

**Annual Report 2001
&
Annual Work Plan 2002**

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Prepared by

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TABLE OF CONTENTS

LIST OF ACRONYMS	iii
<u>SECTION ONE: ANNUAL REPORT</u>	
INTRODUCTION	iv
1. PROJECT LAUNCHING	1
2. ADMINISTRATION AND PROJECT STAFFING	2
3. ADVISORY GROUP	3
4. COMMODITY STRATEGIES	3
4.1. Coffee	3
4.2. Tropical Fruits and Organic Certification	6
4.3. French Beans	8
4.4. Pyrethrum	9
4.5. Other Targeted Products	10
4.5.1. Tea	10
4.5.2. Potato	11
4.5.3. Ornamental Flowers and Transport issues	11
5. CROSS-CUTTING ISSUES	13
5.1. Access to Financing / Business Development	13
5.2. ABC Center	14
5.3. Cooperating Partners	15
5.4. Environmental Impact	15
5.5. Monitoring and Evaluation	16
5.6. Financial Overview	18
A N N E X E S	20
ANNEX 1: ADAR 2001 RESULTS TRACKING TABLE	21
ANNEX 2 : WORKSHOPS AND SEMINARS	23
ANNEX 3 : REPORTS	25

SECTION TWO: SECOND ANNUAL WORK PLAN

INTRODUCTION	27
1. PRIORITIZATION OF PROJECT INTERVENTIONS	28
2. ADAR STRATEGIC VISION	28
3. COFFEE SUB-SECTOR	29
3.1. Current Situation	29
3.2. Objective 1: Improve Coffee Quality at Field Level	30
3.3. Objective 2: Introduce Improved Processing Infrastructure and Techniques (depulping, washing, fermentation, drying and milling)	30
3.4. Objective 3: Position Premium fully Washed Coffee in the Specialty Market	32
4. HORTICULTURAL SUB-SECTOR	32
4.1. Current Situation	32
4.2. Objective 1: Improve Field Level Fruit Quality of ADAR Clients	33
4.3. Objective 2: Improve Conditioning of ADAR Client's Fruit	33
4.4. Objective 3: Development of Market Opportunities for Rwandan Horticultural Exports	35
4.5. Objective 4: Develop Organically Certified Horticultural Exports	36
4.6. Objective 5: Develop Horticultural Processing Options for Export	37
5. PYRETHRUM SUB-SECTOR	37
5.1. Current Situation	37
5.2. Objective 1: Improve the Quality of the Semi-Finished Product	38
5.3. Objective 2: Reinforce Security and Maintenance of the Factory	38
6. CROSS-CUTTING AREAS	39
6.1. Business Development	39
6.2. Objective 1: Improve Access to Finance for ADAR Clients	39
6.3. Market Information Services	40
6.4. Environment	40
6.5. Project Management	40
A N N E X E S	42
ANNEX 1 : Programmed 2002 Short-Term Technical Assistance and Training	43
ANNEX 2 : Gantt Charts	45

LIST OF ACRONYMS

ACDI/VOCA	:	Agriculture Development International/Volunteer Overseas Cooperation Association.
ADAR	:	Assistance à la Dynamisation de l'Agribusiness au Rwanda.
AFER	:	Association des Femmes Entrepreneurs du Rwanda.
ANUGA	:	German Food and Beverage Industry Trade Fair.
BCR	:	Banque Commerciale du Rwanda.
BIOFAC	:	Foire International sur les Produits Bio, Allemagne.
BRD	:	Banque Rwandaise de Développement.
COOPCAFE	:	Coopérative des Caféculteurs, Kibuye.
COOPAC	:	Coopérative pour la Promotion des Activités du Café.
CTO	:	Cognizant Technical Officer.
CUP COMP	:	Cupping Competition.
DRC	:	Democratic Republic of Congo.
EAFCA	:	East African Fine Coffees Association.
FRSP	:	Fédération Rwandaise du Secteur Privée.
FSRP	:	Food Security Research Project.
GOR	:	Government of Rwanda.
HO	:	Home Office.
ISAR	:	Institut des Sciences Agronomiques du Rwanda.
LGF	:	Loan Guarantee Fund.
LOE	:	Level of Effort.
M&E	:	Monitoring and Evaluation.
ONG	:	Organisme Non-Gouvernemental.
OCIR	:	Office des Cultures Industrielles du Rwanda.
PIR	:	Project Intermediate Results.
PPP	:	Potato Promotion Project.
SCI	:	Speciality Coffee Institute.
SGCP	:	Small Grants Cost-sharing Program.
SCAA	:	Speciality Coffee Association of America.
SICAF	:	Société Industrielle du Café.
SOPYRWA	:	Société du Pyrèthre du Rwanda.
UBPR	:	Union des Banques Populaires du Rwanda.
UCAR	:	Union des Caféculteurs du Rwanda Central.
UPROCA	:	Union des Producteurs du Café, Gisenyi.

