

PROJECT DESCRIPTION
Fruitropic Capacity Development
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

Fruitropic, founded in 2006, is a small artisanal-style business located in Bujumbura that employs more than twenty people. Working through intermediary suppliers, Fruitropic purchases passion fruit, pineapples, and strawberries from approximately 400 farmers and transforms them into juices, concentrates, and jams for local markets. The demand for Fruitropic products has increased significantly since 2006 and demand continues to outstrip the amount the company can produce. To continue to expand its business, Fruitropic needs assistance to strengthen its management and financial systems, improve the quality of its products by meeting government food safety standards, improve its supply chain and marketing capacity, and increase overall production.

III. Funding

A. ADF Contribution

The financial plan for ADF'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 8 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. Fruitropic Contribution

Fruitropic will contribute its assets towards the implementation of the project and the time, skills, and labor of its staff. Fruitropic will continue to pay annual salaries for those employees not covered by ADF and annual operational costs not covered by ADF including, but not limited to: rent; office space; wages for part-time unskilled workers; storage costs; electricity and water. In addition, although ADF will cover the full gross salaries for the first 12 months after the date of hire for the accountant and the agronomist, Fruitropic will cover the full gross salaries for these positions after ADF funding has ended.

IV. Project Goal

The goal of this Project is to promote the development of small-scale agricultural enterprises and improve the standard of living for Fruitropic employees and farmers in Cibitoke, Muramvya and Kayanza provinces that supply Fruitropic.

V. Project Purpose

The purpose of this Project is to improve Fruitropic's prospects for expansion as demonstrated by the development of a business plan that ADF deems suitable for funding by a donor or other financial institution.

VI. Project Outputs

- A. Improved business systems as demonstrated by the establishment of automated financial management and accounting systems that meet ADF requirements and routinely produce records and reports for the Board of Directors' and management team's use in decision making.
- B. Fruitropic business expands as demonstrated by increased annual sales revenues from BIF 90,000,000 in 2008 to:
 - 1. BIF 107,000,000 in Year 1; and
 - 2. BIF 129,000,000 in Year 2.
- C. Increased agricultural skills and passion fruit production as demonstrated by well-managed nurseries with disease-free plantlets, use of recommended planting techniques and harvesting at the appropriate time.
- D. Improved Fruitropic quality control systems as demonstrated by ensuring that Fruitropic products are certified by the Bureau Burundais de Normalisation (BBN).

VII. Project Activities

Fruitropic will implement the following major activities:

- A. Improve Fruitropic's prospects for expansion and increased revenue by developing a five-year business plan that includes the following:
 - 1. an analysis of current juice production and options for increasing production and quality;
 - 2. a review of production costs and recommendations for their reduction;
 - 3. a marketing strategy intended to add new buyers in Bujumbura and in other areas of the county; and
 - 4. an integration of the entire supply chain to cover production, logistics, and marketing, and recommend required investments.
- B. Strengthen Fruitropic's financial management system by:
 - 1. procuring accounting software and training staff to manage an automated accounting system;
 - 2. developing and implementing an administrative and financial procedures manual; and
 - 3. hiring of an accountant.
- C. Improve supplier farmers' technical skills and production capacity by providing:
 - 1. training in good agricultural practices;
 - 2. training in safe chemical use, storage and disposal;
 - 3. a study tour opportunity to similar projects and/or companies;
 - 4. passion fruit nurseries to give farmers treated seeds; and
 - 5. an agronomist for technical mentoring.
- D. Strengthen the supply chain by working with the lead supplier to establish a direct relationship between fruit suppliers and Fruitropic and organize farmers into three associations. Farmer groups will have an executive committee that will serve as a mini-selling committee to support the association members in record keeping and managing revenues generated through sales of fruits.

E. Improve Fruitropic's quality control systems by:

1. training workers in food processing and product quality standards;
2. undergoing product quality testing by the Centre National de Technologie Alimentaire (CNTA);
3. obtaining a certification from Bureau Burundais de Normalisation (BBN); and
4. improvement of Fruitropic's procurement system for passion fruits resulting in higher quality fruit and less wastage by creating direct purchasing linkages and technical exchanges between Fruitropic and the farmers who supply them.

VIII. Roles and Responsibilities

ADF's Partner in Burundi will provide the standard ADF Training in bookkeeping, monitoring and assessment. Fruitropic is responsible for ensuring the proper management and implementation of the Investment. The ADF Partner in Burundi will provide Fruitropic with technical and management assistance during implementation.

IX. Monitoring and Evaluation

ADF's Partner in Burundi will closely monitor the activities of Fruitropic 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 risk and take remedial actions as needed. Monitoring by the Partner will be an important aspect of the on-going coaching and advisory service. The Partner will review Fruitropic's quarterly reports and will submit comments and observations to the management of Fruitropic as part of the on-going performance assessment.

X. Other Implementation Issues

In Year 1 of the Project, Fruitropic will identify qualified individuals and add new members to its Board of Directors. A diverse and highly skilled board of governance will support Fruitropic's business and technical decisions and improve its future ability to expand.

Fruitropic will maintain a revolving fruit purchase fund to allow them to keep at least one month's stock of raw materials and supplies on hand for production so that they will be able to maintain their production capacity at times of the year when costs are at their highest. They will also develop transparent criteria for farmers to access cash advances on their future sales of fruit.

Within the first three months of his contract signing, the agronomist hired by Fruitropic will develop a comprehensive plan for training the farmers in best agricultural practices, nursery management and in the safe handling of chemicals.