

PDBCC 460

IMPLEMENTATION PLAN
FOR THE
AGRICULTURAL INPUT SUPPLY COMPONENT
OF THE
AGRICULTURAL PRODUCTION SUPPORT PROJECT
683-0234
NIGER

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AID Financial Consultant

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1. Background

The original design (1981) of the agricultural input supply component of the Agricultural Production Support Project proposed to increase the storage and handling capacity of the Centrale d'Approvisionnement of the UNCC and thereby increase the amounts and improve the timeliness of agricultural input deliveries to cooperative farmers.

The plan proposed the construction of 4 000 m² of storage capacity distributed in the Departments and Arrondissements, the construction of a small office complex for the headquarters of the CA in Niamey, and improvements to the management system in the areas of input distribution, inventory control, transport planning and the introduction of financial management procedures to improve cash flow and tighten control over funds. Those improvements were to be carried out with the support from technical assistance, namely a Senior Management Advisor (2 years); a Staff Development Advisor (3 years) and 12-person-months of short term consultants; participant training in the U.S. for two students in business administration and two students for similar training in Africa; six trainees for three month training courses in Africa, and four participants for third country tours of successful agricultural input supply systems. In addition office and warehouse equipment and personal vehicle support would be supplied.

The AID/Washington Project Paper review team determined that the input supply component of the APS project was inadequate, and that a redesign of this component was necessary as there was insufficient involvement of the private sector in input supply, and that past public sector operations had been characterized by inefficiency due to inadequate means placed at their disposal as well as to the inherent operating inefficiency of a para-statal organization.

In November 1982, the Zinder seminar attended by international donor agencies outlined GON's future strategy for rural development proposing increased participation by the cooperatives in the management and distribution of agricultural inputs; the freeing of certain inputs from public control and distribution to encourage participation of the private sector; the need for financing farmer purchase of inputs at rural level; and the proposal that the CA move towards a commercial type structure but which at the same time would permit cooperatives to function independently in the input supply market.

The 1983 agricultural input assessment studies on the present situation have clearly indicated a major problem to be the inability of the CA to function adequately due largely to financial problems beyond its control and caused largely through non payment for inputs resulting in insufficient cash flow leading to inventories being rotated at a very low turnover rate, and crippling interest charges payable to the CNCA, on unsold inventory. The financial problems associated with the funding of agricultural equipment on four year credit are more complex than those for seasonable inputs such as fertilizers, fungicides, insecticides, and seeds, and stem in large measure from the serious financial problems facing the CNCA which is currently the object of study by technical assistance agencies. Those problems in turn have affected the three

agricultural equipment production factories, their present output and future plans. The input supply component of the APS project has therefore addressed itself to seasonal inputs whilst awaiting resolution by other agencies of the complex issues surrounding CNCA's agricultural credit operations.

The preliminary assessment reports have not been able to find convincing proof that at the present time the private sector could be relied upon totally and independently to guarantee a future input supply and distribution system for fertilizer due to their vulnerability to interruption or complete cut off from Nigeria source supply, the nature of their business practices involving very minimum risk taking, preferring to match buyer with seller and with little capital tied up in inventory, the probability of collusion on pricing instead of competition, and their lack of knowledge of products. The present symbiosis which exists between private and public sector is however vital to guaranteeing present public sector fertilizer supply as long as the present source exists, and small commercant activity is directly beneficial to farmers in those areas where fertilizer is sold undercutting CA prices.

This present fertilizer supply situation is vulnerable as well as the business activities of those engaged in commercial procurement operations, and a future procurement and distribution system will require to take account of and plan for the need to establish an agribusiness capable of guaranteeing supply, flexible enough to be able to maximize private sector involvement in procurement and/or distribution, and which is supportive of GON's declared policies of enhanced cooperative participation in rural development.

The 1983 agricultural input study reports have provided the technical and analytical background to the present implementation plan which takes cognizance of AID/Washington's earlier refusal to support the 1981 proposal and the 1982 GON rural development strategies.

The design of the input supply component which is based very largely on seasonal input guarantee funds, is very closely linked to the cooperative training component of the APS project through cooperative management training and to the Rural Sector Grant in respect of the future utilization of counterpart funds generated from the sales of commodities.

2. Description

Firstly it is the purpose of the agricultural input supply component of the APS project to increase demand for seasonal inputs through the introduction of a funding mechanism at cooperative level, so relieving a major constraint to GM/farmer access to inputs.

Secondly, to provide in the near to medium term for the institutional framework for progressive voluntary cooperative participation in the management and eventual ownership of an agribusiness based on inputs.

Thirdly provide for the private commercial sector to participate competitively in both the supply and/or distribution marketing functions related to those actions.

To achieve the purpose AID will provide funds for bank guarantees to enable cooperatives to operate bank accounts, have access to funding, and thereby increase the quantity of seasonal inputs paid for on cash basis to suppliers. This will relieve a major constraint on the use of seasonal inputs such as fertilizer, fungicides, insecticides and seed.

The guarantee funds will later, and at the appropriate time, be partly converted to cooperative capital to assist cooperatives with capitalization of their business on a mutual contribution basis.

AID will supply technical assistance (Cooperative Loan Advisor) to identify pilot areas for an initial testing and monitoring phase, following which the program will be assessed by project evaluation, with the intention of expansion to other areas.

An annual audit will be performed to control the operation of the guarantee fund, cooperative participant funds, and the CA/CCIA accounts.

Public and commercial banks as well as the agricultural credit bank (CNCA) have expressed interest in participating in this program. One public bank already has cooperative accounts (EDRN) and one commercial bank (BICI) operates the collective ONAHA account for the rice cooperatives in Niamey Department. Cooperative participation in input supply will be coordinated with the cooperative training component of the APS project.

Cooperatives with access to funding to purchase seasonable inputs will be supplied either from the public or private sector, whichever the cooperatives finds the most suitable.

During the life of the project, assistance will be given to develop commercial business practices within the CA through the services of an Internal Financial Advisor. This will prepare for the replacement of the CA by the cooperatively owned and managed Central Cooperative Input Supply Company (CCIA).

During this transition period, (CA/CCIA) cooperative participation in the management of the CA will be encouraged through the establishment of a management committee with representation from the Regional Cooperative Unions. Public sector representation on the committee will be withdrawn as a function of replacement by the RCU members.

GON support to the CA will continue during the five year transition phase, and as a function of the CA/CCIA improved financial ability to initially cover variable costs, then an improving percentage of fixed costs as a result of its trading activities.

This move towards increasing profitability will require progressive elimination of subsidies and full cost pricing of seasonal inputs. Project evaluation will determine the rate of progress in attaining self-sufficiency and progress achieved in preparing for eventual cooperative ownership. The internal financial advisor will have a key role in guiding the CA/CCIA to self-sufficiency.

Should GON as well as Project evaluations determine after two years operation, that this is unlikely to be attainable within the time frame of this project, the project purposes will be re-examined.

To provide additional support to the project purpose, AID will supply a limited amount of office furniture and equipment, vehicles, long-term business management training, short term training, and supportive operating costs for technical assistance of the management committee of the CA/CCIA.

GON's contribution will be CFA 2,873 million (US\$7.18 million).

- a) present day value of warehouses and ateliers which will be handed over to the RCU's estimated provisionally at CFA 2,000 million (US\$5 million)
- b) operating costs of the CA; salaries of personnel (20) at central and field level; salaries of trainees during training; and operating costs of the CA/CCIA distribution system - CFA 873 million (US\$2.18 million).

The cooperative contribution will be CFA 606 million (US\$1.5 million)

- a) bank interest on cooperative accounts - CFA 360 million (US\$0.9 million)
- b) mutual capital fund contributions - CFA 246 million (US\$0.6 million)

AID's contribution will be \$5 million.

Phasing

Phase 1 (year 1-2)

Guarantee funding by AID on a test scale to permit cooperative access to bank finance on commercial terms to purchase seasonal inputs;

Institutional changes to permit cooperative representation at central level.

Introduction of business management methods at central level.

Phase 2 (year 3-4)

Expansion of bank guarantee funding to an increased number of cooperatives;

Voluntary cooperative share ownership by GM's through donor/GM mutual funding;

Prepare the institutional and corporate basis for the Cooperative Input Supply Company.

Phase 3 (year 5)

The incorporation of a central cooperatively owned and managed input supply company based on voluntary shareholding from cooperatives;

Project progress will be evaluated after two years and at the end of the fourth year.

3. Goal and Purposes

The sector goal to which the APS project will contribute is long term food self-sufficiency for the country and increased agricultural incomes for the rural population.

The sub-sector goal to which the agricultural input supply component of the APS project will contribute is the development of a phased voluntary cooperative input supply system which will be self-financing, serve the interest of cooperative farmers, and which will be progressively managed by or for the farmers or their representatives, and which will eventually be owned by them.

Purposes

a. Bank Guarantee Fund

In the near term and to release the marketing constraint on farmer purchase and usage of seasonable inputs, the introduction of a financing mechanism (Bank Guarantee Fund) at the cooperative/GM interface to be tested initially in cooperatives before being extended on a wider geographical and participant basis. Donor contributed guarantee funds will provide bank guarantees for cooperatives to operate accounts or lines of credit.

b. Cooperative Management of National Input Supply Organization

In the short term, initiate voluntary representatives cooperative participation and policy decision making within the Centrale d'Approvisionnement through the election of an executive management committee who will be empowered to initiate policy and operational changes in the marketing and distribution of inputs, and at central level, improvements in business efficiency. This is the first institutional step towards the organization of a central cooperative agricultural input supply company (CCIA).

c. Voluntary Cooperative Share Ownership

In the medium term, provide for farmer or G.M. share ownership and commitment to the cooperative through voluntary mutual funding from farmers/GM's and the donor guarantee fund. This is the first step in voluntary cooperative share ownership towards the eventual cooperatively subscribed and managed input supply system.

d. Private Commercial Sector Participation

Encourage the private commercial sector to trade agricultural inputs directly to cooperatives on a cash payment basis, through the latter's access to the financing mechanism, or directly at wholesale level with the cooperative represented CA/CCIA, or the cooperatively owned and managed CCIA.

e. Commercial Business Practices

In the near term introduce commercial business management accountancy practices at Centrale level with the purpose of moving towards self-sufficiency and lesser dependence on GON financial operating support.

f. Cooperative Ownership of National Input Supply Organization

In the long term provide for voluntary participation of the cooperative movement in the constitution of a Central cooperative Input Supply Company through share subscriptions from capitalized cooperatives.

Specifically at the end of this five year activity the following outputs will have been achieved:

OUTPUTS

a. Increased Farmer Consumption of Seasonal Agricultural Inputs

Significant progressive increase in farmer demand and consumption of seasonal agricultural inputs such as fertilizers, fungicides, insecticides, and seeds, either supplied initially through the existing public (CA) or private sectors or progressively through a voluntary cooperative self managed system (CCIA) which will replace that of the public sector (CA). The transition phase will be a combined public and cooperative enterprise (CA/CCIA).

b. Cooperative Marketing of Inputs

Significant increase in cooperative marketing of seasonal agricultural inputs through access to seasonal credit on commercial bank terms.

c. Cooperative Management Capability

Development of cooperative managerial capability through management of seasonal agricultural input supplies and practical training from the cooperative training component of APS.

d. Improvement in CA Cash Flow/Distribution Costs

Initial rapid improvement in the public sector (CA) cash flow situation leading to lower operational costs and GON financial support requirements, and providing the basis for the development of a sustainable cooperative business operation.

e. Voluntary Cooperative Growth

A bottom upwards growth pattern towards a central cooperative agricultural input supply company based on voluntary capital participation and eventually owned and managed by cooperative shareholders.

INPUTS

The USAID contribution to this component will consist of:

- a. Bank Guarantee funds.
- b. Equipment for:
 - Office furniture and equipment
 - Vehicles: . 7 4x4 vehicles
 . 2 2x2 vehicles
- c. Technical assistance
 - 1 Internal Financial Advisor for 4 years
 - 1 Cooperative Input Loan Advisor for 4 years
 - 12 person months of short term consultants
- d. Training
 - 2 participants for two year business administration training (USA) to masters level
 - 2 participants for short term (six month) training in inventory management and financial analysis
- e. Operating Costs
 - operation and maintenance of technical assistance vehicles
 - office supplies
 - operating costs for the establishment of the Management Committee
- f. Audit support for
 - CA/CCIA
 - Guarantee Funds/cooperative accounts

The GON contribution will be:

- a. Salaries of CA personnel at central and field level
- b. Salaries of trainees whilst away from duty station abroad on training
- c. Operating costs of CA distribution system in the initial stages.
- d. UNCC warehouses and ateliers.

The cooperative contribution will be:

- a. Bank interest charges
- b. Mutual contribution funds.

4. Key Feasibility Issues

The key issues related to the achievement of the stated outputs for this component are:

a. Agricultural Equipment Credit

A major issue that has not been able to be adequately addressed under the implementation plan for seasonal agricultural inputs is that of agricultural equipment financed on credit.

Factors involved include the present bankruptcy of the CNCA as the agricultural credit institution currently under review by external assistance agencies to determine its future; a need for research and development work to improve the technical efficiency of the equipment and its adaptability to different ecological zones, and the high cost of production.

GON is considering internal reorganization of the distribution circuit for agricultural equipment in the following manner. The cooperative, without passing through the COTEAR, COTEDEP structures will make a request for a line of credit directly to CNCA. On approval by CNCA, the cooperative account will be credited with the approved line of credit. On presentation by the cooperative to the CA/CCIA of documentary proof of the line of credit, the latter will purchase from the ateliers and deliver the equipment to the cooperative. Following delivery, CA/CCIA will be paid by the CNCA and the cooperative account debited. CNCA will be reimbursed by the cooperative over a four or five year period. The proposal would call for a revolving fund at CA/CCIA level to bridge the financing of the cost at the time of purchase from the ateliers with the revenue at the time of sales. The sales price would include distribution charges.

A suggested alternative might be for the ateliers to be paid directly from the CNCA cooperative line of credit following delivery by the CA/CCIA, and the latter prepaid on agreed delivery charges from the same line of credit. This would absolve CA/CCIA in financial capital commitment as an intermediary, and provide cash flow to the CA/CCIA.

To provide ongoing assessment of the agricultural equipment issue, the input supply component will give priority to consultant financial and systems analysis of this agricultural input which like seasonal inputs has to address fundamental financial and economic concerns. At the same time, the nature of any reorganization for the CNCA will have been identified, including the terms and conditions of a 1,1 milliard CFA rescue package proposed by the CEEE.

In terms of assessing the suitability of agricultural equipment for different ecological zones, the FEED project will relate to this issue.

b. GON support

That GON will continue to support the principle of cooperative participation in the agricultural input supply system, and that during the CA/CCIA transition phase will maintain support to a CA component operating on business principles and irrespective of reorganizational plans for the future of the UNCC organization. This will be the subject of a covenant between GON and AID.

c. Cooperative Management Support

That cooperative representatives at Departmental level will be capable and willing to participate in overall management responsibility at central level (CA/CCIA). The cooperative training component will support this issue, and project evaluation will determine progress achieved.

d. Guarantee Fund Impact

That the test of the guarantee funding mechanisms in the pilot areas will convince cooperatives to proceed to the mutual funding phase to capitalize cooperatives and thus provide the basis for the shareholding subscription capital to the Central Cooperative Supply Company. This issue will also be supported by the cooperative training component, and will be subject to progress and project evaluation at appropriate times.

e. Pricing of Inputs

Agricultural input prices are fixed by a GON public service commission chaired by the Ministry of Rural Development and are calculated after the amount of subsidy from the FNI or CSPPN is known.

If the cooperative managed CCIA is financially self-supporting, it will require to have control over its pricing structure in order to cover costs and set aside reserves. It may require to compete with the private sector in certain areas or may have an almost exclusive market share in other areas. National prices would possibly disappear, and be replaced by regional prices to reflect real distribution costs and/or competition from traders.