INTRODUCTION

This section constitutes the progress report for ADAR's activities during the first year of the project. It covers the period from January 22, 2001 the date that the technical assistance team arrived in country, to December 31, 2001. Prior to arrival in Kigali, the Chemonics team assembled in Washington DC in mid - December 2000 for orientation.

During the first two quarters, ADAR identified its potential clients and their technical assistance needs, established an office, recruited staff and prepared the first work plan and the M&E system. Eight products were identified for particular attention: coffee, passion fruit, physalis, pyrethrum, tea, Irish potato, apple banana, and ornamental flowers.

The last two quarters were dedicated more specifically to the implementation of the strategic objectives, linked to the three Project Intermediate Results (PIR's):

- ◆ Enhanced Performance of ADAR assisted firms and cooperatives;
- ◆ Improved Performance of Targeted Commodity Chains;
- ◆ Improved Access to Financing for Agribusiness Firms.

This section contains three sub sections: the first one is an introduction describing the implementation of the Project (start-up, administration, advisory committee), the second one discusses commodity specific activities, and the third one deals with cross cutting issues.

SECTION ONE:

ANNUAL REPORT

1. PROJECT LAUNCHING

At the very beginning of the Project, ADAR interviewed potential partners and future stakeholders to take the pulse of the investment and business community and to help sketch detail into the first year work plan. These meetings reinforced the strategy of focusing on improving enterprise planning and operating performance, as well as access to markets and finance.

Within three weeks of arriving in country, ADAR organized an investor focus group attended by the USAID CTO. Key problems identified by the 17-member group included air transportation, financing and the problematic infrastructure, all of which raise uncertainty and risk for the investor.

To assess stakeholder impressions, ADAR hosted a workshop on February 21 attended by a diverse 22-member group of business operators, government cadre and consultants. Stakeholder expectations centered on upgrading agriculture production and access to markets as part of a continuous quality-for-export cycle.

On March 9, ADAR was officially launched with active home office support from visiting consultant Don Brown and Chemonics' project supervisor, William Kedrock.

From the outset, the project sought to identify dynamic and serious agribusiness operators with whom to work during the coming three years. In particular, ADAR was interested in working with business people who had already invested in a project.

ADAR prepared a series of questionnaires during the second quarter destined for investors, lenders, and agribusiness in general, in order to evaluate the current situation and to formalize partnerships with clients. The completed questionnaires are required of all ADAR clients. At the end of December 2001, the project had registered 22 clients (Estimated M&E: 20).

After Project launch, ADAR established commodity action plans for the most promising export sectors: coffee, passion fruit, and potato. Following the Project Intermediate Result 2, which promotes greater commodity chain efficiencies, ADAR started with a macro review, bringing together commodity chain actors, such as raw material providers, their immediate customers, and third party government, ONG, or donors who had programs or experience working in the commodity sub sector.

