

**APPENDIX A:
PROJECT DESCRIPTION**

MOBILE AGRICULTURE AND TECHNICAL SERVICES 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

Mobile Agricultural and Technical Services Association (MAATSA), is a small Kampala-based manufacturing company involved in the production of agro-processing equipment, building, and plumbing parts. Three former technicians with the Farm Machinery Distributors Company of Massey Ferguson in Uganda started MAATSA in 1983. MAATSA presently has 20 members. It is registered with the Registrar of Companies under the Business Names Registration Act, Number 130369 in the Ministry of Commerce and Industry.



MAATSA presently produces an average of three hammer mills, three hullers, four cob masters, four crushers, sixty-seven dozens of hinges, one hundred thirty-three dozens of nipples, and eighty-seven dozens of flanges per month. It sells hammer mills, hullers, cob masters and crushers as single pieces, and packages hinges, nipples and flanges by the dozen in polythene bags. The Kampala region is MAATSA's principal market.

MAATSA's business strategy is focused on import substitution of high quality competitively priced agro-processing, building and plumbing products. MAATSA has not been able to satisfy a high demand for its products, due to its lack of working capital and specialized production equipment. The proposed project will enable MAATSA to expand its manufacturing capacity, broaden its markets to four new regions of Uganda, and increase its net profitability to approximately U.S. Dollars 40,000 per annum.

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.

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B. Grantee Contribution

MAATSA will contribute membership and subscription fees averaging Uganda Shillings 1,000,000 per year, and profits generated from the sale of agricultural tools, spare parts and tractor repairs. It will also contribute technical expertise and management skills, land, machinery and equipment, furniture, and working capital. MAATSA's total contribution is valued at Uganda Shillings 22,000,000.

IV. Project Goal

The goal of the project is to improve the standard of living of MAATSA's members and shareholders.

V Project Purpose

The purpose of this project is to establish a profitable and sustainable enterprise that manufactures local agro-processing equipment and building and plumbing parts. Achievement of the purpose will be indicated by: A change in MAATSA's net profits from Uganda Shillings 3.8 million in 2001 to -15 million Uganda Shillings in year one to Uganda Shillings 18.3 million in year two to Uganda Shillings 47.3 million in year three to Uganda Shillings 57.6 million in year four to Uganda Shillings 69.3 million in year five.

VI. Project Outputs

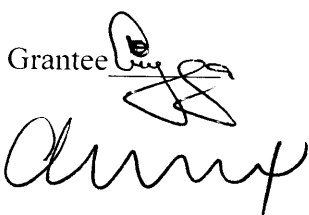
The project will generate the following major outputs to achieve the project purpose:

- A. the increased number of agro-processing products produced and sold as indicated by: one hundred twenty agro-processing products sold in year one; one hundred sixty-eight products sold in year two; two hundred sixteen products sold in year three; two hundred forty products sold in year four; and two hundred sixty four products sold in year five.
- B. the increased number of building and plumbing products produced and sold as indicated by: two thousand nine hundred and eighty-eight dozen building and plumbing products sold in year one; three thousand seven hundred and forty-four dozen products sold in year two; four thousand five hundred dozen products sold in year three; four thousand nine hundred forty-four dozen products sold in year four; and five thousand four hundred forty-eight dozen products sold in year five.
- C. the increased annual sales revenues of the company is increased from Uganda Shillings nineteen million in 2001 to Uganda Shillings two hundred forty-eight million in year one; three hundred eleven million in year two; three hundred

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seventy three million in year three; four hundred ten million in year four; and four hundred fifty-one million in year five.

VII. Activities

MAATSA will utilize ADF funding to rent a large workshop space on the outskirts of Kampala. MAATSA will use this facility to expand production operations, establish a proper office, and display its products in a showroom. MAATSA will procure a Pentium IV computer, a UPS APG 650VA power supply backup, a stabilizer, and a Hewlett LaserJet 1000w printer for its office.


MAATSA will utilize ADF funding to equip its new production facility with: one six-meter long lathe machine; one A-5 HP mortar stand drilling machine; one milling machine; one shaper; one cutting machine; one power saw; and one bench grinder. MAATSA will use this new equipment to expand its product line, improve the finish and quality of its products, and increase its volume of production.

ADF will provide MAATSA funding to procure raw materials, including mild steel plates in various sizes, round and flat bars, paint, and welding rods. MAATSA will purchase the raw materials in bulk to take advantage of volume discounts on supplies, and utilize the materials to expand operations and engage in year-round continuous production. ADF will also provide funds for working capital for MAATSA banking, communication fees, and packaging for the first two years of the project. The packaging materials will ensure easy, safe, and portable transportation of the products from the workshop to the outlet stores and shops.

MAATSA will use ADF funding for refresher and orientation courses to be held at Nakawa Vocational Institute in machine work and metal fabrication for 12 technicians. ADF funds will also provide for training costs for all members in small business management, financial management, project management, leadership skills, group dynamics, marketing and salesmanship and bookkeeping. Furthermore, MAATSA staff will attend ADF required training courses in financial accounting, HIV/AIDS prevention education, and performance management, monitoring and evaluation.

MAATSA's profitability will be closely linked to its ability to establish new markets. MAATSA will use multiple distribution and sales channels for its marketing effort. These will include a mix of direct full-time and part-time Association sales persons, independent sales agents, and independent distributors and wholesalers. Direct salaried MAATSA sales agents will not receive sales commissions. All other distributors will be paid purely on a commission basis, or on the mark-up they make on products purchased from MAATSA for resale to end-users.

MAATSA will pay a commission to independent sales agents and jobbers when they sell any of MAATSA's products. Some, such as the members who will not be immediately employed in year one, may choose to work exclusively as sales agents while others may work as sales agents part-time to supplement their existing incomes.

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Other sales agents may be non-members of the Association.

MAATSA will sign on four established distributors in regions outside Kampala to expand its market. These distributors will purchase MAATSA's products and resell them in their regional markets.

MAATSA will recruit three apprentices each year beginning in year two. The apprentices will constitute a potential pool of new members and workers to support the continued expansion of the business.

VIII. Roles and Responsibilities of the Parties

MAATSA is responsible for ensuring the proper management and implementation of the project. Twenty members comprise the MAATSA General Assembly, which is the supreme policy body of the group. A seven-member executive management committee headed by a chairman is responsible for overall business management and decision-making. The project manager oversees the day-to-day operations of the business assisted by a foreman, a team of technician, a marketing manager, an accountant and bookkeeper.

The ADF Partner in Uganda, the Uganda Development Trust (UDET), will provide MAATSA technical assistance and management advice during the implementation of the this 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, working with the Partner input for the Project monitoring plan, which will include the establishment of annual targets for the performance indicators. 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

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MAATSA will establish two checking accounts with a local bank: (a) an account to receive and expend ADF disbursed funds; and (b) the MAATSA operating checking account.

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