

**APPENDIX A:
PROJECT DESCRIPTION
ATCT TOMATO PROCESSING PROJECT**

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

Tomatoes are widely used in almost all culinary specialties in Mali. However, fresh tomatoes are highly perishable and are not readily available throughout the year. Production of tomato paste and other products that can be preserved during periods of high production is one way to reduce this shortage. It is also a way to reduce losses due to spoilage during high production periods. In addition, use of tomato concentrates and other prepared products reduces cooking time and fuel consumption, both desirable qualities for a majority of households today.

Currently tomato paste and other processed tomato products are mostly imported from Italy and Spain. Women who go to the market daily purchase tomato paste by the spoonful from market vendors to ensure freshness and because of many households' limited purchasing power. These vendors purchase large cans of imported tomato paste that they open and sell in 50 and 100-gram quantities (spoonfuls) under uncontrolled sanitary conditions.

The *Association pour la Transformation et la Conservation de la Tomate* (ATCT) is a 14-member group that produces 10.5 tons of tomato paste annually from fresh tomatoes. It packages its product in recycled 500-gram glass jars for retail sale by its members in the Dibida and Médina-Coura markets of Bamako. ATCT's product is highly appreciated by its customers because of its freshness and quality. However, buyers want to purchase tomato paste in individual packages of 50-100 grams for sanitary considerations. Market studies have demonstrated a demand for approximately 183 tons of tomato per year in ATCT's market area for tomato paste in small, individual packages.

ATCT's ability to meet this demand is limited by inadequate production facilities and equipment, lack of transport to obtain supplies of raw materials and distribute its finished products, packaging, and insufficient operating capital to meet its orders.

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

ATCT will contribute the land on which the production facility will be constructed (valued at 3,000,000 CFA). In addition, the group will provide a cash contribution of 1,500,000 CFA toward operating costs, including salaries.

IV. Project Goal

The goal of the Project is to improve the living conditions of residents from the Yirimadjo and Baguineda neighborhoods of Bamako.

V. Project Purpose

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

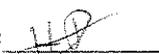
- A. ATCT's net income after taxes will increase from 2001 levels to - 18,600,000 CFA in Year I, -2,700,000 CFA in Year II, 11,900,000 in Year III, 25,700,000 CFA in Year IV, and 29,100,000 CFA in Year V.
- B. Employees' average annual incomes will increase from 132,000 CFA to 480,000 CFA by Year II and thereafter.

VI. Project Outputs

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

A. Tomato paste production facility

- I. Annual production of tomato paste will increase from 10.5 tons to 8 tons in Year I, 30 tons in Year II, 43.2 tons in Year III, 62.1 tons by Year IV, and 62.7 tons by Year V.

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B. Management and marketing capacity

1. The number of full-time employees will increase from 14 to 18 by Year IV.
2. The group will produce monthly P/L 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.

VII. Activities

A. Production unit

ATCT will construct a new production facility at Yirimadjo to provide adequate space and meet all necessary health and sanitation regulations. Appropriate processing equipment will be installed, which will increase tomato paste production and eventually result in product diversification. ATCT will develop the capacity to produce items such as peeled tomatoes, purée, juice, and ketchup.

During the first eight months, ATCT will construct and equip the new production facility. The group will continue production at its current site during that period. ADF will provide funds to construct a workshop, a storage room for fresh tomatoes, a storage room for packaging materials and finished products, and a toilet, an administrative office that includes a meeting and training room, 2 offices, a reception area, a toilet, and a room for the site guard. The area will be fenced, and the site will have water, electricity, and telephone.

ADF will provide funds to procure and install production equipment and office furniture and equipment. Production equipment will include a washer, sorting table, grinder, pulper, concentrator, measuring machine, bag filling machine, capping machine, autoclave, boiler, double boiler, pH meter, refractometer, 500-kg scale, and assorted utensils. Office furniture and equipment will include a computer, an UPS, a printer, desks and chairs, and filing cabinets. ATCT will conduct an exchange visit with the ETRAPA project in Benin before the new equipment is procured, if the ETRAPA project is functioning during the first six months of the current Project.

Upon completion of the new facility, the group will begin production at the new site. ADF will provide initial working capital for raw materials, fuel, packaging, transportation, and energy/water costs, as well as initial overhead costs such as office supplies, communications costs, and bank fees.

ATCT will obtain a light truck with ADF funds that will be used to transport fresh tomatoes from its suppliers and finished products to distribution and retail sites. ATCT

will develop delivery contracts with growers in the main tomato production areas to ensure regular supplies at stable prices.

To ensure the promotion of its products, in addition to improvements in product quality and labeling, ATCT will conduct an advertising campaign using both spot radio and television ads, as well as targeted promotional activities such as samples accompanied with posters, t-shirts, caps, and bags.

B. Training and Technical Assistance

The project will provide the group 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, inventory management, and storage techniques. Appropriate follow-up technical assistance will be provided, particularly for marketing and financial management to ensure that ATCT adopts and masters appropriate management systems. Appropriate follow-up technical assistance will be provided on-site.

ADF's Partner in Mali, AED-Sahel, will assist the group to establish a performance monitoring system to provide management with appropriate information for decision-making and monitor its progress toward project objectives. AED-Sahel will assist ATCT to develop strategies to maximize production during periods of low tomato prices, and reduce or shift production to other products when tomato prices rise above a break-even level.

A specialized organization will provide HIV/AIDS prevention training to all group members and employees. An external audit will be conducted during the project.

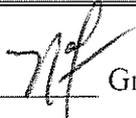
ATCT will hire a Project Financial Manager during the first quarter of the project, who will provide full-time, on-site assistance to meet ADF reporting, financial management, and procurement requirements.

VIII. Roles and Responsibilities of the Parties

ATCT will ensure the proper management and implementation of the Project. ATCT will hire a Project Financial Manager to oversee the day-to-day activities of the Project. The ADF Partner will provide ATCT 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

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the Partner to develop a Project monitoring plan. In addition, during implementation, the committee will ensure 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

ATCT will establish three bank accounts: (a) an account to manage reinvestment funds; (b) an account to receive ADF funds; and (c) a current account. ATCT will use the reinvestment account to receive regular deposits for equipment replacement and reserves. It will make deposits to the account on a quarterly basis (at a minimum) beginning no later than Year III.

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