

APPENDIX A
Ghana Nuts Company

PROJECT DESCRIPTION:
PROCESSING AND MARKETING OF TROPICAL NUTS 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

Ghana Nuts Company Limited (GNC) is a company that processes and markets tropical nuts and oil seeds with a strong export orientation. The company has an existing processing factory at Techiman, in the Brong Ahafo Region of Ghana, from which it has been operating with significant profits since it commenced business in 2002. Analysis of the international market for GNC's three main products (cashews, peanuts, and sesame) indicates growth in demand forecasted at 10 percent to 15 percent annually. In order to meet these demand projections, the company is seeking ADF funding support to increase its capacity to produce and export more, as part of its strategy to consolidate its market position and to sustain its profits.

Through the expansion project, GNC aims at providing stable employment and incomes for its employees and the rural farmers from whom it purchases raw materials whilst improving its own profitability. GNC's plan is to emerge as a strong exporter of peanuts, cashew nuts, and sesame seeds to the United Kingdom and European Union markets.

III. Funding

A. ADF Contribution

The financial plan for ADF 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

The Grantee (GNC)'s total contribution to the project is estimated at \$84,392,380 euros to cover the costs of the following:

- (1) Construction of weighing bridge house and installation of weighing bridge
- (2) Acquisition of an additional tractor to boost raw materials procurement.
- (3) Provision of management training.
- (4) Matching contributions to an employee provident fund.

ADF

Grantee

Page 1 of 4

Grant No. 1646-GHA

It will be GNC's responsibility to pay for these items regardless of the actual final cost

IV. Project Goal

The goal of the project is to improve the living standards of Ghanaian private sector workers and farmers.

V. Project Purpose

The purpose of the Project is to increase incomes for GNC, its employees, farmers and their families. The following indicators will be used to track the achievement of this purpose:

- A. Operating profit or earnings before interest, taxes, depreciation & Amortization (EBITDA) from the project will grow from 5,809,203,000 cedis in 2005 to cedis:
 - 4,397,231,000 in Year 1;
 - 5,604,553,000 in Year 2;
 - 7,070,754,000 in Year 3;
 - 8,846,074,000 in Year 4; and
 - 10,990,603,000 in Year 5
- B. The total amount paid to farmers for their produce by GNC will increase to cedis:
 - 60,546,996 in 2006;
 - 71,012,544 in 2007;
 - 83,287,063 in 2008;
 - 97,683,731 in 2009; and
 - 114,567,778 in 2010.
- C. GNC employees' total income will grow from 642,601,000 in 2004 to cedis:
 - 900,000,000 in 2005;
 - 4,250,880,000 in 2006;
 - 5,016,038,000 in 2007;
 - 5,918,925,000 in 2008;
 - 6,984,332,000 in 2009; and
 - 8,241,512,000 in 2010.

VI. Project Outputs

In order to achieve its purpose, the Project will realize the following outputs.

- A. GNC will increase its sales.

ADF

Grantee

Page 2 of 4

Grant No. 1646-GHA

Total sales revenues generated will grow from €14,171,352,000 euros in 2004 to:

- €89,039,700,000 in 2005 and 2006;
- €104,430,212,000 in 2007;
- €123,480,074,000 in 2008;
- €143,051,811,000 in 2009; and
- €168,482,026,000 in 2010.

- B. GNC will increase its capacity to process nuts and seeds for export.
1. GNC will increase its overall capacity to process nuts and seeds by:

Item	2005	2006	2007	2008	2009	2010
Peanuts-Export Grade	9,548	9,548	10,025	10,527	11,053	11,606
Peanuts-Local Grade	2,087	2,387	2,500	2,032	2,763	2,901
Cashew Nuts	2,030	2,030	2,765	2,000	3,051	3,204
Sesame Seeds	540	540	557	595	625	656
Total Sales	15,111	15,111	15,867	15,150	17,493	18,368

2. The total number of employees at GNC increases from 171 in 2006, to 200 by 2010.

VII. Major Activities to be Financed Under the Agreement

GNC will undertake the following activities to generate the expected outputs:

A. Improve Product Handling:

GNC will acquire and install an automatic weighing bridge with an electronic weight recording system to automate its raw materials and finished products weighing operations. It will also purchase a forklift that will be used to speed-up off-loading of raw materials and loading of finished products.

