

**PROJECT DESCRIPTION****Kanyovu Coffee Curing and Processing Cooperative****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**

Kanyovu Coffee Curing Cooperative Joint Enterprise (KCCCJE) is located near Gombe Stream National Park in Western Tanzania and has more than 5,500 farmer members who produce green coffee. The Cooperative possesses the only community-owned dry mill coffee curing plant in Tanzania, which allows the members to benefit from the production of higher quality specialty grade coffee and the higher market price it commands. There is a growing demand in the United States for specialty grade coffee and KCCCJE would like to take advantage of this market opportunity. However, to do so it needs to make coffee processing units (CPUs) available to more of its farmer members and improve the cooperative's business and marketing systems.

**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 4, section 4.1 of the Agreement.

**B. Client Contribution**

KCCCJE will contribute existing staff, assets, vehicles and business networks.

KCCCJE will use its own funds to pay salaries for the new staff; establish and construct a roasting plant, a warehouse in Kigoma, and a new building for the dry mill; and cover costs associated with facilitating learning exchanges with Kilicafe.

**IV. Investment Goal**

The goal of the project is to improve the standard of living of coffee farmers, their families and the communities in the Kigoma region.

## V. Investment Purpose

The purpose of the project is to increase the income of KCCCJE and its farmer members. The following are indicators to monitor achievement of the purpose:

- A. Agregate annual farmer member income from coffee cherries sold to KCCCJE will increase from the current baseline of TZS 1,000,000,000 to:

TZS 1,868,000,000 in Project Year I;  
 TZS 2,193,000,000 in Year II;  
 TZS 2,563,000,000 in Year III;  
 TZS 3,015,000,000 in Year IV; and  
 TZS 3,397,000,000 in Year V.

- B. KCCCJE annual net income before taxes and depreciaton will increase from a baseline value of TZS 368,641,142 to:

TZS 725,000,000 in Project Year I;  
 TZS 668,000,000 in Year II;  
 TZS 796,000,000 in Year III;  
 TZS 912,000,000 in Year IV; and  
 TZS 1,225,000,000 in Year V.

## VI. Outputs

A major output of this project is the increased capacity of KCCCJE and its farmer members to expand production and export of specialty coffee as evidenced by the following indicators:

- A. KCCCJE's sales revenue increases from the current baseline of TZS 3,745,000,000 per annum to:

TZS 3,361,000,000 in Project Year I;  
 TZS 3,697,000,000 in Year II;  
 TZS 4,324,000,000 in Year III;  
 TZS 5,038,000,000 in Year IV; and  
 TZS 5,910,000,000 in Year V.

- B. KCCCJE's direct export of green coffee increases from a baseline value of TZS 182,000,000 per annum to:

TZS 118,000,000 in Project Year I;  
 TZS 216,000,000 in Year II;  
 TZS 248,000,000 in Year III;  
 TZS 286,000,000 in Year IV; and  
 TZS 312,000,000 in Year V.

- C. The quantity of specialty grade coffee suitable for direct export increases from a baseline volume (in kilograms) of 39,168 per annum to:

36,000 in Project Year I;  
 39,000 in Year II;  
 42,000 in Year III;  
 46,000 in Year IV; and  
 48,000 in Year V.

- D. The total number of beneficiary farmers with access to CPUs will increase from a baseline of 5,574 to:

6,100 in Project Year I;  
 6,700 in Year II;  
 7,400 in Year III;  
 8,100 in Year IV; and  
 8,900 in Year V.

- E. KCCCJE will strengthen 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.

## VII. Activities

In order to achieve project objectives, KCCCJE will conduct the following activities:

- A. Improve Coffee Processing and Quality
1. KCCCJE will establish a revolving loan fund to enable farmers to purchase and install nine CPUs with ADF funds and an additional four CPUs with reflows from CPU loan repayments over the five year period.
  2. KCCCJE will train rural farmers on CPU best practices and coffee husbandry.
  3. KCCCJE will hire staff to support activities associated with the CPUs including staff at the primary society level to manage the CPUs, a technician to maintain the CPUs, and a liquorer/coffee cupper.
  4. KCCCJE will train staff and members on CPU operations and upkeep.
  5. KCCCJE will relocate and improve the cupping laboratory.
- B. Strengthen the KCCCJE Management
1. KCCCJE will hire a qualified accountant and additional management staff.
  2. KCCCJE will train staff and members in business skills such as negotiation and information management.
  3. The ADF Tanzania Partner will conduct ADF financial management training for KCCCJE staff.
  4. KCCCJE will purchase and install accounting software and train staff on its use.

5. KCCCJE will improve financial systems through training and use of best practices such as regular reconciliation of bank statements, implementation of a petty cash system, and development of a financial manual.
6. KCCCJE will improve marketing by hiring a marketing manager, conducting a market study, attending trade fairs, and creating promotional materials.
7. KCCCJE will work with Sustainable Harvest Specialty Coffee Importers to secure "Fair Trade" certification.
8. KCCCJE will review techniques for minimizing harmful waste water from coffee processing and meet with representatives from Sustainable Harvest Specialty Coffee Importers, Jane Goodall Institute, and the Association of Kilimanjaro Specialty Coffee Growers to create an environmentally sound system for dealing with the waste water. Before CPUs are operational, KCCCJE will have a documented plan for waste water treatment.
9. KCCCJE will collaborate with the Association of Kilimanjaro Specialty Coffee Growers to exchange knowledge on the coffee industry and association management.

C. Improve Communications and Office Setting

1. KCCCJE will construct and furnish an office building to serve as the KCCCJE headquarters.
2. KCCCJE will purchase computers and other communications equipment as well as install solar panels to provide a reliable energy supply for their use.

### VIII. Roles and Responsibilities of the Parties

The Managing Director, Chairman, Production Engineer, and Accountant of KCCCJE hold primary responsibility for implementation of the project activities as planned. The ADF Partner in Tanzania will play a lead role in holding KCCCJE accountable for meeting production and training milestones. In addition, the ADF Partner will provide KCCCJE with technical and management assistance during implementation.

### IX. Monitoring and Evaluation

Within sixty days of the effective date of this Agreement, the Client, working with the ADF Partner, will form a monitoring and assessment committee composed of a representative cross-section of the Client's organization. The committee will provide the Partner input for the Project monitoring plan. 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.