

APPENDIX A

PROJECT DESCRIPTION: SANTINOS PROCESSING AND MARKETING OF MEAT PRODUCTS

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

Santinos Fine Meats and Sausages Limited (Santinos) is a private limited liability company engaged in poultry production, meat processing, and general farming with a current focus on sausage manufacturing as well as pork and other meat processing. Santinos has successfully established itself as a leading producer of high quality sausages and other meat products in the Kumasi area and is experiencing growing demand from its institutional (mining, school) and retail customer base. The company has also established supplier relationships with local pig farmers, including its sister company, Titan Premier Farms Limited (Premier), to enhance the quality and quantity of pig supply for the company. Gradual consumer acceptance of Santinos products has led to an increase in volume of sales and an opportunity to expand. Certain critical needs, e.g., new factory premises, new equipment, increased management capacity, and enhanced raw materials supply have to be addressed to assure continued growth.

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 make ADF's contribution to exceed the obligated amount specified in Article 3, Section 3.1 of the Agreement.

B. Grantee Contribution

Santinos's total contribution to the project is estimated at 892,400,000 cedis to cover the costs of the following:

- completion of factory building;
- acquisition of a cargo truck; and
- development of a strategic plan.

ADF

Grantee

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IV. Project Goal

The goal of the Project is to improve the living standards of Ghanaian private sector workers.

V. Project Purpose

The purpose of the project is to increase incomes for Santinos and its employees and to generate additional employment. The following indicators will be used to track the achievement of this purpose:

- A. earnings before depreciation and income taxes will grow to 889,000,000 cedis in Year I; 1,100,000 cedis in Year II; 1,749,000 cedis in Year III; 2,648,000 cedis in Year IV; and 3,686,000 cedis in Year V;
- B. total employees' salaries will grow from a baseline of 120,000,000 to 618,000,000 cedis in Year I; 710,700,000 cedis in Year II; 817,310,000 cedis in Year III; 939,000,000 cedis in Year IV; and 1,080,890,000 cedis in Year V; and
- C. increased total number of employees Santinos from a baseline of 20 to 33 in Year I, a number which is expected to remain constant for Years II - V.

VI. Project Outputs

- A. Improved production capacity as demonstrated by increased total sales revenues generated from a baseline of 4,568,000,000 cedis to 4,348,000,000 cedis in Year I; 5,844,000,000 cedis in Year II; 7,855,000,000 cedis in Year III; 10,557,000,000 in Year IV; and 13,597,000,000 cedis in Year V.
- B. Improved management capacity as demonstrated by:
 - 1. strategic marketing plan developed and implemented in Year I;
 - 2. management policies, procedures and guidelines formalized for all functioning units by Year II; and
 - 3. all accounting procedures, including standard operating procedures, good manufacturing practices and safety procedures that comply with industry standards formalized by Year I.

VII. Major Activities to be Financed Under the Agreement

To generate the above outputs and to fulfill the project purpose, the following activities will be funded by ADF:

ADF  Grantee 

A. Expand Processing Capacity

Santinos will replace some of its old processing equipment and add additional stainless steel equipment that meets international standards. Improve maintenance schedules to minimize down time, automate some of its processing operations, and enhance its raw material supply. Santinos will also improve its production capacity by hiring a production manager.

B. Improve Quality Management

Santinos will acquire and install in-plant quality control equipment and formalize HACCP (Hazard Analysis and Critical Control Point) systems to enhance product quality and health management to meet the industry standards. Santinos will acquire a cold storage facility to improve product storage and a cold van for improved product deliveries. Santinos will also improve its quality management by hiring a quality control officer.

C. Management Improvements

Santinos will develop management systems including written manuals for accounting, human resources management and general administration, and develop a strategic marketing plan. It will also train its management personnel in business planning and development, basic accounting and costing, basic financial management, human resources and administrative management.

D. Marketing

Santinos will launch a marketing campaign to promote its products. This campaign will include extensive advertising through such media as radio, internet and face to face presentations to prospective customers.

VIII. Roles and Responsibilities of Parties

INPRODEC, ADF's Partner in Ghana, will provide the necessary standard ADF training in bookkeeping and monitoring and assessment. The Partner will also provide business advice for the successful implementation of the project.

Santinos management is responsible for ensuring the proper management and implementation of the Project. The ADF Partner in Ghana will provide Santinos with technical and management assistance during the implementation of the Project.

IX. Monitoring and Evaluation

The ADF Partner in Ghana will closely monitor the activities of the Project in order to ensure high quality assurance of the reporting as well as ensure the project 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 ADF Partner in Ghana will be an important aspect of the ongoing technical and advisory assistance. The ADF Partner in Ghana will review all the Project's quarterly reports prepared and submitted by Santinos, and will submit comments and observations to the management of Santinos as part of the annual project evaluation. The two organizations will jointly design the evaluation process and Santinos will incorporate the findings of the evaluation into its annual report.

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