

**APPENDIX A:**  
**EAST AFRICAN BASIC FOODS LTD.**  
**UGANDA**

**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**

East African Basic Foods Ltd (EABF) processes and distributes cereal foods in Uganda. EABF's has a wide range of products, which include breakfast food, high nutrient value flours, dog food, and a variety of high quality soya products. EABF provides a market to over 1,000 small holder farmers in its raw material purchase including soya, maize and millet.

EABF, while potentially profitable, must make major improvements in the management if it is to realize its full potential. Specifically, EABF needs to streamline its current operations in the areas of production, management and financial systems.

**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. EABF Contribution**

EABF will contribute its time and labor of its staff and management team to the implementation of this project.

**C. Other**

EABF will benefit from a loan financed by the Rockefeller Foundation and administered through ADF's Partner in Uganda, UDET.

ADF  EABF \_\_\_\_\_

#### **IV. Project Goal**

The goal of the Project is to promote the growth of small scale enterprises that process and distribute high-value staple crops produced by smallholder farmers in Uganda.

#### **V. Project Purpose**

The purpose of the project is to improve EABF's prospects for sustained expansion as indicated by the development of a comprehensive five-year business plan that ADF deems suitable for funding by a donor or other financial institution.

#### **VI. Outputs**

A. A comprehensive business plan based on a detailed analysis of the market outlook for EABF's products, including:

- an assessment of supply, demand, and pricing trends and key buyers and distributors;
- an assessment of EABF's key investment requirements; and
- projections of growth and return on investments.

B. Improved operational and management capabilities as demonstrated by:

- an experienced administrator synchronizing core functional areas;
- newly created operations and administration manuals implemented;
- a functioning power supply system, equipment and workshop;
- an efficient production process that complements EABF's market strategy;
- implementation of quality assurance systems;
- a management team implementing best practices in production management (quality, health and safety, inventory, monitoring, and reporting);
- a streamlined raw material supply chain;
- documentation of key governance, administrative and operational procedures; and
- a functioning Board of Directors that meets regularly and provides strategic guidance.

C. A fully functional financial management system certified as compliant with ADF requirements and demonstrated ability of the accounting and management team to utilize the system on a regular basis.

## VII. ACTIVITIES

EABF will ensure the following major activities are implemented.

### A. Systems Automation

- Assess and evaluate the information technology requirements for the company and recommend appropriate networking solutions
- Install appropriate network system
- Provide basic in-house training for users

### B. Streamline Financial and Accounting Systems

- Conduct a finance and accounting review
- Install accounting software (PASTEL)
- Provide basic in-house training for users

### C. Streamline Personnel, Corporate Governance and Management Systems

- Review personnel policies and procedures
- Develop job descriptions
- Redefine the organizational structure
- Assess training needs and develop recommendations
- Improve current Human Resource manual

### D. Streamline Supply Chain, Sales and Marketing

- Profile the current supply chain management
- Develop new procurement policy and guidelines
- Identify and sign up new suppliers and raw materials
- Review and profile current distribution channels
- Develop a marketing strategy
- Review current product pricing policies and make recommendations
- Evaluate the current credit/accounts receivables
- Develop an effective credit policy

### E. Streamline Production Operations

- Assess the current factory layout, production processes and capacities, quality control systems
- Carry out an equipment audit
- Repair existing machinery as needed

- Conduct a machine audit of the current equipment that assesses mechanical conditions, installed capacity, efficiency and utilization, lifespan before write off, and recommend improvements in technology
- Identify a suitable factory flow layout design and suggest appropriate processing methods
- Introduce raw material and product cost reduction measures
- Establish quality control parameters for the company that meet national and regional standards
- Train production staff in workmanship, safety, and factory hygiene
- Identify measures to improve factory hygiene and safety
- Prepare a production manual with clear operating guidelines that are consistent with the production and quality control methods

F. Power Supply System

- Conduct a power audit covering the current power requirements given the equipment placing and positioning, distribution partner, and protection
- Based on the current processing equipment at the plant, assess the adequacy of power and recommend measures to ensure a sufficient supply, citing cost implications
- Realign and trunk the electrical cables that are hanging loose

G. Management Team and Board Development Training

- Develop training for both the Management Team and Board on performance management and growing a company. Develop a performance based tracking system
- Develop a series of planning and outcome driven goals that can be achieved by the company through proper planning techniques

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

EABF has the primary responsibility for ensuring that the project activities are properly implemented. Within EABF, the Board of Directors will be the highest decision making body. It will set strategies, policies and direction of the entire business. The Board has in place a project management team headed by the Managing Director and consisting of marketing, sales and production departments.

Pursuant to Article 10 of the Agreement, the Uganda Development Trust (UDET), ADF's Partner, will provide EABF technical assistance and advice during the implementation of this project.

## **IX. Monitoring and Evaluation**

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Within sixty days of the effective date of this Agreement, EABF, working with the ADF Partner, will form a monitoring and assessment committee composed of a representative cross-section of the company. The committee will provide the Partner input for 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.

## **X. Other Implementation Issues**

EABF will establish in addition to its current bank account a) an account to receive ADF funds, b) an operations account to manage the grant funds. EABF will use the operations account to receive regular deposits and expend as per the funded activities under this project.