

**APPENDIX A
PROJECT DESCRIPTION
MASA SEMI-PRECIOUS STONES OAG PROJECT**

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

Masa Semi-Precious Stones PTY (Ltd) "Masa" is a small family business that specializes in the collection and polishing of semi-precious stones. The company mobilizes a large number of rural collectors to collect rough stones. The polished stones are exported to dealers in South Africa, Czech Republic, and other markets. The company would like to improve production and expand sales to meet what it perceives as unmet demand. However, the company must first strengthen its planning, management, and marketing capacity.

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 make ADF's contribution to exceed the obligated amount specified in Article 3, section 3.1 of the Agreement.

B. Grantee Contribution

Masa will contribute the time and labor of its management team and employees to the project.

IV. Project Goal

The goal of the project is to promote employment growth and income enhancement for the poor in Botswana.

V. Project Purpose

The purpose of the project is to improve the Grantee's prospects for sustained expansion as indicated by the development of a comprehensive five-year business plan that ADF deems suitable for funding by a donor or other financial institution.

VI. Project Outputs

The expected outputs from the OAG project are:

- A. Fully developed business and growth plan:
 - Identified target markets for diversification;
 - Market development strategy & plan created;
 - Assessment of production capacity conducted; and
 - Investment plan for meeting projected market demand developed.

- B. Efficient financial management systems implemented:
 - Installation of a new financial accounting systems certified as fully compliant with ADF and investor management reporting requirements;
 - Implementation of financial safeguards against co-mingling of personal and company funds;
 - Installation of a new computer system;
 - Documented procedures; and
 - Effective bookkeeper in place to utilize the new system.

- C. Diversified Product range:
 - Drilling equipment installed and staff capable of using it safely;
 - Increased capacity to make jewelry;
 - Product prototypes developed for trial marketing; and
 - Costing analysis performed.

- D. Increased Marketing capacity:
 - Marketing tools developed including a website and promotional materials;
 - Effective sales and marketing officer in place capable of routinely communicating with customers and implementing a successful marketing and sales plan; and
 - Enhanced telephone and internet communications infrastructure implemented.

- E. Enhanced operational capabilities:
 - Operations supervisor in place;
 - Assessment of machinery and equipment needs conducted including a plan for investment, refurbishment, and maintenance created;
 - Enhanced maintenance capacity and awareness created;
 - A human resources plan for greater delegation of management responsibilities created; and
 - Improved business skills and practice among management staff.

VII. Major Activities to be financed under the Agreement

- A. Masa will develop a business, marketing, and growth plan with:
 - A detailed strategy for further expansion;
 - Identified target markets for diversification;
 - Market development strategy and plan;

- Assessment of production capacity including an investment plan for meeting projected market demand; and
 - A strategic marketing plan and an effective business model following market-oriented approaches.
- B. Masa will improve its financial management systems by:
- Training management staff in governance and management skills and practices;
 - Purchasing necessary computer hardware and software; and
 - Improving accounting and financial systems with the support of an outside accounting consultant and a bookkeeper trained to maintain proper accounting systems and controls.
- C. Masa will expand its product range by:
- Installing new drilling equipment and training the staff to use it safely;
 - Training appropriate personnel on jewelry making;
 - Developing prototypes for trial marketing; and
 - Performing costing analysis.
- D. Masa will increase its marketing capacity by:
- Designing new marketing tools such as a website and brochures;
 - Training a sales and marketing officer capable of routinely communicating with customers and implementing a successful marketing and sales plan;
 - Participating in the Gaborone International Fair; and
 - Enhancing telephone and internet communications infrastructure.
- E. Masa will enhance its operational capabilities by:
- Undertaking an organizational review that assesses the management and operational systems at Masa. The review will identify and recommend appropriate structures and identify training needs for governance and management. It will also include a full assessment of the supply chain including the staff and collectors. The final analysis will include a detailed analysis of the economic opportunities for the collectors. This review will be followed up with the hiring of a production supervisor and the development of a human resource plan for greater delegation of responsibilities.
 - Analyzing its production resources such as machinery, materials and human resources to enhance effectiveness and efficiency;
 - Purchasing ten tents for the collectors;
 - Purchasing drilling machines and refurbishing existing machinery; and
 - Undergoing training on safely using and maintaining the machines.

VIII. Roles and Responsibilities of the Parties

Masa is responsible for ensuring the proper management and implementation of the Project. ADF's Partner in Botswana, AEET will provide the necessary Standard ADF training in bookkeeping, monitoring, and assessment. ADF, through its Partner AEET, will provide Masa with technical and management assistance during the implementation of the project.

IX. Monitoring and Evaluation

AEET will closely monitor the activities of Masa to ensure proper reporting, adherence to the project implementation plan by the Grantee and movement towards the achievement of project objectives. AEET will continuously assess the project risk and take remedial actions as needed. Monitoring by AEET will be an important aspect of the ongoing coaching and advisory service. AEET will review Masa's quarterly reports and will submit comments and observations to the management of Masa as a part of the annual project evaluation. The two organizations will jointly design the evaluation process.