

**Project Description**  
**Cape Verde- DESCARTAVEIS PRODUCOES, LDA.**  
**Production and Marketing of Diapers**

**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**

Descartaveis Producoes, a family-owned limited liability company located on the island of Sao Vicente, Cape Verde, plans to focus on the manufacture of baby and adult diapers and toilet rolls over the next five years. The Company's prime markets are in Sao Vicente, Sao Antao, and Santiago. A market survey completed in April 2007 was promising. Descartaveis would like to improve the quality of its products and expand its business; but the Company lacks the means to purchase and install needed production equipment and a quality control lab, and purchase raw materials.

**III. Funding**

A. USADF Contribution

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

B. Descartaveis Producoes Contribution

Descartaveis will contribute the time and the labor of its management team and its employees to the project.

**IV. Project Goal**

The goal of this project is to improve the living standards of the people residing in Mindelo, within the municipality of Sao Vicente, Cape Verde.

**V. Project Purpose**

The purpose of this investment is to increase the incomes of Descartaveis and its employees.

- A. Increase Descartaveis net income before income taxes and depreciation from CVE 526,300 in 2007 to:

- CVE 1,096,000 in Year I;
  - CVE 1,856,000 in Year II;
  - CVE 7,827,000 in Year III;
  - CVE 7,965,000 in Year IV; and
  - CVE 8,498,000 in Year V.

- B. Increase the income of Descartaveis employees by increasing Descartaveis total payroll/salaries from a baseline of CVE 2,100,000 in 2007 to:

- CVE 4,332,000 in Year I;
  - CVE 4,737,600 in Year II;
  - CVE 6,093,930 in Year III;
  - CVE 7,358,087 in Year IV; and
  - CVE 8,236,503 in Year V.

- C. An annual bonus/profit distribution, equal to five (5) percent of net profits, is allocated to employees throughout the life of the project.

- D. An annual contribution to an employees' social fund, equal to five (5) percent of net profits, is allocated to employees throughout the life of the project.

**VI. Project Outputs**

The investment will generate the following major outputs in order to attain the investment's purpose:

- A. An increase in sales revenues from a baseline of CVE 2,965,000 in 2007 to:

- CVE 14,612,000 in Year I;
  - CVE 15,906,000 in Year II;
  - CVE 31,485,000 in Year III;
  - CVE 34,110,000 in Year IV; and
  - CVE 37,037,000 in Year V.

- B. An increase in the number of full-time workers employed by Descartaveis from a baseline of 15 to 26 by the end of the five year project.
- C. Descartaveis will improve its fiscal and social responsibility as demonstrated by its compliance with the Re-Investment Commitment Schedule set forth in Appendix A-2 to this Agreement.

**VII. Activities**

- A. Descartaveis, with the assistance of a consultant, will conduct management training in USADF required administrative, accounting, financial, procurement, reporting, and project evaluation procedures.
- B. Descartaveis, with the assistance of a consultant, will conduct training in business management and marketing, including "Just in Time" production management.
- C. Descartaveis will organize a study tour to South Africa to learn best practices. Lessons learned will be incorporated into Descartaveis' business.
- D. Descartaveis will retain a health consultant for 15 days to provide technical assistance on health issues.
- E. Descartaveis will hire necessary personnel including a full-time accountant.
- F. Descartaveis will purchase equipment and raw materials necessary to expand diaper production and, in the 4<sup>th</sup> quarter of year 2, to begin toilet paper production.
- G. Within the first three (3) months of the USADF investment period, Descartaveis will develop and implement a written safety work policy that includes training and mandatory use of personal safety gear.

**VIII. Roles and Responsibilities of the Parties**

Descartaveis is responsible for ensuring the proper management and implementation of the Project. Descartaveis will hire a competent staff to oversee the day-to-day activities of the Project. The USADF Partner will provide Descartaveis with technical and management assistance during the implementation of the project.

**IX. Monitoring and Evaluation**

Within sixty days of the effective date of this Agreement, Descartaveis, working with the USADF Partner, will form a monitoring and assessment committee composed of a representative cross-section of Descartaveis' organization. The committee will work with the USADF 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.