The management committee of the CA/CCIA will require to address this issue with the GON price fixing commission and establish ongoing dialogue on price policy.

f. Existing debt of CA to CNCA

Before the cooperative managed CCIA can become self sustaining, the existing CA book debt of some 1,5 milliard on the CA/CNCA account will require to be extinguished. The Internal Financial Advisor to be provided under technical assistance will undertake an analysis of the overall CA existing accounting system to determine how best this can be achieved to recover unpaid credit sales, reconcile sales documents with bank receipts, and trace transactions recovered by the CA but not appearing in the CNCA accounts. This analysis could usefully be recorded

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and analyzed on a computer and form the basis for computerization of all CA or CA/CCIA transactions.

g. CA/CCIA Revolving Fund and Guarantee Fund

The final issue relates to a strong recommendation by the input supply working party, convened by the Secretary General of the MDR, to provide the CA/CCIA with a revolving fund to supply working capital, and also a guarantee fund for agricultural credit to be used in the case of default and non payment caused by natural calamities (drought).

Reference to the revolving fund for agricultural equipment credit has already been made under issue a). This fund will also be used for seasonal inputs to provide liquidity for fertilizer replenishment by the CA/CCIA. Present stocks of fertilizer in the CA network are approximately 7,000 MT (CFA 315 million), and assuming the sale of this to the cooperatives under the cooperative bank guarantee funding program, this would enable the CA/CCIA to repay most of its accumulated interest and capital on fertilizer to the CNCA. However to purchase fresh stocks, a revolving fund would be required on which no interest would be payable, as this would represent CA/CCIA working capital. This capital would be revolved on a seasonal basis as the CA/CCIA would be paid cash by the cooperatives for inputs resulting in a major improvement in cash flow for the CA/CCIA.

A revolving fund of \$0.5 million would be required to capitalize the CA/CCIA for seasonal inputs.

The provision of a guarantee fund has been requested by the working party to cover non payment by defaulters in the event of drought. This threat is ever present in Niger and would affect all agricultural inputs as well as the CA/CCIA system. In the event of drought, it would appear likely that assistance would be mobilized by many donors as has been the case in the past for food supplies.

These issues require to be resolved directly between the GON and AID. In the event that the CA/CCIA is provided with working capital, under the existing funding limits of the input supply component, bank guarantee funds to the cooperatives would be reduced by a similar amount or sought from the Rural Sector Grant program.

An issue which is outwith the immediate scope of this input supply component is future supply source for inputs, particularly fertilizer, on the assumption that temporary or permanent disruption or stoppage of supplies from Nigeria occurs.

Feasibility studies financed by AID on the local manufacture of partially acidulated phosphate rock (PAPR) may lead to economic local source supply of granulated phosphate nutrients within the next 3-5 years, however nitrogen fertilizers will require to be imported at world market prices. At those prices they would probably only be profitable on irrigated cultivation at current prices for products, and unprofitable for dryland farmers. An official dialogue and arrangement between the two governments through the offices of the Nigero-Nigerian commission may provide for temporary supplies of nitrogen fertilizers at economic prices.

If sources of supply of fertilizer become a procurement problem, then so does self-sustaining cooperative participation in the input supply system. The only way in which this would then be sustainable commercially is through fully priced inputs being reflected in fully priced products, and possibly an intermediate donor grant program to sustain this purpose.

5. Amplified Description of the Financing Mechanism.

The major thrust of the input supply component of APS is directed towards releasing the constraint on the purchase of fungible seasonal inputs by farmers. The financing mechanism of this component is as near to the farmers as the present institutional structure permits i.e., at cooperative/GM level or in certain cases at ULC/cooperative level, and excludes a topdown approach from the public sector.

It is designed to develop financial management capability of the cooperatives through an initial test phase, to be followed at the appropriate time by voluntary financial commitment of the G.M.'s to the cooperative and to supporting cooperative self sustaining operation, and an awareness that the public sector no longer exists as an inexhaustible source of credit funding.

The mechanism will provide for certain controls to avoid potential decapitalization of donor funds as well as providing for eventual share subscription and cooperative ownership of the Central Cooperative Input Supply Company (CCIA).

Providing that CA/CCIA were the suppliers, the immediate effect of relieving the funding constraint on input purchase by consumers would be to release the fertilizer presently congesting the CA storage and distribution system, permit the CA/CCIA to finance cash purchases of new stock, and fertilizers to be used immediately for increasing productivity. However, the suspicion that farmers retain of public sector "assistance" has first of all to be removed through a test phase to convince and demonstrate to them the validity of what is being proposed, much in the same manner that demonstration fertilizer plots are

recognized as visual motivating marketing factors to financial commitment and purchase by the farmer.

Guarantee Fund

Access to seasonal commercial bank credit for cooperatives will be provided through donor supplied guarantee funds to the bank. Those are blocked funds, either earning or not earning interest depending on donor regulations, and are not directly accessible to the cooperative. Their purpose is to serve as collateral to the bank to enable the cooperative to open a current account or line of credit in its own name for seasonal inputs, but on which the cooperative will require to bear servicing and operational charges. In a worst case of total default by the cooperative on its account, the bank would call in the guarantee deposit to indemnify the loss, and the cooperative would have no further access to commercial bank credit for seasonal inputs.

Controls

In order to prevent such a situation arising, or to have early warning of approaching difficulty, certain controls are provided.

1. The guarantee fund will be tested in selected cooperatives to be identified through a preliminary field survey report, the terms of reference of which will be prepared by the cooperative input loan advisor, and counterpart, and management committee of the CA/CCIA. The terms of reference will be submitted to AID/Niger and MANCOM/CCIA for approbation and concurrence, and will include verifiable and documented information relative to existing credit records and past history with the CNCA, or commercial banks, of the proposed cooperative participants. This is essentially a credit rating component of the survey.
2. Cooperative drawing limits on individual accounts will be limited, under a convention between donor and bank, to two-thirds of the capital value of the guarantee fund. This will prevent total collapse of a particular cooperative's guarantee fund. It will also incite the cooperative to rapid repayment of principal and interest charges in order to re-establish credit facilities in the following season, as 100% annual repayment of capital, interest and charges is obligatory.
3. Prior to the establishment of guarantee funds, the cooperative loan advisor and counterpart will conduct sessions with cooperative members in order to familiarize them with the concept and responsibilities of operating bank accounts. Subsequent to this the members will decide by vote if they wish to participate, or modify the procedures. They will then designate personnel to manage the account, and the loan advisor and counterpart with personnel from the training component will work with the designated personnel to enable them to understand fully their function and how to execute it.

4. Prior to AID/N approval of the guarantee fund for a particular cooperative, the cooperative loan advisor and counterpart will submit to AID/Niger a projected and provisional twelve month operational statement prepared with the cooperative's management on the anticipated cash flow for the period including withdrawals, reimbursements and provision for interest, management charges and/or capital reserves or bad debts. This would be a prerequisite to guarantee fund collateral, and necessary to compare eventual performance with the reality of the projection.
5. Monthly statements, prepared under the supervision of the cooperative input loan advisor and counterpart, and submitted to AID/Niger (Controller) of the operational state of the cooperative accounts, detailing drawings, reimbursements, interest charges, balance, etc.
6. Finally, the donor guarantee fund/cooperative current accounts in operation in the pilot area would be subject to external audit, prior to the end of the demonstration phase to demonstrate their viability, and before proceeding to the mutual contribution phase.

Annex I provides a flow chart (Figure 4.) of funds and inputs resulting from guarantee funding at cooperative level, and Annex 3 an illustrative budget for an initial guarantee fund.

Mutual Contribution/Cooperative Capital Structure

Essentially the testing of the donor guarantee fund will have achieved five objectives:

- a. provided "hands on" experience to cooperatives in managing finance on commercial terms;
- b. allayed suspicion that the public sector or the state can or will interfere with their operations;
- c. increased the use of seasonal inputs purchased on a cash or near cash basis.
- d. established confidence within cooperative management that they can run their own business
- e. enabled the cooperatives to establish, or begin to establish capital reserves.

On the assumption that all or most of those five objectives have been attained, the next stage is for the cooperatives to voluntarily develop the capital structure in order that the G.M.'s have a financial and personal commitment to the development of the cooperative as a business. Without the commitment from cooperative members and a vested interest, the cooperative is non viable in the long term as a business enterprise. The vested interest and capital structure is also necessary to provide for the eventual voluntary share participation in the Central Cooperative Input Supply Company, which will be owned, and/or, managed by or for the shareholders.

To provide business confidence and financial support to cooperatives to create capital reserves, the donor or donors will contribute on an equal participation basis with the GM's to the formation of Mutual Capital Funds at the cooperative level. Cooperative capital contributions will be generated from reserves accumulated thru trading, as described under 7) GON/Coop inputs, or thru direct share participation. The limits of donor funding will be identified as a function of progress, performance and requirements, but essentially the GM's will become shareholders in the cooperative with a suggested minimal subscription to the capital of the cooperative equal for example to 25% of their average seasonal credit requirements. Anything less is likely to be of token value and would be an undercommitment. The test marketing phase should have convinced GM's of the viability of the guarantee program, and therefore encourage voluntary self commitment with the further incentive that the donor/donors will also contribute franc for franc towards the capitalization process. Details of Mutual Fund constitution, operation and guidelines will be established at the appropriate time and towards the end of the test marketing phase, and will be developed in collaboration with the cooperative training component of the APS Project. Annex 4 gives an illustrative budget for mutual fund contributions.

6. Amplified Description of Institutional and Operational Changes

The project design provides for a phased reorganization of the public sector input supply system presently managed and operated by the UNCC/CA to that of a cooperatively owned and managed system (CCIA) with trading participation from the private commercial sector.

Two fundamental assumptions to the design will be proven willingness of cooperatives or their representatives at higher departmental levels (RCU's) to eventually participate in overall management responsibility at central level, or to pay for those management skills, and secondly GON's preparedness to continue to support the public sector CA component of the input supply system during the transition phase (CA/CCIA).

The reorganization will be initiated during the first five year phase and will require basic reforms in terms of legal status of the CA, and the cooperatives, managerial and financial changes, the introduction of profitable trading concepts, and extensive training at both central and cooperative level of competent management skills.

Effective participation of cooperatives in the input supply system at rural level will be established in an upward growth manner starting at the level of coops/GM's or where this is not feasible at ULC/coop level. The bottom up growth path will be adopted by the APS cooperative training component which will strengthen management ability at coop/GM's levels. The input supply component through the funding mechanism for inputs described earlier will provide near term practical support in pilot test cooperatives. This will encourage the marketing of seasonal inputs, the flow of inputs through the system, and cash or near cash payments. The funding mechanism will also provide for voluntary capitalization and shareholding of the cooperatives through a second later

stage mutual contribution fund with GM participation. This in turn will provide the shareholding capital for voluntary subscription to the Central Cooperative Input Supply Company (CCIA). Cooperatives will trade independently and will either purchase from the private sector or through the transitory CA/CCIA or CCIA organization. In both cases seasonal inputs will be purchased by the cooperative on a cash basis. Recovery of debt from GM's to whom cooperative seasonal credit has been extended will be the responsibility of the cooperative, who in turn will be responsible to the bank.

The independent cooperative organizational structure is now well advanced (see Table 1) with two RCU's now established and five more in the course of constitution. The U.N.C. step will represent the final completion of this development. This body may wish to consider modifying the concept of a central cooperative input supply company to include decentralized departmental control operating on an independent basis. The RCU representation on the CA/CCIA management committee discussed later provides the linkage for this development. This may be more advantageous for those departments with ready access to cheaper inputs from Nigeria, however the advantage of belonging to a central organization with improved guarantees to world market supply is advantageous.

The institutional reorganization of the central public sector input supply organization, the Centrale d'Approvisionnement, provides for a model that progressively reflects cooperative participation and integration in policy and operational matters with a phased reduction in public sector representation. This ensures flexibility and stability, with no abrupt hand over of responsibility to unskilled management, or disruption of GON's efforts to stimulate input usage, or loss of confidence in the private commercial sector's hopes of participating in a new agribusiness growth industry. It will also enable the effectiveness of voluntary cooperative participation to be evaluated.

Institutional central reorganization will be aimed at developing a business type profile administratively and operationally, and will complement the management and operational changes being implemented at coop/GM's levels through training and funding activities.

Management Committee

The principal administrative reorganization at central level will be the constitution of a management committee to replace the existing commission d'administration of the CA. The purpose of creating the committee is:

- a. to provide increasing representation at central level of the requirements of participants in the input supply system. The composition of this representation is discussed later;
- b. to provide cooperative members with access to policy decision making on issues which affect input supply. This provides a platform for continuous farmer representation and reaction for example to input quality and quantity, or for the dissemination of information on new inputs which will come to the market, and particularly on pricing.

Table 1**Situation du Mouvement Coopératif par Département****(au 31 Décembre 1983)**

<u>Département</u>	<u>G.M.</u>	<u>Coop.</u>	<u>ULO</u>	<u>USRC</u>	<u>U.R.C.</u>
Niamey	1632	293	45	7	1
Dosso	1415	107	29	5	en cours
Tahoua	1626	202	35	7	" "
Maradi	2287	188	29	7	" "
Zinder	2633	246	46	6	" "
Diffa	803	81	13	3	" "
Agadez	235	57	17	4	1
	<u>10.631</u>	<u>1.174</u>	<u>214</u>	<u>39</u>	<u>2 constitué</u> <u>5 à constituer</u>

SOURCE: Le Sahel No. 391, Lundi 23 Janvier 1984.

- c. to provide informed directional guidelines to CA or CA/CCIA management on operation and distribution requirements either through this organization or through private sector participation.
- d. coordinate and pursue viable methods to progressively develop the basis for a cooperative input supply company (CCIA) which is cost effective, can guarantee supply and maximizes private sector participation to or near to end users.
- e. establish cooperative awareness, through the cooperative organizational structure (RCU's), of GON's policy intentions to minimize public sector involvement in the input supply system and encourage cost effective participation through self sustaining cooperative and private sector involvement. The funding mechanisms being applied to the pilot areas will provide a practical case study of achievable improvements.

Representation on the Management Committee will be drawn from Regional Cooperative Representatives (RCU's), Ateliers, Banks, etc. and Implementation Schedule A describes procedures to be followed to select a competent committee which would meet once a month. Meetings would normally be held in Niamey, but could also take place in Departments to expand awareness of the changes taking place in the system. The Internal Financial Specialist and Cooperative Input Loan Advisor will serve on the management committee in an advisory capacity in order to coordinate donor support.

Operational

Line of Authority: Figure 1 depicts the present operational structure of the CA service within the UNCC at both central and field level. The posts of Delegate Départemental Adjoint were created in late 83 to specifically handle the input supply functions in the Departments. There is however no direct line of authority to the CA service management as the Délégué Départemental in charge of all UNCC activities within the Department is effectively in charge of input supply. To establish a more business like operational link to the present CA, and strengthen CA/CCIA effectiveness, the Délégué Départemental Adjoint will be operationally responsible to the Director of the CA, although for administrative and disciplinary matters he will remain under the authority of the Délégué Départemental, as long as UNCC exists, in its present form.

Operational Support of UNCC: The future role of the UNCC, and its scope of action is now the subject of serious discussion by GON. Whatever the outcome of those deliberations, GON will agree to continue to support, at least during the 5 year transition phase and until CCIA self supporting status is reached, the input supply and distribution system. To withdraw from this activity in the near future would cause disruption, remove a guaranteed line of supply, and preclude the phased and programmed development of cooperative managed input supply system.

EXISTING ORGANISATIONAL STRUCTURE

Fig 1.

SERVICE PUBLIQUE

U.N.C.C.

G. A.

CNCA
BANK

DELEGUE
DEPARTMENT

ASST. DELEGUE
DEPARTMENT

ADMINISTRATIVE
COMMISSION

DELEGUE
ARRONDISSEMENT

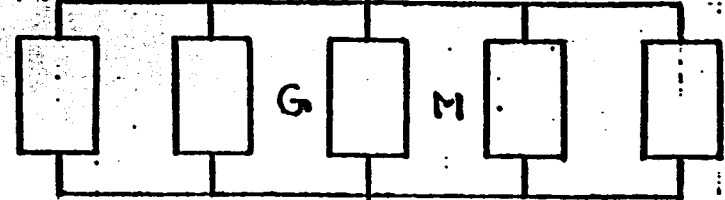
PUBLIQUE
SERVICE

U.L.C.

