

**PROJECT DESCRIPTION**  
**ATB Rose Export Expansion**

**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**

Agro-Trading Business S.A. (ATB) is a Burundian owned and registered limited liability company located in Kamenge, on the outskirts of Bujumbura. ATB produces cut roses for export to Europe. ATB cultivates five hectares of roses and employes a staff of 206 full-time workers, of which two-thirds are women.

There is a proven market in Europe for cut roses. The species grown by ATB, "sweetheart roses", is the most popular cut flower on the market. The company wishes to expand its production capacity so that it can take advantage of that opportunity, especially during the winter months when European demand is high and rose production is low due to high energy costs. It has available an additional two hectares that can be cultivated. However, ATB is currently constrained by its non-standard and dilapidated greenhouses that lack efficient fertilizing irrigation systems and by a lack of new rose plants (i.e. rootstock) to enable it to expand its high quality rose production of high quality roses.

**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. ATB Contribution**

ATB will contribute \$59,243 in support of the building of the four new greenhouses and an additional \$150,575 for the renovations of the existing greenhouses. They will continue to cover all operating costs of the business.

#### IV Project Goal

The goal of the Project is to improve the standard of living of the poor in the Bujumbura area.

#### V. Project Purpose

The purpose of the Project is to increase incomes for ATB and its employees. The following indicators will be used to track the achievement of this purpose.

- A. The annual net income (before taxes and depreciation) for ATB changes from a baseline of \$235,400 (projected 2008) to:
  - 1. \$216,000 in year 1;
  - 2. \$244,500 in year 2;
  - 3. \$249,400 in year 3;
  - 4. \$254,100 in year 4; and
  - 5. \$272,700 in year 5.
  
- B. The workers' total annual salaries will increase from a baseline of \$60,700 (projected 2008) to:
  - 1. \$138,300 in year 1;
  - 2. \$152,100 in year 2;
  - 3. \$167,300 in year 3;
  - 4. \$184,100 in year 4; and
  - 5. \$202,500 in year 5.

#### VI. Project Outputs

- A. ATB will increase its capacity to product and market high quality roses.
  - 1. The total sales for the company increase from the projected 2008 baseline of \$586,000 to:
    - (a) \$956,000 in year 1;
    - (b) \$1,046,000 in year 2;
    - (c) \$1,125,000 in year 3;
    - (d) \$1,212,000 in year 4;
    - (e) \$1,321,000 in year 5.
  
  - 2. The number of regular full-time employees will increase from the current 206 to 310 in year one throughout the life of the project.

- B. ATB 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.

**VII. Activities**

A. Production Improvement

1. Infrastructure:

ATB will construct new steel greenhouses of standard size will be constructed with fertilizing irrigation systems. If needed to ensure clean water that will result in healthier roses, ATB will construct an additional chamber for the irrigation system to filter the water piped from the nearby river.

2. Plant Cultivation:

ATB will cultivate two new varieties of plant rootstocks (Chelsea and Rose Golden Gate) that will be acquired from Kenya and that pass inspection by Kenya's Phytosanitary Department before shipment. ATB will adopt a new cultivation strategy that calls for renewing approximately 20 percent of the plants and renovating 20 percent of the existing greenhouses each year over the five year life of project, starting in 2008.

3. Production Management Improvement:

ATB will hire a production manager for a minimum of one year to oversee the leveling of the project site, installation of the irrigation system, and the rose cultivation activities. The production manager will also train the local production supervisors and workers in the field.

B. Management and Operations Improvement

1. Marketing and Sales:

ATB's current consultant will advise management on the expansion program and marketing opportunities, including monitoring the experimental rose varieties, irrigation, quality control, grading and final preparation of the roses for export.

2. Operations Management:

ATB will prepare a manual of procedures that describes the applicable procedures for the different activities within the organization.

3. Financial Management:

To improve financial management and control, ATB will maintain separate books and ledgers for each bank account to ensure accountability for ADF funds.

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

ATB will continue to seek funding from external sources for international expositions and technical assistance.

**IX. Monitoring and Evaluation**

ADF's Partner in Burundi will closely monitor the activities of ATB to ensure proper reporting, 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 will be an important aspect of the ongoing coaching and advisory service. The Partner will review ADF's quarterly reports and will submit comments and observations to the management of ATB as a part of the on-going performance assessment.

**X. Other Implementation Issues**

Despite the volatility air freight costs, ATB's largest variable in operational expenses and profit, ATB will increase the salaries of both unskilled and skilled workers by an initial 15 percent (app \$1.00 to \$1.15), and a 10 percent increase each year of the project. Furthermore, ATB is committed to providing a living wage for its workers. In June 2010, ATB will assess its operational costs and reexamine the projected wage increases to make sure they are financially viable but are rising fast enough to keep up with the inflation rate.