APPENDIX A:
PROJECT DESCRIPTION
ELSA FOODS 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

Ghana records surpluses in the production of cassava, yam, plantain and cocoyam -- four of the country's major crops. These staples have the potential to become increasingly important sources of income for farmers, since they are high yielding crops with relatively low requirements for inputs. However, post-harvest losses are excessive, reaching 30 percent in some cases. Much of the loss could be reduced with increased capacity to process the produce within the country. Presently, approximately 87 percent of Ghana's agricultural produce is sold raw (primary products without value added processing). The large volume of unprocessed produce offers clear unexploited opportunities for the agro-processing sector, especially in the area of food and industrial processing of roots, tubers, grains and vegetables.

Elsa Foods Limited (ELSA) processes Ghanaian staples such as cassava, yam, plantain, maize, millet, and soybeans into dehydrated convenient foods for the local and export markets. In order to exploit more fully the opportunities in the agro-processing sector, ELSA needs to rehabilitate its plant to remove bottlenecks, expand production, improve product quality, and improve its access to raw materials.

III. Financial Plan

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

ELSA will contribute its existing production facilities and equipment, and it will finance all operating costs during the life of the Project, except as otherwise indicated in the Budget Appendix A-1.

IV. Project Goal

The goal is to improve socio-economic conditions of the poor, especially farmers and grassroots private sector workers in the Greater Accra, Ashanti, and Brong Ahafo regions.

V. Project Purpose

The purpose of this five-year Project is to increase the income of ELSA and its employees.

The total income of employees will increase from 2,478,810 cedis in year 0 to 530,655,000 cedis in year 1, 558,449,000 cedis by year 2, 724,919,000 cedis by year 3, 931,453,000 cedis by year 4, and 1,188,291,000 cedis by the fifth year of the Project.

ELSA's net income (i.e., after tax) will increase from 3,998,000 cedis in year 0 to 557,158,000 cedis in year 1, 2,632,317,000 cedis in year 2, 3,536,943,000 cedis in year 3, 4,713,515,000 cedis by the fourth year, and 6,187,376,000 cedis in year 5.

VI. Project Outputs

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

A. Production capacity of all products will increase, as demonstrated by the increase in sales of quality-processed, dehydrated products --

1. The volume of fufu flour products sold will increase from 165,371 kilograms in year 1 to 413,488 kilograms in year 2, 454,770 kilograms in year 3, 500,247 kilograms in year 4, and 550,272 kilograms in year 5.
2. The volume of cassava products sold will increase from 352,900 kilograms in year 1, to 882,250 kilograms in year 2, 970,475 kilograms by year 3, 1,067,523 kilograms by year 4, and 1,174,275 kilograms by year 5.
3. The volume of maize products sold will increase from 46,869 kilograms in year 1 to 117,173 kilograms by year 2, 128,890 kilograms by the third year, 141,774 kilograms by year 4, and 155,957 kilograms by year 5.
4. ELSA's sales will increase from 609,776,000 cedis in year 0 to 5,534,890,000 cedis in year 1, 15,912,807,000 cedis in year 2, 20,129,701,000 cedis in year 3, 25,464,072,000 cedis in year 4, and 32,212,051,000 cedis in the fifth year.

B. The implementation of management policies and procedures will be improved by --

1. institutionalizing operational business and marketing plans.
2. improving quality control procedures that are already in place.

VII. Major Activities to be Financed Under the Agreement

ELSA will undertake the following activities to generate the Project's expected outputs.

A. Processing of Cereals and Tubers

The processing department will consist of approximately forty-five individuals. The unit will operate two eight-hour shifts in a work day. A production manager will plan, organize, and coordinate all processing activities. The production manager will formulate and implement safety, quality control and operational standards and guidelines for the processing department.

ELSA plans to use a three-step procedure to process cereals and tubersthat involves the following:

- peeling, washing, boiling, and mashing into chunky pieces the raw materials;
- drying the chunky pieces for twelve hours;
- milling and mixing the chunky pieces using mechanized equipment; and
- manually packaging and sealing the product.

ELSA will enter into a contract(s) with farmer groups to ensure a reliable supply of quality raw materials. ELSA will purchase the bulk of its raw materials in the harvest season, when they are cheapest. It will select the most cost-effective method for storing each crop. ELSA will rent silos and warehouses to store the maize and yam. It will semi-process plantain and cocoyam for storing in warehouses in Tema. A logistics manager will ensure the timely purchase of raw materials.

B. Product Marketing

The sales and marketing department will consist of approximately four individuals. ELSA will hire an expert to develop and lead the implementation of a marketing plan. Key aspects of the marketing plan will include the design of more attractive packaging, more aggressive advertising (including the development of flyers, brochures, signpost, etc.), and improved customer care.

C. Training

ELSA will train staff in monitoring and assessment (M&A) and bookkeeping. The financial training is a prerequisite to ELSA receiving its first disbursement from ADF.

The M & A training will consist of two workshops.

- "Pre-planning and Formation of M&A Committees" Workshop: The participants will review the contents of the grant agreement, and the ADF Partner will assist the participants in establishing a monitoring and assessment committee.

- "Evaluation Planning" Workshop: The monitoring and assessment committee will participate in this workshop held within 2-3 months of the Pre-planning Workshop. The participants will learn how to plan for the implementation of key events, develop evaluation tools and skills for proper data collection, and complete ADF's self-assessment tracking forms and narrative reports.

VIII. Roles and Responsibilities of the Parties

ADF's Partner, INPRODEC will provide the necessary standard ADF training in bookkeeping and monitoring and assessment.

ELSA has primary responsibility for ensuring that Project activities are properly implemented. ELSA will restructure the current Board of Directors and management staff and will hire additional staff to strengthen the team. A four-member management team will oversee the day-to-day management of the business. This team will meet weekly to assess Project performance, resolve problems, set targets, and prepare work plans. The team will provide the necessary coordination between production, processing, and marketing departments. The team will report to the Board of Directors.

IX. Monitoring and Evaluation

Within sixty days of the effective date of this Agreement, ELSA, working with the ADF Partner, INPRODEC, will form a monitoring and assessment committee composed of a representative cross-section of the Grantee's organization. The committee will provide the Partner input for the Project monitoring plan, and this plan will be used as a guide to monitor and assess the project performance. 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.