

**APPENDIX A**  
**INVESTMENT DESCRIPTION**  
**Cooperative de Production Rizicole de Bugarama (C.P.R.B) - Rwanda**

**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**

C.P.R.B or Cooperative de Production Rizicole de Bugarama, was created in 2004 in response to the need to reorganize the rice sub-sector which had a membership of 6,127 individuals organized in 280 groups and 4 zones. Since its formal registration, C.P.R.B successfully negotiated with the Rwanda Government in June 2005 for the opportunity to manage all of the day-to-day operations of the Bugarama Rice Mill including all of the selling and marketing of their rice.

C.P.R.B produced 14,323 tons of paddy in 2004 and 15,257 tons in 2005. Currently for 2006 it is estimated that C.P.R.B's rice production will increase to 17,018 tons. To respond to national rice demand, the Rwanda Government and the commercial sector are required to import rice from outside the country. Rwanda is far from being self-sufficient in rice production. This investment will assist C.P.R.B in establishing the structure and processes which will position it for eventual expansion not only in production but in the milling and marketing of their product.

**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. Client Contribution**

The C.P.R.B. is contributing management and employee time and effort for the implementation of the project milestones and some financial resources as well. Specifically, C.P.R.B. will contribute any additional funds that might be needed to purchase their transport vehicle, as well as make provision for fuel, maintenance, insurance and spare parts. C.P.R.B. will continue to pay salaries for existing staff and will add salaries for the four new staff to be hired under this investment after the initial 18 months of their employment. Other administrative costs related to

this investment such as communication and bank charges will also be considered grantee contribution unless a specific need to do otherwise is determined.

#### **IV. Investment Goal**

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

#### **V. Investment Purpose**

The purpose of the OAG is to improve C.P.R.B.'s prospects for sustained expansion as indicated by the development of a comprehensive five-year business plan that the Foundation deems suitable for funding by a donor or other financial institution.

#### **VI. Investment Outputs**

The final deliverables are:

- A. A strategic business plan based on a detailed analysis of the market for C.P.R.B.'s product including:
  - a thorough analysis of customer demand for various varieties of rice produced;
  - a review of the entire rice sector in Rwanda and an assessment of supply, demand, pricing trends, and key buyers and distributors, examining both in-country and potential regional customers and channels;
  - identifying potential niche markets for aromatic rice and determining the cost benefits of moving towards organic certification; and
  - a complete understanding of how to increase C.P.R.B. current capacity with regards to the amount of rice being produced, milled and sold.
  
- B. Improved operational and management capabilities as demonstrated by:
  - a plan to establish an active Board of Directors with prescribed powers and duties;
  - additional qualified core staff recruited and in place;
  - an automated accounting system installed and users trained;
  - a newly created operations, financial and administrative manual implemented;
  - better planning for raw material requirements and working capital needs to enable delivery on rice contracts;
  - a well-defined vehicle use plan;
  - regular periodic reporting and review by top management to communicate the financial status of the company; and
  - a fully functional financial management system certified as compliant with ADF requirements.

C. Improved technical capabilities as evidenced by:

- a complete review on the current rice milling operation, ensuring that the current C.P.R.B. milling facility is meeting all Rwanda Government Codes, both mechanical and operational, as well as operating to meet food safety standards;
- a production development study and an estimate of the cost of irrigation system maintenance and replacement;
- an environmental assessment related to protection of water sources feeding the area;
- farmers having access to new agricultural techniques to cultivate various species of rice as well as improved drying and storage techniques for paddy; and
- management team and board practicing improved governance based on their internal regulations and clear definition of respective roles and responsibilities.

D. Increased production capacity, as indicated by:

- timely delivery of existing orders; and
- rice production will increase from an annual baseline of 17,018 tons to over 20,000 tons during the OAG grant period.

## VII. Activities

C.P.R.B. will ensure the following major activities are implemented with the assistance of selected consultants where needed. C.P.R.B. will also ensure that all terms of reference for consultants are developed in collaboration with ADF.

A. Purchase a truck for transport of paddy, milled rice and agricultural inputs.

B. Develop a management automation system by:

- assessing and evaluating the information technology requirements for the cooperative;
- purchasing appropriate accounting software for the business; and
- providing basic in-house training for users.

C. Streamline personnel, governance and management systems by:

- developing concise job descriptions for management team and board members;
- improving understanding of management and board of directors' roles and responsibilities;
- developing a financial and administrative procedures manual; and
- establishing production plans, targets and quality control standards to insure that buyers are supplied as required on regular basis with standard quality rice and specialty aromatic rice.

- D. Develop a comprehensive business and marketing plan as evidenced by a consultant working with C.P.R.B to:
- explore options to increase productivity and efficiency to be able to compete with land-rich neighboring countries;
  - investigate marketing expansion options and market segmentation including the feasibility and financial return of each alternative;
  - determine the need and advisability of branding part of the product as aromatic rice, improved packaging ideas, and key niche markets for this 'specialty' product;
  - determine how to create wider distribution of C.P.R.B rice sales points, which includes understanding of the best distribution channels; and
  - assess the opportunity and cost benefit analysis relative to pursuing organic certification.
- E. Conduct an environmental and irrigation assessment: a consultant team will undertake production development studies and estimate the cost of irrigation maintenance and replacement. They will also carry out an environmental assessment related to protection of water sources feeding the rice-growing area.
- F. Better production techniques will be developed for farmers to cultivate various species of rice as well as improve drying and storage techniques for paddy. Better milling capacity will assist the majority of producers to avoid post harvest losses due to inadequate handling and processing using inappropriate equipment.

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

ADF's Partner in Rwanda will provide the necessary Standard ADF training in bookkeeping, monitoring and assessment

C.P.R.B is responsible for ensuring the proper management and implementation of the Project. The ADF Partner in Rwanda will provide C.P.R.B with technical and management assistance during the implementation of the project.

### **IX. Monitoring and Evaluation**

ADF's Partner in Rwanda will closely monitor the activities of the C.P.R.B to ensure proper reporting, adherence to the project implementation plan by the Grantee and movement towards the achievement of project objectives. The Partner will continuously assess the project risk and take remedial actions as needed. Monitoring by the Partner will be an important aspect of the ongoing coaching and advisory service. The Partner will review C.P.R.B's quarterly reports and will submit comments and observations to the management of C.P.R.B as a part of the on-going performance assessment.