

APPENDIX A: PROJECT DESCRIPTION
Gomba Daals and Spices 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

Most residents of Mbarara District and Mpigi District are subsistence farmers. Ms. Gudo Ahluwalia, owner of the Gomba Daals and Spices Limited (GDS) processing company, saw the opportunity for them to produce non-traditional spices and daals as cash crops. To that end, she helped local farmers organize a pilot project to grow coriander, chilies, ginger, cinnamon, mustard, and fenugreek, black gram, green gram, and chickpeas, which GDS purchased. The pilot project demonstrated that spices and daals can be viable cash crops for farmers in the districts. GDS needs the financial resources to transform the pilot project into a profitable commercial operation.

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 cause ADF's contribution to exceed the obligated amount specified in Article 3.1 of this Agreement.

B. Grantee Contribution

Participating farmers will contribute 596 acres of land valued at Ush 178,800,000 on which daals for cultivation. GDS' total contribution is estimated at Ush 239,800,000 and will include the following: (1) a building to house the factory, office and laboratory valued at approximately Ush 50,000,000; and (2) office furniture and equipment worth approximately Ush 6,000,000.

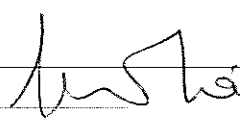
IV. Project Goal

The Project's goal is to improve the standards of living of farmers in the Mpigi, Mbarara, Mubende, and Masindi districts of Uganda.

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V. Project Purpose

The purpose of the Project is to increase incomes of Project participants. The annual average net incomes of participating farmers are expected to increase as follows:

- from the current Ush 240.000 to Ush 616.167 in Project Year One, Ush 831.127 in Project Year Two, Ush 915.137 in Project Year Three, Ush 1.007.272 in Project Year Four, and Ush 1.108.926 in Project Year Five from the production of chilies.
- from the current Ush 175.000 to Ush 532.640 in Project Year One, Ush 610.140 in Project Year Two, Ush 695.890 in Project Year Three, Ush 789.084 in Project Year Four, and Ush 892.319 in Project Year Five from the production of ginger.
- from 0 to Ush 252.132 in Project Year One, Ush 369.465 in Project Year Two, Ush 2.748.401 in Project Year Three, Ush 3.861.886 in Project Year Four, and Ush 4.248.674 in Project Year Five from production of cardamom.
- from the current Ush 175.000 to Ush 309.534 in Project Year One, Ush 493.500 in Project Year Two, Ush 543.550 in Project Year Three, Ush 598.605 in Project Year Four, and Ush 659.165 in Project Year Five from the production of chick peas.
- from the current Ush 200.000 to Ush 441.388 in Project Year One, Ush 626.050 in Project Year Two, Ush 689.355 in Project Year Three, Ush 758.990 in Project Year Four and Ush 835.589 in Project Year Five from the production of black and green gram.

The annual net income of GDS from processing of daals and spices is expected to increase from 0 to Ush 168.258.000 in Project Year One, Ush 270.294.000 in Project Year Two, Ush 375.053.000 in Project Year Three, Ush 454.166.000 in Project Year Four, and Ush 520.262.000 in Project Year Five.

VI. Project Outputs

A. Increased Production Capacity

The participating farmers' total production of daals and spices is expected to increase from the current 60.000 kilograms to 229.600 kilograms in Project Year One, 344.800 kilograms in Project Year Two, 456.000 kilograms in Project Year Three, 582.800 kilograms in Project Year Four, and 698.000 in Project Year Five.

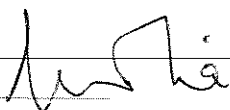
B. Strengthened Capacity of GDS to Service Farmers

1. Revolving loan fund. GDS will establish a revolving loan fund to enable farmers to purchase production inputs, including seed, manure, wire mesh, wire nails, baskets, gloves, masks, jute bags, water drums, basins, tarpaulins and plastic sheeting. The number of farmers accessing the revolving loan fund to purchase production inputs is expected to increase from the current 200 to 209 in Project Year One, 307 in Project Year Two, 407 in Project Year Three, 501 in Project Year Four, and 596 in Project Year Five.

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2. Crop purchase fund. GDS will establish a crop finance fund to purchase participating farmers' daals and spice production and pay farmers on delivery for their produce.

VII. Major Activities to be Financed under the Agreement

A. Spice and Daal Production

Over the life of the Project, GDS will contract with approximately 400 farmers to cultivate spice and daals. GDS will organize the farmers into groups of approximately fifty. Each group will have a leader who will coordinate with GDS and organize production. GDS will contract with each individual farmer to produce a specific crop. The contract will obligate GDS to purchase all the farmer's produce of the specified crop at an agreed price and pay the farmer on delivery. The contract will obligate the farmer to sell all of her or his produce of the specified crop to GDS. GDS will transport the farmer's crops to the processing plant.

B. Processing Operation

CSD will establish a plant to process the daals and spice it purchases from the farmers. The plant will include a quality assurance laboratory. Processing of the crops involves cleaning; sterilizing; de-husking; daal-splitting, and treating the grain, and packaging for the market.

C. Marketing and Advertising

GDS will promote its products through radio, newspaper, and other practical media.

D. Training and Technical Assistance

1. Training


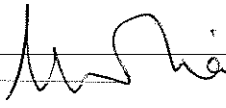
GDS will engage consultants to: (a) to conduct a training of trainer's workshops for six representative farmers; and (b) train farmers in daal and spice agronomy. UDET will train farmers and GDS staff in the ADF accounting and participatory monitoring and evaluation.

2. Technical Assistance

GDS will hire two extension officers for twenty-four months each to provide the farmers: (a) technical assistance in crop production, harvesting, and post-harvest handling of crops; and (b) to train the farmers in the fields.

VIII. Roles and Responsibilities of the Parties

GDS is responsible for ensuring the overall implementation of the Project. The Project management team 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 GDS during the implementation of the Project.

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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.

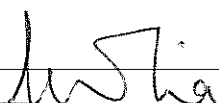
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