

PROJECT DESCRIPTION

Natureripe Mangos and Cashews

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

Natureripe Kilimanjaro Limited (NKL) is a privately owned mango and cashew marketing and production company that produces high quality, locally grown mangos and cashews for a strong domestic and expanding export market. NKL works closely with local growers in the primarily Muslim coastal regions of Tanzania. To take advantage of these growth opportunities, NKL must expand its production and sales, strengthen its management capability, improve governance, increase its working capital, improve its distribution and marketing systems, and continue to assist farmer suppliers with the development of outgrowers associations, training and technology advancements.

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

B. Client Contribution

Natureripe will contribute 10 percent of the overall investment requirement, which is the equivalent of Tanzania Shillings (TZS) 31,909,341, in the form of equity capital and retained earnings.

IV. Project Goal

The goal of the Project is to improve the standard of living for residents of the Pwani, Illala, Tanga, Mtwara and Lindi regions of Tanzania where Natureripe's employees and suppliers reside.

ADF  NKL _____

V. Project Purpose

The main purpose of the Project is to increase the incomes of Natureripe, its employees, and the local farmers who supply NKL with mangos and cashews.

- A. Natureripe's net income before interest, tax and depreciation will increase from the current baseline of TZS 4,692,801 to the following:
1. TZS 23,374,374 in Year I;
 2. TZS 46,204,537 in Year II;
 3. TZS 84,464,960 in Year III;
 4. TZS 130,056,619 in Year IV; and
 5. TZS 176,465,099 in Year V.
- B. The total value of salaries paid to employees will increase from a baseline of TZS 30,874,781 to the following:
1. TZS 42,893,400 in Year I;
 2. TZS 55,454,058 in Year II;
 3. TZS 59,335,842 in Year III;
 4. TZS 63,489,351 in Year IV; and
 5. TZS 67,993,606 in Year V.
- C. Purchases of raw materials from local farmers will increase from the current baseline of TZS 93,233,350 to the following:
1. TZS 159,950,754 in Year I;
 2. TZS 192,701,562 in Year II;
 3. TZS 240,876,953 in Year III;
 4. TZS 301,096,191 in Year IV; and
 5. TZS 376,370,239 in Year V.

VI. Outputs

The major output of the investment will be to increase Natureripe's capacity to produce high quality mangos and cashews to capture growing Tanzanian and export markets, as evidenced by the following indicators.

- A. Natureripe's sales revenue will increase from the current baseline of TZS 177,994,697 to the following:
1. TZS 252,996,765 in Year I;
 2. TZS 330,919,769 in Year II;
 3. TZS 425,629,006 in Year III;
 4. TZS 533,525,960 in Year IV; and
 5. TZS 639,697,625 in Year V.
- B. Improved production efficiency as indicated by an increase in volume from the current baseline 53,623 Units to the following:

1. 68,751 Units in Year I;
2. 82,501 Units in Year II;
3. 103,127 Units in Year III;
4. 128,908 Units in Year IV; and
5. 161,135 Units in Year V.

VII. Activities

The proposed Project activities are as follows:

A. Production Expansion

1. Improve NKL's access to raw materials and its supplier relationships by preparing or updating raw materials supply contracts; assessing the type and quantities of raw materials required, current constraints and other supply issues; assessing the readiness of current suppliers to forge a closer partnership with NKL; and developing and pursuing sourcing strategies with supply intermediaries and farmer groups, including the establishment of outgrowers associations, and training in best agricultural practices to improve quality.
2. Procure and test production equipment, hauling truck, and other machinery needed to expand production.

B. Market Development and Product Quality Improvement

1. Analyze value chain including supply and demand analysis, profitability across the value chain, competitiveness assessment, and product distribution and customer care.
2. Conduct market analysis including: design of new trade fare promotional materials; website design and promotion; development of strategies for media-based advertising and for targeted niche marketing including institutional customers.
3. Improve product branding, packaging, promotion and advertising.
4. Identify market buyers and establish linkages.

C. Technical assistance and training in production planning and product quality improvement.

1. Assess production efficiency and input-output relationship including worker productivity.
2. Improve the irrigation system of NKL's mango seedlings nursery by exploring the use of drip irrigation.
3. Train farmer suppliers in better agricultural practices in order to improve product quality and move toward attainment of product certification including organic certification.
4. Train production staff in the use and maintenance of the new equipment.
5. Train employees on safety and environmental issues including safe use and disposal of agro-chemicals.

- D. Financial Management Systems Development and Improvement
 - 1. Train staff in financial management cost and accounting principles.
 - 2. Formulate a business financing strategy.

- E. Monitoring and Evaluation (M&E) Systems Development
 - 1. Select and train a Project M&E committee.
 - 2. Develop and verify Project performance indicators, baseline and targets.
 - 3. Monitor Project implementation.
 - 4. Assess and report Project performance.
 - 5. Identify and document Project lessons learned.
 - 6. Assess Project impact.

VIII. Roles and Responsibilities of the Parties

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

The owners of Natureripe are committed to exploring an improved supply model for raw materials. The ADF Partner will hold Natureripe accountable for developing a sourcing strategy that includes the development of a fully functional and efficient mango outgrowers association and closer links to village-level cashew processors.

IX. Monitoring and Evaluation

Within sixty days of the effective date of this Agreement, Natureripe, working with the ADF Partner, will form a monitoring and assessment committee composed of a representative cross-section of Natureripe'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.