COOP

COOP

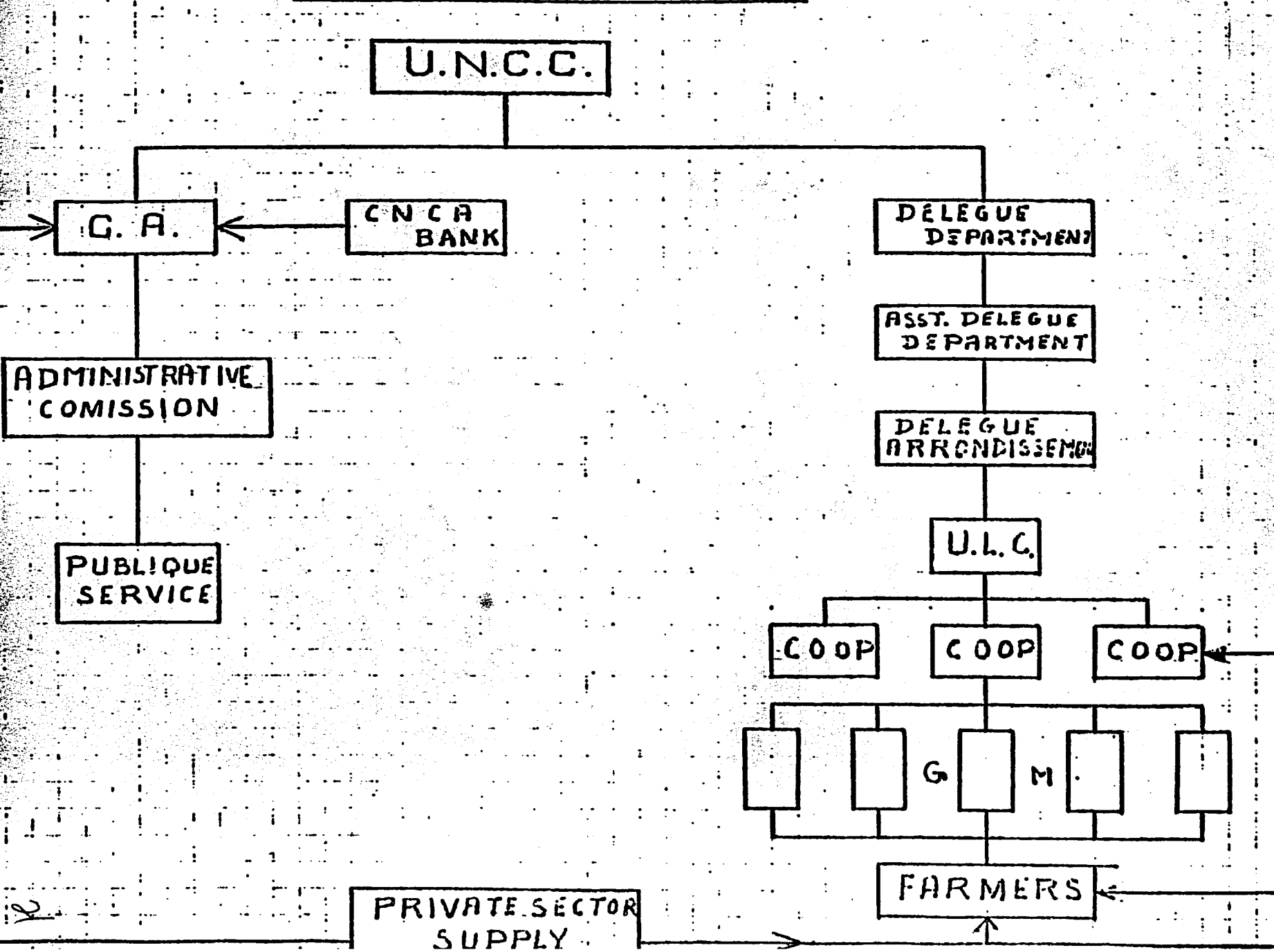
COOP



FARMERS

PRIVATE SECTOR
SUPPLY

2



Operating Costs: Current operating costs of the present CA supply system and future CA/CCIA system will be analyzed by the Internal Financial Controller and counterpart and the management committee of the CA/CCIA will be empowered to make institutional or operational changes where necessary that are demonstrably cost effective.

The GON guarantee to provide continued but progressively diminishing support through the transition phase from public funding will be matched through an increasing percentage of operating costs being covered by revenue. CA's largest operating cost is bank interest charges. Under the financing mechanism described earlier for seasonal inputs, those will initially largely be borne by the cooperatives in the pilot test areas, which would then progressively be expanded to cover an increasing number of cooperatives.

Operating cost analysis and management accounting methods will be developed during the five year transition phase and provide the management committee with the type of information necessary to achieve an institutional profile that is self sustainable. The two-2-year training courses in business management will contribute to a strengthening of institutional management capability, as also will in the shorter term courses in inventory control and financial analysis.

Figures 2 and 3 show the transitional CA/CCIA structure and the final CCIA model.

7. Amplified Description of GON/Cooperative Contributions

a) Centrale d'Approvisionnement

The CA will provide institutional support to the CA/CCIA and constitute a management committee (ManCom) representative of cooperative interests and with participation from the Regional Cooperative Unions.

The CA will continue to distribute seasonal inputs to the cooperatives on a cash paid basis, and in competition with the private sector.

Budgetary contribution by the CA excludes CFA 1.521 million (\$3,75 million) indebtedness to the CNCA with an accumulated interest charge of approximately CFA 400 million (\$1 million) which is currently the subject of examination by the CEEE. It would be necessary to regularize this situation before the CA/CCIA can become a viable commercial operation.

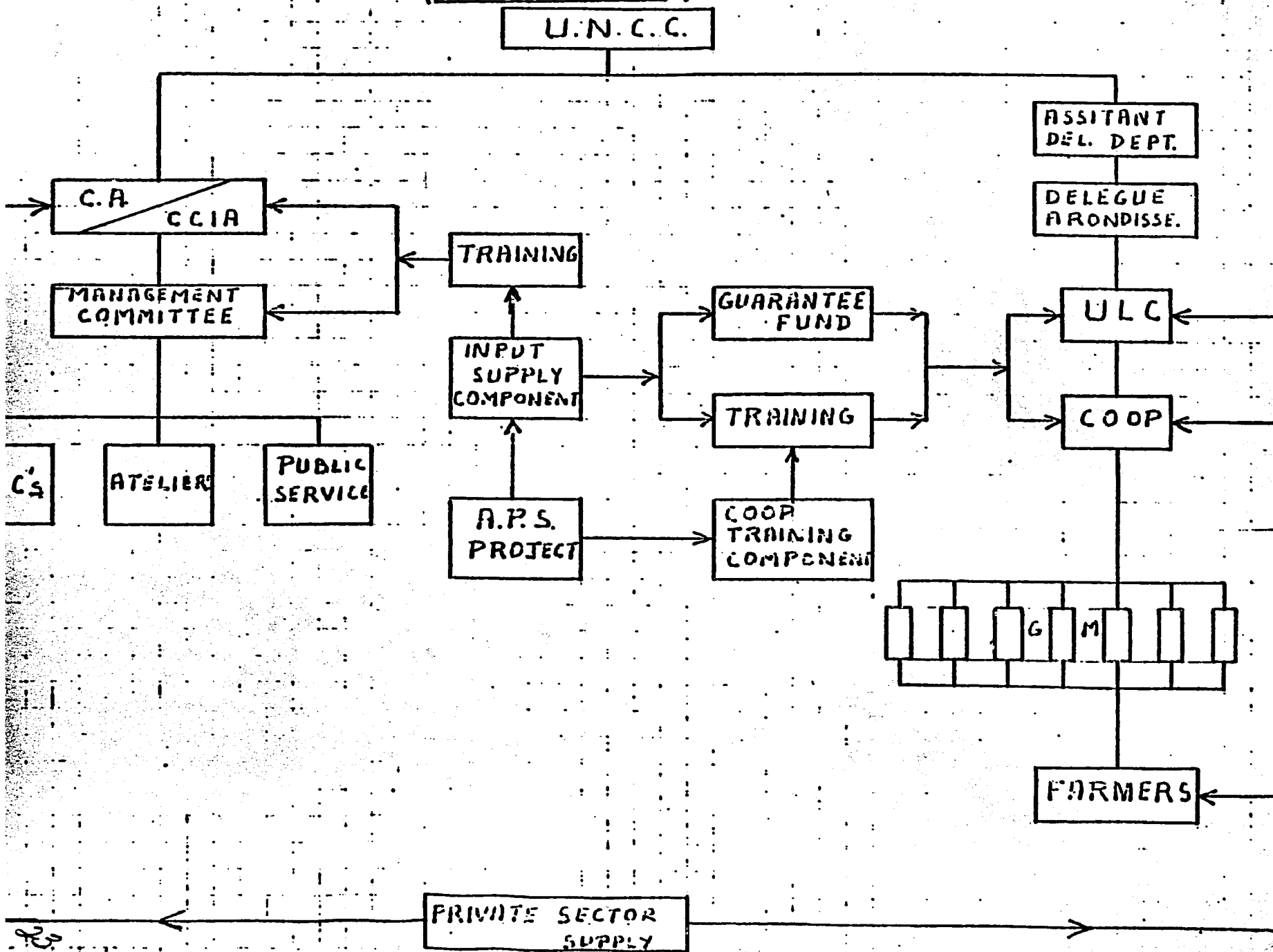
Current operating costs, exclusive of accumulated interest, but including salaries (13 at headquarters and 7 in the departments) and distribution costs are approximately CFA 150 million (\$375,000) and are not expected to increase to any significant degree over the next five years. An inflationary factor of 5% would provide the following budgetary breakdown.

22x

TRANSITIONAL ORGANISATIONAL STRUCTURE

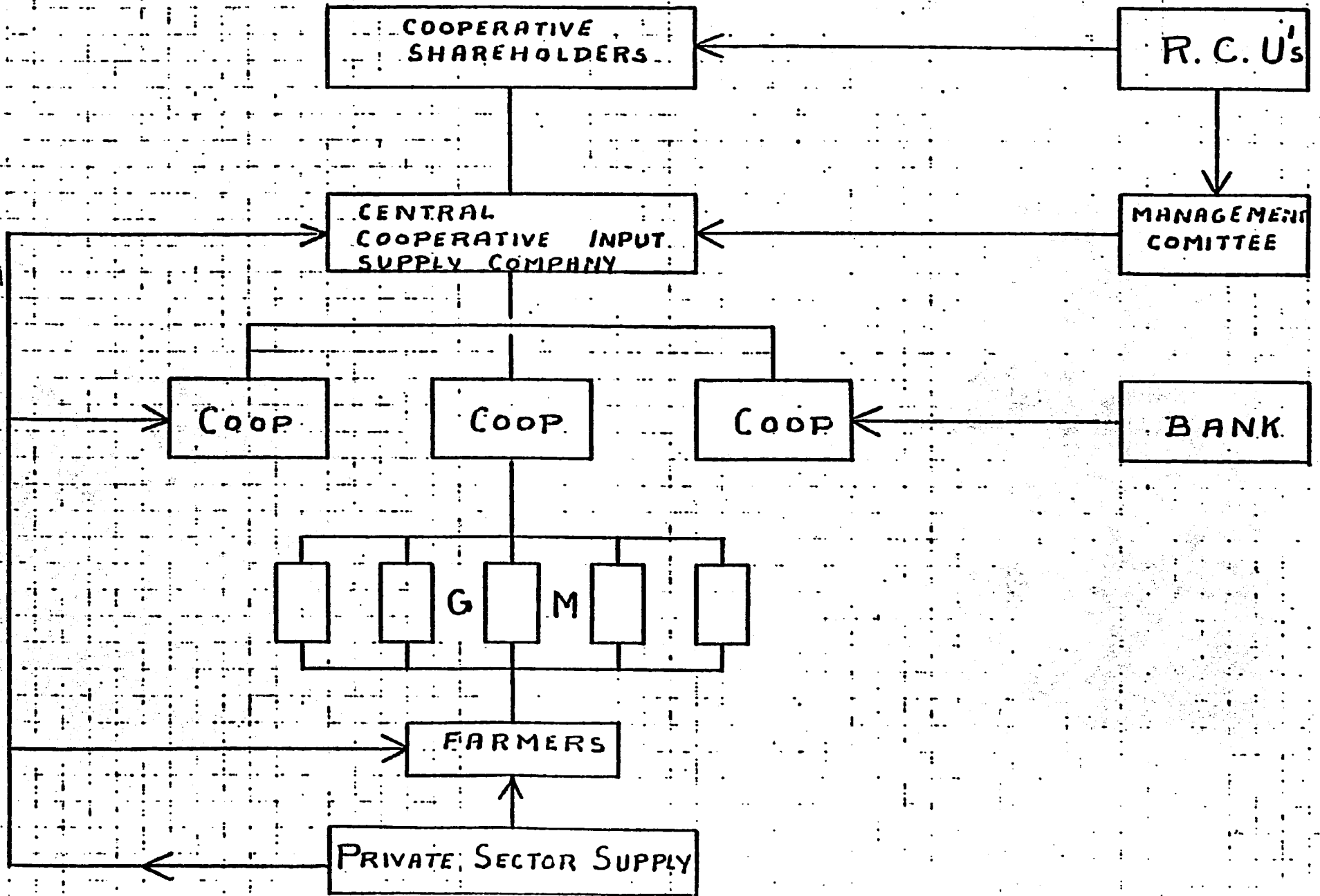
WITH
A.P.S. PROJECT ASSISTANCE
(SERVICE MIXTE)

FIG 2.



FUTURE ORGANISATIONAL STRUCTURE
(LIMITED COMPANY)

FIG. 3



4/8

(CFA millions)

<u>1985</u>	<u>1986</u>	<u>1987</u>	<u>1988</u>	<u>1989</u>	<u>Total</u>
158	166	174	183	192	873
(\$'000's)					
395	415	435	458	480	2,183

b) The storage capacity of the UNCC in the Departments and Arrondissements as well as the ateliers will be progressively handed over to the RCU's. The present replacement value of (60,000 CFA/m²) the 22,040 m² of storage space would be CFA 1,455 million (\$3.64 million). The warehouses and ateliers will be valued prior to the capitalization of the CCIA. A nominal value of CFA 2,000 million (\$5 million) is placed on warehouses and ateliers.

c) Cooperatives (Interest and Mutual Funds)

The cooperative contribution to the input supply component will be interest paid on cooperative bank accounts plus contributions to the mutual fund starting in 1987.

In 1985 a guarantee fund of CFA 574,8 million (\$1,437,000) will provide bank collateral for 85 cooperatives who each purchase CFA 4,5 million of seasonal inputs (500 members of a cooperative purchasing CFA 9,000 inputs) representing bank lending to the cooperatives of CFA 383 million (Cooperative Account/ Guarantee Fund 2/3).

At current commercial rates (15.5%) plus bank charges (1.5%), total cost of financing the inputs is 17% per annum. Seasonal credit would average 8 months, so the cost of borrowing the capital would be 11.3% or CFA 43.2 million or CFA 508,235 per cooperative.

In 1986, with an additional 85 cooperatives, the guarantee fund will double in size to CFA 1,149.6 million (\$2,874 million), and cooperative bank accounts will be increased by CFA 383 million. Demand will have increased by 10% for the original 85 cooperatives to CFA 421 million, so bank lending will increase to CFA 804 million in 1986. The finance charges will increase to CFA 90,85 million.

In 1987, the second phase mutual fund contribution will commence with cooperative (and donor) contributions from the first year phase one participants. Cooperative capital funds will be built up through 10% contributions from cooperatives and donor, and based on the cost of inputs sold (see Annex 4).

From 1987 through the life of project till 1989, the donor guarantee fund will be progressively reduced through mutual transfers to cooperative capital funds. Cooperative borrowing requirements for inputs will be financed from increasing capital resources on which no interest charge is applied (but which may earn interest) as well as the cooperative accounts on which interest charges will be progressively reduced as borrowing requirements are reduced.

The accompanying table 2 illustrates the cooperative contribution to the input supply component for the five year life of project. This totals CFA 606 million (\$1.5 million) and is broken down into interest charges of CFA 360 million (\$0,9 million) and cooperative capital contribution to mutual funding of CFA 246 million (\$0,6 million).

The first 85 cooperatives will have contributed CFA 150 million in three years to capital funding or CFA 1,764,706 per cooperative or CFA 3,529 per chef d'exploitation or CFA 1,176 per year.

The second group of 85 cooperatives will have contributed CFA 96 million in two years to capital funding, or CFA 1,129,411 per cooperative, or CFA 2,259 per chef d'exploitation, or CFA 1,129 per year.

A continuation of the time scale to 1993 would show input requirements at CFA 1,339 million, and total available capital at CFA 1,472 million. The cooperatives would then be financially self supporting.

