

MAGANJO GRAIN MILLERS

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 shall be construed to as amending any of the definitions, conditions, or terms of the Agreement.

II. Background

Maganjo Grain Millers Limited (“MGM”) is a family business that processes and markets maize, soya and millet flour, blended into various processed and semi-processed food products. It has established itself as a premium flour brand in Uganda and the longest surviving private enterprise in this industry in the country. MGM, as major processor of grains in Uganda, provides a ready market for maize and soya for approximately 3,300 smallholder farmers located in all regions of Uganda who currently constitute MGM’s raw material supply.

Over the past three years, MGM has grown its revenues by 50 percent. This indicates a business that has significant potential to expand. However, MGM’s accounting, operational and management systems need improvement.

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

MGM will contribute the time and labor of its management team and employees to the project.

IV. Project Goal

The goal of the project is to promote employment growth and income enhancement for the poor in Uganda.

V. Project Purpose

The purpose of this project is to improve MGM'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. Project Outputs

- A. Automated accounting and financial management policies, procedures and systems;
- B. basic production and management policies, quality control standards, and management procedures;
- C. additional managerial, technical, and operational staff equipped with the core skills of planning, buying, production, distribution, and sales;
- D. expanded and effective Board of Directors; and
- E. a well-developed business growth and expansion plan, including a marketing strategy.

VII. Major Activities to be funded under this Agreement

- A. Accounting and Financial Systems
MGM will establish sound financial accounting procedures, policies, and systems. MGM will also improve its financial management policies including credit and budgeting.
- B. Production
MGM will improve its factory layout and production process flow. MGM will also streamline its raw material supply chain.
- C. Management Processes
MGM will establish basic production and management policies, quality control standards, and sound governance procedures and structures including expansion and training of the Board of Directors.
- D. Personnel
MGM will hire three senior managers to fill the positions of general manager, chief financial officer, and production / quality control manager. MGM will also review existing personnel and improve internal organizational and control systems.

E. Business and Marketing

MGM will develop a business growth and expansion plan, including a marketing strategy.

F. Training

MGM will hire a consultant to train the Board of Directors, the management, and selected staff in ADF accounting and reporting procedures. This training will include the use of the new automated accounting and management systems, marketing, and sales techniques. Uganda Development Trust (“UDET”) will assist in identifying qualified consultants or firms to assist MGM and will closely monitor contracts for such assistance.

VIII. Roles and Responsibilities of the Parties

Management

MGM has primary responsibility for ensuring that project activities are properly implemented. Within MGM, the Board of Directors will be the highest decision making body. It will determine strategies, policies, and the direction of the entire business. The Board has in place a Project Management Team that will supervise and coordinate implementation of the Project. Four divisions within the company will assist the Board: Finance and Administration, Production, Marketing and Procurement.

Pursuant to Article 10 of the Agreement, the UDET will provide MGM technical assistance and advice during the implementation of the Project. UDET will train MGM in areas of bookkeeping, management, ADF reporting, and business planning, monitoring, and assessment.

IX. Monitoring and Evaluation

Within sixty days of the effective date of this Agreement, the Grantee, working with Uganda Development Trust, will form a monitoring and assessment committee composed of a representative cross-section of the Grantee’s organization. The committee will provide UDET 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

MGM will in addition to its current bank accounts establish two new bank accounts: (a) an account to receive the ADF grant; and (b) an operations account to manage the grant funds. MGM will use the operations account to receive regular deposits and expend as per the funded activities under this Agreement.