

*APPENDIX A*

**PROJECT DESCRIPTION**

***DIALLO & MACEDO NATIONAL AND REGIONAL SEA TRANSPORTATION***

**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**

Cape Verde relies heavily on maritime transportation for its livelihood and survival. In March of 2006, Diallo & Macedo – Companhia de Navegacao, LDA (“Diallo” or the “Grantee”) started operating the vessel it leased from the government of Cape Verde, “Praia d’Aguada”, on domestic routes, transporting cargo and passengers between the various islands of Cape Verde. Diallo is positioned to take advantage of the demand for maritime travel within Cape Verde and would like to expand its routes to include other ECOWAS countries. However, the company currently lacks funds to operate the vessel effectively, namely to procure spare parts, carry out scheduled ship maintenance, train its staff, and develop managerial skills required to run a shipping business.

**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

Diallo will contribute use of Praia d’Aguada and the time and labor of its management and staff to the project.

**IV. Project Goal**

The Project’s goal is to improve living standards of residents of Cape Verde and the surrounding region.

ADF  Grantee \_\_\_\_\_

## V. Project Purpose

The purpose of the Project is to increase Diallo's net income and the income of its employees, as indicated by the following:

- A. Diallo's annual net income will increase to CVE 56,616,348 in Year 1 ; CVE 111,932,839 in Year 2 ; CVE 130,052,709 in Year 3; CVE 153,746,926 in Year 4; and CVE 173,607,850 in Year 5 of the Project.
- B. Employees' total yearly wage payments will increase from the current level of CVE 17,565,480 to CVE 17,776,266 in Year 1; CVE 17,989,581 in Year 2; CVE 18,205,456 in Year 3; CVE 18,423,922 in Year 4; and CVE 18,645,008 in Year 5 of the Project.

## VI. Project Outputs

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

- A. Diallo's sales and marketing capacity increased, as measured by:
  - 1. Annual revenues increased to CVE 163,643,016 in Year 1; CVE 237,390,997 in Year 2; CVE 264,263,658 in Year 3; CVE 300,395,956 in Year 4; and CVE 330,599,812 in Year 5 of the Project.
  - 2. Total number of passengers transported increased to 7,534 in Year 2, 8,250 in Year 3, 9,055 in Year 4, and 9,733 in Year 5, and
  - 3. Total tons of cargo transported increased to 95, 232 in Year 2, 107,597 in Year 3, 121,720 in Year 4, and 132,834 in Year 5.
- B. Technical and management capacity strengthened, as measured by:
  - 1. Establish in Year 1 accounting and operations policies and practices that meet industry standards;
  - 2. A performance monitoring plan developed in Year 1; with data collected, analyzed, and reported every three months on critical project indicators thereafter;
  - 3. A well-developed business plan in Year 1 with at least annual updates occurring thereafter; and
  - 4. A well-developed marketing plan for expanding into the West Africa region in Year 2.

## **VII. Activities**

The following activity components will be completed in order to generate the above outputs.

### **A. Shipping Operations**

In order to ensure effective operations of the ship and avoid reduction, interruptions and stoppage of services, Diallo will acquire spare parts for the ship and pay for repair and maintenance services.

### **B. Training and Technical Assistance**

A consultant will train the appropriate Diallo staff on shipping, ship management operations, and accounting. The Partner in Cape Verde will assist the Grantee to establish a performance monitoring system to provide management with critical information for decision-making and monitoring. An external audit will be conducted during the project.

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

Diallo is responsible for ensuring the proper management and implementation of the Project. The entity that is working in partnership with ADF will provide Diallo 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 entity that is working in partnership with ADF, 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**

While keeping its current bank accounts, Diallo will establish a new specific bank account to receive ADF funds and make payment for activities funded by ADF fund.

Diallo will allocate 3 percent of its annual net profits to a social fund designed to reward workers performance and fund other social activities.