

**APPENDIX A:
Saabuyiri Metal Works 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

The project is located in the West Mamprusi district of the northern region of Ghana, one of the most underserved and disadvantaged areas in the country. The approximately 117,500 residents of this rural district earn their livelihood primarily from subsistence farming, small commerce, and blacksmithing. However, residents lack adequate access to farming equipment and spare parts for their economic activities. There is also a lack of household items on the local market.

In 1996, sixteen local blacksmiths formed Saabuyiri Small Farm Inputs Producer Association ("SSFIPA") to produce affordable farm implements and household items. SSFIPA has a reputation for producing quality products. Lack of working capital and appropriate tools has resulted in low productivity and has hampered SSFIPA in meeting the relatively large demand for its products. ADF's support to the group will enable SSFIPA to install modern production equipment to improve efficiency, quality, and product diversity.

The project will support the Government of Ghana's development strategy of poverty reduction as well as ADF's country strategy of supporting micro- and small enterprises and will result in increased incomes for Saabuyiri (SSFIPA) members and their families.

III. Funding

A. ADF Contribution




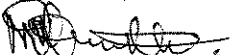
The financial plan for ADF's contribution is set forth in Appendix A-1 to this Agreement. The Parties may make changes to the financial plan without formal amendment, if such changes are made in accordance with Article 7 of the Agreement and do not cause ADF's contribution to exceed the obligated amount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

B. Grantee Contribution

SSFIPA will contribute land for the project site and labor to prepare the land for construction. Labor and land are estimated at 20,000,000 cedis. In addition, SSFIPA will make a cash contribution of 5,000,000 cedis to the project.

IV. Project Goal

The goal of the project is improved socio-economic conditions of the rural poor in the Northern Region of Ghana.

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V. Project Purpose

To achieve the above goal, the project has as its purpose increased income for SSFIPA members and their families. It is anticipated that, as a result of this project, average annual member income will be increased from equivalent of \$200 to the equivalent of:

- \$600 by end Year 2;
- \$700 by end Year 3;
- \$800 by end Year 4; and
- \$1000 by end Year 5.

VI. Outputs

There are two anticipated project outputs:

1. increased productive capacity of the Cooperative; and
2. improved financial management policies and procedures implemented.

Indicators for the above-mentioned outputs are as follows:

Output No. 1: Increased productive capacity of the Cooperative

1.1 Number of products produced increase from 3 to 4 different types of farm implements.

1.2 Product production increased as follows:

1.2.1 Plough point production increases from 8,640 units in Year 0 to:

- 9,000 units/year by end Year 1;
- 24,200 units/year by end Year 2; and
- 32,600 units/year by end Year 3 and remains the same as in Year 3 in Years 4 and 5.

1.2.2 Plough chain production increases from 1,940 units in Year 0 to:

- 3,750 units/year by end Year 1;
- 6,500 units/year by end Year 2; and
- 6,570 units/year by end Year 3 and remains the same 3 in Years 4 and 5.



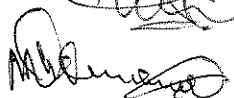

1.2.3. Hoe blade production increases from 32,310 units in Year 0 to:

- 48,000 units/year by end Year 1;
- 106,500 units/year by end Year 2; and
- 133,500 units/year by end Year 3 and remains same in Years 4 and 5.

1.2.4. Sickle production increases from 7,080 units in Year 0 to:

- 9,875 units/year by end Year 2, corresponding to the first production cycle;
- 10,000 units/year by end Year 3; and
- 15,210 units/year by end Year 4 and remains the same in Years 4 and 5.

1.3 Time to produce small implements decreases from an average of 3 days to 1 day per implement by the end of Year 3.

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1.4 Enterprise annual net revenues before taxes increased from approximately ₱100,001,250 by end Year 2 to approximately:

- ₱243,301,380 by end Year 3;
- ₱270,083,794 by end Year 4; and
- ₱563,535,719 by end Year 5.

Activities related to Output No. 1 – Increased Productive Capacity

Construction of Workshop

An improved production facility is critical to increasing the Grantee's productive capacity. ADF will provide funds to enable the Grantee to construct an appropriate workshop structure that meets local building requirements. The workshop will measure 50 feet x 50 feet and will include: adequate working and storage space for project equipment and raw materials; an office for project management; and wash room facilities. The Grantee will use ADF funds to supply the workshop with electrical and water services, and to procure and install PVC piping.

