

**APPENDIX A:
PROJECT DESCRIPTION
BOSBEL VEGETABLE OIL PRODUCTION 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

Oilseed production is a growing industry in Ghana, with soybean processing accounting for more than 97 percent of total output. Currently, the country produces approximately 12,000 tons of soybean oilseed products per year. The demand for these products continues to grow. Domestic markets absorb Ghana's entire production, either for processing cooking and seasoning oils or for processing animal feed cakes.

The estimated Ghanaian market size for soy meal extraction is 20,989 metric tons per year. This market is expected to grow at approximately 30 percent per annum in the next 10 years.

The poultry and livestock industries account for the bulk of demand for soy meal. The animal husbandry sub-sector has shown steady growth over recent years because of favorable government policy. Therefore, that sub-sector is expected to provide sustained effective demand for soy meal as a relatively cheap source of protein for feed formulation. Also, the demand from commercial livestock and poultry farmers in the West African sub-region is increasing. Finally, since household consumption of vegetable oil has nearly doubled in the past four years, it is expected that sales of soybean oil and groundnut oil for household consumption will increase significantly.

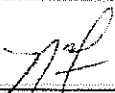
Bosbel Vegetable Oil Mills Limited (Bosbel) ^{process SA (Rep)} ~~provides~~ approximately 20 percent of Ghana's oilseed production. The growth in the livestock industry, feed-milling sub-sector, and household demand for oilseed presents excellent opportunities for Bosbel. However, in order to exploit these opportunities, Bosbel needs injections of working and investment capital to expand its production capacity and improve the quality of its products.

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.

ADF



Grantee



B. Grantee Contribution

Bosbel 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. It will be responsible for purchasing spare parts for the factory machinery. Bosbel will also pay five percent of employees' salaries into a provident fund and will match up to an additional five percent of an employee's contribution.

IV. Project Goal

The goal of the Project is to improve socio-economic conditions of Ghanaians, especially among farmers and grassroots private sector workers in Northern Ghana.

V. Project Purpose

The purpose of this five-year Project is to increase the incomes of Bosbel and its employees. This purpose will be demonstrated by the following.

- The company's net profits will increase from 874,000,000 cedis in 2003 to 2,147,437,000 cedis in the first year, 7,929,784,000 cedis in the second year, and 10,902,792,000 cedis in year 3, 15,235,796,000 cedis in year 4, and 21,622,236,000 cedis in the fifth year.
- The average wages paid per worker will increase from 7,161,429 cedis in year 1, to 11,232,000 cedis in year 2, 13,478,400 cedis in year 3, 16,174,000 cedis in year 4, and 19,408,900 cedis in year 5.
- The volume of raw material processed will expand from 3,019 MT in year 1, to 5,385 MT in the second year, 6,462 MT in the third year, 7,916 MT in the fourth year, and 9,894 MT in the fifth year.

VI. Project Outputs

A. Bosbel's capacity to produce high quality soy meal, soy oil, groundnut meal, and groundnut oil will be expanded, as indicated by the following.

- Sales revenue will increase from 5,573,000,000 cedis in 2003 to 9,577,968,000 cedis in the first year, 18,447,140,000 cedis in the second year, 23,841,099,000 cedis in the third year, 31,833,827,000 cedis in the fourth year, and 43,373,590,000 cedis in year 5.
- The number of direct jobs created by the Project will increase from the current 50 employees to 70 employees in year 1 and remain constant through year 5.
- Membership in the groups supplying raw materials to Bosbel will increase from the current 250 farmers to 450 farmers by 2008.
- The average yield obtained by farmer group members will increase from the current 500 kilograms per acre to 800 kilograms per acre in year 3 and 1000 kilograms per acre by the end of year 5.

B. Bosbel's incentive system for fostering expansion in output, enhanced product quality, and reliable raw material supply will be institutionalized, as indicated by the following.

- An employee provident fund will be established during the first year of the Project.
- A community development fund will be established during the first year of the Project.
- A participating farmers' revolving loan fund will be during the first year of the Project.

VII. Major Activities to be Financed Under the Agreement

A. Production of Soybean and Groundnut Products

Bosbel will implement a series of actions to improve its capacity to produce soybean and groundnut products. It will begin stock piling soybeans and groundnuts for future processing. The company will acquire spare parts, install them, and replace the gears of existing oil expellers. As one means to attract and retain qualified employees and maintain high levels of performance, Bosbel will establish a provident fund, in accordance with the laws of Ghana. Bosbel will contribute five percent of an employee's salary into the fund and match up to an additional five percent of the employee's contribution to the fund. No ceiling will be placed on the amount the employee may contribute. In addition, to improve production capacity, Bosbel will use non-Grant funds to add three positions to its staff. The new positions are a marketing manager, production and engineering manager, and procurement and farmer manager.

Bosbel will undertake the following actions to expand its supply base, improve the quality of raw materials provided by its participating farmers, and increase the participating farmers' crop yield:

- purchase higher quality seeds for distribution to participating farmers;
- improve its in-kind land preparation and seed distribution services to participating farmers; and
- provide in-kind farm management assistance.

To sustain these inputs and services, Bosbel will create a revolving loan fund for the farmers participating in the Project.

In addition, Bosbel will use non-Grant money to establish a community fund that offers loans to soybeans out-growers in communities where the company buys its production inputs. The fund will be regulated by a deed of trust in accordance with the laws of Ghana. Bosbel will contribute 10 percent of its after-tax profits to the fund. Activities to be financed by the fund include, but will not be limited to, warehouse facilities and training. Bosbel will use proceeds from the fund to finance development projects in the farming communities where Bosbel sources its raw materials.

B. Marketing

Bosbel will hire a marketing manager, who will formulate and lead the implementation of the company's marketing plan. Among other things, the marketing plan will include limited promotion, primarily outdoor advertising and radio and television advertising. Bosbel will finance the promotion activities from its revenues. The advertising will be targeted at local feed millers, poultry farmers, restaurants, and households.

C. Training

Bosbel's staff will undergo ADF required training. The marketing and sales staff will participate in an intensive training program. The company will organize and train members of farmer groups in modern agronomic practices, including but not limited to: planting techniques and planting distance, plant population management, timing of planting, identification of pest and management techniques, harvesting and the determination of the required moisture content for harvesting, threshing and storage techniques, and crop rotation. ADF's Partner, INPRODEC, will provide the standard ADF training in bookkeeping and project monitoring and assessment.

VIII. Roles and Responsibilities of the Parties

Bosbel has primary responsibility for ensuring that Project activities are properly implemented. Within Bosbel, the Board of Directors will be the highest decision making body. It will determine strategies, policies, and the direction of the entire business (including supervising and coordinating implementation of the Project). Five divisions within the company will assist the Board: Finance and Administration, Production and Engineering, Marketing and Sales and Procurement and Farmer Relations.

IX. Monitoring and Evaluation

INPRODEC will monitor closely the activities of the company in order to ensure high quality reporting and adherence to the Project's implementation plan. In addition to tracking general progress of the Project, INPRODEC will continuously assess Project risks to help Bosbel take preventive measures, as appropriate, and to ensure the implementation of timely and effective remedial actions. Monitoring by INPRODEC will be an important aspect of its ongoing coaching and advisory service. INPRODEC will review Bosbel's quarterly reports and will submit comments and observations to the management of Bosbel as a part of the annual Project evaluation. The two organizations will jointly design the evaluation process. Bosbel will incorporate the findings of the evaluation into their annual report.