

APPENDIX A

PROJECT DESCRIPTION: FRUIT JUICE PRODUCTION AND MARKETING

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

NIYYA Food and Drinks Company Limited (NIYYA), a producer of fruit juice and yogurt, has a strong reputation for producing high-quality products. It has established supply relationships with fruit producers in the local area, and actively provides advice and support to the independent orchardists in order to enhance the Company's supply of fruit.

Awareness of NIYYA's products in the region is growing, as reflected in rising sales. However NIYYA is producing at approximately 30 percent of its capacity, due to limited access to affordable working capital to purchase fresh fruit and maintain inventories of fruit juice that will last from one fruit-growing season to the next.

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 make USADF's contribution to exceed the obligated amount specified in Article 4, Section 4.1 of the Agreement.

B. NIYYA Contribution

NIYYA will contribute Nigerian Naira (N) 10,925,000 over the life of the project. N 4,925,000 will be invested in working capital in the initial year of the project. N 6,000,000 will be invested over the succeeding years in fixed capital maintenance and replacement.

IV. Project Goal

The goal of the Project is to improve the living standards of private-sector workers producing fresh fruit juices and fruit suppliers in the Kaduna area of Nigeria.

V. Project Purpose

The purpose of the Project is to increase incomes for NIYYA, its employees, and fresh fruit suppliers, as measured by the following indicators:

- A. NIYYA's earnings before interest, depreciation and administrative expenses (EBITDA) will grow: from N 37,109,910 in 2006 to N 30,131,403 in 2007; to N 35,977,645 in 2008; to N 41,760,832 in 2009; to N 47,672,630 in 2010; and to N 54,433,784 in 2011.
- B. Total income to employees of NIYYA will grow: from N 19,076,555 in 2006 to N 19,423,439 in 2007; to N 20,998,631 in 2008; to N 23,222,563 in 2009; to N 25,708,332 in 2010; and to N 27,343,549 in 2011.
- C. The total value of fruit NIYYA purchases from fresh fruit suppliers will increase from N 12,465,299 in 2007 to N 21,317,430 in 2008; to N 30,761,783 in 2009; to N 40,678,355 in 2010; to N 49,247,488 in 2011.

VI. Project Outputs

NIYYA's capacity to produce and market fresh fruit juices will improve, as indicated by the following:

- A. Total sales revenues for fruit juices will increase from N 180,428,355 in 2006 to N 296,638,800 in 2007; to N 333,841,620 in 2008; to N 373,503,597 in 2009; to N 414,703,173 in 2010; and to N 453,670,750 in 2011;
- B. The total number of employees at NIYYA is expected to rise from 126 in 2006 to 163 by 2011;
- C. Capacity utilization in the company's juice factory will increase from 30 percent of plant capacity in 2007 to 34 percent in 2008; to 47 percent in 2009; to 61 percent in 2010; to 73 percent in 2011; and
- D. NIYYA's inventory control system allows year-round distribution of its finished juice products.

VII. Major Activities to be Financed Under the Agreement

To generate the above outputs and to fulfil the project purpose the following activities will be funded by USADF:

A. Production

The Project will enable the following production improvements.

1. NIYYA will acquire equipment make PVC shrink labeling for the finished juice products, enabling the Company to discontinue use of the less durable paper labeling.
2. The extraction technology NIYYA currently uses (squeezing juice from the fruit) imparts oil that has a harsh taste. The Company will install a juice oil extractor that will separate the oil and thus improve the quality of the final product.
3. NIYYA will expand its current program of providing advice, consulting, and harvest related support to local orchardists, such as harvest-time advances to orchardists, provision of tree seedlings, and offers to buy high quality fruit harvests. These activities are expected to lead to a significant increase in the volume of produce NIYYA purchases from the orchardists and to increase the Company's inventory of finished juice products to provide year-around availability in distribution.

B. Market Research and Strategic Growth Plan

NIYYA will conduct market research to better understand Nigerian consumers' attitudes towards its products, and to improve the design of its distribution strategy. NIYYA will also develop a strategic growth plan to enable it to realize its vision of becoming a significant national competitor in the fruit juice market. Increasing the number of distribution partners is will be an important element of the strategic growth plan.

C. Internal Systems Enhancement

NIYYA will purchase and install an enterprise management software system, which will enhance its abilities to plan and monitor production and distribution.

VIII. Roles and Responsibilities of Parties

USADF's Partner in Nigeria will provide the necessary standard USADF training in bookkeeping and monitoring and assessment. The Partner will also provide business advice for the successful implementation of the Project.

NIYYA management is responsible for ensuring the proper management and implementation of the Project. The USADF Partner in Nigeria will provide NIYYA with technical and management assistance during the implementation of the Project.

IX. Monitoring and Evaluation

The USADF Partner in Nigeria will closely monitor the activities of the Project in order to ensure the high quality of the reporting and that the Project implementation plan is followed. Besides tracking the general progress of the Project, it will also continuously assess the identified Project risks so that remedial actions can be taken on time in order to forestall any significant adverse impact on the realization of the Project's objectives. Monitoring by the USADF Partner in Nigeria will be an important aspect of the ongoing coaching and advisory service. The USADF Partner in Nigeria will review all the Project's quarterly reports prepared and submitted by NIYYA, and will submit comments and observations to the management of NIYYA as part of the annual project evaluation. The two organizations will jointly design the evaluation process and NIYYA will incorporate the findings of the evaluation into their annual report.