CBOs) get loans against commodity deposits and undertake alternative revenue generating activities. The program has been effective, has expanded, and has a large network of interested community-based organizations. However, EDP's capacity to expand its assistance is limited by insufficient loan capital and funds required to construct warehouses for storing the CBO's commodity deposits.

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.

B. Grantee Contribution

The Grantee, EDP, is responsible for the following payments after the Project's first 12 months: (1) the salary of the project manager and credit agent; (2) the office rent; (3) water; (4) electricity; (5) communication; (6) bank fees; (7) fuel; and (8) repair and maintenance of the two motorcycles. The Grantee will supply the warehouses with the appropriate materials after the first sixteen warehouses are equipped. In addition, the Grantee is responsible for paying the trainers' fees for the Cooperative Management, Group Dynamics and Techniques of Warrantage training programs. The Grantee will pay for any subsequent training of CBOs.

IV. Project Goal

The goal of the Project is to contribute to the reduction of poverty in the region of Maradi, Niger.

V. Project Purpose

The purpose of this five-year Project is to increase the net incomes of EDP, the CBOs, and the CBO member farmers, as measured by the following.

A. EDP's annual net profits will increase from zero before Project implementation to 360,000 CFA in year 1; 3,546,170 CFA in year 2; 1,103,724 CFA in year 3; 1,507,811 CFA in year 4; and 1,932,408 CFA in year 5.
B. The individual CBOs' average annual net profits will increase from zero before Project initiation to 18,000 CFA in year 1; 118,080 CFA in year 2; 220,294 CFA in year 3; 324,698 CFA in year 4; and 431,348 CFA in year 5.
C. Member farmers' average annual net income will increase to 55,000 CFA.

VI. Project Outputs

In order to attain its purpose, the Project will generate the following outputs.

A. Expanded lending capacity of EDP, as measured by the following.

1. The value of loans extended will increase from zero in year 0 to 48,000,000 CFA in year 1; 51,000,000 CFA in year 2; 55,404,000 CFA in year 3; 60,002,532 CFA in year 4; and 64,802,735 CFA in year 5.
2. EDP will achieve an annual average loan repayment of at least 98 percent.

B. Expanded capacities of the CBOs to assist member farmers, as measured by the following.

1. Sixteen new storage facilities will become operational in year 1, and 1 additional will become operational each subsequent year until a total of twenty are established.
2. The number of CBOs extending loans and launching micro-enterprise initiatives will increase from zero in year 0 to 32 in year 1; 34 in year 2; 36 in year 3; 38 in year 4; and 40 in year 5.
3. The number of member farmers assisted by CBOs will increase from zero before Project implementation to 720 in year 1; 765 in year 2; 810 in year 3; 855 in year 4; and 900 in year 5.

VII. Major Activities to be Financed Under the Agreement

The Project's participants will undertake the following activities to generate the Project's expected outputs.

A. Operation of the Warrantage System

Under the Warrantage program, farmers organized into CBOs will deposit their crops at a warehouse in their villages. The crops will serve as guaranty for a cash loan the CBO extends to the farmers. The farmers will use the cash to undertake income-generating activities such as animal fattening and petty trade during the off-production season (approximately seven months in duration). After paying back their loans, farmers will have access to their stored commodities. Agricultural commodities such as millet will be sold directly by the producer. However, if requested, EDP will assist the CBOs to identify lucrative markets for the farmers' produce. If a farmer defaults on his or her loan, the CBO will sell the commodity to recoup the value of the loan and return any surplus from the sale to the producer. The operation of the Warrantage system involves three sub-activities: (1) storage; (2) a revolving loan program; and (3) a monitoring program.

1. *Storage.* The participating farmers will store their agricultural commodities, such as millet, peanut, cowpeas, and sorghum, in village warehouses during the off-production season. Over a five-year period, EDP will build one warehouse in each of the twenty villages participating in the Project. EDP will equip each warehouse with five pallets, one tarp, and one scale. The CBOs will contribute unskilled labor and locally available construction material (mud bricks). The village communities will donate the land for construction of the warehouse, or the CBOs will purchase land with their own funds. In either case, the CBOs will acquire a legally binding title to the land.

