

**APPENDIX A**

**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 as an amending any of the definitions, conditions, or terms of the Agreement.

**II. Background**

Jinja Leather Works (1986) (Jinga) is a partnership company consisting of 7 members (Directors), registered with the Ministry of Trade and Industry under the Business Names Registration Act, Number 69270. These 7 partners formed a business that initially traded in tanned leather, and later manufactured saddle leather, bicycle saddles, and shoes. Jinga has a strong management team with significant experience in the manufacture of leather products.

In 2002 Jinga Leather Works diversified into the production of chrome washers and end leather washers, which are fast moving spare parts used in the cotton ginning industry. This line of production utilizes tannery solid waste and leather scrap. The company established this new line of production to respond to new market opportunities in Uganda that resulted from the privatization of the cotton ginning industry. Jinga Leather Works has a significant unexploited market for its existing and new leather product lines, but has been unable to take full advantage of these market opportunities due to a shortage of working capital and aging and insufficient production equipment.

**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 does not cause ADF's contribution to exceed the obligated amount specified in Article 3, Section 3.1 of the Agreement.

**B. Grantee Contribution**

Jinga Leather Works will contribute Uganda Shillings (USh) 42,250,254 in installed equipment and cash towards the project.

ADF  Grantee 

C.N.N.

#### IV. Project Goal

The goal of the project is to improve the standard of living of Jinga Leather Works' members and their families.

#### V. Project Purpose

The purpose of this project is to assist Jinga Leather Works to increase and sustain its net revenues from leather processing and recycling. Net revenues are expected to decline from the current 48 million Uganda shillings in year one to 25 million shillings in year two; then increase 127 million shillings in year three; 237 million shillings in year four; and 353 million shillings in year five.

#### VI. Project Outputs

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

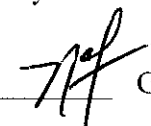
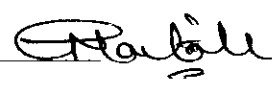
##### A. Increased access to locally manufactured products

1. The number of leather chrome washers sold by Jinga Leather Works will decrease from 10,000 units presently sold per annum to 8,500 washers sold in year 1; and then increase to 11,475 washers in year two; 14,918 washers in year three; 18,648 washers in year four; and 22,378 washers in year five.
2. The number of end leather washers sold by Jinga Leather Works will decrease from 500 units presently sold per annum to 435 units sold in project year one; and then increase to 587 units in year two; 763 units in year three; 954 units in year four; and 1,145 units in year five.
3. The number of leather bicycle saddles sold by Jinga Leather Works will decrease from 2,500 saddles presently sold per annum to 2,335 saddles sold in project year one; and then increase to 3,125 saddles sold in year two; 4,098 saddles sold in year three; 5,123 saddles sold in year four; and 6,148 saddles sold in year five.

##### B. Expanded production capacity

1. The number of saddle leather units produced by Jinga Leather Works will decrease from 10,000 units per annum presently to 7,701 units produced in year 1; and then increase to 10,396 units in year two; 13,515 units in year three; 16,894 units in year four; and 20,273 washers in year five.
2. The number of "U" cup pump washers produced by Jinga Leather Works will decrease from 5,000 washers presently produced per annum to 4,351 washers produced in project year one; and then increase to 5,874 washers in year two; 7,636 washers in year three; 9,545 washers in year four; and 11,454 washers in year five.

ADF

 Grantee 

2

C.N.N.

C.N.N.

3. The number of pairs of leather hand gloves produced by Jinga Leather Works will increase from 0 pairs of gloves per annum to: 4,351 pairs of gloves produced in project year one; 5,874 pairs of gloves in year two; 7,636 pairs of gloves in year three; 9,545 pairs of gloves in year four; and 11,454 pairs of gloves in year five.
4. The number of full-time jobs at Jinga Leather Works will be increased from 6 jobs at present to 41 jobs by the end of project year two.

C. Improved technical and management capacity


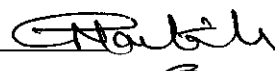
1. The number of sales persons employed by Jinga Leather Works will be increased from zero sales persons at present to two sales persons by the end year one of the project.
2. The number of Jinga Leather Works sales distribution points that are established and operational will be increased from two at present to five distribution points by the end of year two of the project.
3. The Company will meet product delivery time schedules for at least 95% of all orders in year one and thereafter.
4. The Company will meet its annual sales targets in year one and thereafter.
5. Jinga Leather Works will produce accurate and complete quarterly financial reports on its business operations beginning in 2003 and thereafter.

**VII. Major Activities to be funded under the Agreement**

Jinga Leather Works will utilize funding provided by ADF to expand its production and add new product lines. The expanded production will include developing products for a regional market and ultimately assist Jinga Leather Works to become a supply chain exporter to developed country manufacturers of bicycles and cotton ginning plants.

To support this expansion, ADF will provide Jinga Leather with working capital to procure one year's supply of raw materials consisting of leather off cut scrap, saddle leather off cuts, hides, wetting agent, glue, assorted chemicals, and sewing threads. The net savings in the first year will continuously be ploughed back into business to ensure consistent production and to support the planned business expansion.

ADF will also provide funding to assist Jinga Leather Works to procure spare-parts to repair and overhaul the company's existing sewing machines and their motors. Jinga Leather Works will also utilize ADF funds to procure a variety of new production and processing machines, and related costs including: 1 fleshing machine; 1 saddle leather setting machine; 1 hydraulic shaving machine; and 1 bend roller for sole/saddle leather.

ADF  Grantee 

C.N.N  
C.N.N

Jinga will utilize these machines to process saddle leather. It will use the saddle leather to manufacture high quality bicycle saddles that will compete favorably with imported products. Jinga will also supply the saddles to other bicycle saddle makers.

The ADF grant will support overhead and administrative costs including: 12 months rental expenses for the factory premises; an initial supply of packaging materials; the purchase of 1 computer, printer and UPS unit; and communication, banking and audit fees.

Jinga will use the ADF grant to increase its management and technical capacity. Production training and technical assistance planned for this project includes equipment repair, quality assurance, and improved production methods. A leather expert will train workers in the production of market quality chrome washers, hand gloves, and bicycle saddles. The project includes marketing, management, human resource development and financial systems training.

ADF required training includes monitoring and evaluation (M&E), which will allow ADF/UDET to take the group through participatory M&E procedures. A local NGO will provide the Jinga staff and workers with HIV/AIDS prevention awareness education sessions. Jinga staff will also attend ADF financial monitoring and report writing training. The funds provided by ADF for these activities will cover the costs of workshop venues, training materials, meals/refreshments and lodging.

### **VIII. Roles and Responsibilities of the Parties**

Seven directors of the company comprise its top management. The Managing Director will provide the leadership for the project and have responsibility for day-to-day management. The full Board will review business performance and policies quarterly.

The Uganda Development Trust (UDET), ADF's Partner, will provide Jinja Leather Works (1986) Ltd. technical assistance and advice during the implementation of 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 will provide 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.

ADF  Grantee 

**X. Other Implementation Issues**

A. Profit Sharing Scheme. Jinga will implement a profit-sharing scheme that will pay annual bonuses to its employees. The workers will be paid 25% of the net annual profits under this scheme. This will be net profit after meeting all operating expenses, CRG pledges, and corporate taxes.

B. Gender Equity. Jinga will seek ways to increase the representation of women among its employees and sales agents. It will document progress made in this area as part of its quarterly activity reports.

ADF  Grantee 