

PROJECT DESCRIPTION
FRUITO Fruit Juice Production Expansion
Burundi

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

Although FRUITO LLC is the largest producer of passion fruit juice in Burundi, the company is operating at 27 percent of its production capacity. FRUITO is unable to produce year round due to the shortage of passion fruit during the four months of dry season, and insufficient production and storage capacity. This four-month halt in production causes cash flow problems and requires a seasonal downsizing of some employees. FRUITO believes there is significant latent and unmet demand in the domestic and regional markets for its products.

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 amount specified in Article 4, section 4.1 of the Agreement.

B. FRUITO Contribution

FRUITO will continue to finance the day-to-day operating costs of the business during Project implementation. Additionally, FRUITO will cover the following: recruitment costs of new professional staff; fifty percent of the salaries for first year and the entire amount of salaries thereafter for the three new professional staff (marketing manager, accountant, and human resource and quality control manger); purchase an additional 337,896 bottles valued at approximately United States \$38,000; the transportation cost of all bottles imported for the Project, estimated at \$18,000; and any other items required to attain the Project's objectives that are not listed in Appendix A-1 to this Agreement.

IV. Project Goal

The goal of the Project is to improve the standard of living for FRUITO employees and smallholder farmers in Bujumbura Rural, Kayanza, Muramvya and Cibitoke provinces.

V. Project Purpose

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

- A. The annual net income (before taxes and depreciation) for FRUITO changes from a projected 2008 baseline of BIF 84,300,000 to:
 1. BIF 110,200,000 in year 1;
 2. BIF 116,100,000 in year 2;
 3. BIF 134,100,000 in year 3;
 4. BIF 164,200,000 in year 4; and
 5. BIF 199,850,000 in year 5.

- B. The workers' total annual salaries will increase from a projected 2008 baseline of BIF 32,340,000 (net income before 30 percent tax and benefits) to:
 1. BIF 66,200,000 in year 1;
 2. BIF 72,800,000 in year 2;
 3. BIF 80,100,000 in year 3;
 4. BIF 88,100,000 in year 4; and
 5. BIF 96,900,000 in year 5.

- C. The value of fruit purchased from farmers increases from a baseline of BIF 80,532,000 in 2008 to:
 1. BIF 176,200,000 in year 1;
 2. BIF 200,700,000 in year 2;
 3. BIF 230,800,000 in year 3;
 4. BIF 267,900,000 in year 4; and
 5. BIF 313,800,000 in year 5.

VI. Project Outputs

- A. FRUITO will increase its capacity to produce and market fruit juice as indicated by the following:

1. The total sales for the Company will increase from the projected 2008 baseline of BIF 288,048,000 to:
 - a. BIF 598,100,000 in year 1;
 - b. BIF 659,400,000 in year 2;
 - c. BIF 740,800,000 in year 3;
 - d. BIF 848,100,000 in year 4; and
 - e. BIF 980,097,674 in year 5.

2. Production of passion fruit concentrate will increase from 52,000 liters in 2008 to:
 - a. 156,000 liters in year 1;
 - b. 162,240 liters in year 2;
 - c. 170,352 liters in year 3;
 - d. 180,573 liters in year 4; and
 - e. 193,213 liters in year 5.

3. The number of regular full-time employees will increase from 35 to 53 by the end of the second year of the Project.

4. The number of farmers supplying raw materials increases from the baseline of 1,750 farmers in 2007 to a total of 3,850 by the end of the Project.

- B. FRUITO 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. Factory

A main objective of the Project is to increase production output. To attain this objective, the Company will upgrade its plant capacity by acquiring cold storage technology, renovating its factory's worker facilities to improve hygiene conditions, expanding storage area to increase its space, and rehabilitating drainage canals. FRUITO will comply fully with HACCP standards. While on duty, all workers will wear the appropriate protective clothing such as kaki uniforms, boots, gloves, and protective glasses.

2. Supply Chain

In order to increase its production output, FRUITO will need reliable sources of high quality fruits. The Company will undertake the following activities to assist its farmer suppliers to increase their output:

- a) provide pruning shears, gloves, and hoes for the farmers; and
- b) during the first year of the project, organize meetings with its supplier farmers in each of their respective provinces to gain input and feedback from farmers regarding production, pricing, and other relevant issues to both FRUITO and the farmers. In addition, FRUITO will explore the possibility of having written contracts with the farmers to engender supplier loyalty, and improve the quantity and quality of supplied materials.

B. Management and Operations Improvement

1. Marketing and Sales

- a) FRUITO will recruit and hire a marketing manager to improve the company's market share. This person will take the lead in developing and implementing an aggressive market plan.
- b) FRUITO will procure technical assistance to help in branding and logo design of its products.

2. Operations Management

- a) FRUITO will recruit and hire an accountant to strengthen its financial management. The Company will hire technical experts to develop a financial manual with procedures. This manual will be operationalized before the end of the grant period.
- b) FRUITO will recruit a human resource and quality control manager to improve production quality by focusing on HACCP standards and strengthen operational management.
- c) FRUITO will install automated management systems.

VIII. Roles and Responsibilities of the Parties

ADF's Partner in Burundi, will provide the Grantee with standard ADF training in bookkeeping, monitoring and assessment. FRUITO will be responsible for ensuring that there is proper management and implementation of the project. The ADF Partner in Burundi, will provide FRUITO with technical and management assistance during the implementation of the project.

IX. Monitoring and Evaluation

ADF's Partner in Burundi will closely monitor the activities of FRUITO 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's risks 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 FRUITO as a part of the on-going performance assessment.

X. Other Implementation Issues

FRUITO will conduct an open and competitive recruitment process and seek input from ADF on the final selection of three new professional staff members.

FRUITO will strive to expand its Board of Directors to include other individuals that can provide a diversity of skills to oversee the entire company. This may also entail increasing the number of shareholders.