

PROJECT DESCRIPTION

COTRAGAGI Tea Production Improvement

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

Coopérative Theicole de Ramba Gaseke et Giciye.(COTRAGAGI) is a registered tea growers cooperative operating in Ramba, Gaseke, and Giciye Sectors of Ngororero and Nyabihu Districts, in the Western Province of Rwanda. The cooperative's membership has 1,280 members including 740 males and 540 females. Members of the cooperative grow tea on individual plantations and collectively and are required by the Government of Rwanda sell all of the green leaf tea to Rubaya Tea Factory, and the Factory is required to buy all its green leaf tea from COTRAGAGI.

Currently, Rubaya Tea Factory has the capacity to process 30 metric tons (mt) of tea leaf per day but only receives ten mt from COTRAGAGI members. Furthermore, Rubaya is undergoing an expansion which will by the end of the year enable it to process 60mt of green tea leaf per day. COTRAGAGI farmers have not yet met Rubaya's demand for green leaf tea and would like to take advantage of this opportunity. To meet this demand, the cooperative needs to improve yields and the quantity of green tea leaves.

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 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. COTRAGAGI Contribution

COTRAGAGI will contribute the labor of its staff and members in the implementation of the EDI. COTRAGAGI will pay salaries of its existing staff, 50 per cent of the salary of the logistics manager (to be recruited) for six months, fuel, insurance, and maintenance cost for the motorcycles plus water and electricity bills. In addition, the cooperative will contribute RWF 4,250,500 towards the establishment of the tea nursery.

IV. Project Goal

The goal of the project is to promote the growth of small scale agricultural enterprises that increase income for poor smallholder farmers in Rwanda.

V. Project Purpose

The purpose of the project is to improve COTRAGAGI's prospects for sustained expansion as indicated by the development of a comprehensive five-year business plan that ADF deems suitable for funding by a donor or other financial institution.

VI. Project Outputs

- A. Improved Production and Technical Capacities
 1. Yields per hectare per month increase from 629kgs in 2007 to 673kgs in 2009
 2. Seventy farmers are cultivating an additional 43 hectares of high quality green leaf tea seedlings grown at the COTRAGAGI tea nursery
 3. Sixty lead COTRAGAGI farmers master modern tea farming production techniques as evidenced by the production of high quality green leaf tea
- B. Improved Management and Business Systems Capacities
 1. Automated financial management and accounting systems routinely produce records and audits reports
 2. The Board and Management use financial and accounting reports in its decision making

VII. Project Activities

COTRAGAGI will ensure the following major activities are implemented with the assistance of consultants where necessary.

A. Production

Tea nursery - To provide COTRAGAGI farmers access to high quality seedlings which are critical to the expansion of the farmers tea plots, the project will establish a tea nursery. COTRAGAGI has a written commitment from one of its members to donate the land for the nursery. To ensure a high quality green leaf tea leaves, cuttings from the best variety of tea bushes owned by Rubaya Tea Factory will be used by COTRAGAGI and raised into seedlings. There are 815 members who have less than one hectare of tea plantation. The seedlings from the nursery should be enough to enable 70 cooperative members with the smallest tea plantations to move up to at least one hectare of cultivation. (The business plan will provide strategies for moving the other 741 members up to least a hectare each). All cooperative members will contribute labor to establish the tea nursery and the production manager and agronomists will provide technical expertise, including clearing the land. Additional nursery activities include constructing shades, collecting black soil, planting cuttings in polythene bags and arranging the bags in nursery beds.

B. Management and Operations

1. Business Plan - A five year business plan will be developed that:
 - analyzes current tea production and post-harvest handling practices and explores options for increasing the volume and quality of green leaf tea produced by COTRAGAGI farmers;
 - reviews current production costs and makes recommendations;
 - identifies strategies that will enable each smallholder cooperative member to cultivate a minimum of one hectare of tea by:
 - (a) developing the mechanism for tea seedling distribution to at least 700 additional farmers
 - (b) exploring options for cost recovery of the seedlings distributed for continual expansion and replenishment of old bushes;
 - projects growth and return on investments;
 - explores options for increasing membership fees and increasing benefits to members; and
 - develops indicators that track benefits to cooperative members and the community.
2. Logistics management - To improve operational and administrative functioning, the cooperative will hire a logistics coordinator to establish and implement a records management system that will also cover staff and member records and records maintenance, establish contracting and procurement procedures, and develop and implement programs for expanding membership.

C. Training and Technical Assistance

1. Tea Cooperative management - To enhance the production of high quality green tea leaf, the Cooperative will engage a consultant to upgrade the skills of management team and board members in the management of tea cooperatives.
2. Tea Nursery management - The cooperative's management team and the agronomists will receive training in modern tea farming techniques and tea nursery management.
3. Tea Production - Three months of training will be provided to 60 lead farmers by the expert consultant, FERWACOTHE, in good agricultural practices with emphasis on quality green leaf tea production. The lead farmers will in turn train other cooperative members in their respective groups.
4. Business systems formalization - COTRAGAGI will strengthen its financial, management and reporting systems by: developing an administrative and accounting procedures manual; procuring and implementing an accounting software system; and procuring computers and other information technology equipment and train staff on its use. External auditors will conduct a financial audit of the cooperative and issue a report.

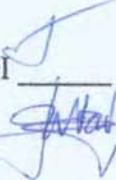
VIII. Roles and responsibilities

ADF's Partner in Rwanda will provide the standard ADF training in bookkeeping, monitoring and assessment. COTRAGAGI is responsible for ensuring the proper management and implementation of the Grant. The ADF Partner in Rwanda will provide COTRAGAGI with

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technical and management assistance during implementation. The Cooperative will also ensure that all Terms of Reference (TOR) for consultancies are developed in collaboration with the ADF Partner organization.

IX. Monitoring and Evaluation

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

X. Other Implementation issues

Rubaya Tea Factory will provide the cuttings from its best variety of tea bushes to COTRAGAGI to raise into seedlings.

The cooperative will conduct a membership recruitment drive targeting outgrowers to become cooperative members.