2. ADMINISTRATION AND PROJECT STAFFING

With the debut of the ADAR Project in January of 2001 the administrative team has primarily sought to establish and enforce USAID and Chemonics International compliance systems and office procedures. During the first three months of the Project, the accounting, procurement, inventory, administrative training, vehicle policy and procedure, and office protocol systems were created. Although well established, the office systems are constantly evolving to meet the day-to-day needs of ADAR employees, clients, and changes or modifications to Rwandan law. The policy and Procedures Manual was updated and revised to better encompass office procedures and regulations. The final draft will be submitted to the Inspector's Office in January 2002. Also during the start up phase, ADAR moved into its current office and conducted major interior modifications. The office renovations were completed by the end of March.

With the help of Chemonics Home Office consultant Felix Lee, the Monitoring and Evaluation (M& E) system was developed in April of 2001. During the conception of the M&E plan, the ADAR team worked closely with USAID/Rwanda to establish realistic indicators and targets.

Along with purchasing office equipment, the Project also procured major items such as 14 office computers along with three printers in May. In August, a third Project vehicle and a central printer were procured. A server was installed in December to permit inter-office electronic communication and increase Internet access speed. It is hoped that this server will resolve computer problems, which have plagued the project since its inception due to the weak ICT infrastructure available in Rwanda.

Project staffing began immediately after the expatriate team arrived in the country. The recruitment of support personnel was completed in April. The business development and commodity chain technical positions were filled by June. A local office manager who is scheduled to replace the Chemonics Operations Manager during the second quarter of 2002 was selected in late December and will begin work in January.

In August, the Chief of Party left the project. While the home office searched for a replacement, Maurice Wiener ADAR's Deputy Chief of Party, assumed the role of Acting Chief of Party. Mr. Wiener remained Acting Chief of Party until Mr. Geoffrey Livingston was recruited as the ADAR Chief of Party in October and officially signed on to the post in December.

3. ADVISORY GROUP

The objective of the Advisory Group is to provide feedback concerning broad strategic orientation and prioritization of project activities, and to give advice regarding key implementation issues. The Advisory Group met twice and will meet on a quarterly basis during the coming year.

4. COMMODITY STRATEGIES

4.1. Coffee

Rwandan coffee holds great promise for achieving a sustainable competitive position on the world market and thus was a focal point of project activities. ADAR concentrated on improving the system for classifying and grading product and on upgrading agribusiness approaches to marketing, as Rwanda is capable of producing high-quality coffee.

ADAR is currently assisting 13 operators in the coffee sector, exporters (2), cooperatives (4), investors (2) and potential investors (5). This assistance is mainly aimed at access to market, training and technical assistance. The following activities were implemented by ADAR since its inception:

- A series of presentations in coffee producing areas (Gisenyi, Kibuye, Cyangugu, and Gitarama) were made during the 1st and the 2nd quarter to introduce ADAR, facilitate communication among investors and producers, visit plantations, coordinate relations between all stakeholders and to explain the opportunity to add value in the coffee sector by processing a fully washed coffee using appropriate equipment.
- Those presentations were followed during the 3rd quarter by seven training sessions for 170 extension agents (from OCIR CAFÉ and from the 1st three provinces) focusing on coffee pruning and phyto-sanitary crop protection. The objective was to improve the quality of coffee delivered to incoming washing stations.
- Special attention was given to critical problems affecting “Nkora”, the only operational washing station in Rwanda. The station processed 18 tons of full-washed coffee during 2000 despite its capacity of 400 tons annually. Through assistance to growers in optimal

cultivation techniques and assistance provided for business plan refinement, the Nkora station introduced 50 tons of full-washed coffee for export in the third quarter 2001.