The funding program will be established initially in test areas under the supervision of the Cooperative Loan Input Advisor. Expansion on a major scale will require counterpart funding through the Rural Sector Grant to establish further bank guarantee programs.

Over the five year period, cooperative contributions will be as follows.

	(\$'000's)					
	<u>1985</u>	<u>1986</u>	<u>1987</u>	<u>1988</u>	<u>1989</u>	<u>Total</u>
Interest	108	228	223	190	153	902
Capital	-	-	115	240	260	615
Total	108	228	338	430	413	1,517

Total cooperative contribution: \$1,517,000

26x

Table 2 Cooperative Interest and Mutual Fund Contributions

(millions CFA)

	<u>1985</u>	<u>1986</u>	<u>1987</u>	<u>1988</u>	<u>1989</u>	<u>Total</u>
<u>Cost of Inputs Sold</u>						
First year participants	383	421	459	497	536	2,296
Second year participants (85)	-	383	421	459	497	1,760
(A) Total Cost of Inputs	383	804	880	956	1,033	4,056
<u>Mutual Fund Contributions</u>						
First year participants	-	-	46	50	54	150
Second year participants	-	-	-	46	50	96
S/Total cooperative contribution	-	-	46	96	104	246
S/Total donor contribution	-	-	46	96	104	246
Total Mutual Fund	-	-	92	192	208	492
(B) Cumulative Total						
Mutual funds	-	-	92	284	492	
(C) Cooperative borrowing requirements (A - B)	383	804	788	672	541	3,188
(D) Interest charges (11,3%)	43	91	89	76	61	360

Cooperative contribution interest charges	360
Cooperative contribution capital mutual fund	246
total cooperative contribution	<u>606</u>

27

8. Amplified Description of AID Contributions

In the first two year test phase, AID will contribute bank guarantee funds totalling \$2,874,000 to enable an estimated 170 cooperatives comprising 1,530 G.M.'s and 85,000 chefs d'exploitation voluntary access to bank credit to purchase seasonal inputs on commercial terms. This represents 14,5 per cent of Niger cooperatives.

Institutional changes in the CA will be brought about through voluntary cooperative representation on a management committee linked to the Regional Cooperative Unions to form a transitional CA/CCIA.

The financial and inventory control systems of the CA will be analyzed and management accountancy practices introduced to conform to commercial business practices.

Technical assistance will be provided to support the guarantee fund program through the Cooperative Input Loan Advisor, and the financial and management changes through the Internal Financial Advisor.

To support the CA/CCIA, 7 vehicles will be provided to the Délégué Départemental Adjoint (DDA) and 2 vehicles each to the technical assistance team and their counterparts. A minimum amount of office furniture and equipment will be provided to the DDA's to enable them to carry out their duties in orderly fashion, as well as to the technical assistance team.

A microcomputer will enable the Internal Financial Advisor to store, retrieve and analyze information particularly that pertaining to the ongoing analysis of the commercial viability of the CA/CCIA and the later stage CCIA. This analytical function is expected to demonstrate particularly the sales prices for inputs required to cover all costs, and provide management with the information necessary to decision making.

Through the injection of purchasing power at the cooperative level, the latter will be in a position to purchase inputs either from the CA/CCIA or the private commercial sector.

This model will demonstrate whether the commercial sector is capable, reliable and can guarantee fertilizer supplies when required.

Training in business management will be supported through two USA based two year courses as well as short-term training courses in Africa or Europe in financial analysis and inventory control.

No construction for warehouses is previewed as the key problem is not storage capacity, but that of moving input supplies through the existing storage capacity. No additional office space is required, and for the management committee meetings of the CA/CCIA, the existing facilities at the UNCC will be adequate.

Coordination and collaboration with the APS cooperative training component will be continuous and essential to build up management capacity at this level.

An annual audit on CA/CCIA and the guarantee and cooperative funds will reveal weaknesses, and the steps to be taken by the management committee of the CA/CCIA to rectify those.

During the first phase, the problems surrounding the finance, cost and adaptation of agricultural equipment will have to be examined and hopefully resolved. This may require modification of the present implementation plan.

An annual evaluation after the second year of operation will determine how accurately the project purposes have been satisfied, and whether the second phase is ready for implementation.

The second 2-year phase is aimed at developing the capital structure of the first phase cooperatives through voluntary mutual donor/cooperative funding, as well as expansion of the bank guarantee funding to an increased number of cooperatives. Both actions to be coordinated with the cooperative training component of the APS Project. Additional funds from the Rural Sector Grant will be required for expansion of guarantee funding.

The ongoing financial analysis of the CA/CCIA will demonstrate commercial viability of the future CCIA and will have particular impact on the pricing of agricultural inputs. The management committee of the CA/CCIA will, through the linkage with the Regional Cooperative Unions, play an important role in establishing full cost pricing, without which the cooperative owned and managed CCIA is commercially not viable. Conjointly, the institutional and corporate base for the CCIA will be elaborated.

Audits will be carried out annually on the CA/CCIA, guarantee and mutual funds as well as the cooperative bank accounts.

Towards the end of the second phase, the AID contributions will have demonstrated the viability of cooperative ownership and private sector commercial participation and progress towards full pricing.

The final fifth year of the project will provide for the voluntary constitution and incorporation of the cooperatively owned CCIA.

A final evaluation will be conducted in year 5 to determine progress achieved on the need to extend donor support.

Total AID contribution over the five years period will be \$5 million (See budget for line item and annual contributions, schedules for chronological activities and networks for linkages).

List of Implementation Schedules

	<u>Action.</u>
Schedule A	Institutional
Schedule B	Training
Schedule C	Cooperative Input Loan Advisor
Schedule D	Internal Financial Advisor
Schedule E	Financing Mechanism
Schedule F	Audit
Schedule G	Commodities

IMPLEMENTATION SCHEDULE - A

INSTITUTIONAL

<u>Date</u>	<u>No.</u>	<u>Action</u>	<u>Responsibility</u>
September 84	1	Policy statement to effect the change in role of the CA of the UNCC.	MDR/MINPLAN
December 84	2	Initiate legal or internal document relative to proposed change in the organisational structure of the CA evolving to the eventual commercial registration of the Cooperative Input Supply Company (CISC).	MDR/MINPLAN/MINCOM
December 84	3	Define the composition and representation of future management committee (MANCOM) of the "Societe Mixte" CA/CCIA including job descriptions, criteria for selection and selection procedures.	UNCC/CA Chamber of Commerce AID/N
January 85	4	Written notification to potentially interested parties of the intention to form a management committee of the CA, seeking expressions of interest to perform described duties.	UNCC/CA Chamber of Commerce
February 85	5	Selection and/or interviews of respondents. Composition and representation of MANCOM established.	UNCC/CA/TA Chamber of Commerce
March 85	6	Status of CA altered. 'Societe Mixte' CA/CCIA established.	MDR/MINCOM/UNCC
April 85	7	Inaugural meeting of MANCOM; thereafter meets monthly.	CA/CCIA/TA
December 86	8	MANCOM has 50% representation of cooperative members	CA/CCIA/RCU's
January 87	9	Proposal prepared for the Articles of Incorporation of the Central Cooperative Input Supply Company.	CA/CCIA/MINCOM/RCU's Chamber of Commerce AID/N

IS - A
Institutional (Contd)

<u>Date</u>	<u>No.</u>	<u>Action</u>	<u>Responsibility</u>
December 87	10	CA/CCIA has two thirds cooperative representation on MANCOM.	MANCOM RCU's
June 88	11	Inventory of capital assets equipment prepared for valuation purposes against future equity subscription.	AID/N CA/CCIA RCU's
August 88	12	Capital assets valuation approved by external auditor.	AID/N
September 88	13	Final decision to establish independant CCIA	MDR/UNCC RCU's/MANCOM
October 88	14	Prospectus for share subscription prepared.	CA/CCIA Chamber of Commerce MINCOM
November 88	15	Articles of Incorporation completed.	MINCOM/CA/CCIA Chamber of Commerce AID/N
December 88	16	Central Cooperative Input Supply Company registered. CA dissolved.	CCIA/RCU's Chamber of Commerce MINCOM
January 89	17	CCIA share capital open to subscription from cooperative funds.	CCIA/RCU's Chamber of Commerce MINCOM/AID/N

IMPLEMENTATION SCHEDULE - B

TRAINING (OVERSEAS)

<u>Date</u>	<u>No.</u>	<u>Action</u>	<u>Responsibility</u>
September 84	1	Submission candidates applications; c.v.; qualifications; for one 2-yr MBA course	MDR/UNCC/CA Chamber of Commerce/ OPEN
September 84	2	Submission candidates applications, c.v., qualifications for two 6-month courses (inventory control, finance).	MDR/UNCC/CA
September 84	3	Identification suitable institutions or organisations for long term and short term training	AID/N AID/W
December 84	4	Selection by the commission of a suitable candidate for long term training	MDR/UNCC/CA Chamber of Commerce/ AID/N / OPEN
December 84	5	Selection suitable candidates for short term training Proposal for training forwarded to suitable institutions or organisations	UNCC/CA / AID/N AID/N
January 85	6	Confirmation of acceptability and training starting date for MBA candidate	AID/N
January 85	7	Confirmation of acceptability and starting date for short-term candidate	AID/N
April 85	8	Departure all candidates for training.	AID/N
October 85	9	Return of short term candidates following completion of training to the CA/CCIA.	AID/N
September 86	10	Submission candidate applications c.v., qualifications for second 2-yr MBA course	MANCOM, CA/CCIA Chamber of Commerce OPEN
September 86	11	Identification suitable institutions, organisations for long term training-	AID/N AID/W

IMPLEMENTATION SCHEDULE - C

TECHNICAL ASSISTANCE - COOPERATIVE INPUT LOAN ADVISOR (CILA)

<u>Date</u>	<u>No.</u>	<u>Action</u>	<u>Responsibility</u>
February 84	1	Preparation PIO/T, Job Description	PCMU / AID/N
April 84	2	Recruitment candidate or institutional contract	PCMU / AID/N
May 84	3	Arrival Specialist	AID/N
June 84	4	Preparation 12 month work plan	T.A.
July 84	5	s.o.w for cooperative test program	T.A. / CA/CCIA
August 84	6	s.o.w. approved	AID/N / CA/CCIA / PCMU
October 84	7	Field work including Bank funding	T.A. / CA/CCIA
November 84	8	Preparation of report/submission	T.A.
November 84	9	Approval of Reprot	AID/N CA/CCIA PCMU
December 84	10	Cooperation sensibilisation; conventions between Banks and cooperatives signed.	T.A. / CA/CCIA / APS(T)
April 85	11	Cooperative test areas operational	T.A. / CA/CCIA(MANCOM)
September 85	12	Monitor Report on Cooperative test areas (6 months) Participation public/private sector input supply	T.A. / CA/CCIA(MANCOM) APS(T)
January 86	13	Evaluation report on first season's impact of guarantee fund	T.A. / CA/CCIA(MANCOM) RCU's/APS(T)
January 86	14	Cooperative sensibilisation and extension to other areas	T.A. / CA/CCIA(MANCOM) RCU's/APS(T)
April 86	15	Guarantee funding extended to second volet of cooperatives	T.A. / CA/CCIA(MANCOM) RCU's/APS(T)
June 86	16	Prepare proposal for mutual fund program with Financial Advisor	T.A. / CA/CCIA / RCU's AID/N. APS(T)
January 87	17	Evaluation report on First and second year guarantee fund operations	T.A. / CA/CCIA(MANCOM) RCU's APS(T)

IS - B
Training (Contd)

<u>Date</u>	<u>No.</u>	<u>Action</u>	<u>Responsibility</u>
December 86	12	Selection suitable candidate (commission) proposal for training forwarded to suitable institutions or organisations	MDR / UNCC/CA Chamber of Commerce/ AID/N OPEN AID/N
February 87	13	Confirmation of acceptability and training starting date	AID/N
March 87	14	Return of first MBA candidate	AID/N
April 87	15	Departure second MBA candidate for training	AID/N
March 89	16	Return of MBA candidate following completion of training to the CCIA.	AID

IS - C
Technical Assistance (Contd)

<u>Date</u>	<u>No.</u>	<u>Action</u>	<u>Responsibility</u>
February 87	18	Proposal document for mutual fund program accepted	T.A. / CA/CCIA/AID/N RCU's APS(T)
February 87	19	"Sensibilisation" cooperative in guarantee Fund areas to voluntary mutual capital funding	T.A. / CA/CCIA/RCU's APS(T)
June 87	20	Mutual Funding accepted by Cooperatives in test areas	T.A. / CA/CCIA/RCU's APS(T)
January 88	21	Evaluation report on guarantee and mutual fund programs	T.A. / CA/CCIA/RCU's APS(T)
January 88	22	Cooperative participation in mutual funding in original test areas	T.A. / CA/CCIA/RCU's APS(T)
February 88	23	Guarantee fund contributes to mutual cooperative funds	AID/N. TA CA/CCIA / RCU's APS(T)
April 88	24	"Sensibilisation" Cooperatives to capital share participation CCIA	T.A. / RCU's MANCOM / APS(T)
July 88	25	Voluntary decision taken by Cooperatives on RCU's on participation CCIA	T.A. / RCU's MANCOM / APS(T)
August 88	26	Prepare proposal and mechanism for cooperative sharcholding in CCIA	T.A. / APS(T) MANCOM / RCU's
September 88	27	Evaluation report on Cooperative funds available to subscribe to shares in the CCIA	T.A. / RCU's MANCOM
December	28	Proposal for subscription mechanism accepted	T.A. / RCU's MANCOM
January 89	29	Coordinate cooperative share subscription to CCIA	T.A. /RCU's MANCOM
May 89	30	Submit final report	T.A. / AID/W

IMPLEMENTATION SCHEDULE - D

TECHNICAL ASSISTANCE - INTERNAL FINANCIAL ADVISOR (IFA)

<u>Date</u>	<u>No.</u>	<u>Action</u>	<u>Responsibility</u>
Feb. 84	1	Preparation PIO/T; Job description	P.C.M.U. / AID/W
June 84	2	Recruitment candidate, or institutional contract.	P.C.M.U. / AID/W
July 84	3	Arrival Internal Financial Advisor	AID/N
August 84	4	Preparation 12 month work plan following briefing, familiarisation	CA/TA
October 84	5	Preliminary report on institutional and financial systems of CA.	CA /TA
November 84	6	Draft proposals for Guarantee Funds operations in collaboration with Loan Advisor.	CA/TA AID/N
December 84	7	Proposals accepted by donor/CA convention signed between donor and participant bank's and between cooperatives and banks.	TA / AID/N
December 84	8	Participate in selection of candidates for short and long term training	CA/TA
January 85	9	Participate with external auditor in presentation of CA financial documents	CA/TA
February	10	Participate in selection of management committee of future CA/CCIA	CA/TA
February	11	Advise UNCC/CA with definition of legal, internal and functional status of CA/CCIA	CA/TA

IS - D
Internal Financial Advisor (Contd)

<u>Date</u>	<u>No.</u>	<u>Action</u>	<u>Responsibility</u>
March 85	12	Assist CA with implementation of audit report	TA
March 85	13	Assist CA with final statute of CA/CCIA from business management viewpoint.	TA/CA
April 85	14	Participate with Loans Advisor at inaugural meeting of CA/CCIA and thereafter monthly.	CA/TA
May 85	15	Report on progress achieved so far management accountancy practices, audit recommendations and requirements to achieve progress.	CA/TA
June 85	16	Prepare a program for the introduction of financial analysis at the CA/CCIA	TA / CA/CCIA
July 85	17	Implement the financial analysis program.	TA / CA/CCIA
September 85	18	In collaboration with Loans Advisor contribute to monitor report on the utilisation of guarantee funds in cooperative test areas.	CILA/TA
January 86	19	Review report of progress achieved in improving accounting systems and financial analysis, institutional efficiency of management committee, effect of guarantee funding on input supply by the CA/CCIA, audit implementation.	TA / AID/N.
January 86	20	Collaborate with external auditor on presentation of CA/CCIA financial documents.	CA/CCIA
March 86	21	Assist CA/CCIA with implementation of audit report	CA/CCIA
June 86	22	Prepare proposal for mutual fund program with Cooperative Loan Advisor	CA/CCIA AID/N
September 86	23	Submit first detailed financial analysis report to AID/N on the commercial viability of a central cooperative input supply company (CCIA)	TA / CA/CCIA

