

**APPENDIX A:  
PROJECT DESCRIPTION  
Nyirefami Limited– Arusha, Tanzania**

**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**

Nyirefami Limited, a privately owned grain flour and processing company, has become profitable by concentrating on quality while managing its costs and paying good salaries. Most of its employees have been with the company for more than ten years. The types of grains sold by Nyirefami are staple food for 75 percent of the population in Tanzania and neighbouring East African countries, and the Company's products are recognized as providing a balanced nutritional meal, particularly for mothers and young children.

Nyirefami is now poised for further growth. To expand its production and sales, Nyirefami must strengthen its management capability, and improve its distribution and marketing systems.

**III. Funding**

**A. USADF Contribution**

The financial plan for USADF'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 USADF's contribution to exceed the obligated amount specified in Article 4, section 4.1 of the Agreement.

**B. Client Contribution**


Nyirefami will contribute a total of Tanzania Shillings (TZS) 163.2 million in the form of equity capital and 25 percent retained earnings reinvestment towards the proposed investment expansion total costs of TZS 472.7 million.

**IV. Investment Goal**

The goal of the Nyirefami investment is to improve the standard of living for residents of the Arusha region.

**V. Investment Purpose**

The main purpose of the investment is to increase the incomes of Nyirefami, its employees, and the local farmers who supply Nyirefami its raw materials.

USADF  Nyirefami \_\_\_\_\_

- A. Nyirefami's net income before tax and depreciation will increase from the current baseline of TZS 13,801,373 to:
- TZS 88,988,334 in Year I;
  - TZS 117,031,752 in Year II;
  - TZS 141,655,680 in Year III;
  - TZS 205,189,773 in Year IV; and
  - TZS 290,244,786 in Year V.
- B. The total value of salaries paid to employees will increase from a baseline of TZS 10,117,400 to:
- TZS 23,880,000 in Year I;
  - TZS 26,067,600 in Year II;
  - TZS 40,905,672 in Year III;
  - TZS 43,742,105 in Year IV; and
  - TZS 46,651,256 in Year V.
- C. Purchases of raw materials from local farmers will increase from the current baseline of TZS 171,349,979 to:
- TZS 214,265,496 in Year I;
  - TZS 236,411,556 in Year II;
  - TZS 272,700,318 in Year III;
  - TZS 327,240,282 in Year IV; and
  - TZS 387,924,072 in Year V.

## VI. Outputs

The major output of the investment will be to increase Nyirefami's capacity to produce high quality processed grain products that capture a growing and more demanding East African market, as evidenced by the following indicators:

- A. Nyirefami's sales revenue will increase from the current baseline of TZS 255,661,500 to:
- TZS 301,283,000 in Year I;
  - TZS 357,924,204 in Year II;
  - TZS 444,541,861 in Year III;
  - TZS 576,126,252 in Year IV; and
  - TZS 746,659,623 in Year V.
- B. Nyirefami's expected growth will generate the following employment opportunities from the current baseline of 24:
- 24 total full-time employees (FTEs) in Year I;
  - 28 total FTEs in Year II (four additional jobs);

- 38 total FTEs in Year III (ten additional jobs);
  - 40 total FTEs in Year IV (two additional jobs); and
  - 42 total FTEs in Year V (two additional jobs).
- C. Improved production efficiency as indicated by an increase in:
- the processing (dehulling and destining, cleaning and washing, drying, packaging, and bailing and batching) from 2 tons per day to 5 tons per day by Year 5 of the Project;
  - an increase in raw materials receiving and storage from 386 tons per year to 864 tons per year; and
  - milling for 1 ton per day to 5 tons per day.
- D. Nyirefami 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

Nyirefami processes finger millet, maize, sorghum, wheat and banana into flour. This Project will enable Nyirefami to improve its production efficiency and the quality of its products through the implementation of the following activities:

- hiring of a production manager and equipment operators to oversee the implementation of key production activities and the sourcing of raw materials;
- switching from manual to mechanized techniques for the de-stoning, packaging, and drying steps in the production process;
- entering into contracts with local farmers and other suppliers and transporters to ensure a reliable and source and timely delivery of raw materials and inventory to support year-round production;
- training employees critical areas including equipment use and maintenance, productivity, input/output planning and synchronization, safety and quality control, and environmental safety;
- assessing production efficiency, and input-output relationship including workers' productivity; and
- assessing improvement in product quality, including flour fortification.

### B. Market development and product promotion

Nyirefami will hire a marketing and sales specialist to lead the implementation of its marketing plan. Marketing activities will include the following:

- analyzing supply and demand in the flour business;
- developing a strategy to increase Nyirefami's competitiveness and market share;
- designing new trade fare promotional materials;

- developing a strategy for media-based advertising;
- developing and promoting a unique brand name for the company's products; and
- training and technical assistance in market research and development product development and branding, product promotion, and value chain analysis.

C. Management improvement

Nyirefami will hire a fulltime production manager and accountant in addition to the marketing and sales specialist. Along with the managing director, they will coordinate the implementation a management improvement plan that will include the following activities:

- developing and improving financial and information systems;
- developing raw material sourcing and contracting plans;
- developing production and systems improvement strategies;
- marketing systems development (value chain analysis, product branding, promotion, customer relations, and so on); and
- providing training and technical assistance in planning, budgeting, financial management cost management and accounting, and entrepreneurship.

## VIII. Roles and Responsibilities of the Parties

The managing director, production staff, and distribution and marketing personnel of Nyirefami hold primary responsibility for implementation of the Project activities as planned. The USADF Partner in Tanzania will play a lead role in holding the enterprise accountable for meeting production and training milestones. In addition, the USADF Partner will provide Nyirefami with technical and management assistance during implementation.

The owners of Nyirefami are committed to exploring an improved supply model for raw materials. The USADF Partner will hold Nyirefami accountable for developing a sourcing strategy that includes closer links to the poor farmers growing grains, mainly sorghum and millet.

## IX. Monitoring and Evaluation

Within sixty days of the effective date of this Agreement, the Client, working with the USADF Partner, will form a monitoring and assessment committee composed of a representative cross-section of the Client's organization. The committee will provide the Partner input for the Project monitoring plan. In addition, during implementation, the committee will have responsibility for ensuring that the Project follows the implementation plan, and that problems identified through monitoring and evaluation are properly addressed in a timely manner.