

PROJECT DESCRIPTION**Union Boora Malé Expansion Project****Guinea****I. Introduction**

This appendix describes the activities to be undertaken and results to be achieved with the funds obligated under this Agreement. Nothing in this Appendix shall be construed as amending any of the definitions, conditions, or terms of the Agreement.

II. Background

Union Boora Malé (UBM) is an association representing 3,600 rice producers and processors in Maritime Guinea. It is the only institution in the country undertaking the formal marketing of local rice and is poised to take advantage of the burgeoning market created by multiple mining investments in the Maritime region and the growing prices of imported rice. Despite UBM's success, it faces several constraints. UBM lacks the management capacity to take advantage of the growing demand for rice. In addition, its members need to increase their production capacity.

III. Funding**A. ADF Contribution**

The financial plan for ADF 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 4, Section 4.1 of the Agreement.

B. Client Contribution

UBM members will provide the labor and land for the development of the rice fields in Tounfily and Sangaredi.

IV. Project Goal

The goal of the Project is to improve the standard of living of rice producers and processors in Guinea's Maritime Region.

ADF  UBM 

V. Project Purpose

The purpose of the Project is to secure the livelihood of rice producers and processors in Guinea's maritime region by ensuring the sustainability and expansion of the only Guinean institution purchasing and selling local rice on a commercial-scale as measured by an increase in UBM and members' incomes from rice as follows:

- A. UBM's net income before depreciation and taxes will increase from GNF 34,700,000 to:
 1. GNF 65,700,000 for the 2008-2009 season;
 2. GNF 94,100,000 for the 2008-2009 season;
 3. GNF 128,300,000 for the 2009-2010 season;
 4. GNF 200,600,000 for the 2010-2011 season; and
 5. GNF 318,700,000 for the 2011-2012 season.

- B. Revenues of UBM members from rice purchased by UBM will increase from 1,800,000,000 to:
 1. GNF 2,012,000,000 for the 2008-2009 season;
 2. GNF 2,334,000,000 for the 2008-2009 season;
 3. GNF 2,694,000,000 for the 2009-2010 season;
 4. GNF 3,107,000,000 for the 2010-2011 season; and
 5. GNF 3,850,000,000 for the 2011-2012 season.

VI. Outputs

- A. By 2010, UBM will have rehabilitated or constructed dams, dikes, spillways, and channels to maximize utilization of the rice fields in Tounfily and Sangaredi as demonstrated by an increased output of rice for commercial sale from 24.8 tons in 2007 to 97.12 tons annually.

- B. By 2010, UBM will have improved its financial management capacity as demonstrated by the ability to produce historically-based cost estimates for the upcoming rice season.

- C. By 2011, UBM will improve its negotiating capacity, operational system and quality controls as demonstrated by reductions in both direct and indirect costs and an increase in sales price as demonstrated by increased contribution and operational margin.
 1. Contribution margins will grow from 12 percent in 2007 to the following:
 - a. 15 percent in 2008;
 - b. 16 percent in 2009;
 - c. 21 percent in 2010;

- d. 22 percent in 2011;
 - e. 22 percent in 2012; and
 - f. 22 percent in 2013.
2. Operating margins will grow from 9 percent in 2007 to the following:
- a. 11percent in 2008;
 - b. 10percent in 2009;
 - c. 17percent in 2010;
 - d. 19percent in 2011;
 - e. 20percent in 2012; and
 - f. 21percent in 2013.

VII. Activities

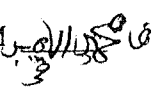
- A. In the first year, UBM will upgrade its accounting and financial controls through training and external consulting from of a financial management and accounting expert. UBM will begin using accounting software to manage its financial operations.
- B. In the first year of the Project, UBM will work with an external consultant to analyze its current operations with particular focus on processing, collection, inventory management and transportation. That study will be immediately followed by training for UBM's collection team and supervisor in quality control.
- C. In the first year of the Project, UBM, with technical assistance from qualified experts, will rehabilitate or construct dams, dikes and waterways to improve the utilization of 54 hectares of land in Tounifily and Sangaredi. UBM will require technical assistance from the agricultural experts for two years (2009 and 2010).
- D. After the new president has been selected, UBM's Executive Board will undergo training in business strategy and contract negotiations. Appropriate consultants will be identified by UBM with the assistance of the ADF Partner to conduct the training.

VIII. Roles and Responsibilities

UBM's Executive Board is responsible for the management and the proper implementation of the Project. ADF's Partner in Guinea will provide technical assistance in capacity building and monitor UBM's progress toward meeting production and training milestones.

IX. Monitoring and Evaluation

Within sixty days of the effective date of this Agreement, the Client, working with the ADF Partner, will form a monitoring and assessment committee composed of a representative cross-section of the Client's organization. The committee will work with the Partner to develop the 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.



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