IS - D
Internal Financial Advisor (Contd)

<u>Date</u>	<u>No.</u>	<u>Action</u>	<u>Responsibility</u>
December 86	24	Participate in selection of candidate for second BA training.	CA/CCIA / TA
January 87	25	Collaborate with external auditor on presentation of CA/CCIA financial documents.	CA/CCIA
January 87	26	Assist with proposal for the preparation of the Articles of Incorporation of the CCIA.	CA/CCIA
February 87	27	Proposal document for mutual fund proposal accepted.	AID/N
March 87	28	Return of first BA candidate to assume financial responsibilities in the operation of CA/CCIA.	
September 87	29	Submit second detailed financial analysis to AID/N on the commercial viability of a CCIA.	TA / AID/N
January 88	30	Evaluate with Loan Advisor, Guarantee and mutual Fund operations and present report to AID/N.	TA / AID/N
January 88	31	Collaborate with external auditor on presentation of CA/CCIA financial documents.	CA/CCIA
June 88	32	Assist the CA/CCIA with preparation of inventory of capital assets for valuation purposes.	CA/CCIA
August 88	33	Valuation approved by external audit.	AID/N
August 88	34	Assist Loan Advisor with proposal and mechanism for cooperative share participation in CCIA.	TA
September 88	35	Submit final report on the commercial viability of a CCIA to AID/N.	TA / AID/N
October 88	36	Prospectus for share subscription prepared.	CA/CCIA MANCOM Chamber of Commerce

IS - D
Internal Financial Advisor

<u>Date</u>	<u>No.</u>	<u>Action</u>	<u>Responsibility</u>
November 88	37	Articles of Incorporation completed	AID/N MINCOM Chamber of Commerce
December 88	38	Central Cooperative Input Supply Company registered	CCTA Chamber of Commerce MANCOM
January 89	39	CCTA share captial open to subscrip- tion CA dissolved.	CCTA/MINCOM Chamber of Commerce
March 89	40	Second BA candidate returns to assume responsibilities at the CCTA	AID/N
May 89	41	Submit final report	TA / AID/N

IMPLEMENTATION SCHEDULE - E

FINANCING MECHANISM

<u>Date</u>	<u>No.</u>	<u>Action</u>	<u>Responsibility</u>
June 84	A	Donor agreement of principle for source and use of funds Preparation of protocol on use, operation, control of funds.	AID Financial Consultant AID/N/TA
August 84	B	Convention or Agreement on Protocol established under A) between donor and banks	AID/N/Banks/TA
October 84	C	Memorandum of understanding to the bank or banks on local operation of guarantee fund.	AID/N/Banks/TA
December 84	D	Text of bank/cooperative protocol agreed upon for operation of cooperative accounts.	AID/N/TA Coops.
March 85	E	Opening of guarantee deposits against existing coop accounts in credit or against new coop accounts in pilot area.	AID/N/TA/Banks
September 85	F	Six month monitoring report	AID/N
January 86	G	First year performance report	AID/N
June 86	H	Protocol of understanding to establish mutual contribution fund (guarantee fund plus coop contribution) in pilot area.	AID/N R.C.U. CA/CCIA
February 88	I	Guarantee funds converted to mutual contribution funds.	AID/N

IMPLEMENTATION SCHEDULE - F

AUDIT

<u>Date</u>	<u>No.</u>	<u>Action</u>	<u>Responsibility</u>
July 84		Preparation of invitation for bid document for Audit tender offer.	AID/N
Oct. 84		Opening and selection of tenders	AID/N
Nov. 84		Award of contract	AID/N
Jan. 85		First Audit CA	AID/N
Feb. 85		Audit report received	AID/N
March 85		Auditors report implemented	CA/TA
Jan. 86		Second Audit CA/CCIA/Guarantee Fund	AID/N
Feb. 86		Audit report received	AID/N
March 86		Auditors report implemented	MANCOM (CA/CCIA)/TA
Jan. 87		Third Audit CA/CCIA/Guarantee Fund	AID/N
Feb. 87		Audit report received	AID/N
March 87		Auditor's report implemented	MANCOM (CA/CCIA)/TA
Jan. 88		Fourth Audit CA/CCIA/Guarantee/Mutual Funds	AID/N
Feb. 88		Audit report received	AID/N
March 88		Auditors report implemented	MANCOM (CA/CCIA)/TA
August 88		Valuation of CA/CCIA capital assets approved by Auditor	AID/N MANCOM (CA/CCIA)
January 89		Fifth Audit CCIA/Guarantee/Mutual Funds.	AID/N /TA

IMPLEMENTATION SCHEDULE - G

Commodities

<u>Date</u>	<u>No.</u>	<u>Action</u>	<u>Responsibility</u>
May 84	1	Preparation PIO/C's for office furniture, equipment vehicles, photocopier, microcomputer.	AID/N
July 84	2	Arrival office furniture, equipment, vehicles.	AID/N.
August 84	3	Arrival photocopier, micro-computer.	AID/N

CO-OPERATIVE INPUT LOAN ADVISOR

JOB DESCRIPTION

JOB DESCRIPTION

CO-OPERATIVE LOAN INPUT ADVISOR

Qualifications

B.S. degree or related qualification in agriculture, economics, or disciplines relative to the training or management of primary producers. Good working knowledge of French essential, Hausa and Djerma strong advantage.

Experience

At least five years Africa experience in the management and training of primary producers at cooperative level. Familiarity with associated problems of illiteracy, and how to deal with them in rural development an advantage.

Period

4 years.

Duty Station

To be determined.

Reports

Within a period of 30 days following arrival, the Advisor will prepare a preliminary work plan for the next 12 months outlining proposed work activities.

Thereafter the Advisor will prepare three-month progress reports as well as any reports and documents required in the course of duty.

Reports will be submitted in French to the Coordinator and to AID/N, with copies to the Director of the Centrale.

Duties

The Advisor will be responsible to the Coordinator of the National Cereals Program, and will work in close collaboration with the Director of the Centrale d'Approvisionnement, the Internal Financial Advisor, and his counterpart and participate fully in the cooperative training component of the Agricultural Production Support Project.

CO-OPERATIVE INPUT LOAN ADVISOR

He will use his best endeavours to accomplish the tasks set out below, as well as any others which may be mutually agreed upon by the Coordinator and AID/N.

In general the Advisor will:

- participate in the execution of the input supply component and the cooperative training component of the Agricultural Production Support Project. The objectives of those components is to increase cooperative and private sector participation in the management, distribution and the use of agricultural inputs.

More specifically the Advisor will be expected to carry out the following tasks:

- develop the scope of work (s.o.w.) for approval of criteria for field survey report on cooperatives to be selected for testing the guarantee fund operation;
- following approval of the s.o.w. by the UNCC/CA and AID/N carry out the field work necessary to define the most suitable pilot area or areas where GM's cooperatives or ULC's or the private sector would most benefit from the financing mechanism of the guarantee funds and thereby increase the demand for agricultural inputs;
- submit for approval to AID/N and the UNCC/CA, a detailed report proposing a program where chances of cooperative success are expected to be high;
- following approval of guarantee funding, and in collaboration with the Internal Financial Advisor, AID/N and UNCC/CA implement the pilot test according to the agreed proposal above;
- liaise between the banks and the cooperatives on account opening and operating procedures, maintenance of balances, account operations and monitor cooperative accounts held by the banks;
- monitor on a continuous basis the management performance of the cooperatives or ULC's and most particularly the impact of the financing mechanism on demand for agricultural inputs, and the performance of the coops in managing their own finances;
- prepare plans for extending the financing mechanism for agricultural inputs to other areas based on the test experience and in close collaboration with the cooperative training component of the project;

CO-OPERATIVE LOAN INPUT ADVISOR

- assist the Internal Financial Advisor with the planned reorganization of the Centrale d'Approvisionnement to that of a Central Cooperative Input Supply Company, particularly in respect of share subscription to the capital of the company;
- participate in an advisor capacity at the monthly meetings of the Management Committee;
- collaborate with the training component of the APS project to identify geographic and subject areas where specific training is required to enhance financial management of the cooperatives.

Counterpart

The Government of Niger will provide the advisor with a counterpart of suitable experience and qualifications. The advisor and counterpart will work as a team to accomplish the tasks indicated, and the advisor will be expected to train the counterpart and provide the counterpart with increasing responsibility.

INTERNAL FINANCIAL ADVISOR

JOB DESCRIPTION

JOB DESCRIPTION

INTERNAL FINANCIAL ADVISOR

Qualifications:

Chartered Accountant, preferably French speaking.

Experience:

At least ten years experience in private or public sector business enterprises. Familiarity with management accountant and financial analysis.

Period:

4 years.

Duty Station:

Niamey, Republic of Niger.

Reports

Within a period of 30 days following arrival, the advisor will prepare a preliminary work plan for the next 12 months outlining proposed work activities.

Thereafter the advisor will prepare three-month progress reports and such reports and documents as are required in the course of duty.

Reports will be submitted in French to the Coordinator and to AID/W with copies to the Director of the Centrale.

Duties

The Advisor will be responsible to the Coordinator of the National Cereals Program and will work in close collaboration with the Director of the Centrale d'Approvisionnement, the Cooperative Loan Advisor and counterpart and the Advisor will use he/her best endeavours to accomplish the tasks set out below, as well as any others which may be mutually agreed upon by the Coordinator and AID/W.

INTERNAL FINANCIAL ADVISOR

In general, the Advisor will:

- participate in the execution of the input supply component of the Agricultural Production Support Project. The objective of this component is to increase cooperative and private sector participation in the management, distribution and the use of agricultural inputs;
- develop commercial, financial and business methods within the existing Centrale d'Approvisionnement, with the objective of promoting a self sustaining, autonomous, cooperatively owned and managed input supply company operating as a business.

More specifically, the Advisor will be expected to carry out the following tasks:

- Undertake an analysis of the overall existing accounting system and financial documents used by the centrale network with the objective of assessing their conformity to private commercial accounting practices, presentation, and suitability for commercial audit requirements; of particular concern is the accounting relationship between the CA and the CNCA and the need to clarify the account balances;
- following this initial analyses, examine methods of improving the accounting systems to enable information to be recorded in a timely, accurate and consolidated manner. Improvements will enable subsequent analytical requirements to be undertaken, but may involve a programmed work plan, leading to reorganisation, introduction of improved management accountancy practices, purchase of essential equipment as well as related improvements to retrieval of information on the inventory control system. The end result of this effort would be anticipated to be trained staff operating on business accounting methods and principes;
- concurrently with the tasks outlined above, it is essential to develop a capacity for financial analysis necessary for business management decisions to be made by the Management Committee. (Mancom) Training will be required on unit cost analysis for delivered inputs to different areas, company break even point analysis using fixed and variable elements, cash flow projections, all essential to pricing, accurate budget preparation, and changing markets or input supply conditions;
- participate in the implementation procedures attached to the guarantee fund program for input purchases, and work closely with the Cooperative Loan Advisor on the operation and control of the cooperative or ULC trading accounts;
- participate in an advisory capacity at the monthly meetings of the Management Committee of the CA/CCIA;
- conduct ongoing analysis of the commercial viability of the CA/CCIA and determine the measures to be taken to secure this.

INTERNAL FINANCIAL ADVISOR

- assist with the actions relative to the preparation of the Articles of Incorporation of the Central Cooperative Input Supply Company, the valuation of capital assets of the UNCC distribution network, the prospectus for share subscription, and the preparation of accounts for annual audit.

Counterpart

The Government of Niger will provide the Advisor with a counterpart of suitable educational level, experience and qualifications. The Advisor and counterpart will work as a team, and the Advisor will be expected to train the counterpart and provide the counterpart with increasing responsibility in accomplishing the tasks indicated above.

AGRICULTURAL EQUIPMENT PRODUCTION CONSULTANT

JOB DESCRIPTION

Background

Agricultural equipment manufactured at the Dosso, Tahoua and Zinder ateliers benefits from indirect subsidies (UNCC support) at the production stage, and direct subsidies of between 40 per cent and 66 per cent to the farmer (except ox and donkey carts which have a 10 per cent subsidy). The cost to the farmer is high, and overall sales prices are based on the production cost at the most expensive atelier.

A reduction in production costs, or a redistribution of indirect and direct subsidies could save scarce GON financial resources. This could be achieved in several ways, for example through a financing mechanism for the purchase of raw materials from cheaper source origins, through capital investment in equipment capable of assembling parts which are presently imported, through improved cost pricing of individual parts and assembled units, through an analysis of the cash flow and capital fund requirements from raw material purchase through manufacture to sales, and through an analysis of management methods and labor efficiency.

At some future stage, the Regional Cooperative Unions are likely to assume control of the ateliers, presently supported and managed by UNCC, and an analysis of production methods and costs is required before a program can be developed to improve overall efficiency.

Concurrently with this study, information will become available on the rescue package being discussed for the CNCA and its likely impact on future demand for agricultural equipment. This production study will enable GON and AID/N to assess their respective roles for non seasonal inputs.

Qualifications

Agricultural Equipment Engineer or equivalent proven practical experience in the production, use, design of animal traction equipment. French essential.

Experience

At least 7 years practical experience under West-African conditions of the use and/or production of animal traction equipment. Proven ability through past work record of ability to analyze and determine unit costs, technical production methods, management and financial improvements.

Duration

2 to 3 months with immediate implementation.

Duty Station

The consultant will spend most of his time at the agricultural equipment ateliers at Dosso, Tahoua and Zinder, and in Niamey for briefing, report writing and debriefing.

Duties

The consultant will be responsible to the Coordinator of the National Cereals Program, and will work in close collaboration with the Director of the UNCC, the Director of the CA, and the Director of the three ateliers.

He will use his best endeavour to accomplish the tasks set out below, as well as any others that may be mutually agreed upon with the Coordinator, the UNCC Director, the CA Director and AID/N.

In particular, he will:

1. Examine the raw material procurement methods of the three ateliers, analyze supply circuits and costs, or alternative procurement sources.
2. Examine the manner in which production costs are calculated at each atelier, and analyze work time and cost distributions.
3. Examine the investment cost of each existing piece of production equipment and its level of utilization.
4. Examine cash flows, inventory levels and movements of raw materials, components, spare parts and manufactured equipment.
5. Evaluate in detail personnel activity on the production line, as well as management functions and, based on this analysis, prepare an organigram of the work program.
6. Examine the production systems of each atelier and prepare proposals for an overall program for agricultural equipment production designed to reflect improvements in production efficiency, which could lead to a re-distribution of indirect and direct subsidies, and a reduction in the latter.

Report

The consultant will furnish a detailed report on his findings and make recommendations for improvements. Five copies of the report will be prepared in both English and French.

AID FINANCLAL CONSULTANT

JOB DESCRIPTION

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BACKGROUND

The agricultural input supply component of the APS project will provide blocked guarantee funds to a bank or banks to act as collateral for cooperatives to open and operate current accounts or lines of credit to be used for financing the purchase of seasonal agricultural inputs. Access to seasonal funding has been identified as a major constraint to the use of seasonal inputs such as fertilizers, fungicides and seeds.

A Cooperative Input Loan Advisor and personnel of the training component of the APS project will ensure respectively cooperative/banks liaison, and management training at cooperative level. Bank awareness and interest in this program is expected to be high, both amongst public and commercial banks and CNCA, BDRN, CitiBank, BICI, and BIAO have all expressed significant interest in participation. Cooperatives are also expected to be keen to participate on the basis of preliminary discussions held between cooperatives and the CLUSA training team presently preparing the cooperative training component of the APS project.

In order that full control can be maintained over the initial stages of the program, and proper monitoring and evaluation carried out, a pilot test area or areas will be identified following a field survey by the Cooperative Input Loan Advisor and counterpart. It will be the intention to expand the pilot area or areas to a wider geographical and participant basis on the assumption that the results obtained demonstrate increased seasonal input demand, cooperative management capability, and profitability of inputs.

Guarantee funds to be made available under the input supply component total \$2,8 million. Additional funding will be obtained from the RSG grant at the appropriate time.

The medium/longer term objective of the guarantee funds will be to convert them to share capital of the cooperatives on the basis of equal contributions from donor and cooperative. Prior to this stage however the cooperatives will have had to demonstrate their management capability in operating their own accounts with the banks, covering all interest and charges, and operating on a seasonal basis with an annually struck balance showing no carry forward liability to the following year. i.e. 100% annual repayment of bank loan, interest and other charges.

