

**APPENDIX A:
PROJECT DESCRIPTION
SESACO Project - Uganda**

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

II. Background

The Uganda market in processed cereal products and hot drinks is dominated by imported products that do not use local labor or local materials. The principals of SESACO have launched a venture to process and market high value nutritious foods from cereals using local material and local labor.

SESACO has been successful in producing and marketing its' products. However its operations are hampered by inadequate working capital, unhealthy working environment, poor packaging, limited management and technical expertise, and lack of appropriate machinery.

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 3.1 of this Agreement.

B. Grantee Contribution

SESACO will contribute a total of Ush 69,227,217 to build a firehouse, install electricity, contribute to the design and printing of the six labels for the new packaging materials, purchase protective gear, and meet certain advertising and promotion costs. In addition SESACO will bring to the project its current management, distribution system and other aspects of its business a going concern.



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IV. Project Goal

The Project's goal is to improve the living conditions and economic welfare of the shareholders, workers and the community in which all the stakeholders work and live.

V. Project Purpose

The purpose of the Project is to increase value-added production resulting in improvement on the income levels of its employees and the community in general.

VI. Project Outputs

The project has the following outputs:

1: Strengthen SESACO's capacity:

SESACO's net profit from processed cereals and pulse foods grows from 0 to Ush (76.000.000) in year one, Ush 40.581.000 in year two, Ush 85.110.000 in year three, Ush 126.844.000 in year four and Ush 175.585.000 in year five.

2: Increased production of processed consumable cereals and pulse foods:

Total sales of SESACO Products increased from current Ush 210.543.067 to year one sales of Ush 390.690.000, year two sales of Ush 542.083.000, year three sales of Ush 722.054.000, year four sales of Ush 921.703.000 and year five sales of Ush 1.145.861.000.

VII. Major Activities to be financed under the Agreement

SESACO will undertake the following activities to generate the Project's expected outputs.

1. Food processing

- Plant equipment and installation

This includes the procurement of processing plant equipment and installation including one packing machine, two milling machines, one roaster, two food mixers, two kneading machines, five deep fryers, one back up generator, protective gear and three phase electrical hook-up.

- Renovation of plant premises

This includes the renovation of plant premises including connecting and extending the main water supply to the plant and installing a central water sewerage system for the plant.



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- Access to Working Capital

Working capital will be used to purchase raw materials including soya, millet, groundnuts, sesame (simsim), maize and other product inputs.

2. Marketing and advertising

This includes developing improved product packaging by designing, printing and procuring product package labels and packages as well as carry out sales promotions.

3. Provision of Training and Technical assistance services

SESACO will hire consultants to train (1) selected management staff in strategic management, customer care, and finance for non-financial managers; (2) selected technical staff in the operations and maintenance of the new equipment operation, safety, hygiene and food handling, fire fighting, quality assurance and HIV/AIDS awareness and prevention. SESACO will hire consultants to provide technical advice on quality assurance.

In addition, UDET will train SESACO management and staff in the ADF accounting and monitoring and evaluation.

VIII. Roles and Responsibilities of the Parties

SESACO is responsible for ensuring the proper management and implementation of the Project. The SESACO management is responsible for the day-to-day management of the organization.

The ADF partner in Uganda, the Uganda Development Trust (UDET), will provide technical and management assistance to SESACO during the implementation of the 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.



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