

APPENDIX A
INVESTMENT DESCRIPTION
COOPAC SPECIALTY COFFEE

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

The Cooperation pour la Promotion des Activités (COOPAC) is an association of over 2198 coffee farmers. Since 2001, its annual production volume has grown steadily, except during the drought of 2005. COOPAC has developed the expertise to process, wash, size grade, and package specialty gourmet coffee, enabling them to achieve high-value sales for most of the coffee markets.

COOPAC desires to increase its operating capacity in order to further improve the incomes of its members. To this end, COOPAC must develop a strategic business and marketing plan to use as the basis for capacity building in the coming years.

III. Funding

A. ADF Contribution

The budget for ADF's contribution is set forth in Appendix A-1 of this Agreement. The Parties may make changes to the budget 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. COOPAC Contribution

COOPAC is contributing financial resources to the project, as well time of its employees to the implementation of the project. Specifically, COOPAC will continue to provide salaries for its current staff, and financial resources and land to build a laboratory facility estimated to be valued at between 19,487,721 Rwandan Franc and 22,271,681 Rwandan Franc.

C. Other

COOPAC has already received a loan from the Bank of Kigali in Rwanda that has helped COOPAC acquire some of its processing and operations equipment.

IV. Investment Goal

The goal of the Investment is to promote the growth of small-scale enterprises that process and distribute high-value crops produced by smallholder farmers in Rwanda, especially those that have larger potential for export regionally or internationally.

V. Investment Purpose

The purpose of the investment is to improve COOPAC's prospects for sustained expansion as indicated by the development of a comprehensive five-year business plan that ADF deems suitable for funding by a donor or other financial institution.

VI. Investment Outputs

The final deliverables are as follows:

- A. A completed and operational specialty coffee laboratory, with:
 - a staff trained in all areas of specialty coffee cupping; and
 - all equipment functional and fully-utilized, according to industry standards.

- B. Improved operational and management capabilities as demonstrated by:
 - experienced departmental managers in finance, marketing and the laboratory;
 - additional core staff recruited and in place for cupping activities;
 - an automated accounting system installed; and
 - an operations and administration manual that fully meets the needs of the organization.

- C. A completed, comprehensive strategic business plan that:
 - takes into account the capacity of farmer-members to grow coffee;
 - estimates the costs of processing and exporting specialty coffee;
 - identifies additional customers and distribution channels;
 - analyzes expected price trends and volume growth, and
 - assesses and recommends a cupping laboratory for self-certification of specialty coffee.

- D. Strengthened internal financial systems, including:
 - additional IT equipment and software to support the financial system;
 - a financial manager capable of implementing strong financial control and reporting systems; and
 - a fully-functional financial management system certified as compliant with ADF requirements, with demonstrated ability of the accounting and management team to utilize the system on a regular basis.

VII. Activities

Major Activities to be financed under the Agreement

Laboratory Development

- A. Manage all of the specialty coffee cupping laboratory activities, including:
 - procurement of all equipment necessary to establish a specialty coffee cupping laboratory and train staff in its use; and
 - develop policies and procedures for the specialty coffee cupping program.

Administration

B. Recruit a Finance Manager, a Marketing Manager, and a Laboratory Manager and Laboratory Assistant who will work with a consultant to develop a business plan and strategy and to strengthen management's capacity to ensure product quality.

Technical Assistance

C. Conduct a strategic planning process based on a detailed analysis of the market outlook for COOPAC's specialty coffee products. The process will include:

- assessment of supply, demand, pricing trends, key buyers, and distributors;
- assessment of COOPAC's key investment requirements; and
- projections of growth and return on investments, and expanded opportunities for COOPAC's future growth and development.

D. Install an automatic financial management system including:

- purchase of appropriate accounting software and provision for in-house training for all the users; and
- development and implementation of a financial control and reporting system that generates management and board operational reports.

E. The COOPAC Executive Director will receive training in business fundamentals and business English, in order to improve his ability to communicate with both existing and new customers in English-speaking countries.

COOPAC will ensure that the above major activities are implemented with the assistance of selected consultants, where needed. COOPAC will also ensure that ADF concurs with all terms of reference for consultants.

IX. Roles and Responsibilities of the Parties

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

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

X. Monitoring and Evaluation

ADF's Partner in Rwanda will monitor closely the activities of the COOPAC to ensure proper reporting, adherence to the project implementation plan, 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 COOPAC's quarterly reports and will submit comments and observations to the management of COOPAC as a part of the on going performance assessment.

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