

**APPENDIX A
PROJECT DESCRIPTION
La Vivrière Production and Marketing of Local Cereals**

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

La Vivrière is a private limited liability millet processing company. The company purchases millet from 50 farmers located in twenty villages. The farmers earn a significant part of their income from their sales to la Vivrière.

Although the company's revenue and profit grew significantly in 2002, it faces obstacles to continued growth, i.e., lack of appropriate production facilities, inadequate equipment and transport, and lack of appropriate packaging materials. In addition, the company is also in need of technical assistance in product quality control and business management. As a result of these impediments, La Vivrière is unable to meet demand for its product. For example, in 2002, its costumers' average monthly demand was for 66,272 kilograms of product. However, La Vivrière was only able to supply 18,819 kilograms, or 28 percent of demand.

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

La Vivrière will contribute its present assets estimated at CFA 54 millions including:

- existing drying, storage, and production facilities;
- existing production equipment;
- 1,000 square meters of land to construct a new facility; and
- one month of working capital estimated as CFA 14,500,000.

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IV. Project Goal

The goal of the Project is to promote the socio-economic development of La Vivrière's members and their families.

V. Project Purpose

The purpose of the Project is to increase the income of Vivriere and its employees.

- Vivriere's net Income, after taxes, will increase from its current level of 10,294,760 FCFA to:
 - 8,812,600 FCFA in year 1;
 - 20,520,793 FCFA in year 2;
 - 33,285,715 FCFA in year 3;
 - 48,560,497 FCFA in year 4; and
 - 59,607,34 F CFA in year 5 of the project.
- Vivriere's employees' average total wage receipts will increase from the current level of 18,340,520 FCFA to:
 - 23,220,000 FCFA in year I;
 - 27,252,000 FCFA in year II;
 - 28,614,600 FCFA in year III;
 - 28,614,600 FCFA in year IV; and
 - 30,045,330 FCFA in year V
- Vivriere employees' income will be increased through a profit sharing plan by:
 - 10 percent of net profit in 2004;
 - 5 percent of net profit in 2005; and
 - 7.5 percent of net profit in 2008.
- The number of permanent jobs will increase from the current 33 to 44 by the end of the Project.

V. Project Outputs

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

A. An Established, Modern Cereal Production Unit

Production is expected to increase from 216 tons in 2002 to more than 480 tons at the end of the five-year project as follows:

- Year 2: 339.27 tons;
- Year 3: 370.32 tons;
- Year 4: 432.33 tons; and
- Year 5: 489.61 tons.

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B. Effective Marketing Strategy

Annual sales are expected to increase from the current 120,171,990 FCFA to:

- 136,159,200 FCFA in year 1;
- 204,238,800 FCFA in year 2;
- 233,997,640 FCFA in year 3;
- 273,367,595 FCFA in year 4; and
- 309,361,343 FCFA in year 5.

C. Operative Business Management Systems

Within the first twelve months of the Project, the Grantee will routinely produce monthly financial statements.

VI. Activities

A. Production Unit

La Vivrière will endeavor to increase the volume and quality of its production of cereals. To accomplish this, La Vivrière will need improved production infrastructure. ADF will finance the construction of a cereal transformation facility with four production areas:

- a storage room;
- a room for cleaning raw material;
- a room for filtering; and
- a room for washing and final cleaning

The Grantee will use competitive procedures to award the construction contract. It will hire an independent construction inspector. The new facility will meet food, health, and safety standards established by the Government of Senegal.

In addition, the Grant provides funds for the purchase of production equipment, including inox (stainless steel) equipment, conveyor belts, feed-hoppers, transfer hoppers, washer, grinder, granulator, grader, cooker, screw conveyor, boiler, piping, bagging machine, and a generator.

B. Training and Technical Assistance

The Grantee will engage experts to provide training production and conservation techniques, management, and marketing. The ADF Partner will train selected members of the Grantee's staff in ADF accounting and financial management.

ADF  Grantee  

VII. Roles and Responsibilities of the Parties

La Vivrière is responsible for ensuring the proper management and implementation of the Project. The ADF Partner in Senegal will provide La Vivrière technical and management assistance during the Project implementation.

VIII. 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 provide the Partner input for the 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. The Grantee and the Partner will specifically monitor production costs, market conditions, and product pricing to ensure that the product price is appropriate to cover production and overhead costs.

IX. Other Implementation Issues

La Vivrière will establish three interest-bearing bank accounts in addition to the account to receive ADF funds. One account will receive all income generated by the project before funds are allocated for various expenses. A second account will receive regular monthly or quarterly deposits for equipment replacement. A third account will receive regular quarterly deposits for the Community Reinvestment Grant.

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