The purpose of this consultancy is to define the convention for the guarantee fund between AID and the bank or banks including conditions, operational methods and controls, and between the bank or banks and the cooperative beneficiaries for the cooperative accounts.

Annual audits of accounts of cooperative participants have already been built into the implementation plan.

QUALIFICATIONS

AID financial controller, or person of similar qualifications and experience of AID's financial and legal rules and regulations.

EXPERIENCE

Familiarity with loan agreements, banking procedures, drafting conventions and commercial type loan instruments, legal language. Knowledge of french desirable.

REMIIND

One month consultancy with follow up on an "as required basis".

DUTY STATION:

Niamey with field visits to up country banking institutions as necessary.

DUTIES:

The consultant will be responsible to the AID Mission Director, Niger and will work in close collaboration with the AID/Niger controller, principal representatives of the Niger banking system, the Cooperative Input Loan Advisor and Cooperative Management Team.

He will use his best endeavours to accomplish the tasks set out below, as well as any others which may be mutually agreed upon by the AID mission.

Specifically he will:

- Examine the public and commercial practical banking capability of carrying out the functions attached to guarantee funding and cooperative banking, and make specific recommendations to this effect.

- Prepare, in a form suitably acceptable to AID/N and the bank a protocol on the ownership, responsibilities, use, operation and control of guarantee funds including dispositions to be agreed upon for the interest generated by the fund, the relationships between the guarantee fund and the cooperative accounts, particularly in the case of any default of the latter. This protocol of agreement will provide AID/N with the agreed means of guarantee fund placement with the bank or banks.
- Prepare, in conjunction with the bank or banks, the text of a convention relative to the operation of the cooperative bank account or line of credit. This convention will describe operating procedures and limits of overdraft facilities, withdrawal and reimbursement procedures, interest and bank handling charges, the annual date at which the account balance has to be reduced to nul, penalties imposed by the bank for non respect of this latter condition (for example suspension of further overdraft or credit). This convention will form the basis for bank lending to cooperatives identified in the pilot area survey.
- If time permits, prepare an outline proposal for conversion of guarantee funds to cooperative share capital, based on mutual equity contributions from donor and recipient.

REPORTS:

The consultant will furnish to AID/N a detailed report on the conventions and conditions to be observed under guarantee funding arrangements together with models of conventions in both french and english acceptable to AID/N.

AGRICULTURAL INPUT SUPPLY COMPONENT
LOGICAL FRAMEWORK

AGRICULTURAL INPUT SUPPLY COMPONENT

LOGICAL FRAMEWORK

Narrative Summary	Objectively Verifiable Indicators	Means of Verification	Assumptions
<p><u>Sub sector Goal:</u></p> <p>The development of a voluntary cooperative input supply system which will be self financing, serve the interest of cooperative farmers, and which will be progressively managed by or for the farmers, or their representatives, and which will eventually be owned by them</p>	<p>Voluntary participation of cooperatives and GM's in the management, marketing, financing and distribution of seasonal agricultural inputs at rural level Voluntary participation of cooperatives and their representatives in the management and funding of a Centrale Cooperative d'Intrants Agricole (CCIA)</p>	<ul style="list-style-type: none"> - Cooperative management records - Bank account records - Technical assistance reports - Cooperative representatives elected to the management committee of the CA/CCIA - Legal status of CCIA established - Cooperative share participation in CCIA - Incorporation of CCIA 	<ul style="list-style-type: none"> - Cooperatives will voluntarily participate in the input supply system on a commercially viable operating basis. - GON will encourage cooperative participation and progressively withdraw public sector representation (UNCC/CA) - Cooperatives will voluntarily subscribe capital to the CCIA.
<p><u>Purposes</u></p> <p>a) To release the marketing constraint on farmer purchase of seasonal inputs through the introduction of a financing mechanism.</p>	<p>Financing mechanism (Guarantee Fund) operational</p>	<ul style="list-style-type: none"> - Cooperative current accounts opened with banks and functioning correctly. 	<ul style="list-style-type: none"> - USAID will deposit guarantee funds with commercial banks. - Functionally literate cooperative management capable of operating bank account.

BEST AVAILABLE DOCUMENT

60 +

b) Initiate voluntary representative cooperative participation and policy decision making within the CA

c) provide for GM share ownership and commitment to the cooperative

d) encourage the private commercial sector to sell agricultural inputs directly to cooperatives on a cash payment basis.

e) Introduce commercial business management accountancy practices at the central level.

Regional Cooperative representatives being recruited to the management committee of the CA

Financing mechanism (mutual contribution) operational at cooperative level.

Commercants selling seasonal inputs directly to cooperatives on a timely basis.

Improved Record keeping systems of inventories and financial documents. Introduction of financial analysis procedures.

- GON policy statement on the future of CA to associate it with cooperative representation (CA/CCIA) and management

- Share subscription and accounts of cooperatives

- inventory and financial documents of cooperative

- Technical assistance reports.

- CA/CCIA records

- CA/CCIA staff trained in financial analysis

- Technical assistance reports.

- Regional cooperative Representatives are willing to participate and are literate.

- GON will support cooperative representation.

- USAID will contribute to capitalisation of cooperatives from guarantee Funds

- Cooperatives will contribute to capitalisation from their resources.

- subsidies removed from fertilisers, fungicides

- Commercants delivered sales prices lower than CA.

- Commercants have no supply difficulties from Nigeria sources.

- Cooperatives satisfied with quality and service of Commercants

- CA/CCIA staff supported by GON

- Technical assistance recruited.

r) Provide for voluntary participation of the cooperative movement in the constitution of a Central Cooperative Input Supply Company.

Management committee of CA/CCIA promote policy dialogue with UNC. Regional Cooperative Unions promote policy dialogue with USRC's/ULS's/Coops/GM's.

- Minutes of monthly meetings of management committee.
- Minutes of meetings of RCU's.

- Voluntary expression by RCU's to form a CCIA.
- Cooperatives capitalised and willing to provide share capital of the CCIA.

Outputs

a) Significant yearly increase in farmer demand and consumption of seasonal inputs such as fertilizers, fungicides and seeds.

Extension of pilot test zones to other areas.

- MDR crop statistic records; crop yields increasing.

- seasonal inputs remain profitable.
- seasonal inputs available within the country.
- no drought years.

b) significant increase in cooperative purchase of agricultural inputs and the development of cooperative management capability.

Cooperative inventory turned over at least once a year.

- Cooperative bank account and inventory records.
- CA/CCIA records

- high success ratio in management of cooperative accounts; GM's repaying promptly.
- no supply problems.

c) Improvement in the public sector (CA) cash flow leading to lower operational costs and GON financial support so providing the basis for the development of a sustainable cooperative business operation.

increasing percentage of sales for cash, interest charges significantly reduced, revenue from sales increasingly covering variable and fixed costs; commercial business profile emerging.

- CA/CCIA financial documents.
- CA/CCIA financial analysis reports.
- reduction in GON budget for CA/CCIA.

- CA/CCIA is competitive with the commercial sector at least in certain areas.
- the cooperatives use CA/CCIA supply sources.
- the self managed cooperative purchasing system is functioning

60+

d) a bottom upwards growth pattern of a central cooperative agricultural input supply company based on voluntary capital participation and owned and managed by cooperative shareholders.

First step - capitalisation of cooperatives.
Second step - UNC's RCU's USRC's ULC's, cooperatives and GM's in policy harmony to proceed to
Third step - cooperative shareholding of CCIA.

- Cooperative share capital subscribed, legal status confirmed by GON.
- Policy statement by UNC.
- Articles of Incorporation of CCIA

- Voluntary participation from step 1 thru 3.
- GON agreement to establish CCIA.
- Trading record of CA/CCIA commercially sound

Inputs

USAID

- a) Bank Guarantee Mutual Funding
- b) Technical assistance (long term)
- c) Consultants
- d) Commodities
- e) Training
- f) Operating costs
- g) Audit
- k) Warehouses/ateliers

GON

- h) Salaries of CA personnel during transition phase
- i) Salaries of trainees
- j) Operating costs of CA distribution system.

COOP

- a) Bank interest charges.
- b) Mutual funds.

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CHRONOLOGY OF INPUTS

C H R O N O L O G Y O F I N P U T S

Actions	1984												1985											
	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D
<u>Cooperative Input Loan Advisor</u>																								
1. Preparation PIO/T	X																							
2. Recruitment				X																				
3. Arrival Advisor					X																			
4. Work Plan						X																		
5. S. OW. /Guarantee Fund							X																	
6. S. OW. approved								X																
7. Field Work										X														
8. Report preparation												X												
9. Report approval													X											
10. Cooperative "sensibilisation" Bank/Coops conventions signed														X										
11. Cooperation test areas operational																			X					
12. Six months monitor report																							X	

65+

Actions	1986												1987											
	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D
13. Evaluation Report First Year	X																							
14. Cooperative "sensibilisation" and expansion	X																							
15. Guarantee Funding for 2 Volet Coop.																								
16. Prepare proposal for Mutual Fund Program																								
17. Evaluation Report on 1st/2nd Year Guarantee Fund Operations																								
18. Mutual Fund Program proposal finalised																								
19. "Sensibilisation" Cooperatives Mutual Funding																								
20. Mutual Funding accepted by Cooperatives in test areas																								

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5/6

Actions	1988		1989	
	J	P	J	P
21. Evaluation report on Guarantee and Mutual Fund Programs	X			
22. Cooperatives in ^{Test} ten areas constitute capital	X			
23. Guarantee Fund contributes to Mutual cooperative fund	X			
24. "Sensibilisation" Cooperatives Capital share participation CCIA		X		
25. Voluntary decision on participation CCIA			X	
26. Prepare proposal for cooperative share holding CCIA			X	
27. Evaluation Report available cooperative share holding funds.			X	
28. Proposal for subscription mechanism accepted				X
29. Coordinate cooperative share subscription to CCIA				X
30. Submit Final Report				X

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CHRONOLOGY OF INPUTS

Actions	1984												1985											
	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D
<u>Internal Financial Advisor</u>																								
1. Prepare FIO/T	X																							
2. Recruitment					X																			
3. Arrival						X																		
4. Work Plan							X																	
5. Preliminary Report								X																
6. Proposal Guarantee Fund									X															
7. Conventions signed Donor/bank: Bank/Crop										X														
8. Selection MBA candidate										X														
9. Collaboration/AUDITOR																X								
10. Selection MANCOM																X								
11. Advise Statute Co.																X								
12. Implementation Audit Report																X								
13. CA Statute fin.																X								
14. Inaugural Meeting MANCOM																X								
15. Progress Report																	X							
16. Fin. Analysis Program																		X						
17. Implementation Fin. An. Program																			X					
18. Monitor Report/Guarantee Fund																						X		

CHRONOLOGY OF INPUT

Internal Fin. Advisor

Actions	1986												1987											
	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D
19. Review Report	X																							
20. Collaboration/Auditor	X																							
21. Implementation Audit Report			X																					
22. Mutual Fund Proposal					X																			
23. First Financial Viability Report COIA								X																
24. Selection second BA candidate											X													
25. Collaboration Audit																	X							
26. Proposal Articles COIA																	X							
27. Mutual Fund Proposal Accepted																	X							
28. First BA candidate allocated financial responsibility																	X							
29. Second Financial Viability Report COIA																						X		

9.

CHRONOLOGY OF EVENTS

	1988												1989											
	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D
30. Evaluate Guarantee/Mutual Fund Operations	X																							
31. Collaboration Audit	X																							
32. Preparation inventory valuation							X																	
33. Valuation approved/Audit												X												
34. Proposal Coop Share participation COIA												X												
35. Final Report viability COIA												X												
36. Prospectus share subscription																								
37. Articles Inc. completed																								
38. COIA registered																								
39. COIA open to subscription																								
40. Second BA candidate returns																								
41. Submit Final Report																								

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CHRONOLOGY OF INP

UTS

Actions	1987			
	J F M A M J J A S O N D	J F M A M J J A S O N D	J F M A M J J A S O N D	J F M A M J J A S O N D
<u>Institutional</u>				
1. GON Policy Statement	X			
2. GON initiate CA Status change		X		
3. Composition MANCOM		X		
4. Expression of interest		X		
5. Selection MANCOM		X		
6. CA Status changed		X		
7. Inaugural MANCOM Meeting		X		
8. Coop representation MANCOM 50 %				X
9. Proposal Articles Incorporation CCIA				X
10. Coop representation MANCOM 66 %				
11. Valuation Assets				
12. Audit Approval				
13. Field decision to establish independent CCIA				
14. Prospectus prepared Share subscription				
15. Articles completed				
16. CCIA registered/CA dissolved				
17. Cooperative share capital subscription opened				

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7/4

CHRONOLOGY OF INPUTS

Actions	1984				1985				1986				1987			
	J	F	M	A	J	F	M	A	J	F	M	A	J	F	M	A
<u>Training</u>																
1. Submission CV's candidates L. TERM				X												
2. Submission CV's candidates S. TERM				X												
3. Selection Institutions				X												
4. Selection First B A								X								
5. Selection S. Term								X								
6. Confirmation acceptance L. Term								X								
7. Confirmation acceptance S. Term								X								
8. Departure all candidates training								X								
9. Return S.Term candidates												X				
10. Submission CV's candidates L.Term												X				
11. Selection institutions												X				
12. Selection second BA																X
13. Confirmation acceptance L.Term BA																X
14. Return First BA																
15. Departure Second BA																
16. Return Second BA																X

OF

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1986
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1987
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1988
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1989
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X
X
X

