

**PROJECT DESCRIPTION  
RWASHOSCCO SPECIALTY COFFEE  
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**

Rwanda Small Holder Specialty Coffee Company (RWASHOSCCO) was created in 2004 by eleven coffee cooperatives to represent the interests of approximately 20,000 farmers. The company's services include extension, quality control, buyer-relations, marketing, and shipping on behalf of its member cooperatives.

RWASHOSCCO received a USADF Operational Assistance Grant (OAG) and successfully achieved the goals of the grant. RWASHOSCCO would now like to diversify its revenue stream by expanding into coffee processing and sales directly. To accomplish this, the Company seeks to acquire a coffee roasting business, *Rwanda Roasters* and its *Marba* brand coffee. In addition to processing its own coffee, RWASHOSCCO will dry process the coffee of others for a fee. RWASHOSCCO lacks the funds needed to invest and expand into this new venture, and the management and financial capacity to operate it.

**III. Funding**

**A. USADF Contribution**

The financial plan for USADF'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 USADF's contribution to exceed the obligated amount specified in Article 4, section 4.1 of the Agreement.

**B. Client Contribution**

RWASHOSCCO will contribute the time and labor of its employees to the project. RWASHOSCCO will also contribute financial resources acquired from a RWF 100 million loan from the Rwanda Development Bank. In addition, RWASHOSCCO will provide more than RWF 150,265,500 in assets at the commencement of the USADF investment.

## C. Other

RWASHOSCCO will receive \$100,000 from ROPARWA and \$40,000 from SPREAD. These funds will be used to pay salaries, cooperative training expenses and other operational costs, including board and staff training.

## IV. Investment Goal

The goal of the investment is to improve the living standards of the people of Rwanda, particularly smallholder coffee farmers.

## V. Investment Purpose

The purpose of the investment is to increase the income of RWASHOSCCO, its employees, and its member farmers. The following indicators will be used to track achievement of this purpose:

A. The Client's adjusted net income will increase from a loss of RWF 69,916 to:

- RWF -59,732,925 in Year I<sup>1</sup>;
- RWF 8,359,575 in Year II;
- RWF 70,411,425 in Year III;
- RWF 123,556,335 in Year IV;
- RWF 193,229,085 in Year V; and
- RWF 288,614,063 in Year VI.

B. RWASHOSCCO's total payroll paid to all employees will increase from a baseline of RWF 69,916 to:

- RWF 184,971 in Year I;
- RWF 192,706 in Year II;
- RWF 215,221 in Year III;
- RWF 223,830 in Year IV; and
- RWF 232,783 in Year V.

<sup>1</sup> This figure includes the check-off fee (\$43,900), and roasting sales calculated at 62,400 bags at \$3.83 (\$238,992) times RWF 525. Year One is 2008 for all projections.

- C. The Client's purchases from cooperative members<sup>2</sup> will increase from a baseline of RWF 570,100,733 in 2006 to:
- RWF 733,322,362 in Year I;
  - RWF 1,005,726,832 in Year II;
  - RWF 1,280,342,650 in Year III;
  - RWF 1,293,610,450 in Year IV;
  - RWF 1,306,878,249 in Year V; and
  - RWF 1,319,947,032 in Year VI.

## VI. Outputs

The anticipated output of this project will increase the Client's capacity to dry process and market coffee.

- A. The Client will increase the number of regular full time employees from nine in 2006 to:
- 17 employees in Year I;
  - 21 employees in Year II; and
  - 26 employees in Years III through V.
- B. RWASHOSCCO's sales revenue per year will increase from RWF 15,794,100 in 2006 to:
- RWF 148,518,300 in Year I;
  - RWF 275,369,325 in Year II;
  - RWF 355,652,325 in Year III;
  - RWF 431,542,125 in Year IV;
  - RWF 526,887,900 in Year V; and
  - RWF 632,265,375 in Year VI.
- C. RWASHOSCCO will increase the number of participating cooperatives from a baseline of 11 in 2006 to:
- 14 cooperatives in Year I;
  - 19 cooperatives in Year II; and
  - 24 cooperatives in Years III through V.

