

APPENDIX A

PROJECT DESCRIPTION

HONEY PROCESSING AND MARKETING PROJECT

I. Introduction

This appendix describes the activities to be undertaken and the results to be achieved with the funds obligated under this Agreement. Nothing in this Appendix A shall be construed as amending any of the definitions, conditions, or terms of the Agreement.

II. Background

Miellerie Moderne du Mali (MMM) specializes in processing and marketing of refined honey. Its main clients are grocery stores, mini markets, and hotels in the Bamako area of Mali. At its current production capacity, MMM can respond to only 2 percent of demand for its product. MMM needs capital to invest in expansion of its operation and enhancement of its management capacity.

III. Funding

A. ADF Contribution

The financial plan for ADF's contribution is set forth in Appendix A-1 to this Agreement. The Parties may make changes to the financial plan without formal amendment, if such changes are made in accordance with Article 7 of the Agreement and do not cause ADF's contribution to exceed the obligated amount specified in Article 3, Section 3.1 of the Agreement.

B. Grantee Contribution

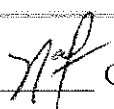

MMM will purchase equipment with an estimated value of 8,122,530 FCFA. In addition, it will upgrade its current production site into a distribution and sale site, purchase furniture and office supplies for the two sites and various protection and hygiene accessories for production (gloves, boots, work clothes, etc.). The total value of MMM's contribution is estimated at 3,216,000 FCFA.

IV. Project Goal

The Project's goal is to improve MMM members' standard of living.

V. Project Purpose

The purpose of the Project is to increase MMM's income and that of its employees, as measured by the following.

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- A. MMM's net income before depreciation and the contribution to CRG will increase from 4,057,184 FCFA in Year I to 14,567,927 FCFA in Year II; 28,993,952 FCFA in Year III; 43,492,898 FCFA in Year IV; and 57,600,756 FCFA in Year V; and
- B. MMM's total salary payments to its employees will increase from the current level of 4,225,000 FCFA to 8,990,000 FCFA in Year I; 9,619,300 FCFA in Year II; 10,292,651 FCFA in Year III; 11,013,137 FCFA in Year IV; and 11,784,056 FCFA in Year V.

VI. Project Outputs

The Project will generate the following major outputs in order to attain the Project's purpose.

- A. Honey production and marketing capacity increased, as measured by:
 - 1. an increase in the production and marketing of natural refined honey from the current level of 21 tons to 21.3 tons in Year I; 25 tons in Year II; 36 tons in Year III; 48 tons in Year IV; and 60 tons in Year V.
 - 2. an increase in annual revenue from the current level of 35,864,015 FCFA to 45,414,962 FCFA in Year I; 66,549,676 FCFA in Year II; 99,911,486 FCFA in Year III; 127,015,086 FCFA in Year IV; and 158,769,371 in Year V.
- B. Beekeepers' revenues increased, as measured by:
 - 1. an increase in the number of beekeepers benefiting from the raw honey purchase from the current level of 850 beekeepers from 1,000 in Year I to 3,880 in Year V.
 - 2. an increase in the purchase of raw honey from beekeepers from the current level of 16,734,186 FCFA to 19,688,555 FCFA in Year I; 29,295,936 FCFA in Year II; 40,318,950 FCFA in Year III; an 51,973,874 FCFA in Year IV and Year V.
- C. Technical and management capacity strengthened, as measured by:
 - 1. an increase in the number of MMM's employees from current level of 4 permanent positions to 15 permanent jobs by Year V;
 - 2. the implementation of annual marketing strategies to promote the company's products, beginning with Year I; and
 - 3. The financial management generates monthly production reports beginning in Year I.

VII. Activities

A. Production Process

MMM will purchase raw honey from beekeepers, process it into refined honey, and package the finished product for sale. The Project will provide MMM improved production technology and operating capital, which will enable the company to triple its annual output and improve the quality of its refined honey.

MMM will use ADF funds to procure and install equipment including: 30 tanks of one ton each for the storage of raw honey; one LEV 600 cart equipped with a "Rotofût" for handling the barrels of unprocessed honey; a decanting tray with double heating tanks and accessories for the decanting and sterilizing of honey; two Rotor INOX Triphased 380V pumps and accessories (pipes, cart) for the discharging of honey from the storage tanks to barrels, i.e., from the decanting tray to the maturators and from the maturators to the storage tanks of the finished product; a tubular filter -double INOX – and accessories (pipes) for the filtering of honey from the maturators to the storage tanks; four one-ton "Melinox" type maturators for the maturation of honey; a FILL UP (30 to 5,000 g) measure with a rotating packaging table for the filling of jars of refined honey (1250-500 and 350 g jars); a set of packaging (30 gram jars) with a measure and a "thermo sealer"; electric equipment for air-conditioning and ventilation of production premises and the office (2 split 2 CV Sharp air conditioners and 6 air pressure kits for the processing center and a multimedia PC with UPS and printer.

The acquisition will be done according to established procedures and will respect the following arrangements: preparation of the bid, reception of the pro-forma, pre-selection of the three pro-forma, selection and identification of the vendors, order, reception, installations and test of the equipment, final payment.

ADF will provide funds for working capital and administrative costs. The working capital will cover costs of unprocessed honey, packaging material (jars and boxes), and labels. The administrative costs will cover costs for installation and testing the production equipment; a one year insurance premium for the processing site; maintenance and repairs for the first year; six months rent of the new processing site; water and electricity bills for the production site for six months; communication costs including telephone, fax, mail, and internet connection for a year and advertising costs for one year.

B. Training and Technical Assistance

The Project will provide the Grantee with appropriate business management training, including personnel management, financial management and accounting, administration, and marketing training. Follow-up technical assistance will be provided on-site, particularly for marketing and financial management to ensure that MMM adopts and masters appropriate management systems.

The ADF Partner in Mali, AED-Sahel, will assist the Grantee to establish a performance monitoring system to provide management with critical information for decision-making and monitoring. An external audit will be conducted during the project.

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The ADF Partner will assist the Grantee in the hiring of a financial manager during the first quarter of the Project. The financial manager will provide the Grantee full-time assistance for 24 months to meet ADF reporting, financial management, and procurement requirements.

C. Marketing

MMM will launch an aggressive marketing campaign. The marketing manager will take the lead in developing and implementing the marketing strategies.

VIII. Roles and Responsibilities of the Parties

MMM is responsible for ensuring the proper management and implementation of the Project.. MMM will hire a Project financial manager to oversee the day-to-day activities of the Project. The ADF Partner will provide MMM technical and management assistance during the implementation of the Project.

IX. Monitoring and Evaluation

Within sixty days of the effective date of this Agreement, the Grantee, working with the ADF Partner, will form a monitoring and assessment committee composed of a representative cross-section of the Grantee's organization. The committee will work with the Partner to develop a Project monitoring plan. In addition, during implementation, the committee will have responsibility for ensuring that the project follows the implementation plan, and that problems identified through monitoring and evaluation are properly addressed in a timely manner.

X. Other Implementation Issues

MMM will establish three bank accounts: (a) an account to manage reinvestment funds; (b) an account to receive ADF funds; and (c) a current account. MMM will use the reinvestment account to receive regular deposits for equipment replacement and reserves to acquire additional equipment, construct a headquarters, or undertake other activities. It will make deposits to the account on a quarterly basis (at a minimum), beginning as soon as the member groups receive their new equipment.

MMM will provide ADF a profit-sharing plan before the Project receives its new production equipment. This plan will describe how benefits will be shared with non-member employees, once the enterprise generates sufficient net income to distribute dividends.

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