

PROJECT DESCRIPTION
SOFACOH - MALI
PRODUCTION AND EXPORT OF ABSORBENT COTTON FIBER

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 Appendix A shall be construed as amending any of the definitions, conditions, or terms of the Agreement.

II. Background

The Société de Fabrication de Coton Hydrophile, SOFACOH, is a trade export company, established in 2001 by eleven Malian nationals, all of whom are seasoned international traders. It is a public limited corporation that produces cleaned cotton for export to Europe, particularly the French, Greek and Belgium markets.

SOFACOH cannot satisfy the demand for its product. The company's production facilities and equipment are limited which impede its ability to meet its current orders as well as the growing international demand for cotton. In addition, the company is also hindered by its inability to process the cotton beyond the cleaning stage to bleached absorbent cotton that is used as a raw material for the production of health and beauty products.

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. SOFACOH Contribution

SOFACOH has already contributed more than 300,000,000 FCFA to begin the construction of a building to house the bleaching and hydrophilizing equipment and start production of bleached cotton. SOFACOH will also contribute the time and labor of its staff and management team to the project, as well as, the existing facilities, property, and equipment.

IV. Investment Goal

The goal of the project is to improve living standards of the people of Mali. The project will also increase incomes and employment as well as increase international trade.

V. Investment Purpose

The purpose of the project is to increase incomes for SOFACOH and its employees. The following indicators will be used to track the achievement of this purpose:

- A. The Client's adjusted net income will increase from the baseline of -18,094,000 FCFA (2006) [there is a half year baseline of 8,500,000 FCFA for 2007] to:
 - 103,332,000 FCFA in Year I;
 - 107,086,000 FCFA in Year II;
 - 98,818,000 FCFA in Year III;
 - 97,059,000 FCFA in Year IV; and
 - 94,784,000 FCFA in Year V.

- B. The total payroll paid to employees is projected to increase from a baseline of 960,000 FCFA (excluding the Director) to:
 - 19,793,000 FCFA in Year I;
 - 33,030,000 FCFA in Year II;
 - 37,500,000 FCFA in Year III;
 - 43,380,000 FCFA in Year IV; and
 - 43,440,000 FCFA in Year V.

- C. The Client shall increase the income of its employees through an annual bonus/profit distribution equal to 5% of the net profits, beginning in year I and continuing for the life of the project.

VI. Outputs

The anticipated output of this project is to increase the Client's capacity to produce and market bleached absorbent cotton.

- A. The Enterprise will increase its workers from a current baseline of 21 permanent full-time employees (8 full-time workers, 20 part-time workers and a Director) to 53 total employees (excluding the Director) as follows:

- 33 total employees in Year I (13 additional jobs);
 - 42 total employees in Year II (9 additional jobs);
 - 47 total employees in Year III (5 additional jobs);
 - 53 total employees in Year IV (6 additional jobs); and
 - 53 total employees in Year V (0 additional jobs).
- B. The Client's revenue shall increase from a baseline of 246,760,000 FCFA to:
- 477,080,000 in Year I;
 - 601,540,000 in Year II;
 - 636,250,000 in Year III;
 - 643,250,000 in Year IV; and
 - 650,250,000 in Year V.
- C. The Client will produce absorbent cotton as follows:
- 250 tons of bleached cotton will be produced in Year I;
 - 375 tons of bleached cotton will be produced in Year II; and
 - 400 tons of bleached cotton will be produced in Years III through V.
- D. The Client will improve its fiscal and social responsibility as demonstrated by:
- contributing 291 tons of free livestock feed to 20 local women during the course of the investment;
 - providing annual youth training and employment opportunities; and
 - complying with the Re-Investment Commitment Schedule set forth in Appendix A-2 to this Agreement;
 - Total contributions of 118,754,750 FCFA from SOFACOH to the Reinvestment Commitment (RIC) will be made as follows:
 - 0 in Year I;
 - 10,835,782 FCFA in Year II;
 - 37,021,578 FCFA in Year III;
 - 36,045,980 FCFA in Year IV; and
 - 34,851,410 FCFA in Year V.

VII. Activities

A. Production

The primary activity of this project is the production of bleached absorbent cotton for the international market. SOAFCOH will complete construction of its production facility and improve its health and safety systems by completing the following:

- construct and install a laboratory, production workshop, boiler workshop that will provide adequate ventilation and a spare parts storehouse, and warehouse; and
- procure appropriate safety equipment for employees, including fire extinguishers and noise protection devices and implement cotton dust control measures to enhance security.

In addition, the Client shall increase its capacity for production by increasing its access to the materials necessary for five weeks of production by:

- procuring and maintaining 54 tons of raw cotton inventory; and
- purchasing sufficient diesel fuel to operate equipment for five weeks.

B. Marketing

The Client shall conduct a market assessment and develop an aggressive marketing and product strategy that will identify local and international competition as well as identify product demand beyond its current client base and methods to generate greater public awareness of the enterprise and its products. Activities will include:

- hiring a marketing specialist;
- conducting a market survey;
- advertising on the Internet; and
- analyzing the market for price policies, competition, and promotion strategies.

C. Training

The Client shall build capacity by recruiting new and training new and existing employees to improve their skill base in several areas. Activities will include:

- recruiting and training 33 new employees;
- training employees on new equipment, cotton processing procedures, and proper use of safety equipment;
- training of the Board of Directors and senior management in:
 - appropriate corporate governance practices and strategic business skills;
 - economic decision-making;
 - marketing;
 - international commerce; and
 - personnel management and safety;
- training two interns per year in cotton processing;

- training employees on computer hardware and training on new accounting and financial management systems software.
- D. The Client shall develop a comprehensive business plan that will include at a minimum:
- marketing and distribution strategy that will enable SOFACOH 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.
- E. 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 the following:
- integrated and well structured internal controls and accounting systems with automated accounting/financial features;
 - improved human resource management policies and procedures; and
 - consistent management reports as well as reporting policies and procures.

VIII. Roles and Responsibilities

SOFACOH is responsible for ensuring the proper management and implementation of the Project. SOFACOH will hire high-quality staff to oversee the day-to-day activities of the Project. The USADF Partner will provide SOFACOH with technical and management assistance during the implementation of the Project.

IX. Monitoring and Evaluation

While SOFACOH has the primary responsibility of monitoring the project, the USADF partner will closely review SOFACOH's reporting and adherence to the project implementation plan to quickly identify and address any problems. The USADF partner will review quarterly reports and provide feedback to SOFACOH.