

**PROJECT DESCRIPTION:
Diallo et Fils Bakery Chain Expansion**

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

Diallo et Fils is a 100 percent Guinean-owned and registered business which operates a chain of six bakeries in the capital, Conakry, and the mining towns of Kamsar, Boké and Sangaredi. *Diallo et Fils* is well positioned to leverage its leadership position in the Guinean bread market and take advantage of the increasing demand for bread from the incoming employees of the Global Alumina and BHP Billiton alumina refinery construction project. *Diallo et Fils* is seeking to expand its operations and capture more this market; and it also seeks to diversify its product offerings in Conakry by producing a popular type of bread. However, the principal constraints prohibiting a successful expansion are the lack of working capital and weak management structure and capacity.

III. Funding

A. USADF Contribution

The financial plan for USADF 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. Grantee Contribution

Diallo et Fils will contribute funds for the new bakery construction, equipment purchases, working capital, rent, training and mangrove reforestation.

IV. Project Goal

The project goal is to reduce poverty and improve the living standards of Guineans.

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Page 1 of 4

Investment No. 1802-GUI

V. Project Purpose

The purpose of the project is increase income of Diallo et Fils, its employees, and its market sellers.

- A. Inflation adjusted salaries for direct employees will increase from 50,535,000 GNF in 2007; to 60,642,000 GNF in 2008; to 80,586,000 GNF in 2009; to 119,290,000 in 2010; and to 145,136,000 GNF in 2011.
- B. Inflation adjusted net income for Diallo et Fils (prior to depreciation and taxes) will increase from GNF 636,580,000 in 2007; to GNF 1,033,654,000 in 2008; to GNF 1,414,103,000 in 2009; to GNF 1,726,048,000 in 2010; and to GNF 2,221,522,000 in 2011.
- C. Inflation adjusted resale margins of market sellers will increase from 745,771,910 GNF in 2007 to 1,171,200,000 GNF in 2008; to 1,462,800,000 GNF in 2009; to 1,867,048,000 GNF in 2010; and to 2,385,970,933 GNF in 2011.

VI. Project Outputs

The major output of the project is the Client's increased and diversified production capacity and improved management capacity.

- A. Inflation adjusted sales revenue will grow from GNF 7,266,842,000 in 2007; to GNF 11,532,463,000 in 2008; to GNF 14,446,526,000 in 2009; to GNF 17,706,346 in 2010; and to GNF 21,636,138 in 2011.
- B. Total number of regular full time workers is expected to increase from 156 in 2007 to 188 in 2008 and remain at that level through 2011.
- C. Total number of market resellers will increase from 186 in 2007; to 244 in 2008; to 265 in 2009; to 278 in 2010; and to 292 in 2011.
- D. Increased fiscal and social responsibility as demonstrated by compliance with the Re-Investment Commitment Schedule specified in Appendix A-2 to this Agreement

VII. Major Activities to be Financed Under the Agreement

To generate the above outputs and to fulfil the project purpose the following activities will be funded by USADF:

A. Production and Operations Improvements

1. Use of Improved Technology. Diallo et Fils will receive new industrial baking equipment including two (2) new electrical ovens, electric spiral dough mixers, moulder, water cooling equipment etc. This equipment will be used in the new bakery Diallo et Fils will construct in the Global Alumina Corporation (GAC) Workers Town and allow the company to produce a new type of bread (Talalapa) in its Conakry bakery. A vehicle and bicycles will be purchased by the Project to facilitate delivery and marketing with bread re-sellers.
2. Expansion of operations. Diallo et Fils will launch the operation of a new bakery in the mining zone. The Project will enable the company to purchase initial supplies of flour and other bread ingredients (i.e. salt, sugar, rising agents, etc.).

B. Management

1. Management Capacity Building. Management training will be provided for the owner and the two regional site managers (Mr. Diallo's two sons). Financial accounting training will be provided for the enterprise's junior accountant. Funding is allocated to cover legal costs associated with the equity transfer of thirty percent of the business to Mr. Diallo's three sons and the conversion of the business from a sole proprietorship to a limited liability company.
2. Expansion of Human Resources Capacity. The Company will enhance its human resources capacity by adding new personnel, including, a new chief financial officer who will manage accounting across the entire business (7 bakeries), four (4) new sales representatives, and additional staff to operate and manage the new bakery.
3. Formalization of Business Systems. The Project includes training in governance and financial systems and processes. Financial accounting training will be provided to the Company's junior accountant. Funding is allocated to cover the legal costs associated with the equity transfer of thirty percent of the business to Mr. Diallo's three sons and the conversion of the business from a sole proprietorship to a limited liability company. Diallo et Fils

management is responsible for ensuring the proper management and implementation of the Investment. The USADF Partner in Guinea will provide Diallo et Fils with technical and management assistance during the implementation of the Investment.

IX. Monitoring and Evaluation

The USADF Partner in Guinea will closely monitor the activities of the Investment in order to ensure high quality assurance of the reporting as well as ensure the implementation plan is followed. Besides tracking general progress of the project, it will also continuously assess the identified project risks so that remedial actions can be taken on time in order to forestall significant adverse impact on the realization of the project objectives. Monitoring by the USADF Partner in Guinea will be an important aspect of the ongoing coaching and advisory service. The USADF Partner in Guinea will review all the Investment's quarterly reports prepared and submitted by Diallo et Fils, and will submit comments and observations to the management of Diallo et Fils as part of the annual project evaluation. The two organizations will jointly design the evaluation process and Diallo et Fils will incorporate the findings of the evaluation into their annual report.

 