

## APPENDIX A

### PROJECT DESCRIPTION

#### ALCD Vegetal Charcoal Briquettes Production and Marketing

##### 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

According to recent studies, the production of one ton of wood charcoal requires nine tons of firewood. Mali's consumption of firewood and charcoal amounts to approximately 6 million tons a year, or 91 percent of national energy consumption. Hundreds of thousands of hectares are deforested each year to meet the demand for wood energy. This level of deforestation combined with continued encroachment of the Sahara pose serious threats to the environment in Mali.

The Association for the Fight Against Desertification (ALCD) produces the 'Jakele' charcoal briquette, which is a renewable alternative source to firewood and charcoal. The 'Jakele' briquette is made of locally available carbonized vegetal residue (e.g., cotton, dah, typha stalks, and water hyacinth). ALCD's charcoal briquettes, as a substitute for traditional sources of wood energy, hold potential for alleviating the pressure on forests caused by energy needs. However, ALCD's ability to meet demand for its briquettes is limited by inadequate space to house its production equipment and lack of raw materials, transportation, packaging materials, and operating capital.

##### III. Funding

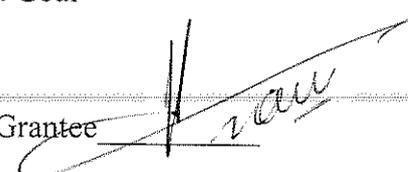
###### A. ADF Contribution

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

ALCD will provide the land for construction (valued at 2,500,000 CFA); construction materials, and the labor for the remodeling of a workshop (valued at 3,300,000 FCFA); materials and tools (valued at 474,000 FCFA); office furniture (valued at 145,000 FCFA); and existing equipment (valued at 16,885,425 FCFA).

##### IV. Project Goal

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The goal of the Project is to reduce the consumption of firewood and wood charcoal through the reinforcement of the production and marketing capacities of the briquettes unit.

## V. Project Purpose

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

- A. ALCD net profits before taxes will increase from the current level of 1,315,602 FCFA to 7,997,412 FCFA in Year I; 20,979,587 FCFA in Year II; 39,445,376 FCFA in Year III; 62,855,337 FCFA in Year IV; and 100,206,983 FCFA in Year V.
- B. Total wage payments to employees will increase from the current level of 130,500 FCFA to 7,560,000 FCFA in Year I; 7,847,280 FCFA in Year II; 8,145,477 FCFA in Year III; 8,455,005 FCFA in Year IV and 8,776,295 FCFA in Year V.

## VI. Project Outputs

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

- A. Briquettes sales increased, as measured by:
  1. Annual sales will increase from 156 tons to 634 tons in Year I; 887 tons in Year II; 1,242 tons in Year III; 1,739 tons in Year IV and 2,434 tons in Year V
  2. Annual turnover of the enterprise will increase from current level 11,670,075 FCFA to 45,520,000 FCFA in Year I, 69,854,400 FCFA in Year II; 102,685,968 FCFA in Year III; 150,948,373 FCFA in Year IV and 221,894,108 FCFA in Year V.
- B. Technical and management capacity strengthened, as measured by:
  1. The number of full-time employees will increase from current level 2 to 18 in year I, 18 in year II, 18 in year III, 18 in year IV, and 20 in year V.
  2. The group will produce monthly profit/loss (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.
  4. The group will establish a business plan in Year I and update it at least annually.

## VII. Activities

- A. Production unit

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The Project will enable ALCD to increase its processing capacity and productivity through the construction and rehabilitation of production facilities and procurement of appropriate equipment. These enhancements will permit ALCD to put all of its equipment in service, ensure healthy working conditions for its employees, and meet all hygiene standards for production of quality products.

ALCD will use ADF's funds to accomplish the following: rehabilitate its production hangar ; build two (2) store-rooms of 60 m<sup>2</sup> each (20 m<sup>2</sup> for raw materials and 40 m<sup>2</sup> for finished products), one (1) 16 m<sup>2</sup> office, one lodge for the watchman (16 m<sup>2</sup>), two (2) blocs of toilets (12 m<sup>2</sup>), and a fence to secure the site; fence the entire Project site and install basic utilities (water, electricity, telephone); and hire experts to develop the blueprints for construction and for construction supervision and inspection.

Using funds provided under this Agreement, ALCD procure and install equipment, including acquisition of complementary equipment for the reinforcement of the project's production capacity composed of six (6) additional binders; two (2) carbonizers; one (1) hammer mill to crush the raw materials; two (2) 0.5 ton scales for the weighting of the raw materials and the molasses; various tools including five (5) handling wheelbarrows, ten (10) 24 m<sup>2</sup> tarpaulins for drying the products, six (6) sets of clothes for the workmen including mufflers, computing material (computer, UPS and printer). In addition, ALCD will use ADF's funds to purchase means of transportation, including a 10 ton truck to transport the raw materials from the carbonization zones to the unit, and deliver the briquettes to the clients; and a Yamaha 100 motorcycle to facilitate marketing.

ADF will provide initial operating capital for raw materials, packaging, marketing costs (publicity and promotion, etc.), funds to equip ten (10) groups of carbonization in the beginning, fuel and lubricants, water and electricity, the financial manager's salary for the first two years of the Project; and administrative costs composed of insurance fees and registration for the vehicles; the costs for office supplies and stationeries, internet connection fees, bank charges. During the first quarter of the Project, the ADF Partner will work with ALCD to recruit a full-time project financial manager, who will provide on-site assistance in meeting ADF's reporting, financial management, and procurement requirements for the first two years of the Project.

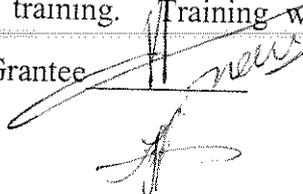
Molasses is an essential raw material for the production of "Jakele". ALCD will negotiate a delivering agreement with "SUKALA" (Sucrerie du Kala Supérieur), the sugar company in Mali that processes molasses. The agreement will commit "SUKALA" to supplying molasses to the "Jakele" briquettes production and marketing unit. AED-Sahel will assist the group in this negotiation.

## B. Marketing

ALCD will consolidate its market position with a more aggressive advertising strategy. It will conduct a television and radio advertising campaign and distribute materials (t-shirts, bags, etc.) to promote its products locally. ALCD will enhance the appearance and quality of its products by improving processing techniques and quality control (QC).

## C. Training and Technical Assistance

ALCD members will receive business management training, including personnel management, financial management and accounting, administration, production techniques and quality control (QC) and marketing training. Training will also include technical production issues and equipment

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maintenance, inventory management, and storage techniques. Appropriate follow-up technical assistance will be provided, particularly for marketing and financial management to ensure that ALCD 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 ALCD to establish a performance monitoring system to provide management with appropriate information for decision-making and monitor its progress toward project objectives. A specialized organization will provide HIV/AIDS prevention training to all group members and employees.

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

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

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

ALCD will provide ADF with a profit-sharing plan before the group begins construction of the new production facility showing how benefits will be shared with non-member employees, when the enterprise generates sufficient net income for the Grantee to distribute dividends to its members.

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