

PROJECT DESCRIPTION:**IAM OIL MILLS PRESS CAPACITY BUILDING****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

IAM Oil Mills Press Limited (IOMP), a small limited liability company in Kaduna state, produces refined, pure groundnut oil, fortified with vitamin A, popularly branded as "HAJO OIL." Also, the company produces groundnut cake used as a protein supplement in poultry feed and oil sludge used in soap-making. IOMP's installed capacity is slightly above 200,000 liters per annum of groundnut oil, but its current production level is just 154,224 liters. IOMP has reached the final stages in obtaining the necessary certification from the National Agency for Food and Drug Administration and Control (NAFDAC) for its operations.

IOMP wants to increase its capacity utilization and take advantage of the increased local demand resulting from the ban by the Government of Nigeria on bulk imported groundnut oil and the current shortage of high quality groundnut oil. However, IOMP must first improve its operational and managerial capacity, including its administrative and managerial systems, marketing, supply chain, quality control, and financial management.

III. Funding**A. USADF Contribution**

The financial plan for USADF 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 USADF's contribution to exceed the obligated amount specified in Article 4, Section 4.1 of the Agreement.

B. Client Contribution

IOMP will complete the ongoing rebuilding of its production facility and re-installation of its equipment using its own resources. Its fixed assets include the land, factory building, warehouse, and offices that are used for groundnut oil production.

IV. Project Goal

The goal of this investment proposal is to promote the growth of small-scale enterprises that process value-added staple crops in Nigeria.

V. Project Purpose

The Project's purpose is to improve IOMP's prospects for sustained expansion as indicated by the development of a comprehensive five-year business plan that USADF deems suitable for funding by a donor or other financial institution.

VI. Project Outputs

The expected outputs of the Project are:

- A. Improved financial management system as demonstrated by the production of regular financial reports and systematized financial account books for the enterprise.
- B. Full certification from the National Agency for Food and Drug Administration and Control (NAFDAC) and receipt of a certification number.
- C. Completed business plan that includes at a minimum:
 - a marketing strategy that enables the company to expand its client base; and
 - projected financial results that support any proposed investment(s) as evidenced by acceptable returns-on-investment.
- D. Hiring of a qualified accountant to fully implement the improved financial systems, and of a qualified marketing officer to lead the sales effort and to assist in developing a long term marketing strategy.
- E. Improved fiscal and social responsibility as demonstrated by IOMP's compliance with its Re-Investment Commitment to make one lump-sum payment at the end of the project in the amount of the working capital portion of the USADF investment, as set forth in Appendix A-2 to this Agreement.

VII. Major Activities to be Financed Under the Agreement

To generate the above outputs and to fulfil the Project purpose, the following activities will be funded by USADF:

A. Capacity Building Training

Management and staff of IOMP will be trained in management, financial controls, and operational and quality management techniques.

B. Internal Systems Improvement

IOMP will upgrade its accounting system to a computer based system with documented procedures and regular reporting capabilities.

C. NAFDAC Certification

IOMP will work with a consultant to complete all the requirements for NAFDAC certification, and submit a completed application for such certification.

D. Sales and Marketing

The company will develop a market plan to promote its products, and search for linkages in the domestic and international markets. It will test its market plan with a pilot production activity.

VIII. Roles and Responsibilities of Parties

The USADF Partner in Nigeria will provide the necessary standard USADF training in bookkeeping and monitoring and assessment. The Partner will also provide business advice for the successful implementation of the project.

IAM Oil Mills Press management is responsible for ensuring the proper management and implementation of the Project. The USADF Partner in Nigeria will provide IOMP with technical and management assistance during the implementation of the Project.

IX. Monitoring and Evaluation

The USADF Partner in Nigeria will closely monitor the activities of the Project in order to ensure the high quality of the reporting as well as to ensure the Project implementation plan is followed. Besides tracking the general progress of the Project, the Partner will continuously assess the identified Project risks so that remedial action can be taken on time in order to forestall any significant adverse impact on the realization of the Project's objectives. Monitoring by the USADF Partner in Nigeria will be an important aspect of the ongoing coaching and advisory service. The USADF Partner in Nigeria will review all the Project's quarterly reports prepared and submitted by IOMP, and will submit comments and observations to the management of IOMP as part of the annual project evaluation. The two organizations will jointly design the evaluation process and IOMP will incorporate the findings of the evaluation into its annual report.