

**PROJECT DESCRIPTION****Traditional Goat Cheese Production and Marketing****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 Appendix A shall be construed as amending any of the definitions, conditions, or terms of the Agreement.

**II. Background**

The Associação para Desenvolvimento Integral de Rui Vaz (ADIRV) is a registered cooperative society, located in the community of Rui Vaz, Cape Verde. It has 170 members, including 90 women. The introduction of milk-producing goats from the Canary Islands to Cape Verde's Municipality of São Domingos (where Rui Vaz is located) has led to higher demand for goat cheese in Cape Verde than the current supply provides. ADIRV wishes to meet the new market demand by processing raw milk into goat cheese, but is constrained by a lack of working capital, poor management capacity, and weak technical production skills.

**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. ADIRV Contribution**

ADIRV's contribution to the Project is valued at CVE 527,489 and consists of voluntary labor for new construction and infrastructure rehabilitation work.

**C. European Union**

The European Union's contribution to the Project is valued at CVE 9,213,140 and includes goats purchased from the Canary Islands, pasturage, animal feed, milk processing equipment, and farmer members' training in goat cheese processing techniques.

**IV. Project Goal**

The goal of this project is to improve the standard of living of Rui Vaz residents.

**V. Project Purpose**

The purpose of this project is to increase the income of ADIRV and its individual farmer members. The following indicators will be used to track the achievement of this purpose.

- A. ADIRV's annual revenue will change from a baseline of CVE 9,743,914 in 2008 to:
  - 1. 14,385,357 CVE in Project Year 1;
  - 2. 16,440,710 CVE in Project Year 2;
  - 3. 17,161,129 CVE in Project Year 3;
  - 4. 17,922,078 CVE in Project Year 4; and
  - 5. 18,726,058 CVE in Project Year 5.
  
- B. Average annual incomes of ADIRV's farmer members will change from a baseline of 13,779 CVE in 2008 to:
  - 1. 30,130 CVE in Project Year 1;
  - 2. 44,046 CVE in Project Year 2;
  - 3. 46,951 CVE in Project Year 3;
  - 4. 50,048 CVE in Project Year 4; and
  - 5. 53,349 CVE in Project Year 5.

**VI. Project Outputs**

A. Production Capacity

The major output of the project is that ADIRV will have the capacity to produce and sell a higher quality and volume of goat cheese.

- 1. ADIRV's annual cheese production will change from a baseline of 2,945 kg to:
  - a. 4,954 kg in Project Year 1
  - b. 7,134 kg in Project Year 2
  - c. 7,490 kg in Project Year 3
  - d. 7,865 kg in Project Year 4
  - e. 8,258 kg in Project Year 5

ADF      ADIRV     

*Handwritten signatures and initials:*  
A large signature is written over the ADIRV line.  
Below it, another signature is written.  
To the left, the initials "A.L." are written.

## APPENDIX A

2. ADIRV's annual revenue from goat cheese sales will change from a baseline 2,356,200 CVE to:
  - a. 5,152,160 CVE in Project Year 1
  - b. 7,531,881 CVE in Project Year 2
  - c. 8,028,684 CVE in Project Year 3
  - d. 8,558,256 CVE in Project Year 4
  - e. 9,122,758 CVE in Project Year 5
- B. ADIRV will strengthen its fiscal and social responsibility as demonstrated by its compliance with the Re-Investment Commitment Schedule as set forth in Appendix A-2 to this Agreement.

### VII. Activities

#### A. Production

##### 1. Working Capital

ADIRV will purchase necessary inputs, including cheese ingredients, packaging supplies, and building maintenance and insurance costs, by March 2009.

2. By February 2009 ADIRV will procure cheese processing equipment for its cheese production facility.

#### B. Management and Operations

##### 1. Marketing

ADIRV will hire a consultant to develop a market strategy by December 2008 and implement it by June 2009. To enhance sales of goat cheese, ADIRV will promote its product by placement of ADIRV goat cheese in identified selling points and direct consumption sites, ( i.e. hotels, restaurants, bars, etc.) and actively promote sales through product branding, T.V. and radio advertising campaigns, and by setting competitive prices.

##### 2. Operations

ADIRV will improve its internal systems by establishing a manual of procedures for different activities within the cooperative society. It will be prepared by a consultant hired specifically for the purpose.

C. Training and Technical Assistance

1. ADIRV will hire a consultant to train a Food Engineer, and Nutritionist to train cheese processing workers on cheese production techniques. By January 2009 the Livestock Specialist will train the farmer members in animal feeding, husbandry, goat behavior, and herd management.
2. ADIRV will hire a consultant to train its business manager and accounting assistant in sound financial management practices.
3. ADIRV will hire a Business Manager, Accountant, Cheese Maker Chief, and an Assistant Cheese Maker.
4. The European Union will provide 3 months training on cheese production to ADIRV staff, and its members. Farmer members will receive updated information on cheese-making techniques including milk chemistry, microbiology, and food safety.

D. Environmental Study

Within the first nine (9) months of the project (the period before scaled-up operations are expected to begin), ADIRV will arrange for the completion of an environmental impact assessment meeting the requirements of the Government of Cape Verde. ADIRV will implement any environmental mitigation measures required by the Government prior to beginning scaled-up operations.

**VIII. Roles and Responsibilities of the Parties**

ADIRV will be in charge of planning and executing activities retained in the work plan and the Management Team will be accountable for project disbursements.

**IX. Monitoring and Evaluation**

ADF's Partner in Cape Verde will closely monitor the activities of ADIRV to ensure proper reporting, adherence to the project implementation plan, and progress towards the achievement of Project objectives. The Partner will continuously assess the Project's risks 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 ADF's quarterly reports and will submit comments and observations to the management of ADIRV as a part of the on-going performance assessment.

ADF

*LP*  
ADIRV

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Investment No. 1836-CDE

*AVG*  
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