Purchase and installation of equipment


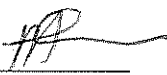

Funding from ADF will make it possible for SSFIPA to purchase, transport, and install modern machinery and equipment (itemized in the project paper and the budget notes) to enhance production. The purchasing committee will be responsible for equipment procurement. The new equipment will ensure increased production of high quality products as well as product diversification. It will also allow SSFIPA to expand the range of products in future. Some of the specialized machines to be procured will be used to: join cast iron, mild steel parts and other types of steel and metals; bend pipes and act as a mold; bore holes; remove sharp edges and corners; make tools, reaming pistons (to smoothen the metal), turning, etc.; and produce better-quality paint finishing. Once the equipment has been installed, a local training institute specialized in agricultural equipment operation will provide hands-on training to all the 20 blacksmiths in preventive and remedial maintenance.

Procurement of office equipment and furniture

The Grant provides funds for computer hardware, printer, uninterrupted power supply and accessories, 1 Canon fax machine, and office accessories. ADF is also funding the purchase of basic office furniture.

Working Capital

The Grantee needs initial working capital for project start-up. ADF will provide funds to cover: (i) a 15-month supply of raw materials; (ii) an initial stock of safety gear (overalls, a pair of goggles, helmet, and a pair of steel-toe boots) to enable the Grantee to work efficiently and safely; (iii) consumables (such as grease and tools); and (iv) utilities for a 12-month period. SSFIPA will cover subsequent working capital costs from its profits.

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Transportation

ADF will provide the Grantee the funds it needs to procure a used 14-ton truck. The Grantee will use the truck to haul the heavy raw materials required in the production of metal products and deliver finished products to SSFIPA clients. The Grantee will purchase the vehicle and spare parts from a local dealership. The Grant provides funds to cover expenses related to the operation of the truck, including fuel and maintenance costs during the first year of the project. SSFIPA will cover all costs related to the operation and maintenance of the truck after the first full year of project implementation.

Output No. 2: Improved financial management policies and procedures

- 2.1 Number of staff effectively recording financial data or generating reliable reports increased from 0 to 3
- 2.2 Number of staff effectively utilizing monitoring and evaluation system to measure progress and solve problems increased from 0 to 3
- 2.3 Production and sales data recorded and updated daily
- 2.4 Percentage of *current* demand enterprise can meet increased from approximately 35 percent in Year 0 to 100 percent by end Year 3
- 2.5 Business and marketing plans established and operational

Activities related to Output No. 2

Enterprise Operations Management

ADF will provide funds to train the Grantee in business and personnel management as specified in the project paper. A qualified local training institution will deliver the training. The curriculum will incorporate interpersonal relations, decision-making, communication, and project implementation.

Enterprise Financial Management



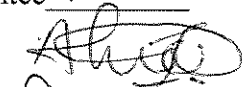
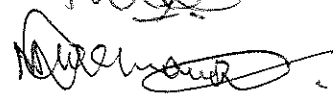
ADF will provide funds to train the Grantee in basic concepts related to enterprise financial management. Topics such as record keeping, pricing, marketing and costing will be covered in the training. A local accredited business advisory service will provide the one-week training.

HIV/AIDs Training

HIV/AIDS training, lasting approximately five days, will be provided to SSFIPA members in the first year of the project as specified in the project paper. To the degree possible, the Grantee will utilize the services of other ADF Grantees specializing in HIV/AIDS prevention training.

VII. Roles and Responsibilities of the Parties

ADF will be responsible for disbursing funds to the Grantee for all inputs stipulated in Appendix A-1.

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The Grantee is responsible for ensuring that:


- all activities to be implemented under this project are carried out in a timely manner;
- beginning in month fifteen of the project and thereafter, the enterprise generates sufficient income to enable it to cover working capital costs;
- proper and timely procurement for all equipment and supplies; and
- apprentices are trained in the craft of blacksmithing and assisted to find employment upon successful completion of their training.

The ADF Partner, Integrated Productivity and Development Centre (INPRODEC), will provide the financial/bookkeeping training necessary for ADF to certify that the Grantee is capable of managing and accounting for ADF funds. This certification is required before ADF can disburse any funds to the Grantee. INPRODEC will also provide technical assistance to the Grantee in the formation and training of the monitoring and assessment committees.

The Grantee will engage technical experts to train its staff in metal works equipment, computer operation, enterprise operations and financial management. Technical experts will provide advisory services in business development and management. During the first three months of the project, the Grantee will employ expert services full-time; during months 4-12, experts will work a total of 45 days; during months 13-24, experts will work a total of 20 days.

VIII. 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, with assistance from the Partner, will develop a 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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