

**APPENDIX A
PROJECT DESCRIPTION
SEROWE PRINTERS PROJECT: BOTSWANA**

A. 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.

B. Background

Serowe Printers Co-operative Society (SPCS) is a printing production co-operative based in Serowe in the Central District of Botswana. The Cooperative has operated a successful print service business utilizing conventional printing technology since 1991. SPCS serves a diverse customer base including District Councils, the mining and commercial sectors, and educational institutions. However, SPCS has suffered from declining profit margins in recent years due to its aging equipment and structural changes in the printing industry.

The printing service industry in Botswana is dominated by non-citizens and concentrated in the capital, Gaborone. Local service providers face competition from South African based printers who retain agents in Botswana to secure sales. This is one of the service sectors that has been identified to benefit from increased orders through the Government of Botswana's local procurement policy and private sector supply chain management mechanisms.

C. 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, Section 3.1 of the Agreement.

B. Grantee Contribution

The Grantee will provide for all employees' salaries and any administrative costs other than those specifically provided for in the ADF contribution.

ADF



Grantee


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D. Project Goal

The goal of the Project is to alleviate poverty in the Serowe area.

E. Project Purpose

The purpose of the Project is to increase the profitability and sustainability of SCPS and increase the incomes of its employees as measured by the following.

1. Annual net profits change from (P22,205) to:
 - Year 1 - (P 159,097)
 - Year 2 - P 353
 - Year 3 - P 116,903
 - Year 4 - P 134,165
 - Year 5 - P 170,506.

2. Total income to employees increases from P 336 780 to:
 - Year 1 - P 336 780
 - Year 2 - P 354 207
 - Year 3 - P 399 323
 - Year 4 - P 449,021
 - Year 5 - P 484,859.

F. Outputs

The Project will generate the following major outputs in order to attain the Project's purpose.

A. Increased production capacity of the printing and publishing workshop.

1. Total sales generated increase from P 842,545 to:
 - Year 1 - P 900,000
 - Year 2 - P 1,080,000
 - Year 3 - P 1,209,600
 - Year 4 - P 1,330,560
 - Year 5 - P 1,463,616.

2. The number of persons employed by SCPS increases from 14 to:
 - Year 1 - 14
 - Year 2 - 14
 - Year 3 - 15
 - Year 4 - 16
 - Year 5 - 16

ADF



Grantee



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B. Strengthened Management Capacity

1. The accounts receivable as a percentage of sales over the previous twelve-month period are reduced from 44.0 to 15.0 by the end of Year 1 and thereafter.
2. SCPS prepares monthly and quarter financial reports beginning in the first quarter of this Grant Agreement.
3. SCPS develops a reinvestment plan during the first year of the Project to establish a reserve for equipment replacement and acquisition of improved technology.

G. ACTIVITIES

SCPS will undertake the following activities to generate the Project's expected outputs:

A. Printing Operation

SCPS will print a range of products, including stationery, invoice forms, newspapers, textbooks, magazines, letterheads, flyers, pamphlets, business cards, invitations, and customized items. The Project will enable SPCS to replace its inefficient equipment with modern digital printing technology. The additional investment will provide faster pre-production processes and more cost-effective printing service to the growing segment of the market that requires smaller print runs.

SCPS will contract with a reputable South African firm to procure and install a refurbished folding machine and a plate-burning machine. SCPS will procure and install new printing and computer equipment and software through local firms. SCPS will engage the services of a freelance marketing officer who will be paid on commission to expand its customer base. SPCS will work with large local firms to obtain accreditation to the firms' local procurement and supply chain management systems by improving job delivery times and improving job costing and financial monitoring systems.

B. Technical and Management Training of SCPS Personnel

SCPS will engage an accounting technical assistance provider (ATAP) to provide services over a three-year period. The ATAP will review and set up the financial management systems that SCPS will use to prepare monthly management accounts and reports and quarterly financial reports and statements. The ATAP will provide on-the-job training to the Cooperative's bookkeeper and assist in the preparation of quarterly reports.

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SCPS will hire a business manager for approximately eighteen months to train an SCPS counterpart and other appropriate staff. The business manager will provide advice and ensure that the business is managed in accordance with sound business practices. The business manager will work with SCPS to develop and implement a plan to improve SCPS' management of its accounts receivable and pricing within the first six months of Project.

SCPS will contract with an environmental management consultant to conduct an environment impact assessment during the first year of the Project. The assessment will review the chemical components of the printing inputs and develop appropriate methods of disposal of waste materials by the Cooperative.

C. Marketing

SCPS will aggressively market its services. It will employ a freelance marketing specialist. It will advertise through various venues including trade shows, signs, and newspapers.

VIII. Roles and Responsibilities of the Parties

SCPS has primary responsibility for ensuring that project activities are properly implemented. Within SCPS, the Business Manager and the Management Committee have overall responsibility for supervising and coordinating Project implementation.

Pursuant to Article 10 of the Agreement, the ADF Partner in Botswana will provide SCPS with technical assistance and advice during the implementation of this project.

IX. Monitoring and Evaluation

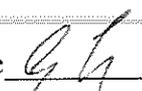
Within sixty days of the effective date of this Agreement, the Grantee, working with the ADF Partner, will form a monitoring and assessment (M&A) committee. The committee will provide the Partner with input for the Project monitoring plan. The plan will include reporting on the amount of any distributions of dividends or profits to shareholders and employees, as well as any reinvestment of profits into the business. 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.

The M&A plan will monitor revenue, costs, accounts receivable, projected and actual production costs (pricing), customer complaints, production and delivery times, and any other indicators that may be deemed necessary to ensure the profitability and sustainability of the business.

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X. Other Implementation Issues

SCPS will open a separate non-interest bearing bank account to receive ADF funds, in addition to any present operational bank account(s).

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