

## APPENDIX A

### PROJECT DESCRIPTION

#### Wet Blue Hides Processing and Export

##### 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

International demand for processed animal skins currently outstrips supply. Mali has a vibrant agricultural sector that is primarily based on agricultural produce, cattle breeding, and grazing. However, the country's lack of tanning facilities has limited its participation in this lucrative market.

The Société à Tannerie Mahamadou Keïta (TAMAK) specializes in production and marketing of processed animal skins known as wet blue hides. However, TAMAK's current ability to meet demand for this product is limited by a lack of space and equipment.

##### 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

TAMAK will provide a infrastructure currently valued at 258,812,215 FCFA. The nearly factory an area of 4,608 m<sup>2</sup>. A sum of 60 million CFA will be required to complete the infrastructure, bringing TAMAK's contribution to 318,812, 215 FCFA (\$US 559,319) for that item

In addition, TAMAK will provide the following in-kind contributions: (1) two 10-ton Mercedes Benz trucks for transporting skins from the different collection points and a Mercedes-type pick-up truck for collecting skins within the Bamako District; and (2) a fully equipped borehole valued at 4,400,000 FCFA.

##### IV. Project Goal

The Project's goal is to improve TAMAK members' standard of living

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V. Project Purpose

The purpose of the Project is to increase TAMAK's income and that of its employees, as measured by the following.

- A. TAMAK's net income after taxes will increase from current level of 126,669,713 FCFA to 154,268,073 FCFA in Year I; 192,366,649 FCFA in Year II; 209,905,836 FCFA in Year III; 326,519,735 FCFA in Year IV; and 711,945,4161 FCFA in Year V of the Project.
- B. TAMAK's total wage payments to its employees will increase from the current level of 10,741,248 FCFA to 65,820,000 FCFA in Year I; 71,938,511 FCFA in Year II; 76,657,603 FCFA in Year III; 80,715,841 FCFA in Year IV; and 84,948,581 FCFA in Year V.

VI. Project Outputs

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

- A. Wet blue production and marketing capacity increased, as measured by:
  1. an increase in the company's production of wet blue hides from 40,000 wet blue sheepskins and 24,000 wet blue goatskins in year I to 60,000 wet blue sheepskins and 36,000 wet blue goatskins in year II, 102,000 wet blue sheepskins and 61,200 wet blue goatskins in year III, 183,600 wet blue sheepskins and 110,160 wet blue goatskins in year IV, and 339,660 wet blue sheepskins and 203,796 wet blue goatskins in year V; and
  2. an increase in the company's annual export sales from 197,200,000 FCFA in Year I; 310,590,000 FCFA in Year II; 554,403,150 FCFA in Year III; 1,047,821 FCFA in Year IV, and 2,035,394,145 FCFA in Year V of the Project.
- B. Technical and management capacity strengthened, as measured by:
  1. an increase in the number of TAMAK employees from the current level of 43 permanent positions to 66 permanent staff in Year I; 71 in year II; 74 in Year III; 76 in Year IV, and 78 in Year V of the Project
  2. implementation in Year 1 of a financial management system that produces monthly trading accounts; and
  3. the adoption of a business plan in Year I and update it at least annually, thereafter.

VII. Activities

A. Production of Processed Skins

TAMAK will collect, process, and package for export sheep and goat skins. The Project will enable TAMAK to acquire technology that will improve the efficiency of its operation, work at full capacity,

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ensure healthy working conditions for its employees, and meet all hygiene standards for production of quality products.

TAMAK will use ADF funds to procure and install the following equipment: six (6) rockers for vats with milling appliances; one (1) hydraulic fleshing machine or a fleshing machine; and two (2) tumbling drums or tub-wheels. The entire installations will be supported by a 160 KWA generator with auto start.

The acquisition will be done according to established procedures and will respect the following arrangements: preparation of the bid, reception of the pro-forma, pre-selection of the three pro-forma, selection and identification of the vendors, order, reception, installations and test of the equipment, final payment.

ADF will provide funds for working capital to cover the cost of electricity and water bills, rent and guarantee, advertising fees on radio and television, maintenance and repairs during the life of the Project and to cover refrigerator installations insurance, internet fees, installation, connection and bank charges for the life of the Project.

#### B. Training and Technical Assistance

The Project will provide the Grantee with appropriate business management training, including personnel management, financial management and accounting, administration, and marketing training. Training will also include technical production issues and equipment maintenance and storage and preservation techniques and food hygiene. Follow-up technical assistance will be provided on-site, particularly for marketing and financial management to ensure that TAMAK adopts and masters appropriate management systems.

The ADF Partner in Mali, AED-Sahel, will assist the Grantee to establish a performance monitoring system to provide management critical information for decision-making and monitoring. An external audit will be conducted during the Project.



The ADF Partner will assist the Grantee in the hiring of a financial manager during the first quarter of the Project. The financial manager will provide the Grantee full-time assistance to meet ADF reporting, financial management, and procurement requirements.

#### VIII. Roles and Responsibilities of the Parties

TAMAK is responsible for ensuring the proper management and implementation of the Project. TAMAK will hire a Project financial manager to oversee the day-to-day activities of the Project. The ADF Partner will provide TAMAK 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~~

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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

TAMAK will establish three bank accounts: (a) an account to manage reinvestment funds; (b) an account to receive ADF funds; and (c) a current account. TAMAK 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.

TAMAK will provide ADF with a profit-sharing plan before the Project receives its new production equipment. This plan will describe how benefits will be shared with non-member employees, once the enterprise generates sufficient net income to distribute dividends to its members.

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