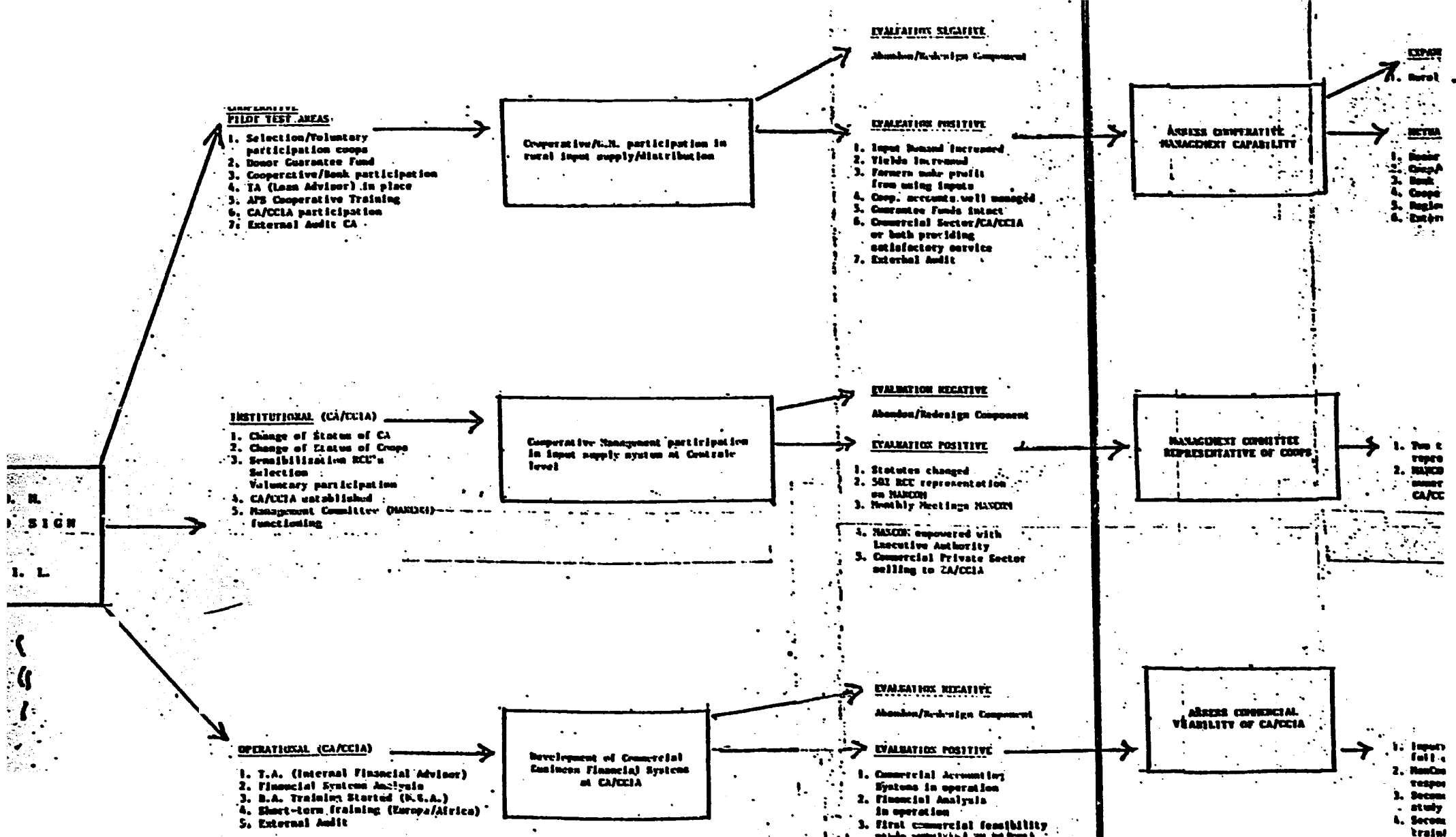
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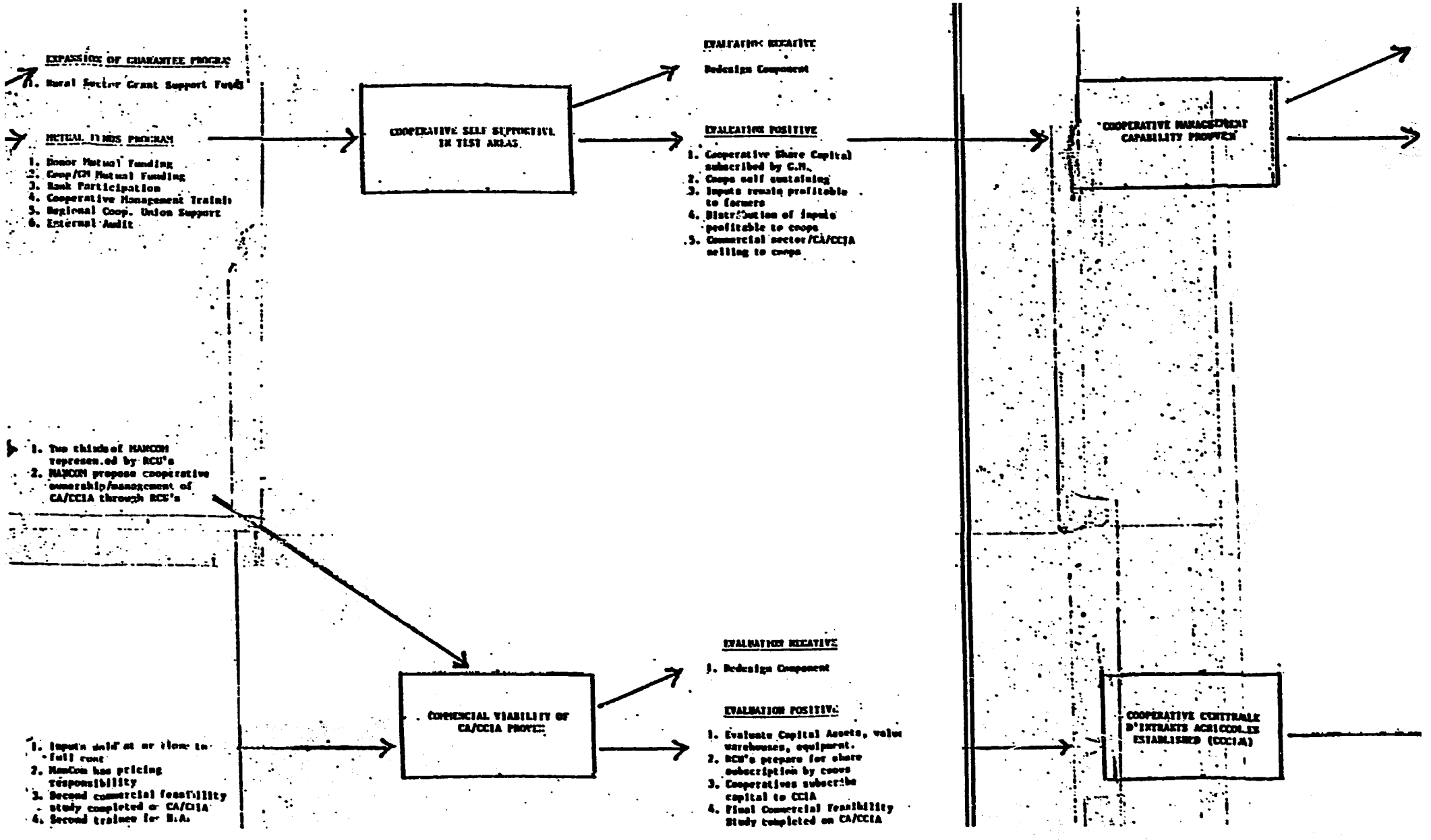
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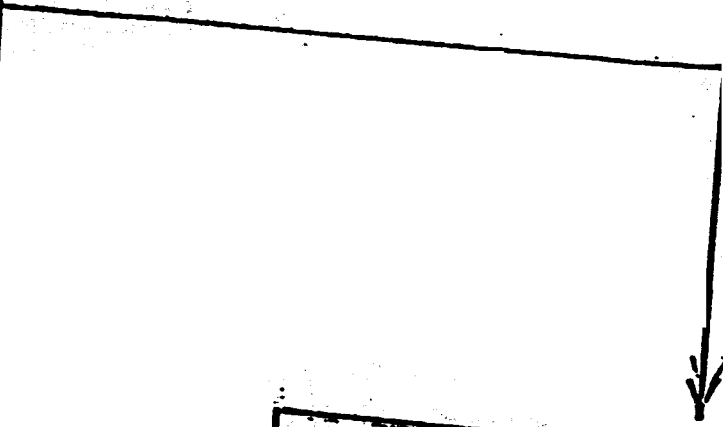
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ORIGINAL

4. INPUT SUPPLY
DISTRIBUTION
AGED BY COOPS



COOPERATIVE OWNED
AND
MANAGED
INPUT DISTRIBUTION SYSTEM
WITH
COMMERCIAL SECTOR
SUPPLYING
INPUTS



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FLOW OF AGRICULTURAL INPUTS/FUNDS

Flow of Agricultural INPUTS/FUNDS

Figure 4 provides a flow chart of funds and inputs resulting from guarantee funding.

The marketing field survey report will have identified suitable cooperatives where ULC's/cooperatives/GM's will benefit from the financing mechanism (See Annex 2 - Proposed Criteria for the Selection of Cooperatives for Input Test Survey Report). For example if a particular cooperative is judged to have a potential seasonal demand for inputs of the order of 1.5 million CFA (\$3,750), the guarantee fund for that cooperative would be 2,25 million CFA (\$5,625) and would be deposited in a blocked bank account. The cooperatives will open a current account or line of credit at the bank in its own name, and have access to finance (on current commercial rates) of up to two thirds of the value of the guarantee fund i.e. 1,5 million CFA for cash purchase of agricultural inputs. The cooperative will purchase from the CA/CCIA or the private commercial sector, whichever is most suitable, and will pay by cheque or other agreed banking procedure on the basis of a pre-agreed delivery price to the cooperative. The marketing survey report will have identified the relationship between the ULC and cooperative and whether the ULC should participate in the administration of the account, or whether the cooperative is sufficiently developed to manage its affairs independently of the ULC and directly with the GM's. The latter case would be preferable.

The cooperative will either sell seasonal inputs on a cash basis to GM's, or on 8 months seasonal credit. The cooperative sales price to the GM will reflect whether the input has been purchased for cash or credit, and will require to cover the cost of financing inventory (bank interest and bank charges), provision for bad debts or for allocation to reserves. Inputs sold for cash would therefore be less expensive to the GM than those sold on 8 month credit. Fixed costs of paying for management charges would be a matter of internal cooperative policy. At the start the cooperative may favour voluntary management, but will likely adopt paid services.

Reimbursement to the cooperative of 8 month credit sales will be in cash or in kind, the cooperative management deciding what is in their own and GM's best interests. In kind repayments will have to be converted to cash by the cooperative in order to replenish the capital, bank interest and bank charges on the cooperative account.

Once a year, shortly after the maximum GM repayment period, the balance of the cooperative account will be struck and will require to show replenishment of the account or reimbursement of the line of credit including all bank interest and charges to the funding limits set by the guarantee fund. Failure to arrive at this level will preclude any further withdrawal by the cooperative under an agreed convention between the bank and the cooperative, established between both parties at the outset and prior to the opening of the account. The date of striking of the balance will be agreed upon also at this time.

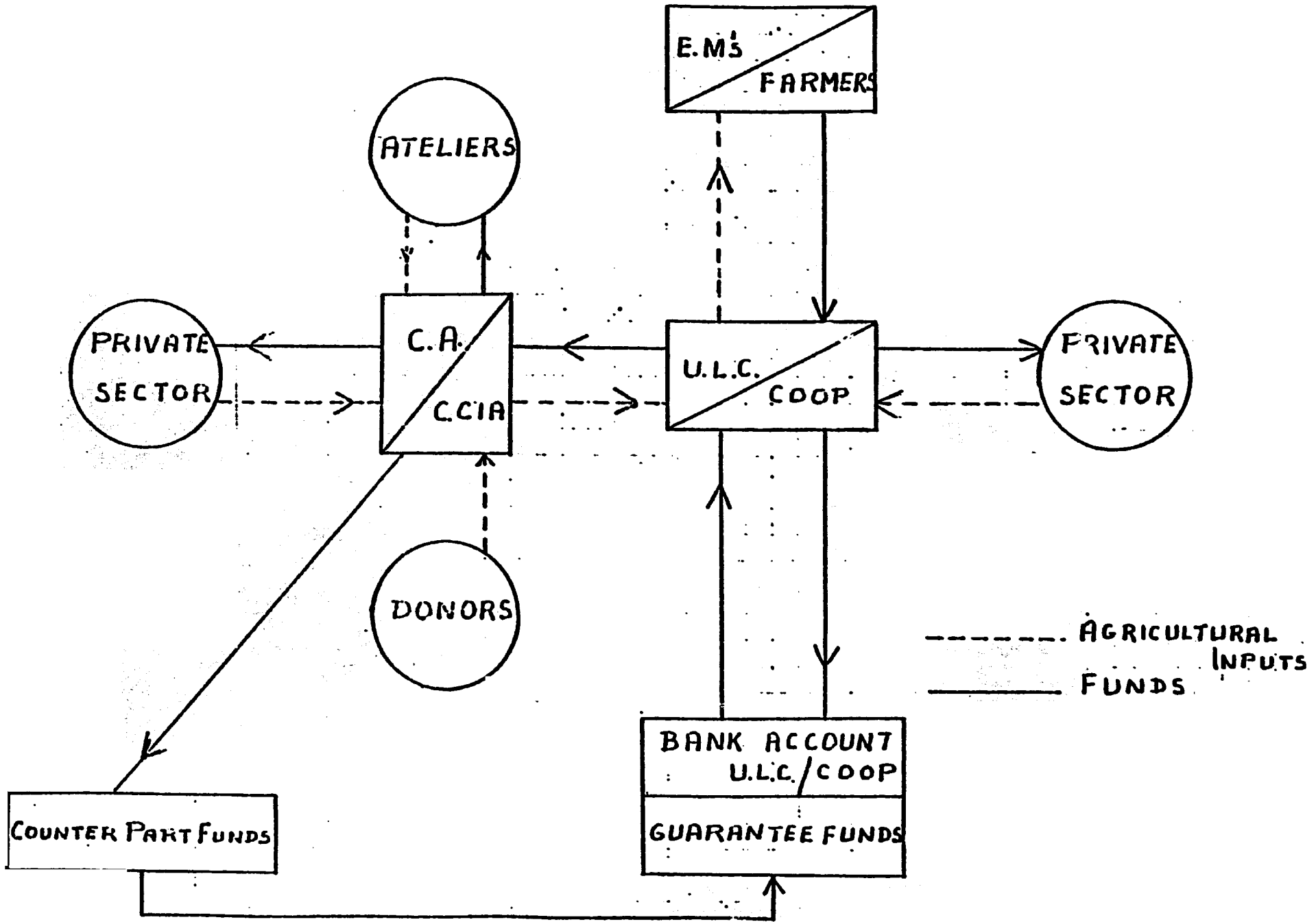
81+

Cheque or bank instruction payments to the CA or CA/CCIA will remove the constraint on the latter's cash flow, and enable them to purchase new inventory. The same will apply to those private sector commercants who have experienced the same problems. In some cases agricultural equipment (for example ox and donkey carts) will be sold for cash, either to individuals or to a GM who collectively purchase and share the use for transport.

Donor contribution of inputs, particularly fertiliser, will be distributed by the CA/CCIA, and the proceeds, net of distribution charges credited to counterpart funds. Those funds may be applied to guarantee funding to expand cooperative participation to other areas.

FLOW OF FUNDS / INPUTS

FIG. 1



5.8

AGRICULTURAL INPUT SUPPLY COMPONENT

TOTAL BUDGETS

AGRICULTURAL INPUT SUPPLY COMPONENT

TOTAL BUDGETS

(\$'000')

(A I D)

		US \$
1. Guarantee Fund		2,874
2. <u>Technical Assistance</u>		1,370
Institutional Contract		
Internal Financial Advisor	48 person months \$600,000	
Cooperative Loan Advisor	48 person months \$600,000	
Consultants	12 person months at \$10,000	\$120,000
Auditors	5 audits at \$10,000	\$ 50,000
3. <u>Vehicle</u>		160
7 4x4 vehicles at \$16,000	- \$112,000	
2 2x2 vehicles at \$12,000	- \$ 24,000	
2 2x2 vehicles at \$12,000	- \$ 24,000	
4. <u>Training</u>		116
2x2yrs MBA long term training (USA) at \$20,000/yr	\$ 80,000	
2x6 months training Africa/Europe at \$3,000/person month	\$36,000	
5. <u>Office Furniture/Equipment</u>		95.5
2 Air conditioners	2,000	
9 Sets furniture at \$3,500	31,500	
1 Photocopier	10,000	
20 Safes at \$1,000	20,000	
1 Microcomputer	25,000	
Misc. office equipment, calculators etc.	2,000	
Office supplies	4,500	
6. <u>Secretarial</u>		55
1 Secretary at \$12,000/year for 4 years	\$48,000	
Translation	\$5,000	
Document preparation binding	\$2,000	

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7. Vehicle operation and maintenance/space parts 280

\$0.50/km	1 vehicle at 30,000km/yer for 4 years	\$ 60,000
	1 vehicle at 50,000km/yer for 4 years	\$100,000
	2 vehicle at 30,000km/yer for 4 years	\$120,000

8. CA/CCIA management committe travel allowance for Cooperative representatives 50

10 members, 12 times/year, 4 days per attendance at
8,000 CFA/day plus return travel 10,000 CFA.
5,040,000 CFA (\$1 = CFA 400) per year for 4 years 20,160,000 CFA

TOTAL \$5,000

GON/Cooperatives

1. UNCC Warehouses/Ateliers(Estimated value) 5,000
2. Centrale d'Approvisionnement 2,183
3. Cooperatives (Interest Capital) 1,517

TOTAL \$8,700

AGRICULTURAL INPUT SUPPLY COMPONENT

YEARLY BUDGETS

('000')\$

(A I D)

	FY	FY	FY	FY	FY	<u>TOTAL</u>
	<u>85</u>	<u>86</u>	<u>87</u>	<u>88</u>	<u>89</u>	
1. <u>Guarantee Fund</u>	1,437	1,437				2,874
2. <u>Technical Assistance</u>						
Internal Fin. Advisor	50	150	150	150	100	600
Cooperative Loan Adv.	50	150	150	150	100	600
Consultants	20	30	40	20	10	120
Auditors	10	10	10	10	10	50
3. <u>Vehicle</u>	80	80	-	-	-	160
4. <u>Training</u>						
Long Term	-	40		40		80
Short Term	-	36	-			36
5. <u>Office Furniture</u>						95
1. Air condit.	2					
2. Furniture	31.5					
3. Photocopier	10					
4. Safes	20					
5. Microcomputer	25					
6. Calculators	2					
7. Office Supplies	1	1	1	1	0.5	
6. <u>Secretarial</u>						
1. Secretary	6	12	12	12	6	48
Translation	0.5	2	1	1	0.5	5
Document binding		0.5	0.5	0.5	0.5	2

81+

	FY	FY	FY	FY	FY	TOTAL
	<u>85</u>	<u>86</u>	<u>87</u>	<u>88</u>	<u>89</u>	
7. <u>Vehicle Operation</u>	35	70	70	70	35	280
8. <u>Management Committee</u>	4.2	12.6	12.6	12.6	8	50
	<u>1,784.2</u>	<u>2,031.1</u>	<u>447.1</u>	<u>467.1</u>	<u>270.5</u>	<u>5,000</u>

GON/Cooperatives

1. UNCC Warehouses/Ateliers (estimated value)						5,000
2. Centrale d'Approvisionnement	395	415	435	458	480	2,183
3. Cooperatives						
Interest	108	228	223	190	153	902
Capital	<u> </u>	<u> </u>	<u>115</u>	<u>240</u>	<u>260</u>	<u>615</u>
Sous Total	108	228	338	430	413	1,517
Total CA/Coops	<u>503</u>	<u>643</u>	<u>773</u>	<u>888</u>	<u>893</u>	<u>3,700</u>
Total UNCC/CA/Coops.						<u>8,700</u>

PROPOSED CRITERIA FOR THE
SELECTION OF COOPERATIVES FOR
INPUT TEST FIELD SURVEY REPORT

Proposed Criteria for the Selection of Cooperatives for Input Test Field Survey Report

The purpose in demonstrating the guarantee fund financing mechanism input in cooperatives is to increase seasonal agricultural input demand for fertilizers, fungicides and seeds through cooperative access to commercial bank credit.

