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ADAR PROJECT 2006 THIRD QUARTER PROGRESS REPORT

JULY 1 TO SEPTEMBER 15, 2006

ADAR RWANDA AGRIBUSINESS DEVELOPMENT ASSISTANCE

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**ADAR Project
2006 Third Quarter Progress Report
▪ July 1 to September 15, 2006 ▪**

INTRODUCTION

Overview

This document represents the progress report for ADAR's activities during the third quarter of 2006, and is moreover the tenth quarterly report since the option was exercised in December 2002 to extend the project for an additional period of three years. This report covers the period from 1st July through 15th September 2006, and will be the last quarterly report as the project will close out by 15th September 2006.

ADAR - Agribusiness Development Assistance to Rwanda - is a USAID funded project. It is a key activity contributing to the achievement of USAID/Rwanda's Strategic Objective Number 7 (SO7) to "expand economic opportunities in rural areas" in targeted commodities in order to improve household food security. The main Intermediate Result under ADAR is to expand agribusinesses. The three ADAR "Project Intermediate Results" (PIR) are to: 1) enhance performance of ADAR-assisted firms; 2) improve quality products from ADAR-assisted firms; and 3) improve access to financing for agribusiness firms., ADAR provides direct assistance to Rwandan entrepreneurs including producers, investors, promoters and exporters in order to achieve these results. The project helps clients increase productivity and competitiveness, improve product quality, and increase access to financing and markets. Emphasis is placed on agribusiness products eligible for export.

Quarterly highlights

Activities were winding down during the third quarter of 2006 as a result of the project's forthcoming closure in September. However, highlights include:

- § Follow-up of activities in the coffee sector for specific clients;
- § Administrative issues related to project closeout

THE COFFEE SECTOR

During the third quarter of 2006, Celestin Nizeyimana, an ADAR short term consultant, continued to provide support to a few clients. The project has been assisting the coffee washing stations of *Gatare, Karengera, Kayco, KMC, Kinunu, Migongo, Muhura, Nyandungu, Nkora, Ruyumba, Karengere, Mpembe, Sake* and *Shenga*. The assistance focused on the three following points :

- Cost accounting follow up ;
- Complying with C.A.F.E. practices standard;
- Marketing of the Rwandan coffee.

Follow-up to cost accounting training

The ADAR consultant, in working with the cws, paid particular attention to their accounting systems and figures. Financial transparency is required by STBX, and as part of the C.A.F.É. Practice Program (CPP), Starbucks Coffee Company (STBX) will review participating cws accounting practices by 30th September 2006. STBX will review the following cws accounting practices: *Gatare, Kayco, Migongo, Muhura, Nyandungu, Sake, KMC, Kinunu, Nkora* and *Karengera*.

The following table represents the results of the assisted cws.

Table 1 – Coffee production of ADAR assisted cws in 2006

CWS	Coffee cherries (T)	Parchment coffee (T)	Ratio cherries/ Parchement	Ratio parchement / Green coffee	Equivalent green coffee (T)
1. Gatare	529	106	4.9	80%	85
2. Karengera	668	155	4.3	61%	94
3. Kayco	678	109	6.2	72%	79
4. KMC	583	104	5.6	78%	81
5. Kinunu	924	185	5.0	80%	148
6. Migongo	922	158	5.8	75%	119
7. Muhura	576	108	5.3	76%	82
8. Nyandungu	184	30	6.1	77%	23
9. Nkora	750	153	4.9	80%	122
10. Shenga	110	22	5.1	80%	18
11. Sake	490	73	6.7	78%	57
12. Ruyumba	247	45	5.5	78%	35
13. Karengere	389	71	5.5	80%	57
Total	7050	1319	5.4	76%	1000

The average ratio of 5:4/kg for ADAR assisted cws together with the quantity of coffee produced allowed the 2006 crop to exceed that of 2005 and reach a production of 1,320 tons of fully washed parchment coffee, equivalent to 1,000 tons of green coffee, for export. A total export of approximately 2,000 tons of fully washed is expected by the end of 2006.

The following table represents the costs of parchment and the percentage retained by the cws owner.

Table 2 – Costs of parchment and green coffees

CWS	Cost of parchment coffee (\$ US / Kg)	Cost of green coffee		Farmers portion (%)	Number of farmers
		\$ US / Kg	\$ US / lb		
1. Gatare	1.72	2.57	1.66	71.6%	1279
2. Kayco	1.98	2.87	1.30	73.5%	485
3. Karengera	1.59	3.23	1.46	74.8%	520
4. Migongo	1.72	2.48	1.12	75.9%	909
5. Muhura	1.56	2.28	1.03	76.9%	500
6. Nyandungu	2.14	3.26	1.48	62.6%	200
7. KMC	1.88	2.57	1.17	73.0%	3300

At the level of the exploitation costs, analyses show that the revenue for green coffee varying between \$2.30 and \$3.20 per kilo, which corresponds to between \$1.04 and \$1.45 per pound.. The large part of the cost is distributed to the farmers since the cws receive at least 72% of the total cost of the green coffee production, with the exception of Nyandung. This helps motivate farmers to improve their level of qualitative and quantitative production. As a whole, each farmer could earn income of at least \$200 in the sell of coffee cherries to the cws.

The production costs seem to be increased due to the low yield of green coffee cherries being produced; due to the drought which occurred this year.

