

APPENDIX A
INVESTMENT DESCRIPTION
KIGALI CEMENT COMPANY

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

Kigali Cement Company (KCC), the only privately-owned cement company in Rwanda, began operations in 1998 in response to the severe shortage of building materials caused largely by the destruction of the 1994 genocide. As security and economic stability have returned to Rwanda, the demand for new construction has increased sharply, creating significant opportunities for KCC to grow its business. However, KCC lacks the management and operational infrastructure required to sustain a major expansion in its operations.

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.

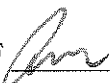
B. KCC's Contribution

KCC will contribute the time and labor of its employees. KCC has also committed to pay for the following health and safety items that need immediate attention at their current location:

- installation of safe electricity cables;
- clearing of debris;
- fabricating a guard rail around the jaw crusher;
- purchase and mounting of fire extinguishers;
- purchase of a first aid box; and
- purchase of safety gear for the workers.

IV. Project Goal

The goal of the OAG is to generate employment growth and income enhancement for employees and their families.

ADF  KCC _____

V. Project Purpose

The purpose of the OAG is to position KCC for business expansion, as indicated by the development of a comprehensive five-year business plan that ADF deems suitable for funding by a financial institution.

VI. Project Outputs

- A. Cement products manufacturing processes that conform to relevant quality and performance standards.
- B. A fully developed business growth and expansion plan supported by:
 - a comprehensive market analysis that evaluates the market potential in terms of customer segments and purchasing behaviour;
 - a selling and distribution strategy that enables KCC to reach their customers; and
 - projected financial results that support the proposed investment in terms of returns on investment.
- C. Fully functioning financial management systems:
 - a competent accounting officer capable of maintaining well-designed processes and methods geared towards profitability; and
 - a system certified as fully compliant with ADF and investor management reporting requirements as demonstrated by:
 - a well structured internal control and accounting system,
 - a comprehensive accounting procedures manual, and
 - regular periodic reporting of financial results.
- D. A plant relocation plan that:
 - complies with Government of Rwanda requirements to relocate the current factory;
 - complies with relevant environmental standards in the new site;
 - complies with local regulations for occupational health and safety; and
 - meets KCC's requirement for access to 3-phase electricity and is otherwise ready for factory relocation.

Major Activities to be financed under the Agreement

A. Compliance with Quality Standards and Regulations

KCC will contract with qualified consultants to test samples of the raw materials used in the manufacture of cement to ensure the company's products comply with the relevant international quality standards. Two of KCC's staff members will travel to India to receive training in cement production technology and machine maintenance from a supplier of cement production machinery.

KCC will hire an occupational health and safety consultant to carry out an inspection of the current facility. He will make recommendations for immediate improvements for safe

operation during the remaining time at this location. He will also prepare a plan for the new site to assure the factory will be in compliance with local regulations and standards.

KCC will hire a qualified consultant to develop relocation plans for a new cement factory. These plans will comply with all applicable regulatory standards and requirements, including environmental standards. The consultant's activities will include the design of a new factory that will support the goals of the company's business plan. This will involve preparing a sketch plan that outlines landscaping, elevations, water drainage system, equipment layout, cross section perspective structures, structural engineering, wiring and construction management needs. The consultant will prepare a bill of quotations and quantities.

B. Business Plan and Market Development

KCC will research the cement market in Rwanda and develop a specific plan for expansion of capacity, revenues, and customer base. The plan will project the investment required to achieve the proposed growth, and illustrate the return on this investment. KCC will engage a business consultant to work with the management of KCC to develop a strategic business plan integrating the market opportunity, distribution strategy, factory expansion plans, and projected financial results that will support further investment. This plan will focus on improvements to workers' wages, possible profit sharing and or other labor benefits; other potential social activities (i.e. cement contributions to social concerns); a detailed production analysis and industry production benchmarking to help focus investments in production efficiencies in order to improve productivity and operating margins; and provide an analysis of alternative sources and supply for production power needs and primary raw materials supply (clinker).

KCC will hire a sales manager to coordinate customer sales, records and logistics to help drive higher sales.

C. Fully functional financial management systems

KCC will establish financial control and reporting systems that will enable them to understand the financial performance of their business through regular reporting. This information will serve as input to the business plan and ongoing performance measurements during the project.

KCC will obtain management training for top management and other personnel in the areas of strategic management, cement production, logistics, production planning, and financial management in order to strengthen overall management of the company.

KCC will procure computers and relevant software and obtain relevant training for its staff to improve financial controls and reporting. KCC will obtain a mobile internet connection using EVDO wireless technology to improve internal communication as well as communication with key markets and suppliers.

D. Preparation of new factory site

KCC will complete surface grading and soil preparation and equip its new factory site with 3-phase electricity.

E. Increase in current factory capacity utilization

KCC will procure additional clinker from East Africa Portland Cement Company of Nairobi, Kenya, equivalent to approximately five days' supply requirement in order to increase its current factory capacity utilization.

KCC will procure and install an electrical generator as a back-up to ensure continuity of office work and cement packaging cement during electrical outages. KCC will use their own funds as well as what is allocated in the budget to purchase and distribute protective gear such as coveralls, work boots, face masks, ear plugs and helmets to its employees.

VII. Roles and Responsibilities of the Parties

ADF's Partner in Rwanda will provide the necessary standard ADF training in bookkeeping, monitoring and assessment.

KCC is responsible for ensuring the proper management and implementation of the Project. The ADF Partner in Rwanda will provide KCC with technical and management assistance during the implementation of the project.

IX. Monitoring and Evaluation

ADF's Partner in Rwanda will closely monitor the activities of the KCC to ensure proper reporting, adherence to the project implementation plan by the Grantee and movement towards the achievement of project objectives. The Partner will continuously assess the project risk and take remedial actions as needed. Monitoring by the Partner will be an important aspect of the ongoing coaching and advisory service. The Partner will review KCC's quarterly reports and will submit comments and observations to the management of KCC as a part of the on-going performance assessment process.