Beginning in Project year 2, the CBOs will reimburse EDP annually for the cost of constructing and equipping the warehouses. The annual reimbursement for each warehouse will be approximately CFA 250,000 plus inflation. EDP will use the reimbursements to finance the building and equipping of one new warehouse per year and to reinforce its cash flow.

Each CBO member farmer will contribute five kilograms of cereal to establish his or her stock in the warehouse system. In addition, each farmer will contribute a fee of approximately CFA 100 monthly for each sack stored during the seven off-production months. The CBOs will use these proceeds to reimburse EDP for constructing and equipping of the warehouses and to cover operational costs of the CBOs.

2, *Revolving loan fund.* EDP will extend loans of a minimum of 1,500,000 CFA to the first 32 participating CBOs in Project year 1. Each subsequent year, the individual CBOs may increase their loan request. EDP will charge a market interest rate for the loans, which the CBOs will pay back by the seventh month of the loan. EDP will use the interest earned to cover its operating expenses and to increase the loan fund.

3. *Monitoring.* EDP will recruit a project manager and credit agent to ensure proper monitoring of Project activities, including field activities such as stock establishment, credit funds, sale operations, income generating activities, and organization of communities for construction. The project manager and credit agent will work closely with ADF's partner, ADIDB, in performing the monitoring activities. They will conduct an audit at the end of the five-year Project period.

To facilitate the monitoring activities, EDP will purchase two motorcycles, vehicle insurance, registration, two helmets, and office equipment and furnishing. ADF will fund fuel and maintenance for the motorcycles for one year.

B. Training

The Project includes the following training for EDP and the CBOs.

1. *Bookkeeping:* ADIDB, will train at least two members of the EDP staff in bookkeeping and financial report writing. Refresher training will take place at the appropriate times.

2. *Monitoring & Assessment (M&A):* ADIDB will train at least one member from each of the thirty-two CBOs and two staff members from EDF (preferably the project manager and credit agent) in data collection and analysis and performance reporting. ADIDB will organize a pre-planning workshop of approximately four days (for thirty-four trainees) and two planning workshops of approximately five days each (for five trainees).

3. *Financial Management*: A consultant will provide training in financial management to the project manager, the credit agent, and two other EDP staff members.

4. *Credit Management:* A consultant will provide on-site training in credit management to thirty-two CBO members.

5. *Cooperative management and group dynamics*: One representative from the management committee of each of the thirty-two CBOs and the EDF credit agent will participate in cooperative management and group dynamics training for approximately twelve days over the life of the Project.

6. *Training in Warrantage*: One member of the management committee of each CBO and the EDP credit agent will participate in training for approximately three days in topics such as: accounting, financial and stock management, development of a sales plan, and techniques of warrantage.

7. *HIV/AIDS*: Thirty-three Project participants will take part in a 'training of trainers' program on HIV/AIDS education and prevention techniques. They will in turn train other members of the village, who will sensitize the community on the disease.

VIII. Roles and Responsibilities of the Parties

EDP has primary responsibility for ensuring that Project activities are properly implemented. Within EDP, the Executive Board will be the highest decision making body. It will formulate strategies, which includes supervising and coordinating implementation of the Project. ADIDB will provide technical support and guidance to EDP.

IX. Monitoring and Evaluation

ADIDB, in collaboration with EDP, will monitor closely the activities of the Project to ensure high quality reporting and adherence to the Project's implementation plan. In addition to tracking general progress of the Project, ADIDB will continuously assess Project risks to help EDP take preventive measures, as appropriate, and to ensure the timely implementation of effective remedial actions. Monitoring by ADIDB will be an important aspect of its ongoing coaching and advisory service. ADIDB will review EDP's quarterly reports and will submit comments and observations to the EDP's Executive Board. ADIDB and EDP will jointly design the evaluation process. ADIDB will discuss the outcome of the evaluations and the findings with the ADF Country Representative and EDP management.