

APPENDIX A

PROJECT DESCRIPTION ARTISAVON SOAP PROCESSING AND MARKETING OF NATURAL SOAP PRODUCTS -BENIN

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

Artisavon, a cooperative created in 1992, produces a line of unique, high-quality natural soap products, including soaps containing traditional African herbal remedies for common health problems. It sells to markets in Africa and Europe. Artisavon's products are of export quality, incorporate local natural products and fragrances, and sell internationally under the brand name AMES. In 1995, Artisavon received its first ADF grant, which enabled the Cooperative to enhance its production capacity. Since that grant ended in 2000, the Cooperative has strengthened its marketing capabilities, improved its product, and begun exporting almost 80 percent of its output to international markets. Now Artivason believes it needs another round of financing to exploit the significant export opportunities for its products. Artisavon lacks the productive capacity and marketing expertise to capitalize on these opportunities. By upgrading its production facilities, improving product quality and increasing its marketing capacity, Artisavon will be able to meet international market demand, increase its market share, and increase profitability.

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 Grantee will contribute FCFA 5,000,000 directly to the project for renovations of the production site required before installation of new equipment in addition to ADF funds. In addition, the Grantee will contribute land, infrastructure, and equipment currently in place at the Project site. The total value of the Grantee's contribution is valued at 17,016,218 CFA.

IV. Project Goal

ADF  Grantee 

The goal of the Project is to strengthen and improve the performance of a domestic export-directed industry in accordance with the prime goal expressed by ADF in its strategic objectives.

V. Project Purpose

The purpose of the Project is to increase the incomes of Artisavon, its members, and its employees as follows.

- A. An increase in Artisavon net income (FCFA)
 - Year 1: 11,310,775
 - Year 2: 18,218,501
 - Year 3: 41,792,158
 - Year 4: 51,613,276
 - Year 5: 51,566,519

- B. An increase in the total income (returns) paid to Artisavon member employees (in FCFA)
 - Year 1: 15,450,000
 - Year 2: 23,529,000
 - Year 3: 23,529,000
 - Year 4: 25,881,900
 - Year 5: 25,881,900

VI. Project Outputs

- A. Artisavon will increase its production of soaps.

Annual production increases from 100,000 units to:

 - 422,400 units in year 1
 - 1,056,000 units in year 2
 - 1,584,000 units in year 3
 - 1,789,920 units in year 4
 - 1,897,315 units in year 5

- B. Artisavon will increase its overall sales.
 1. Sales revenue increases from a baseline of 49,600,000 FCFA to :
 - 101,376,000 FCFA in Year 1
 - 253,440,000 FCFA in Year 2
 - 380,160,000 FCFA in Year 3
 - 442,468,224 FCFA in Year 4
 - 469,016,317 FCFA in Year 5

 2. Total units (of Artisavon's three product lines) sold increases to :
 - 253,440 units in Year 1
 - 633,600 units in Year 2
 - 950,400 units in Year 3

- 1,073,952 units in Year 4
- 1,138,389 units in Year 5

- C. Artisavon will increase and improve its product line.
1. Five (5) new soaps for the international markets in Italy and France are produced and registered.
 2. New labeling and packaging are developed.

VII. Major Activities

A. Soap Production

Artisavon will undertake the following activities to upgrade and expand the production of soap:

1. remodel the production facility to conform to the requirements of the new production line;
2. purchase and install the new soap production line; and
3. train management and producers in the operations and maintenance of the new production line and in accounting and financial management practices.

B. Institutional strengthening and access to international markets.

Artisavon will undertake the following activities to increase its capacity in business management and marketing:

1. recruit and hire a well qualified and experienced business manager;
2. train staff in financial management;
3. recruit and hire a well qualified marketing specialist experienced in export networking, advertising, promotion and distribution;
4. develop posters and advertising items for local and export markets;
5. recruit and hire a product certification specialist experienced in the certification of products for the international market;
6. develop five (5) new soaps for international markets; and
7. develop and design new packaging.

VIII. Roles and Responsibilities of the Parties

The Grantee is responsible for ensuring the proper management and implementation of the project. Artisavon will hire a Business manager to oversee the day-to-day activities. The ADF Partner will provide technical and management assistance during the implementation of the project. The Grantee's Executive Director, as project manager, has the overall responsibility for supervising and coordinating Project implementation.

IX. Monitoring and Evaluation

ADF  Grantee 

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 organisation. In addition, during implementation, the committee will have responsibility for ensuring, through monitoring and evaluations, that problems identified are properly addresses in a timely manner. The Grantee and the Partner will specifically monitor production costs and market conditions to ensure that the product is priced to cover production and overhead costs.

X. Other Implementation Issues

- A. Artisavon will establish three bank accounts:
1. an account to manage the reinvestment funds;
 2. an account to receive ADF funds; and
 3. a current account to deposit the income generated by the activity.
- B. Artisavon will use the reinvestment account to receive regular deposits for equipment replacement and reserves to acquire additional equipment. It will make deposits to the account on a quarterly basis (at a minimum) beginning in Year II.

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