APPENDIX A

PROJECT DESCRIPTION
NDIAKHERE Local Cereal 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

The Grantee, NDIAKHERE Economic Interest Group (NDIAKHERE), processes and markets high quality cereal products such as millet, arrow, and couscous under the brand name "Toubbe". However, the Grantee has not been able to meet the demand for its products due primarily to production limitations and management deficiencies.

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

The EIG NDIAKHERE will contribute its existing production assets including: (1) the existing building; and (2) the current production equipment valued at approximately 7,912,253 FCFA.

IV. Project Goal

The goal of the project is to contribute to the production of local cereals and improvement of the standard of living of NDIAKHERE's members and their families.

V. Project Purpose

The purpose of the Project is to increase NDIAKHERE's income and that of its employees as indicated by the following:

- The enterprise's revenues will increase from **1,281,720 FCFA** to **4,685,300 FCFA** in year 1 ; **6,763,399 FCFA** in year 2 ; **23,304,930 FCFA** in year 3 ; **44,281,579** FCFA in year 4 and **69, 638,509 F CFA** in year 5 of the project; and

- Total wage payments to employees will increase from **18,024,000 FCFA** to **18,564,000 FCFA** in Year 1, **21,266,400 FCFA** in Year 2, **23,969,040 FCFA** in Year 3, **26,869,944 FCFA** in year 4, and **29,988,938 FCFA** in Year 5.

VI. Project Outputs

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

A. Increased capacity to process and market quality cereals as indicated by the following:

- The volume of food grains processed increase from **110 tons** to **220** at the end of the 1st year; **330 tons** year 2; **445.5** tons year 3; **557** tons year 4 and **696** tons year;

- The annual revenue from sale of processed food grains will increase from **41,082,472** F CFA to **99,280,100 F CFA** in year 1 ; **148,920,150 F CFA** in year 2 ; **201,042,203 F CFA** in year 3 ; **251,302,753 F** CFA in year 4 ; **314,128,441 F CFA** in year 5;

- Increase in number of jobs from 27 to 36 full time jobs by the end of the project.

B. Increased capacity to manage the processing operation as indicated by the following:

- Gross margins on sales will increase from a baseline of 32 percent to 19 percent in Year 1, 25 percent in Year 2, 32 percent in Year 3, 38 percent in Year 4, and 43 percent in Year 5.
- The financial management system will produce monthly Profit and Loss (P/L) statements in Year I and thereafter.

VII. Activities

A. Processing Operation

The main Project activity is the processing of locally grown millet and corn and distribution of the finished product on the market. The Project will enable NDIAKHERE to increase its production capacity of processed cereals by providing the following:

- Working capital to purchase millet and corn, packaging supplies and to pay salaries;

- Equipment to increase the quality and quantity of production output; and
- Vehicles to facilitate collection of raw materials from suppliers and distribution of finished products to buyers.

B. Training and Technical Assistance

NDIAKHERE will enhance the management and technical abilities of its workforce by undertaking the following:

- Recruitment of a qualified manager;
- Recruitment of a qualified accountant;
- Training of its staff in good management practices, including marketing; and
- Training of its staff in the technical aspects of food processing.

VIII. Roles and Responsibilities of the Parties

The EIG *NDIAKHERE* is responsible for ensuring the proper management and implementation of the Project. The EIG *NDIAKHERE* will hire all full time employees of the Production Department for the day-to-day activities of the Project. The ADF Partner in Senegal will provide the EIG *NDIAKHERE* technical and management assistance during the Project implementation.

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 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.

X. Other Implementation Issues

The EIG *NDIAKHERE* will establish three interest-bearing bank accounts in addition to the account to receive ADF funds. (a) One account will receive all income generated by the project before funds are allocated for various expenses. (b) A second account will receive regular monthly or quarterly deposits for equipment replacement. (c) A third account will receive regular quarterly deposits for the Community Reinvestment Grant.