

APPENDIX A
PROJECT DESCRIPTION

Ikirezi – Natural Plant Products
Rwanda

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 shall be construed as amending any of the definitions, any of the definitions, conditions, or terms of the Agreement

II. Background

Geranium oil is a segment of the broader essential oils market, which is defined as volatile aromatic compounds derived from plants. Essential oils are primarily used in flavors and fragrance products. The worldwide market for geranium oil is estimated at 250 tons and has been growing at a compound annual growth rate (CAGR) of 4.0 percent since 1999. The most sought after variety oil is produced from a variety of geranium known as *bourbon* geranium. The average price per kilogram of geranium oil is \$50.00. The average price per kilogram of high-grade, certified organic oil produced from *bourbon* geraniums is \$100.00.

IKIREZI Natural Products is a for profit legal entity known as a SARL (Société par Actions à Responsabilité Limitée) under Rwandan law. It was registered on August 5th, 2005, and is in the final stages of completing the process. The Company provides technical assistance and services to farming cooperatives engaged in the certified organic cultivation of high grade *bourbon* geraniums. The company maintains quality controls and processes the leaves into oil for sale on the export market. As such Ikirezi works to increase farmers' incomes and provide access to the lucrative essential oils market. However, the Company currently lacks the organizational capacity to plan for future growth and investment, and a more in-depth understanding of the essential oils market. Assistance will facilitate their development as an organization and as a commercial enterprise.

III. Funding

A. ADF Contribution

The financial plan for ADF's contribution is set forth in Appendix A-1 to this Agreement. 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 3, Section 1 of the Agreement

ADF

Grantee

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B. Grantee Contribution

Ikirezi (the Grantee) will contribute the Company's existing fixed assets, as well as technical expertise and labor.

IV. Project Goal

The goal is to provide sustainable incomes and improve the livelihood of Rwandan smallholder farmers.

V. Project Purpose

To purpose is to prepare Ikirezi for future growth and investment by facilitating their development as an organization and as a commercial enterprise.

At Project's end, Ikirezi will have a business expansion plan suitable for donor funding and possess the capacity as an organization to implement it as indicated by:

- A. Ikirezi board, critical management, and staff are in-place and are functioning effectively in their respective capacities;
- B. Ikirezi establishes requisite financial management and operational systems; and
- C. Ikirezi geranium farmers are able to increase production and meet the high quality standards of the international specialty essential oils industry.

VI. Project Outputs

- A. Comprehensive five-year business plan, with financial analysis that demonstrates the long-run profitability of Ikirezi, developed, as evidenced by:
 1. comprehensive business growth and expansion plan, which is deemed suitable for funding by ADF;
 2. detailed marketing strategy and plan is developed; and
 3. shareholding diversification plan formulated.
- B. Governance strengthened and management systems and plans developed and operational as evidenced by:
 1. the Board is expanded from three to at least five members and the roles of the Board members are clearly defined and formally adopted;
 2. the Board meets at least twice annually;
 3. a manual of financial and administrative procedures is established by Project end;
 4. a standard agreement formulated with farmers for production and purchase of raw material is in use; and
 5. Ikirezi's own operational costs (collection, processing, marketing, etc.) are fully defined and a fair price for these services to the geranium cultivating farmers is established.

C. Management and technical capacity strengthened as evidenced by:

1. a full complement of key staff hired;
 - Production/processing supervisor;
 - Finance director/qualified accountant;
 - Quality assurance officer;
 - Export/logistics officer; and
2. job descriptions established for all full-time staff.

D. Geranium production and processing capacity are improved as evidenced by:

1. training modules developed and training provided to participating farmers on:
 - Production and harvesting
 - Organic farming
 - composting
 - Bio-pesticide
 - Green manure/mulch
 - Post harvest care of plant material
 - Nursery production
 - Environmental management
 - Cooperative management
2. land under geranium cultivation expanded to 100 hectares by end of project;
3. one new distillation unit established and operating; and
4. average geranium oil yields at least 0.2%

VII. Major Activities to be funded under this Agreement

RWASHOSCCO will apply ADF support towards the following main activities:

- recruit and hire qualified management and technical personnel;
- develop business plan
- recruit and hire a company to perform an in-depth analysis of the geranium oil segment of the world essential oils market;
- develop operational systems and procedures;
- develop and institute training modules, including a strong curriculum and training program;
- train participating farmers in the technical aspects of production, harvesting, organic farming, composting, bio-pesticides, green manure and mulch, post-harvest best practices, nursery production, environmental management, and cooperative management;
- obtain organic certification for all Ikirezi geranium producing farmers; and
- perform research and development to maximize future yields and increase quality.

VII Roles and Responsibilities of the Parties

The Grantee has primary responsibility for ensuring that Project activities are properly implemented. Within Ikirezi, the Board of Directors will be the highest decision making body. It will determine strategies, policies, and the direction of the business.

IX. Monitoring and Evaluation

Within sixty days of the effective date of the Agreement, the Grantee will form a monitoring and assessment committee composed of a representative cross-section of the Grantee's organization. The committee will prepare for ADF the Project monitoring plan. In addition, during implementation, the committee will have responsibility for ensuring that the Project follow the implementation plan, and that problems identified through monitoring and evaluation are properly addressed in a timely manner.