

APPENDIX A

PROJECT DESCRIPTION

DAY-OLD CHICKS PRODUCTION AND MARKETING PROJECT (MALI)

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

Mali-Volailles, an enterprise specializing in the production and marketing of day-old chicks (layer and broiler), is unable to meet the demand for its products, primarily due to lack or sufficient capital for expansion and operations. In order to improve its response to the market, the enterprise sought funding from ADF and the Banque de l'Habitat du Mali.

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

Mali-Volailles will provide 2.50 hectares of land for construction (valued at 8,000,000 FCFA), existing equipment (valued at 33,310,079 FCFA or \$61,119); and pay the notary fees, insurance, and other application costs (5,013,750 CFA) for a bank loan of approximately 33,425,000 CFA from the Housing Bank of Mali (Banque de l'Habitat du Mali - BHM) to construct the production center.

IV. Project Goal

The goal of the Project is to improve the living conditions of Mali-Volailles' members and employees.

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V. Project Purpose

The purpose of the Project is to increase Mali-Volailles' net income and its employees' incomes, as measured by the following.

- A. Profit of the enterprise after taxes is expected to decline from the current level of 6,987,910 FCFA to -23,382,409 FCFA in Year I and -14,714,322 FCFA in Year II; but increase to 48,098,901 FCFA in Year III; 59,843,204 FCFA in Year IV; and 65,236,704 FCFA in Year V.
- B. Annual wages paid by enterprise to employees will increase from the current level 7,247,478 FCFA per employee to 7,680,000 FCFA in year I; 11,194,830 FCFA in year II; 11,620,234 FCFA in year III; 12,061,802 in year IV and 12,520,151 FCFA in Year V.

VI. Project Outputs

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

- A. Day-old chicks production and sales increased, as measured by:
 1. Annual production of one-day-old chicks increased from current level of 87,972 units to 131,225 units in Year I; 259,890 units in Year II; and 325,669 units per year in Year III, Year IV, and Year V.
 2. Annual turnover increased from the current level of 86,047,580 FCFA to 78,452,064 FCFA in year I; 140,407,253 FCFA in year II; 262,662,867 FCFA in year III; 278,729,142 FCFA in year IV; and 292,665,599 FCFA in year V.
- B. Technical and management capacity strengthened, as measured by:
 1. The number of full-time employees will increase from 7 to 11 by Year II.
 2. The enterprise will produce monthly profit and loss statements in Year I and thereafter.
 3. A Project performance monitoring plan will be developed in Year I; data will be collected, analyzed, and reported every four months on critical Project indicators, thereafter.
 4. The enterprise will establish a business plan in Year I and update it at least annually, thereafter.

VII. Activities

A. Production unit

Mali-Volailles will import eggs to hatch (ETH) to market as day-old chicks and provide veterinary follow up to its customers. Mali-Volailles will hire two henhouse workers and a cattle breeding engineer to manage activities at the farm level. These individuals will comprise the production unit and will carry out all production tasks (including the feeding program, health and medical prophylaxis, lightening, etc.) in accordance to established norms for monitoring, food distribution, equipment maintenance, and egg collection and selection. The production unit will refer problems beyond its technical know-how to experts at the veterinary central laboratory, rural polytechnic institute in Katibougou, or to technical assistants hired under the Project. In addition, during the first year of Project implementation, Mali-Volailles will negotiate a collaboration agreement with an appropriate entity for the pathological monitoring of the production operation.

Mali-Volailles will ensure the following requirements related to Project infrastructure, procurement, and operations are met:

- construction of two (2) henhouses of 40 x 10 m of the California type, one (1) chick house of 30 x 10 m; a storage room, a bloc of two-room houses for the henhouses workers, a veranda with a toilet, and a well;
- fencing of the entire Project site;
- timely installation of necessary utilities (water, electricity, telephone);
- development of blueprints for the construction;
- provision of adequate construction supervision and inspection;
- procurement and installation of equipment, including breeders, a 4 KVA electrical generator, an electrical water pump, water tank of 2 m³, and breeding materials;
- proper management and allocation of operating capital among recurrent costs such as raw materials, veterinary care, insurance and registration fees, maintenance and repairs of equipment, advertising, fuel and lubricants, water and electricity costs, communications (internet costs, telephone, fax, postage), and bank charges.

B. Marketing

Mali-Volailles will pursue an aggressive local advertising strategy. The strategy will involve a limited television and radio advertising campaign and distribution of promotional materials (tee-shirts, bags, etc.).

C. Training and Technical Assistance

As appropriate, members and employees of Mali-Volailles will receive training in management and technical areas. Business management training will cover several topics, including personnel management, financial management and accounting,

administration, and marketing. Technical training will address production issues, equipment maintenance, veterinary care, and other relevant areas

Mali-Volailles will hire consultants as needed to follow up the training, particularly for marketing and financial management to ensure that the enterprise adopts and masters sound management systems. Mali-Volailles will acquire technical assistance in various forms including consultation on production techniques, and exchange visits to similar producers and research facilities in West Africa, Europe, and the United States. ADF's Partner in Mali, AED-Sahel, will train Mali-Volailles in ADF accounting and reporting requirements.

VIII. Roles and Responsibilities of the Parties

Mali-Volailles is responsible for ensuring the proper management and implementation of the Project. Mali-Volailles will hire a Project Financial Manager to oversee the day-to-day activities of the Project. The ADF Partner will provide *Mali-Volailles* 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 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 work with the 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.

X. Other Implementation Issues

Mali-Volailles will establish three bank accounts: (a) an account to manage reinvestment funds; (b) an account to receive ADF funds; and (c) a current account. Mali-Volailles will use the reinvestment account to receive regular deposits for equipment replacement and reserves to acquire additional equipment, construct a headquarters, or undertake other activities. It will make deposits to the account on a quarterly basis (at a minimum), beginning as soon as the member groups receive their new equipment or start managing the new facilities, whichever comes earlier.

Before initiating Project construction, Mali-Volailles will provide ADF a profit-sharing plan that describes how non-member employees will participate in the income of the enterprise.

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