

**PROJECT DESCRIPTION
RUBILIZI DAIRY**

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

Rubilizi Dairy, a small limited liability company based in Kigali, buys raw milk from smallholder dairy farmers which is then processed and sold as pasteurized milk. Like many other industries in Rwanda, Rubilizi Dairy operations were adversely affected by the 1994 war and genocide. The company was significantly damaged and its activities came to a complete halt during the war. The dairy resumed production in 1995 as a government-owned company until it was privatized in 1999. Rubilizi Dairy, when fully rehabilitated, has the potential to produce, market and sell a substantial percentage of Rwanda's dairy industry.

In order for Rubilizi Dairy to continue its growth, it needs to enhance the skills of its current management team and technical staff; and put in place a sound financial management and accounting system. In addition, Rubilizi Dairy needs to improve its current processing standards and the quality of its products to meet Rwanda Bureau of Standards requirements.

III. Funding

A. USADF Contribution

The financial plan for USADF's contribution is set forth in Appendix A.-1 of 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 USADF's contribution to exceed the obligated amount specified in Article 4, section 4.1 of the Agreement.

B. Rubilizi Dairy Contribution

Rubilizi Dairy is contributing the skills and time of its employees to the implementation of the EDI. In addition, Rubilizi Dairy will continue paying salaries and wages for its staff, including the Administration Manager and Production Manager, as well as meet all administrative and production costs (including insurance and banking, communication expenses, printing and stationery, motor vehicle running expenses, factory operation expenses) other than those financed as specified in Appendix A-1 to this Agreement.

IV. Investment Goal

The investment goal is to build Rubilizi Dairy's management capacity, increase operational efficiency and improve product quality in order to prepare the company for future expansion and sustained growth and generate increased incomes small holder dairy farmers and their communities.

V. Investment Purpose

The investment purpose is to improve Rubilizi Dairy's prospects for sustained expansion as indicated by a business plan that USADF deems suitable for funding by a donor or other financier.

VI. Investment Outputs

A. Business Plan and Market Development

A business plan that includes the following elements

- A selling and distribution strategy that enables Rubilizi Dairy to expand its client base;
- Projected financial results that support the proposed investment in the business plan; and
- A full analysis of the benefits small milk producers receive from selling their milk to the dairy.

B. Production

- A functioning laboratory in place
- Pasteurizer and milk cooling system repaired and functioning
- Performance according to Hazard Analysis and Critical Control Point (HACCP) system and in compliance with Rwanda Bureau of Standards

C. Marketing

- A qualified Marketing Manager recruited
- Prompt monthly payment and market prices for farmers maintained

D. Management Systems

1. Management Team

- An efficient and fully functioning management team in place comprising of a qualified Managing Director, Laboratory Manager, and Accountant

2. Finance/Accounting Systems

- Accounting policies and procedures manual in place
- Accounting software installed and functioning

3. Human Resources
 - Capacity building through staff training in quality and milk handling standards and food safety, dairy business management, accounting software training, production and equipment maintenance, and environmental management and protection
4. Environmental Review
 - Development of environmental manual
 - Acquisition of a Certificate of Environmental Compliance from the Rwanda Environmental Management Authority (REMA)

E. Governance

- An expanded Board comprising business people and dairy experts
- A plan for, and beginning steps taken towards, expanding shareholding to cooperatives and dairy farmers

VII. Activities

A. Product Development

- Train Rubilizi Dairy staff and implement a Hazard Analysis and Critical Control Point (HACCP) system
- Test and determine milk hygiene status
- Train staff in production and equipment maintenance
- Train staff in dairy business management
- Train staff in accounting software
- Provide extension services and training to dairy farmers

B. Marketing

- Increase distribution coverage
- Analyze price points
- Assess customer demand and satisfaction
- Conduct competitor analysis
- Develop marketing strategies

C. Management Systems

1. Finance and Accounting
 - Review the current finance/accounting systems
 - Develop an accounting and finance manual
 - Procure computer equipment and appropriate accounting software

2. Governance Issues
 - Create a strong and functioning Board of Directors
 - Develop the plan to expand shareholding to cooperatives and dairy farmers
 - Train the board in its roles and responsibilities

D. Develop an Environmental Manual

- Contract a registered environmental consultancy firm to develop the manual
- Train staff in environmental management and protection

VIII. Roles and Responsibilities of the Parties

The USADF Partner in Rwanda will provide the standard USADF training in bookkeeping, monitoring, and assessment.

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

Rubilizi will provide training and extension services to individual dairy farmers as well as through the cooperatives. The farmers will gain skills in livestock management which will improve both the quantity and quality of milk produced.

IX. Monitoring and Evaluation

The USADF Partner in Rwanda will closely monitor the activities of Rubilizi Dairy to ensure proper reporting and 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 or alternate will be an important aspect of the ongoing coaching and advisory service. The Partner will review Rubilizi Dairy quarterly reports and will submit comments and observations to the management of Rubilizi Dairy as a part of the on-going performance assessment.

X. Other Implementation Issues

Rubilizi will ensure that the farmers are being compensated in a timely and equitable manner.