

**APPENDIX A:
PROJECT DESCRIPTION
WOODHOUSE EDUCATIONAL FURNITURE 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 demand for educational and school furniture in Ghana is expected to rise sharply over the next few years as a result of the Government of Ghana's planned investments in the education. Woodhouse Company Limited (WCL), a furniture manufacturer, has adopted a growth strategy that targets the educational furniture market. The company's medium term goal is to capture approximately 30 percent of Ghana educational furniture market by 2010, and realize significant export sales in the Economic Community of West African States (ECOWAS) sub-region. WCL's main obstacle to attaining this objective is the lack of financial resources to acquire technology upgrades and increase its capacity utilization and productivity.

III. Funding

A. ADF Contribution

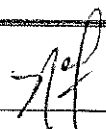
The financial plan for ADF's contribution is set forth in Appendix A-1 to this Agreement. The Parties may make changes to the financial plan without formal amendment, if such changes are made in accordance with Article 7 of the Agreement and do not make ADF's contribution to exceed the obligated amount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

B. Grantee Contribution

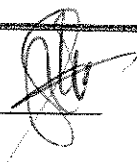
WCL will fund the following: 1) the construction of cafeteria and equipment for the cafeteria; 2) part-payment for a power generating set; and 3) pick-up truck. WCL's total contribution to the Project is estimated at 809,242,500.00 cedis. However, it is WCL's responsibility to pay for these items regardless of the actual final cost.

WCL will create a Provident Fund for its employees with up to a 4 percent matching contribution. It will also establish a scholarship scheme which gives priority to students in technical schools studying wood technology or furniture production. WCL will contribute an estimated initial 30 million cedis of its annual profits to this scholarship scheme. WCL

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will continue its policy of paying medical refunds, social security contributions, and annual bonuses for its employees.

IV. Project Goal

The goal of the Project is to improve the standard of living for Project participants.

V. Project Purpose

The purpose of this Project is to increase WCL's income and that of its owners and employees. Four indicators demonstrate attainment of this purpose:

- A. WCL's net income from all activities after profit sharing will grow from 1,203,199,000 cedis in year 1, to 1,636,524,000 cedis in year 2, 3,312,090,000 cedis in year 3, 5,231,250,000 cedis in year 4, and 7,274,070,000 cedis in year 5.
- B. WCL's annual wage payments to its employees will grow from 2,645,136,000 cedis in year 1, to 3,943,836,000 cedis in year 2, 4,535,411,000 cedis in year 3, 5,215,723,000 cedis in year 4, and 5,998,082,000 cedis in year 5.
- C. The dividend payment to all employees in the form of Provident Fund contributions and bonuses will increase from 253,580,000 cedis in the first year, to 1,193,667,000 cedis in the second year, 1,309,998,000 cedis in the third year, 1,476,720,000 cedis in the fourth year, and 1,629,437,000 cedis in the fifth year.

VI. Project Outputs

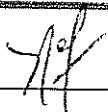
A. Increased Production and Marketing Capacity

- The total annual units of furniture sold will increase from the projected 2004 figure of 88,000 to 115,406 in year 1, 150,011 in year 2, 180,013 in year 3, 207,015 in year 4, and 227,717 in year 5.
- WCL's sales turnover will grow from 9,778,220,000 cedis in year 1, through 14,618,439,000 cedis in year 2, 20,173,447,000 cedis in year 3, 26,679,383,000 cedis in year 4, and 33,749,420,000 cedis in year 5.
- WCL work force will grow from 56 in year 1; to 84 in year 2; 90 in years 3 and 4; and 100 in year 5.

B. Increased Management Capacity

- WCL will formulate and implement a marketing plan by the end of year 1.

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- By the end of year 1, WCL will adopt and implement policies and procedures in financial planning, cash management, investment management, project and contract management and internal controls that are consistent with industry “best practices”.

VII. Major Activities to be Financed Under the Agreement

WCL will undertake the following activities to generate the Project’s expected outputs:

A. Manufacture of Furniture

WCL expects to almost triple the units of furniture it produces annually during the life of this Project. It will undertake several actions to reach this target. First, WCL will expand its daily production schedule from two to three shifts. The Grant provides funds to purchase a bus for safe transport of the night shift. Second, WCL will purchase a stand-by power generating set to ensure continuous availability of electric power for production. Third, the company will acquire a delivery truck to facilitate general operations. Fourth, it will convert from manual to computerized design and production technology to improve productivity and efficiency. Fifth, with its own resources, WCL will purchase a pickup for its operations.

WCL will continue its policy of acquiring all lumber and wood products for its manufacturing operation from sawmills that buy their logs from forest sources certified by the Timber Industry Development Division (TIDD). The company will maintain strict compliance with its safety and health policies, which require:

- workers to wear protective covers to prevent their hands from contacting the blades of cutting machines;
- fitting cutting machines with devices to minimize noise pollution;
- use of production techniques that minimize assembly noise; and
- all workers to wear safety gear in the production area, including ear plugs, nose protectors, goggles for eye protection, hand gloves, and safety boots.

In addition, WCL will construct and equip a canteen to provide a safe and sanitary place for its workers to eat and take breaks.

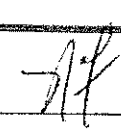
B. Market Development

WCL will recruit an experienced marketing manager to lead the development of its marketing capacity and formulate marketing strategies. WCL will market its products aggressively through results-oriented communication and media strategies.

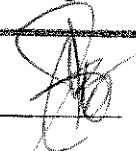
C. Training and Technical Assistance

WCL will undertake intensive management and technical capacity building. It will contract with experts to design and deliver training in areas such as equipment handling, quality management, safety and health practices, health protection and

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HIV/AIDS prevention, information technology, marketing, management processes, financial management, and so on. WLC will recruit an experienced, world-class furniture production expert for six months to provide continuous on-the-job training in product preparation, assembling, and handling. In addition, ADF's Partner in Ghana will training designated WCL employees in ADF accounting and reporting.

VIII. Roles and Responsibilities of the Parties

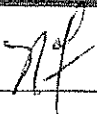
ADF's Partner, INPRODEC will provide the necessary standard ADF training in bookkeeping and monitoring and assessment.

WCL is responsible for ensuring the proper management and implementation of the Project. The current five-member Board of Directors will be re-constituted to enable it to actively fulfill the assigned role. In addition, the necessary expansion of the management staff and extensive training of these individuals will help accommodate the expanding operation and oversee the implementation process. The ADF Partner in Ghana, INPRODEC, will provide WCL technical and management assistance during the implementation of the Project.

IX. Monitoring and Evaluation

INPRODEC will closely monitor the activities of the company in order to ensure high quality assurance of the reporting as well as ensure the project implementation plan is followed. Besides tracking general progress of the project, it will also continuously assess the identified project risks so that remedial actions could be taken on time in order to forestall significant adverse impact on the realization of the project objectives. Monitoring by INPRODEC will be an important aspect of the ongoing coaching and advisory service. In addition, INPRODEC will assess the success of the WCL scholarship scheme. INPRODEC will review WCL's quarterly reports and will submit comments and observations to the management of WCL as a part of the annual project evaluation. The two organizations will jointly design the evaluation process and WCL will incorporate the findings of the evaluation into their annual report.

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