- ADAR disseminated an important sub-sector report on coffee to all coffee operators in order to create a common understanding of the nature of the problems of the coffee sector, as well as a common understanding of what needs to be done to realize the sector's potential.
- In April, ADAR organized the attendance of a handpicked group of Rwandan coffee investors to the Specialty Coffee Association of America (SCAA) Conference held in Miami. The participants learned first hand that Rwanda's geographical advantages have endowed it with four of the five "virtues" of quality coffee - high altitude and correct humidity, bourbon varieties of heirloom Arabica, coffee washing potential, and potential for shaded growing conditions. Further, they learned that once they achieve the desired level of quality, how important consistency and delivery reliability are to attracting and maintaining wholesaler clientele. Their most riveting discovery, which accelerated their interest in moving forward in coffee, was the 300% - 400% premium paid for quality over ordinary product. ADAR prepared a special brochure on Rwandan coffee and arranged for an international consultant to be with the Rwandan participants to facilitate the establishment of new commercial contacts and to guide participation in small group sessions.
- ADAR hosted three group coffee strategy meetings during the months of May and June, mainly composed of partners, stakeholders, and financial institutions. It programmed action plans for individual operators and small cooperatives to currently reinforce the longer term objective of ADAR: the creation of a fine quality network.
- ADAR developed a close working relationship with the National Competitiveness and Innovation Project implemented by ontheFRONTIER which seeks to develop a long term national consensus and strategy to realize Rwanda's potential as a supplier of premium quality coffee to the speciality coffee market. ADAR is the principal interface between ontheFRONTIER and private sector coffee operators.
- ADAR participated in regional events as well, first in the East African Fine Coffees Association (EAFCA) Conference in Kampala in June and immediately afterwards in a 5-day study tour to Kenya organized by OCIR Café for its cadre and seven private sector coffee investors/growers, some of whom were sponsored by the Project. In Kampala, ADAR

facilitated meetings with equipment suppliers, and exposure to exhibits displaying merchandising, branding, marketing, and advertising techniques, often translating and explaining the commercial context of what participants observed.

- This orientation process continued in Kenya while visiting commercial farms. Participants observed demonstration farms, nurseries, small-holder plots, research units, coffee growing cooperatives, all of which specialize in Arabica coffees to be processed under near-optimal conditions; They also toured the Coffee Board of Kenya and observed fully washed coffee selling for \$4/kg (as opposed to \$1/kg for ordinary coffee).
- Of additional value to ADAR are consulting contacts established during these events, notably with the Kenya Coffee College for which ADAR organized participation for 11 motivated Rwandan Coffee Operators during the months of September and November.
- Additionally, ADAR made contact with François Sihimbiro, a Burundian processing expert, who conducted a three-day seminar in October for 12 actual or potential investors which provided a comprehensive overview of coffee processing.
- ADAR joined forces with ACDI/VOCA to assist in the organization of future cooperatives (UCAR, COOPAC, COPCAFE), and to help in developing a loan application for COOPAC to finance the construction of two washing stations and a milling unit in Gisenyi. The application was submitted to the Banque Rwandaise de Développement and will be approved in January. The loan approval will allow COOPAC to access financing from ACDI/VOCA, whose loan is contingent on a loan approval from a commercial bank.
- Control of the recently privatized Masaka coffee washing station reverted to the OCIR CAFÉ, the government coffee body, due to 90% arrears. ADAR has formalized a joint strategy with OCIR CAFÉ to identify a private entrepreneur to rent the Masaka washing station, located within 15 km of central Kigali, pending identification of a new owner. Depending on the needs of the investor, ADAR will focus in year 2002 on training, management and on channelling product to the premium market.
- Following the participation of the coffee investors in the SCAA Conference in April and in the EAFCA Conference in June, ADAR offered SCAA membership to 5 operators, in order to have access to information, surveys and market information.

- ADAR and the Chemonics Washington office contacted Starbucks, a large US coffee retailer on several occasions regarding interest in purchasing a trial shipment of fully washed coffee from the UPROCA cooperative. Unfortunately, Starbucks showed no interest.
- ADAR was an active member of a coffee committee organised by USAID and OCIR CAFE to coordinate with partners and stakeholders Rwandan participation in the “Cupping Competition 2002 ” (CUP-COMP 2002) sponsored by the EAFCA in Kampala on March 2002.
- ADAR financed a consultancy of a Specialty Coffee Marketing consultant, to undertake a three-week mission to Rwanda in November to evaluate the potential of this country to enter the American Specialty Coffee Market. The consultant’s conclusions pointed to the enormous potential of Rwanda as a supplier of premium quality coffee.
- As of December 2001, ADAR is providing assistance to 6 coffee operators for the establishment of full-washed coffee processing stations. Among them, two already have coffee plantations of 30 and 15 ha respectively. All 6 operators will be assisted during 2002 in the following areas: training technical and administrative washing station managers, speciality coffee marketing and development of shade-grown coffee production schemes.