<sup>2</sup> Calculations based on number of cooperatives per year multiplied 27,000 kgs (1.5 containers from each cooperative) times \$3.75 in the baseline. We have factored in annual 1% rise in price beginning in year one, and subtracted the 2.5% check off fee.

- D. RWASHOSCCO will improve its fiscal and social responsibility as demonstrated by its compliance with the Re-Investment Commitment Schedule set forth in Appendix A-2 to this Agreement.

RWASHOSCCO will build two to five washing stations, annually, for its members. (See Appendix A-2 for operational details).

## VII. Activities

### A. Production

The primary activity of this project is to expand the Client's business operations to include dry processing and roasting coffee for sale in the international market. In order to do this, RWASHOSCCO will engage in the following:

- purchasing *Rwanda Roasters* and its trademark coffee;
- purchasing a back-up generator;
- procuring a laptop computer, software and two printers; and
- constructing an office, warehouse and operating facilities for the dry processing and roasting production.

### B. Marketing

The Client shall aggressively implement its marketing strategy/plan that will result in the following:

- increased visibility in the specialty coffee market;
- improved access to cooperative client base;
- greater promotion of products in the domestic market and for tourist industry; and
- increased exports of cooperative members coffee.

### C. Training

The Client will build capacity, improving its operational and management capabilities as demonstrated by recruiting and hiring experienced departmental managers, including:

- a chief financial officer;
- a general manager of operations;
- plant managers;
- workers for dry roast processing; and
- independent consultants to monitor Client performance and provide annual performance reports that focus on progress toward achievement of financial and social impact indicators.

## D. Operations

The Client shall increase its production and operations by:

- instituting a fully-functioning financial management system, certified as compliant with USADF requirements, that the Client's the accounting and management team understand and utilize on a regular basis;
- securing the first year's salaries of all new staff;
- securing first year's cost of electricity for dry processing and roasting plants as well as for enterprise office; and
- monitor and evaluate the social impact on the individual farmer members.

## VIII. Roles and Responsibilities of the Parties

The USADF Partner in Rwanda will provide the standard USADF training in bookkeeping, monitoring, and assessment.

RWASHOSCCO is responsible for ensuring proper management and implementation of the project. The USADF Partner in Rwanda will provide RWASHOSCCO with technical and management assistance during the implementation of the project.

An Executive Committee will be established to ensure that all of the planned activities and new operating departments meet all of the proposed goals and objectives as outlined and ensure that better communication and financial decision-making is made at every major decision point in the organization.

The Committee will meet monthly and will be comprised of the following persons:

- RWASHOSCCO Chairman
- RWASHOSCCO Secretary
- SPREAD (1)
- Cooperative Presidents (1-3)
- BRD (1)
- ROPARWA (1)
- General Managers (2) / CFO(1)
- OCIR-/ Café

**IX. Monitoring and Evaluation**

The USADF Partner in Rwanda will closely monitor the activities of RWASHOSCCO to ensure proper reporting and adherence to the project implementation plan by the Client, 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 or alternate will be an important aspect of the ongoing coaching and advisory service. The Partner will review RWASHOSCCO quarterly reports and will submit comments and observations to the management of RWASHOSCCO as a part of the ongoing performance assessment.

RWASHOSCCO performance monitoring will be integrated into the SPREAD monitoring and evaluation database since both projects are inter-related and have identical objectives and impact targets on coffee farmer livelihoods. RWASHOSCCO will undertake an annual socio-economic impact evaluation of participating farmer cooperatives.

**X. Other Implementation Issues**

- A. The RWASHOSCCO project bank account will need to be closely monitored in order to ensure there is no co-mingling with other donor funds.
- B. RWASHOSCCO expects that each of the Cooperatives will monitor their members use to ensure compliance with regards to any restricted pesticide. RWASHOSCCO is committed to informing its coffee suppliers that it does not purchase any coffee grown with the use of zeta-cypermethrin and that it wants to be informed about other pesticides that have been used.