B. Improve Power Supply:

GNC will procure and install a 500kVA electric power transformer to enable the Electricity Company of Ghana (ECG) to connect power to the Company's new factory premises. The transformer will help to supply the required amount of energy to GNC. It will also enable GNC to have a dedicated power supply so that its electricity consumption will not destabilize power supply to the surrounding communities.

In addition, GNC will install a 270kVA standby power generator to provide alternative electric power for continuous production and operation during power outages from the ECG grid.

C. Enhance Procurement:

Quantity sales have been held average between 2005 and 2008 - show the consequences of any lags in project implementation

GNC will increase its purchases of raw materials for increased processing to meet the growing demand for its products. It will apply the working capital funding from ADF to the purchase of more peanuts since it is the highest growth product. Additionally, GNC will acquire a tractor that will be used to cart raw materials from supply sources with poor road accessibility. It will also be used in land preparation for the peanut farmers who grow for GNC.

D. Improve Staff Welfare:

GNC will acquire a 33-seat, medium-sized bus to provide staff transport to its employees, particularly night shift workers.

VIII. Roles and Responsibilities of Parties

ADF's Partner, INPRODEC, will provide the necessary standard ADF training in bookkeeping and monitoring and assessment. The Partner will also provide business advice for the successful implementation of the Project.

GNC is responsible for ensuring the proper management and implementation of the Project. The Board of Directors and the management team of GNC will fulfill this assigned role. The ADF Partner in Ghana will provide GNC technical and management assistance during the implementation of the Project.

IX. Monitoring and Evaluation

INPRODEC will closely monitor the activities of the Project 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 can 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. INPRODEC will review all of the Project's quarterly reports prepared and submitted by GNC, and will submit comments and observations to the management of GNC as part of the annual Project evaluation. The two organizations will jointly design the evaluation process, and GNC will incorporate the findings of the evaluation into their annual report.

APPENDIX A
Ghana Nuts Company

PROJECT DESCRIPTION:
PROCESSING AND MARKETING OF TROPICAL NUTS 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

Ghana Nuts Company Limited (GNC) is a company that processes and markets tropical nuts and oil seeds with a strong export orientation. The company has an existing processing factory at Techiman, in the Brong Ahafo Region of Ghana, from which it has been operating with significant profits since it commenced business in 2002. Analysis of the international market for GNC's three main products (cashews, peanuts, and sesame) indicates growth in demand forecasted at 10 percent to 15 percent annually. In order to meet these demand projections, the company is seeking ADF funding support to increase its capacity to produce and export more, as part of its strategy to consolidate its market position and to sustain its profits.

Through the expansion project, GNC aims at providing stable employment and incomes for its employees and the rural farmers from whom it purchases raw materials whilst improving its own profitability. GNC's plan is to emerge as a strong exporter of peanuts, cashew nuts, and sesame seeds to the United Kingdom and European Union markets.

III. Funding

A. ADF Contribution

The financial plan for ADF 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

The Grantee (GNC)'s total contribution to the project is estimated at 584,392,380 cedis to cover the costs of the following:

- (1) Construction of weighing bridge house and installation of weighing bridge
- (2) Acquisition of an additional tractor to boost raw materials procurement.
- (3) Provision of management training.
- (4) Matching contributions to an employee provident fund.

ADF  Grantee _____

It will be GNC's responsibility to pay for these items regardless of the actual final cost.

IV. Project Goal

The goal of the project is to improve the living standards of Ghanaian private sector workers and farmers.

V. Project Purpose

The purpose of the Project is to increase incomes for GNC, its employees, farmers and their families. The following indicators will be used to track the achievement of this purpose:

- A. Operating profit or earnings before interest, taxes, depreciation & Amortization (EBITDA) from the project will grow from 5,809,202,000 cedis in 2005 to cedis:
 - 4,397,231,000 in Year 1;
 - 5,604,552,000 in Year 2;
 - 7,070,754,000 in Year 3;
 - 8,846,074,000 in Year 4; and
 - 10,990,003,000 in Year 5.

