

PROJECT DESCRIPTION
SOUNOUMBA SARL
Processing and Marketing of Heat-Treated Wooden Pallets

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

SOUNOUMBA SARL ("Client") is a wood-products manufacturing company producing high-quality wooden furniture for homes as well as schools and businesses. The company has been in operations for ten years in Bamako, Mali.

Although Mali is one of the world's largest mango producers, it exports very little of the fruit. The lack of locally produced wood pallets is one reason the export of fruits and vegetables has been impeded and is costly. SOUNOUMBA would like to enter this market and expand its product line to include the production of heat treated wooden pallets. However, SOUNOUMBA lacks sufficient resources to purchase the necessary equipment to produce wooden pallets and expand operations. In addition, its capacity in the areas of accounting, marketing, and organizational/management are limited, acting as an obstacle to success.

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. Client Contribution

The Client will contribute 32,000,000 F CFA in equipment and construction costs and the time and labor of its management team and staff to the project.

IV. Investment Goal

The goal of the project is to improve the living standards of people in Mali.

V. Investment Purpose

The purpose of this investment is to increase the incomes of SOUNOUMBA, its employees, and mango exporters. The following indicators will be used to track the achievement of this purpose:

- A. SOUNOUMBA's net income before income taxes and depreciation will increase from a baseline amount of 38,000,000 F CFA in 2007 to:
- 34,423,000 F CFA in Year I;
 - 53,926,000 F CFA in Year II;
 - 59,967,000 F CFA in Year III;
 - 61,805,000 F CFA in Year IV; and
 - 63,041,000 F CFA in Year V.
- B. The total payroll paid to employees will increase from a baseline of 3,250,000 F CFA in 2007 to:
- 12,000,000 F CFA in Year I;
 - 14,266,000 F CFA in Year II;
 - 14,778,000 F CFA in Year III;
 - 15,396,000 F CFA in Year IV; and
 - 16,028,000 F CFA in Year V.
- C. Mango exporters will receive supply cost savings by purchasing locally produced pallets as follows:
- 8,960,000 F CFA in Year I;
 - 11,200,000 F CFA in Year II;
 - 13,120,000 F CFA in Year III;
 - 13,557,000 F CFA in Year IV; and
 - 14,000,000 F CFA in Year V.
- D. Mango producers will realize increased incomes through the sale of their produce to the more profitable international market as opposed to local market sales as follows:
- 680,000,000 F CFA in Year I;
 - 800,000,000 F CFA in Year II;

- 920,000,000 F CFA in Year III;
- 915,000,000 F CFA in Year IV; and
- 1,000,000,000 F CFA in Year V.

VI. Investment Outputs

The anticipated outputs of this project are to its increase capacity to produce heat treated wood pallets.

- A. The Enterprise's capacity growth will be measured through the generation of additional employees from a baseline of 14 employees (seven full time and seven part-time employees) to 15 full-time employees. Eight new full-time employees will be hired during the first year of the project and maintained throughout the project period. No additional part-time employees will be hired.

- B. The Client shall provide annual bonus / profit distribution to employees increasing from a baseline of 700,000 F CFA to:
 - 714,300 F CFA in Year I;
 - 1,282,950 F CFA in Year II;
 - 1,441,900 F CFA in Year III;
 - 1,451,000 F CFA in Year IV; and
 - 1,434,850 F CFA in Year V.

- C. The Client's sales revenues from pallets will increase from a baseline of 235,000 F CFA to:
 - 185,854,000 F CFA in Year I;
 - 206,071,000 F CFA in Year II;
 - 221,383,000 F CFA in Year III;
 - 227,577,000 F CFA in Year IV; and
 - 232,551,000 F CFA in Year V.

- D. The Enterprise will produce wood pallets as follows:
 - a total of 8,960 air freight and sea freight pallets in Year I;
 - a total of 11,200 air freight and sea freight pallets in Year II;
 - a total of 12,880 air freight and sea freight pallets in Year III;
 - a total of 13,557 air freight and sea freight pallets in Year IV; and
 - a total of 14,000 air freight and sea freight pallets in Year V.

E. The Client shall develop a comprehensive business plan that will include at a minimum:

- marketing and distribution strategy that will enable SOUNOUMBA to expand and diversify its customer and export base;
- analyzing the strategic plans of market competition;
- financial projections that support investment; and
- regular periodic financial and market reviews and reporting.

VII. Activities

A. Production

The primary activity of this project is the production of heat treated wood pallets for the local market. SOUNOUMBA will improve its physical infrastructure and safety / security systems by undertaking the following:

- build a reinforced cement wall around the approximately 200 square meter production area;
- purchase fire extinguishers and implement fire safety measures; and
- provide protective eyewear, foot ware and gloves for employees.

In addition, the Enterprise will increase its capacity for production by increasing its inventory of materials and procuring new equipment to produce the pallets as follows:

- purchasing and installing a EUROPAL F 56/30 oven for heat-treating wooden pallets;
- purchasing and installing carpentry and wood-cutting tools and equipment;
- purchasing a compressor; and
- purchasing wood sufficient for one month of production.

B. Training

The Client shall build capacity by improving the financial and management systems as well as by recruiting new and training new and existing employees to improve their skill base in several areas. Activities will include:

- recruiting and training seven new full time employees;
- training employees on new equipment and proper use of safety equipment;
- recruiting and hiring an experience accountant;

- training of senior management in marketing, accounting and corporate governance practices and strategic business skills; and
- training on computer hardware and training on new accounting and financial management systems software.

C. Management

The Client will improve its fiscal and social responsibility as demonstrated by:

- creating an education support fund for employees' children, providing up to 100,000 F CFA per family;
- creating 15 free apprenticeships for youth, providing each a transportation allowance; and
- complying with the Re-Investment Commitment Schedule set forth in Appendix A-2 to this Agreement.

The Client shall develop fully functional financial and management systems that complies with USADF reporting requirements and is consistent with internationally accepted standards as demonstrated by:

- developing integrated and well structured internal controls and accounting systems;
- preparing training modules in basic accounting and financial management practices;
- reorganizing company structure to provide clear job descriptions; and
- producing an administrative procedure manual and a comprehensive employee training plan for implementation.

D. Marketing

The Client shall develop an aggressive strategy to identify and expand its customer base, identify means of advertising to generate greater awareness of the new product line, determine appropriate pricing, etc. Activities include:

- hiring a marketing expert;
- developing market survey; and
- analyzing the market for price and product policies, competition and promotion strategies.

VIII. Roles and Responsibilities of the Parties

SOUNOUMBA is responsible for ensuring the proper management and implementation of the Project. SOUNOUMBA will hire high-quality staff to oversee the day-to-day activities of the Project. The USADF Partner will provide SOUNOUMBA 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, the Client, working with the USADF Partner, will form a monitoring and assessment committee composed of a representative cross-section of the Client's 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.

