

PROJECT DESCRIPTION:
Yenok Wood Products Limited – Furniture and Home Accessories Expansion

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

Yenok Wood Products Limited is a profitable and trendy furniture and decorative home accessories wood company registered under Ghanaian law as a limited liability company. It is located in Takoradi in the Western Region, an impoverished area of Ghana. Its owners have built Yenok as a business for over 16 years. Unlike most handicraft manufacturers in Ghana, Yenok is a high-end, high-quality manufacturer of wood products, with solid production capabilities, consistent quality, excellent product finish and experience in raw material sourcing.

Yenok has an opportunity to expand its production to meet high domestic market demand for locally produced furniture and home accessories with ethnic designs. Yenok also faces demand from the export market for small handicraft items and home accessories. It thus has an additional opportunity to work with local artisans to outsource some of its handicraft orders for the export market. In order to act on these opportunities, Yenok needs to enhance its own production processes to increase the scale and efficiency of its operations.

III. Funding**A. USADF Contribution**

The financial plan for USADF'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 USADF's contribution to exceed the obligated amount specified in Article 4, section 4.1 of the Agreement. Half of USADF's investment was contributed by the Government of Ghana.

B. Client Contribution

Yenok is contributing US \$16,000 to the Project for marketing activities, in addition to the labor of its employees and management staff.

IV. Investment Goal

The goal of the Investment is to improve the living standards of Ghanaian private-sector workers, especially in the handicrafts sector.

V. Investment Purpose

The purpose of the Investment is to increase the incomes of Yenok, its employees, and local artisans.

Three indicators will be used to track the attainment of the Investment purpose:

- A. Yenok's earnings before interest, taxes, depreciation and amortization (EBITDA) will be as follows during the implementation period: US \$44,830 in Year I; \$52,481 in Year II; \$56,791 in Year III; \$53,241 in Year IV; and \$50,095 in Year V.
- B. Average employee wages will increase from: US \$1,409 in Year I; to \$1,578 in Year II; to \$1,672 in Year III; to \$1,775 in Year IV; and to \$1,813 in Year V.
- C. Artisan revenue will increase from: US \$20,107 in Year I; to \$21,112 in Year II; to \$23,276 in Year III; to \$25,139 in Year IV; and to \$26,395 in Year V.

VI. Investment Outputs

In order to attain the Investment's purpose, Yenok's capacity to produce high-quality wood products will improve, as indicated by the following outputs:

- A. Yenok's total revenues will grow as follows: US \$274,227 in Year I; \$344,253 in Year II; \$387,729 in Year III; \$435,925 in Year IV; and \$486,716 in Year V.
- B. Yenok's export revenues will grow as follows: US \$52,355 in Year I; \$83,999 in Year II; \$100,799 in Year III; \$126,041 in Year IV; and \$158,775 in Year V.
- C. Yenok's direct employment will grow as follows: 44 in Year I; 63 in Year II; 65 in Year III; 76 in Year IV; and 78 in Year V.
- D. Yenok's sub-contracting of local artisans will grow as follows: 10 in Year I; 20 in Year II; 20 in Year III; 20 in Year IV; and 30 in Year V.
- E. Yenok will improve its financial management system so as to achieve full financial management certification from USADF during the first phase of the Project.
- F. Yenok will improve its fiscal and social responsibility as demonstrated by its compliance with the Re-Investment Commitment Schedule set forth in Appendix A-2 to this Agreement.

VII. Major Activities to be Financed Under the Agreement

Yenok will ensure the following activities are implemented over the life of the Project:

A. Financial Management Systems

Yenok will install a new software-based financial management system. Yenok will hire a consultant to work with its accounting staff to implement the new financial management system. Yenok will develop a new accounting manual and implement financial control practices.

B. Management and Operational Capacity

Yenok will convene a new Board of Directors. Yenok will engage a consultant to undertake a detailed costing, production flow and operations analysis. Yenok will develop an operating and production manual and implement the recommendations of the production consultant. Yenok will implement a safety program for workers and artisans, including training and purchase of safety gear. Yenok will hire key staff to implement its business plan, including a production manager and two sales executives.

C. Production Improvement

Yenok will enhance its production capacity by installing a generator, consolidating its production on one factory site, and rehabilitating the workshop. Yenok will purchase a kiln dryer and briquetting machine that will allow it to utilize wood waste produced in the factory to dry wood. Yenok will purchase small equipment, including angle grinders, jig saws, drilling machines, hand routers and planers. Yenok will also utilize increased working capital to fill large orders.

D. Artisan Support

Yenok will work with local artisans to ensure they have the skills and resources to effectively absorb outsourced export contracts. Yenok will provide training and working capital financing to local artisans to build their capacity, and improve their business practices and the quality of their product.

E. Marketing Activities

Yenok will engage in a number of activities to improve its marketing capabilities in both the local and export markets. It will promote its product in the local market via newspaper, TV and radio ads and local trade fairs. It will promote its product in the export market by upgrading its website and attending international trade fairs.

VIII. Roles and Responsibilities of the Parties

The USADF Partner in Ghana will provide the necessary standard USADF training in bookkeeping and monitoring and assessment. The Partner will also provide business advice for the successful implementation of the Investment.

Yenok's management is responsible for ensuring the proper management and implementation of the Investment. The USADF Partner in Ghana will provide Yenok with technical and management assistance during the implementation of the Investment.

USADF  Yenok 

IX. Monitoring and Evaluation

The USADF Partner will closely monitor the activities of the company to ensure proper reporting, adherence to the Project implementation plan by the Client, and movement towards Investment objectives. The USADF Partner will continuously assess the Project risk and undertake remedial actions as needed. Monitoring by the USADF Partner will be an important aspect of the ongoing coaching and advisory service. The USADF Partner will review Yenok's quarterly reports and will submit comments and observations to the management of the GSOPP Foundation, on a quarterly basis. The two organizations will jointly design the evaluation process and Yenok will incorporate the findings of the evaluation into its annual report.

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Investment No. 1777-GHIA

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