- B. The total amount paid to farmers for their produce by GNC will increase to cedis:
 - 60,546,996 in 2006;
 - 71,012,544 in 2007;
 - 83,287,063 in 2008;
 - 97,683,231 in 2009; and
 - 114,567,778 in 2010.

- C. GNC employees' total income will grow from 642,601,000 in 2004 to cedis:
 - 900,000,000 in 2005;
 - 4,250,880,000 in 2006;
 - 5,016,038,000 in 2007;
 - 5,918,925,000 in 2008;
 - 6,984,332,000 in 2009; and
 - 8,241,512,000 in 2010.

VI. Project Outputs

In order to achieve its purpose, the Project will realize the following outputs:

- A. GNC will increase its sales.

Total sales revenues generated will grow from ₵74,171,852,000 cedis in 2004 to:

- ₵89,039,700,000 in 2005 and 2006;
- ₵104,430,212,000 in 2007;
- ₵122,480,974,000 in 2008;
- ₵143,651,811,000 in 2009; and
- ₵168,482,026,000 in 2010.

B. GNC will increase its capacity to process nuts and seeds for export.

1. GNC will increase its overall capacity to process nuts and seeds by:

Item	2005	2006 ¹	2007	2008	2009	2010
Peanuts--Export Grade	9,548	9,548	10,025	10,527	11,053	11,606
Peanuts--Local Grade	2,387	2,387	2,506	2,632	2,763	2,901
Cashew Nuts	2,636	2,636	2,768	2,906	3,051	3,204
Sesame Seeds	540	540	567	595	625	656
Total Sales	15,111	15,111	15,867	16,660	17,493	18,368

2. The total number of employees at GNC increases from 171 in 2006, to 200 by 2010.

VII. Major Activities to be Financed Under the Agreement

GNC will undertake the following activities to generate the expected outputs:

A. Improve Product Handling:

GNC will acquire and install an automatic weighing bridge with an electronic weight recording system to automate its raw materials and finished products weighing operations. It will also purchase a forklift that will be used to speed-up off-loading of raw materials and loading of finished products.

B. Improve Power Supply:

GNC will procure and install a 500kVA electric power transformer to enable the Electricity Company of Ghana (ECG) to connect power to the Company's new factory premises. The transformer will help to supply the required amount of energy to GNC. It will also enable GNC to have a dedicated power supply so that its electricity consumption will not destabilize power supply to the surrounding communities.

In addition, GNC will install a 270kVA standby power generator to provide alternative electric power for continuous production and operation during power outages from the ECG grid.

C. Enhance Procurement:

¹ Quantity sales have been held constant between 2005 and 2006 to absorb the consequences of any lags in project implementation.

GNC will increase its purchases of raw materials for increased processing to meet the growing demand for its products. It will apply the working capital funding from ADF to the purchase of more peanuts since it is the highest growth product. Additionally, GNC will acquire a tractor that will be used to cart raw materials from supply sources with poor road accessibility. It will also be used in land preparation for the peanut farmers who grow for GNC.

D. Improve Staff Welfare:

GNC will acquire a 33-seat, medium-sized bus to provide safe transport to its employees, particularly night shift workers.

VIII. Roles and Responsibilities of Parties

ADF's Partner, INPRODEC, will provide the necessary standard ADF training in bookkeeping and monitoring and assessment. The Partner will also provide business advice for the successful implementation of the Project.

GNC is responsible for ensuring the proper management and implementation of the Project. The Board of Directors and the management team of GNC will fulfill this assigned role. The ADF Partner in Ghana will provide GNC technical and management assistance during the implementation of the Project.

IX. Monitoring and Evaluation

INPRODEC will closely monitor the activities of the Project 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 can 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. INPRODEC will review all of the Project's quarterly reports prepared and submitted by GNC, and will submit comments and observations to the management of GNC as part of the annual Project evaluation. The two organizations will jointly design the evaluation process, and GNC will incorporate the findings of the evaluation into their annual report.