

**APPENDIX A  
PROJECT DESCRIPTION  
LA REINE 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**

La Reine Cooperative is a small cooperative operating in northwestern Rwanda. The cooperative buys fresh milk from local dairy farmers and processes it into gouda-style cheese and fresh cream. These products are sold in Kigali and other markets. The Cooperative operates in a simple fashion, producing a steady 80 kilogram of cheese per week for the last two or three years. It uses traditional, rudimentary cheese production techniques. The resulting product is quite consistent and is well accepted by the marketplace.

La Reine embarked on an expansion program in the last year and secured a development loan from Banque Rwandaise de Développement to build a modern production facility and equip it with modern but modest production equipment. The facility has been built, and the equipment purchased and delivered to the factory. However, the Cooperative does not have sufficient funds to connect the required 3-phase electricity and finish the installation of the equipment. In addition, La Reine Cooperative needs to build its management, accounting and marketing capacities, and develop food safety policies and practices.

**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**

The grantee will share the costs of the General Manager/Production Manager with ADF and they will contribute approximately 22 percent of his salary as well as the cost of hiring two of the four security guards for the eighteen-month period. All of the labor for installing the equipment will be supplied by La Reine Cooperative employees except for an electrical technician to be hired with Grant funds to make sure that the equipment installation complies with warranty requirements. La Reine will use their own resources to hire him for an additional two months to provide training to the staff. La Reine is also contributing management and employee time and effort for the implementation of the project milestones.

#### **IV. Project Goal**

The goal of the OAG is to increase employment and income for employees and milk suppliers and their families.

#### **V. Project Purpose**

The purpose of the OAG is to position La Reine for business expansion, as indicated by the development of a comprehensive five-year business plan that ADF deems suitable for funding by a donor or other financier.

#### **VI. Project Outputs**

The final deliverables are:

- A. Capacity to meet all applicable milk and milk product safety and quality standards, including Hazard Analysis and Critical Control Points (HACCP) practices.
- B. Internal business systems at La Reine strengthened, as evidenced by:
  - development of a five-year business plan and marketing strategy that guides the operations of the Cooperative;
  - a business policy manual to guide management is in place and being followed by management; and
  - an appropriate accounting system providing Cooperative management with key information for business and management decision-making.
- C. Expansion of production capacity, as evidenced by:
  - an increase in the volume of milk purchased from other producers from approximately 720 liters per day to approximately 2,300 liters per day;
  - an increase in the quantity of cheese produced from 24,960 kg per year to 78,000 kg per year;
  - an increase in the quantity of fresh cream marketed from 2,400 liters to 3,100 liters per year; and
  - initiation of the production and marketing of butter.

#### **VII. Major Activities to be financed under the Agreement**

- A. Food safety and milk processing improvements

Funds will be used to purchase clothing such as aprons, gloves, coveralls, boots and other protective gear as necessary for the workers to ensure safe and hygienic working conditions. La Reine will hire a contractor to provide training in food safety systems, milk production and HACCP standards to ensure safe, quality products and appropriate use of newly installed equipment. The training will cover all aspects of hygiene related to cheese production and will address labeling problems that led to negative reports from the Rwanda Bureau of Standards. The training will cover the following areas.

- Good practices for milk handling to effectively trace the milk from the farmers to the factory and throughout processing to the final product, including the following topics:
  - basic quality of milk and hygiene;
  - weighing and testing;
  - storage procedures; and
  - cleaning procedures.
- Milk processing to enhance the Cooperative's capability to produce cheese and milk byproducts according to government standards and processes.
- General procedures and standards, which consist of:
  - cheese labeling and packaging;
  - distribution;
  - respect of HACCP protocols;
  - need for quality control and implementation; and
  - certification of milk products.

B. Internal systems improvement

La Reine will hire a business plan consultant to work with the management of the Cooperative to develop an appropriate business plan that would integrate the following:

- marketing, sales and distribution plans;
- reliability, logistics, and farmer training needed to meet milk quality and HACCP standards;
- assessment of any technical issues related to switching to a mechanized operation;
- assessment of further expansion potential to include issues relating to increasing the number of cows or improving the breed;
- clarification of the relationships between the Cooperative and its milk suppliers, including non-members;
- compliance with Rwandan government standards for product labeling;
- compliance with all quality and health standards to meet expanded market opportunities;
- best practices to formalize the supply chain; and
- assessment and measurement of social impact at the producer level.

Grant funds will be used to provide approximately 78 percent of the salary for the General Manager/Production Manager. With Grant funds, La Reine will also hire a qualified accountant to implement the new accounting system and maintain the overall accounting activity of the Cooperative. La Reine will purchase IT equipment, software and training to support the new financial management system. La Reine will also hire consultants to develop an administrative policy manual, document new internal management systems, as well as provide training in financial management and company governance. La Reine will also hire consultants to provide training in marketing and sales strategies, including objectives, the business environment, strategic directions, and development of a marketing plan.

C. Production expansion

With Grant funds, La Reine will install three-phase electrical service to support the installation and hook-up of new equipment. Existing equipment owned by the company but not yet in operation will be installed by an electrical technician to ensure that the installation complies with warranty requirements. La Reine will use their own resources to have the technician train their staff in the basic operation of the equipment over a two month period. Working capital will be provided for new, hygienic milk cans and to support the purchase of approximately 62,000 liters of milk for expanded operations. Two of the four guards will be hired with Grant funds to safeguard the new installations.

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

ADF's Partner in Rwanda will provide the necessary standard ADF training in bookkeeping and monitoring and assessment.

La Reine is responsible for ensuring the proper management and implementation of the Project. The ADF Partner in Rwanda will provide La Reine 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 La Reine 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 La Reine's quarterly reports and will submit comments and observations to the management of La Reine as part of the on-going project performance assessment.

ADF  Grantee \_\_\_\_\_