Marketing activities

During the third quarter, ADAR continued to promote Rwandan coffees through compliance with Starbucks C.A.F.E. Standard Practices (as follow-up of first and second quarter's activities) as well as inviting investors to Rwanda to become familiar with Rwandan coffee.

The ADAR consultant spent a lot of time with the nine cws which are going to be certified before 30th September by the local Rwandan hired by CERES. The cws were consistent in providing all requested information to the inspector. The nine stations - *Migongo, Nyandungu, Muhura, KMC, Kayco, Kinunu, Nkora, Gatare* and *Sake* - which sold a total of 16 containers of green coffee to Starbucks via Schluter SA, received from ADAR, a full financial account report by mid September. Starbucks requested the reports as a proof of better management. Schluter has agreed to cost share with ADAR, 50% of the consultant's cost for each report, and the suppliers will pay for their certification.

During the second week of August, ADAR hosted Mr. Maxime Christen's (Director of Schluter SA, visit to Rwanda to meet with his clients because of ADAR closeout. It was important for Mr. Christen to come to Rwanda to visit cws on the field, meet with OCIR Café and partners, and cup taste some coffees. While in country, Mr. Christen conducted a workshop with the project's clients, and the workshop proved to be useful.

ADAR also participated in the "2006 National Coffee Cupping Competition" organized by OCIR Café. Forty seven cws were competing and among the first five winners, four cws were ADAR assisted clients. *Bukonya* scored 1st with 87,2% followed by *Mibilizi* 87,1%, *Ngoma* 87,04% and *Mwasa* 86,8%.

Concerning the marketing, the below three important events happened during this reporting period:

- Introduction and sale of coffees to Japan from projects clients, following a July visit in Rwanda from the owner of ATAKA TRADING CY, a Japan coffee importer. 50 bags of *Gatare*, 50 bags of *Karengera* and 70 bags of *Miblrizi* were sold at a price USD 4,16/Kg FOB Mombassa... Very promising for the future.
- Sale of two containers of fully washed Robusta at USD 1,475/ton FOT Kigali, the highest price paid for a fully washed Robusta since 2000. Congratulation to *Kayco* cws and to the superior quality of its Robusta.

- Starbucks has selected and invited Christian Kaningu, the owner of *Kayco* station, to be the Starbucks Ambassador for Rwandan coffee. Starbucks financed his trip to Europe from September 16-27. Mr. Kaningu will go to Spain, the Netherlands, Germany, France and Switzerland to promote the new 100% Rwanda coffee that STBX has decided to sell all over Europe.

ADMINISTRATION

In the third and last quarter of ADAR, the Project Management Unit was involved in handling end of assignment procedures as well as the resignation and termination of local staff.

The Home Office greatly supported the project by providing all the tools to perform in the exit process of local staff and clients: visit of HO staff, inventory disposition plan, templates for close out documents, closeout check lists for local staff, end of staff evaluations, small grant cost sharing program, etc. Termination letters were sent out to landlords and other key services providers (guarding and computer services, facility providers, etc.)

From July 24-29, Mr. Jeremy Fisher a HO field accountant visited the ADAR office to assist in preparations for closeout. He conducted a final internal review of the project's field office financial records, bookkeeping and accounting systems. The day of his departure, he debriefed the staff to be sure that as little as possible remained outstanding and could be resolved before the closeout. At the end of August, Ms. Monique Mitchell from the PMU also visited the project to conduct an administrative audit regarding the closeout operations.

Editor Laurie Chamberlain from Chemonics Washington D.C. office visited ADAR in early June to conduct research for the project's final report. She met with a large number of project operators to gain a better understanding of project's achievements and impact on the Rwandan community. The expense for her trip was paid by Chemonics, and not billed to USAID.

Senior Vice President for the Africa Region, Mr. Erran Persley, visited the ADAR office for the close out celebration from Sept 5-10. Mr. Persley wrote in an e-mail to the Home Office: “My visit to Rwanda has been very enlightening and successful. A majority of the people that I have met in the public and private sector have praised the ADAR project and the ADAR team. We are now in discussions with the Government to complete a proposal that will allow Chemonics and the Government of Rwanda (I met the Ministry of Finance, Ministry of Commerce, Secretary General and President of RPSF) to continue the core activities of the ADAR project. The ADAR model has one that we would like to replicate throughout the continent”.

The Office Manager provided a detailed inventory disposition plan for all furniture/materials belonging to the project. Following USAID approval, a large portion was assigned to the four Business Development Services (BDS) centres implemented by RPSF. The remaining items will go to OCIR Café, Rwanda Fine Coffees Association, SPREAD project, IKIREZI association in charge of geranium oil production, etc.

On July 31st, four of the ADAR staff - the manager of the ABC, the Horticulture Agronomist for Bird’s Eye Chili sub-sector and two drivers were terminated. The driver logistician was recruited on 1st September by “The Millenium Village” project. The remaining nine are expected to leave the project by 15th September. The Administrative assistant and the accountant have been contacted for future employment opportunities.

The administrative team has been working on the packing out of the office files and the COP’s HHE. The inventory transfer to targeted projects and clients was conducted on September 13th.

The project effectively closed out on 15th September, and the ADAR final report should be edited and forwarded to the USAID mission by mid/end October.