

**APPENDIX A:  
PROJECT DESCRIPTION**  
Rudro Clothing (Pty) Limited (Namibia)

**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**

Namfo (Pty) Limited desires to sell its interests in two of its clothing divisions, Damar Limited and Namib Limited. After years of earning profits from these businesses, Namfo decided to reward its longstanding loyal managers and employees by offering them the first right of refusal in the purchase of the business. The manager and employees established Rudro Clothing (Pty) Limited (Rudro) in August 2003 to purchase the divisions and establish them as one of the first indigenous Namibian-owned clothing businesses. However, they lack sufficient capital and collateral to purchase the business and the assets offered for sale by Namfo.

**III. Funding**

**A. ADF Contribution**

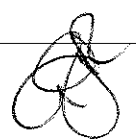

The financial plan for ADF's contribution is set forth in Appendix A-1 to this Agreement. The Parties may make changes to the financial plan without formal amendment, if such changes are made in accordance with Article 7 of the Agreement and do not cause ADF's contribution to exceed the obligated amount specified in Article 3, Section 3.1 of the Agreement.

**B. Grantee Contribution**

Rudro management will contribute N\$36 900 to the business purchase. In addition, the managers will contribute their significant knowledge and expertise in running the clothing production enterprise. Together, they have over 25 years of experience in the operation and marketing of the business.

**C. Other Contributions**

None

#### IV. Project Goal

The goal of the Project is to promote the growth and development of indigenous small and medium - sized enterprises in Namibia, by increasing their competitiveness and profitability and their engagement in the export-orientated business activities.

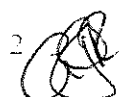
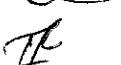
#### V. Project Purpose

The purpose of the Project is to increase the income of Rudro's owners and employees.

- A. The total net income of owners and employees is expected to increase from N\$ 245,780 in 2002 to:
- N\$ 712,860 in year 1;
  - N\$ 964,359 in year 2;
  - N\$ 934,602 in year 3;
  - N\$ 925,928 in year 4; and
  - N\$ 910,430 in year 5.
- B. Total wages paid increase from N\$ 837,520 in year 0 to:
- N\$ 1,424,280 in year 1;
  - N\$ 1,645,471 in year 2;
  - N\$ 1,921,003 in year 3;
  - N\$ 2,456,603 in year 4; and
  - N\$ 2,797,088 in year 5.
- C. Tax payments change from N\$ 60,000 in year 0 to:
- N\$ 152,871 in year 1;
  - N\$ 137,774 in year 2;
  - N\$ 164,850 in year 3;
  - N\$ 150,903 in year 4; and
  - N\$ 232,564 in year 5.
- D. Number of full-time positions increase from 95 in year 0 to:
- 167 in year 1;
  - 167 in year 2;
  - 168 in year 3;
  - 185 in year 4; and
  - 185 in year 5.

#### VI. Outputs

This Project has one major output: a viable indigenously owned and operated textile-manufacturing business. The following are indicators that this output has been attained:

2  
  


- A. Sales revenue increased from N\$ 3,970,868 in 2002 to:  
N\$ 5,241,520 in year 1;  
N\$ 5,919,735 in year 2;  
N\$ 6,512,514 in year 3; and  
N\$ 7,221,243 in year 4.
- B. Contract based sales volumes in the export market is expected to increase from 0 to:  
N\$ 17,648 in year 1;  
N\$ 20,000 in year 2;  
N\$ 22,836 in year 3;  
N\$ 25,880 in year 4; and  
N\$ 29,330 in year 5.
- C. Sales volume in the domestic market will increase from N\$62,510 in year 0 to:  
N\$ 59,060 in year 1;  
N\$ 60,241 in year 2  
N\$ 61,446 in year 3  
N\$ 62,675 in year 4; and  
N\$ 63,928 in year 5.

## VII. ACTIVITIES

### A. Manufacturing

The Grantee will manufacture garments for sale in local and regional markets. It will purchase Damar Clothing Factory in Arandis, Namibia for N\$650,000. This purchase includes all assets of Damar, including Damar's trading name, building, and machinery. In addition, Grantee will purchase the trade name, machinery, materials, and some inventory of the Namib Clothing factory in Swakomand for N\$450,000. The Grantee will enter into a five-year lease with an option to buy for the Namib building. The Grantee will repair and upgrade the equipment and machinery in both factories, purchase a vehicle, and adopt new production processes to improve efficiency and product quality. It will institute a new management structure at both factories, which will include recruitment of experts and training of existing personnel. The Grantee will design and implement a quality control system. The ADF Grant will support these activities, in addition to providing working capital for the start up operations.

### B. Training

The Grantee will train its managers and employees in the operation of new equipment, quality control, and operation and strategic management. ADF will fund training in financial reporting and monitoring and evaluation.

### C. Marketing

The Grantee will promote the business in several ways, including the following:

- leverage its classification as a previously disadvantaged group to gain government prescribed preferential treatment in tenders;
- use brochures, product samples, and targeted cover letters to introduce the business to prospective customers;
- make direct contact with targeted prospective customers and joint venture partners;
- advertise in newspapers and industry and trade journals; and
- conduct sales exhibitions.

### VIII. Roles and Responsibilities of the Parties

The Board of Rudro is responsible for establishment of the organization's policies and the overall implementation and monitoring of the Project. It recruits staff to manage activities under the project.

Namibia Development Foundation (NAMDEF), ADF's partner, will provide technical and monitoring assistance and advice during the implementation of the project.

### IX. Monitoring and Evaluation

Within sixty days of the effective date of this Agreement, the Grantee, working with the ADF Partner, 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. 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

The former owner of the Damar and Namib factories, Mr. Daniel J. De Wet, will remain as Managing Director of the business for up to twelve (12) months after the effective date of this Grant Agreement. In this role, he will provide on-the-job training for the designated new Managing Director. Immediately after he steps down from that position, the Grantee will retain Mr. De Wet as a special advisor for six months.

4