The outputs are anticipated to be increased use of seasonal inputs, the development of management capability at cooperative level, and establishment of the confidence necessary to proceed to voluntary commitment to a business oriented cooperative through GM share participation and which will provide the substantive basis for the eventual constitution of the Central Cooperative Input Supply Company.

The terms of reference for the Input Test Marketing Field Survey Report will be prepared conjointly by the cooperative input loan advisor and counterpart and the management committee (MANCOM) of the CA/CCIA, and following completion of the report will be submitted to AID/Niger (Controller) and MANCOM for approbation prior to implementation.

The following criteria should be considered in selecting the cooperatives:

1. In order that the results can be subsequently evaluated as representative of the purpose, the number of participating cooperatives could be selected, where practical, as a function of the number of existing cooperatives in a Department. At the end of 83 there were 1174 cooperatives in Niger ranging from 57 in Agadez Department to 293 in Niamey Department. However, cooperative selection should be based on the highest probability of success. This could for example exclude areas or Departments where management infrastructure or potential is considered inadequate, or favorise areas where it is more advanced. There should be no obligation to have a test in each Department. The test is intended to demonstrate a commercially viable bank and input supply operation and cooperatives judged to be high risk, for whatever reason, are commercially unacceptable risks.
2. Demand for seasonal inputs varies according to the type of production, the length of the season, the number of harvests per year for example horticultural crops, cowpeas, groundnuts and rice. The selection of cooperatives should attempt to relate to and include different types of production within the limits indicated above.
3. Distance from the nearest source of input supply of seasonal inputs should be considered as an important factor precluding present current input usage. For example, a combined cooperative seasonal order with one delivery tied to scheduled bank repayment may remove this particular marketing constraint.

4. Distance from the nearest banking center is not an insurmountable problem given the assistance and presence of the cooperative input loan advisor and CA/CCIA counterpart and the support from the cooperative training component. Regular visits to the bank by the cooperative officials are unnecessary provided adequate records are kept at local level, payment to suppliers made by cheque or agreed bank procedures so that outgoing cash transactions are limited and cash banking and security would become of major concern only at the GM/farmer repayment period. The question of supplying safes should be examined by the Survey Team.
5. Ability to repay annually 100% of the cooperative bank overdraft in addition to interest and bank charges is the acid test as to whether a cooperative is capable on managing seasonal commercial bank credit. Anything less means default, and probably progressively in succeeding years. Cooperatives should be appraised of this at the outset and in the case of less than 100%, capital repayment plus charges, the particular cooperatives further account withdrawal facilities would be suspended by the bank until the situation has been regularised. The account balance sheet should be struck on a yearly basis which corresponds to that particular cooperatives crop production and trading cycle. For example, a grain based cooperative may have maximum repayments after the harvest has been sold so that a bank balance could be struck in February, a rice cooperative with two harvests a year may be in a better repayment position in the month of December.
6. Private commercial sector participation should be encouraged to supply directly to cooperatives, and useful marketing information may be obtained on the distance they are prepared to travel to deliver inputs and at what price, knowing that they will receive cash payment.
7. Funding arrangements may be linked up through productivity project areas, and those cooperatives out with those areas, or those on the margin of productivity project areas.
8. Ex-stagiaires of productivity project who realise the value of inputs, but who lack access to finance to purchase them can offer a special target group for comparison with those who have never benefited from such training.
9. In terms of input funding to guarantee bank current account lending, the guarantee funds should be of sufficient volume to lend weight to the demonstration purpose. For example, to clear the CA fertiliser stocks presently in store, (around 7000 m.t.) would require a guarantee fund of 525 million CFA (approx. \$1.3 million) on the basis of the ratio of two thirds current account drawing limit to the total guarantee fund, and an approximate delivered price cooperative of 50,000 CFA/Ton. This target could provide a ceiling for the number of pilot areas that could be suitably managed, the number of constituent cooperatives, and the logistical

support in supporting the demonstration program. Logistical support may also require to examine p.c.v. assistance in planning and execution of field work.

10. Selection of banking facilities would be basically governed by their willingness to participate, their capability in maintaining up to date orderly accounts, and their understanding of the purpose of the guarantee fund and the cooperative account or credit-line. As indicated previously, distance from a bank is not considered an insurmountable obstacle, and monthly or bimonthly visits by the cooperative president and secretary should be sufficient to check accounts.

11. Those areas where fertiliser field test programs are being currently implemented through the FAO supported National Fertiliser Program (FEN) should be particularly examined as well as the ICRISAT perimeters in Niamey Department, as farmers in those areas are more susceptible to demand having visually observed the effects of fertiliser application.

12. The agricultural extension and cooperative training component implementation schedules should be appraised in respect of their near term contribution to practical support function. If this is unlikely they may be supportive at a slightly later date; or benefit from the input supply pilot project program as a practical training exercise.

13. Determine whether the funding for the guarantee account mechanism should include administrative support of the ULC's. There should be a strong preference to fund directly at cooperative level, and an even stronger preference to fund GM's directly, however the infrastructure has to be assessed, including functional literacy, and the most practical method selected. This situation will vary between Departments.

**ILLUSTRATIVE BUDGETS FOR THE
GUARANTEE FUND**

ILLUSTRATIVE BUDGETS FOR THE GUARANTEE FUND

<u>Cooperatives</u>	Number of Cooperatives in Niger -	1174
	Number of G.M.'s	10631
	Average number of GM's per cooperative	9
	Number of Chefs d'Exploitation per cooperative -	500
	Number of dependants	6
	Number of people per cooperative	3 000
	Number of HA per Chef d'Exploitation	6
	Number of HA per cooperative	3 000

Seasonal Inputs

<u>Input</u>	<u>Quantity/ha</u> (kg)	<u>Delivered</u> <u>Cost</u> (CFA/kg)	<u>Cost/ha</u>
Urea	50	65	3250
s.s.p.	100	50	5000
Millet seed	10	120	1200
Niébé seed	25	125	3125
Fungicide	25gs	60	60

RICE

15.15.15.	100	45	4500
Urea	200	65	13000

Hypothesis On a dryland mixed crop farm, the chef d'Exploitation uses inputs on 1/3 of his land for 1 1/2 ha millet/sorghum and 1/2 ha cowpeas.

<u>Inputs required</u>	<u>CFA</u>
75 kg urea X 65 CFA	4 875
200 kg ssp X 50 CFA	10 000
15 kg millet and seed X 120 CFA	1 800
12 kg niébé seed X 125 CFA	1 500
2 PKT fungicide X 60 CFA	120

For 2 hectares 18 295

Cost of inputs per hectare equal 9 147 CFA (say 9000 CFA).

If 20% of Chefs d'Exploitation (100 farmers) on a cooperative use inputs, on 2ha's, the value of the inputs will be 100 x 9,000 x 2 equal 1.800.000 CFA (\$4.500).

If 10% of dryland cooperatives use inputs the value of the inputs would be 117 X 1.800.000 CFA equal 210,600,000 CFA (\$5,265,000).

10% of dryland cooperatives participating in a test or with 100 chiefs d'Exploitation per cooperative would represent inputs being applied to 23,400 ha's of mixed millet/sorghum/cowpeas or 0,66% of the total area (3,000,000 ha's) under mixed cropping. Alternatively if the target is set for 10% of the area under mixed cultivation (i.e. 300,000 ha), the funding for inputs would be 2,700 million CFA or \$6.75 million.

Under irrigation with two season cropping, principal inputs would be:

Urea - 200 kg X 2 X 65 CFA	26,000
15.15.15 - 100 kg X 2 X 45 CFA	9,000
TOTAL	35,000 CFA

For 1 hectare 17,500 CFA

If the total irrigated land is estimated at 40,000 ha, then 10% would represent 4,000 ha. Fertilizers are used extensively on rice so that the total test area would be treated on 4000 X 17,500 X 2 for the two seasons or 140 million CFA (\$350 000).

If the total area for guarantee funding was say 10% of the cultivated dryland and irrigated areas, the value of inputs is one year would be 2,840 million CFA (\$7.1 million).

The input supply component budgetary limit is \$5 million, of which approximately \$2 million has been identified for technical assistance, training, commodities, leaving available funds of \$3 million. This amount applied to guarantee funding would correspond to roughly 5% of the total area under cultivation.

If the \$3 million was applied only to dryland farms, this would represent the value of inputs for 133,333 ha's, or 66 666 chefs d'exploitation applying inputs to two out of six hectares, or 133 cooperatives or 1,197 GM's. With a ratio of guarantee Fund to Cooperative Bank Account of 3/2 the \$3 million would be applied to 89 cooperatives or 801 GM's.

As anticipated expansion of input demand increased, additional guarantee funding would be supplied from counterpart funds generated under the RSG program.

MUTUAL FUNDING
(Financing the Capital Structure of Cooperatives)

Mutual Funding (Financing the Capital Structure of Cooperatives)

The purposes and objectives of guarantee funding for seasonal inputs have already been stated in section 5. . The achievement of those objectives is a precursor to second phase mutual funding to establish the cooperative capital financial structure.

The objectives of mutual funding with voluntary equity contribution from GM's cooperatives and donor (or donors) are as follows:

a. in the near term to promote voluntary commitment of GM's to develop the capitalized and GM owned cooperative as the local input supply source for agricultural inputs, and to promote usage and demand for those inputs.

b. in the medium term to establish cooperatives as self sustaining rural enterprises with multipurpose self managed trading functions (e.g., domestic necessities, consumable goods)

c. in the long term to provide the shareholding base for capital subscription to the Central Cooperative Input Supply Company (CCIA).

Contribution

Contributions will originate through a mutual voluntary subscription by donor and cooperative to the capital of the cooperative.

Donor funds that have been used as bank guarantee collateral will represent the source of external equity.

Reserves accumulated by the cooperative from its marketing of agricultural inputs or from direct GM share subscription to the cooperative or both, would form the basis for cooperative member participation in the mutual fund.

Donor funds would not participate in mutual funding unless there was documented proof, for example bank statements, that cooperative funds existed. If for example the cooperative can demonstrate that at the annual date of striking the balance on the guarantee fund, there was a 10% net profit after all expenses paid, and that voluntarily they wish to set up their own capital funding, the donor would contribute an equal amount from the guarantee fund to the cooperative capital. The net profit arising from the cooperative agricultural input activities would require verification of the account in order to prevent abuses and before the donor contribution to the mutual fund was authorized by AID/N.

Cooperative capital funding will be built progressively on an annual basis. The net result would be that guarantee funds will be drawn down to nil over a period of years determined by cooperative skill in management and the rate at which they can accumulate reserves.

As an illustration of the manner in which cooperative capital would be generated and of the linkages between the guarantee fund, mutual fund and cooperative trading activity, the following example demonstrates the feasibility of the operation based initially on input supply operations.

Purpose

To establish a capital structure at cooperative level owned by the GM's adherents to the cooperative.

Assumptions

a. demand for seasonal inputs increases at a rate of 10% per year (base year 1, non cumulative). For example, a farmer presently applying fertilizer to 2 ha's out of a total of 6 ha's, would at the end of 10 years be applying fertilizer to 4 ha's.

b. that the cooperative retains a net margin of 10% of the cost of inputs sold in order to accumulate reserves.

c. that the donor guarantee fund on blocked deposit at the bank represents a ratio of 3:2 of the annual cooperative input requirements in Year 1, and that the donor will permit annual transfer from the guarantee fund to the cooperative capital on the basis of mutual equity participation.

Table 3

Illustration of Constitution of Cooperative Capital Funds

	<u>Years</u>									
	(million CFA)									
	<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>5</u>	<u>6</u>	<u>7</u>	<u>8</u>	<u>9</u>	<u>10</u>
Cost of Inputs sold	4.5	4.95	5.4	5.85	6.3	6.75	7.2	7.65	8.1	8.55
Cooperative margin	0,45	0,50	0,54	0,58	0,63	0,68	0,72	0,77	0,8	0,86
Guarantee Fund	6,75	6,30	5,8	5,26	4,63	3,95	3,23	2,46	1,66	0,8
Transfer to Mutual Fund	0,45	0,5	0,54	0,58	0,63	0,68	0,72	0,77	0,8	0,80
Coop Contribution to Mutual Fund	0,45	0,5	0,54	0,58	0,63	0,68	0,72	0,77	0,8	0,80
Cooperative Capital	0,9	1,9	2,98	4,14	5,4	6,76	8,2	9,74	11,34	12,94

In the table above, in year 1, seasonal agricultural inputs at cost-price were assumed to be 4.5 million CFA (\$11 250). The cooperative was able to set aside for capital reserves 10% of this amount - 450 000 CFA, after sales to GM's.

The guarantee fund is 6,75 million CFA (\$16 875). The ratio of cooperative input requirement to the guarantee fund is 2/3.

Transfer to cooperative owned capital was initially 450 000 CFA by the cooperative, followed by a transfer of a similar amount from the guarantee fund, making a total cooperative capitalization after 1 year of 900,000 CFA.

At the start of year 2, guarantee funds are reduced by the amount transferred to mutual funds the previous year, and at the end of the year, cooperative capital has been increased to 1,9 million CFA.

In year 6, cooperative capital of 6.76 million CFA has reached the level of purchase cost of seasonal inputs. At this point a decision could be taken either to discontinue the guarantee fund and apply the remaining balance of 3,95 million CFA (\$9.875) to guarantee funding for other cooperatives, or allow the cooperative to expand its capital structure in order that it can become a multipurpose cooperative supplying not only agricultural inputs, but also domestic necessities. If the latter decision was taken, at year 10 the guarantee fund would have been exhausted by the final transfer of 800 000 CFA to cooperative capital which would now be capitalized at 12.94 million CFA (\$32.350).

In year 7, assuming that guarantee funding continued, the cooperative would have an additional capital reserve of 1 million CFA (\$2,500), and between year 7 and 10, sufficient funds to provide for capital shareholding in the central cooperative input supply company.

The scenario described above is based on viable and well managed marketing of agricultural inputs by the cooperative and agreement amongst GM representative members as to how the cooperative is to be run. It is an alternative to direct capital subscription by GM's to the capital structure of the cooperative, and is based on trading agricultural inputs on a profitable basis.

At the cooperative/GM interface it would be necessary to establish a shareholding structure as a function of participation in the overall activity of the cooperative.

If direct contribution of GM's to the capital of the cooperative is considered as the alternative to raising capital through reserves accumulated through trading, then guarantee funds would be contributed as an equitable function of GM contributions. The latter contributions would require to represent a commitment and not a token participation. It has already been suggested that this should not be less than 25% of members annual seasonal input requirements,

which would represent approximately 2,250 CFA for a Chef d'exploitation on dryland farms or approximately 5,000 CFA on irrigated farms.

The input supply component will collaborate with the training component in identifying and implementing the manner in which the cooperative capital structure will be assembled and managed. For project implementation purposes this will be progressively initiated following two years successful operation of the guarantee fund.