4.2. Tropical Fruits and Organic Certification

The horticultural products originally selected for (conventional and organic) export development were *passion fruit*, *physalis* (cape gooseberry), *apple banana*, and *French beans*. These products are or have been grown in Rwanda and exported in the past.

Although there exist significant quantities of locally produced fruits which are in demand on European markets, fruit appearance and shelf life must improve if Rwanda is to become a viable partner to importers. There are limited quantities of fruit (approximately 2 tons per week of certified organic apple banana and passion fruit) which are being exported but the development of the sub-sector will require, in addition to better quality of product, the adoption of conditioning methods and pack house management practices that assure quality control from field to consumer.

In October, ADAR conducted a comprehensive survey of passion fruit production; processing and consumption to better evaluate options for increased processing and the development of a sustained export program for fresh fruit. This baseline data is necessary to elaborate the feasibility studies programmed for next year.

ADAR provided advisory services to several operators in the fruit and vegetable sub-sector. Inyange Dairy received marketing, logistic and financial assistance to send a sample of passion fruit juice to Chiquita Brands for testing. Laboratory tests indicate that several parameters need to be improved (brix and acid levels) before Inyange Dairy could meet Chiquita requirements. Emballage Rwanda, Gaperi Byumba Farmers and Ets Sina were advised to seek organic certification, based on a review of their farms. Shema Fruits received technical counselling in required equipment upgrades needed to respond to European norms.

ADAR participated in a working group under the aegis of the Bureau of Norms and Standards to begin establishing norms for selected Rwandan products. Based on standards established by Kenya, the working group drafted norms for passion fruit juice. The working group was suspended pending the nomination of a new Director of Norms and Standards.

In August, a seminar in norms and standards was held for 10 horticultural operators to provide them with information regarding export market quality requirements.

Two representatives of AFER (Association des Femmes Entrepreneurs du Rwanda) were sent by ADAR to represent Rwanda at the Los Angeles and San Bernardino Fairs in August. The fair served as a showcase for both agricultural and artisanal products.

A project consultant represented ADAR at AGF TOTAAL in Rotterdam, one of Europe's largest fruit and vegetable trade fairs. The consultant developed contacts with several large Dutch tropical fruit importers, notably, FTK, Bud Holland and Exotimex. As a result of these contacts, the project began sending product samples to European importers to obtain feedback on product quality.

Three potential exporters of physalis, passion fruit and apple banana were sent in October to the Anuga Trade Fair in Cologne, Germany, and established contacts with importers of both fresh and processed products.

In October, ADAR implemented a consultancy to determine the feasibility of producing organically certified products in Rwanda. The market for organically grown produce is growing rapidly within Europe and at present there are good opportunities within this sector. Rwanda may be well placed to

develop exports as, by default, much of Rwanda's produce is already organic, as the use of artificial fertilisers and pesticides is very limited.

The consultant concluded that the potential for producing organically certified horticultural products in Rwanda was excellent and identified several crops which could be successfully produced in country. She visited three firms (Emballage Rwanda, Gaperi Byumba Farmers and Ets Sina) to evaluate their chances for certification and explained steps to be carried out to obtain certification. The consultant furnished recommendations to assist ADAR in developing an organic export industry in Rwanda. At the end of the mission, a seminar was held for private operators, which provided an overview of the market and its requirements.

In November, a European based consultant undertook a market survey on volumes, trends, prices and market requirements of passion fruit, physalis, and French beans to ascertain opportunities for these Rwandan products, especially as the two key exporters of passion fruit to the EU (Zimbabwe and Burundi) are facing significant political problems. This information should help increase exporter confidence, and allow them to plan investment in production, packaging and freight accordingly.

Training of Rwandan operators in horticultural production and marketing is essential and will focus in the year 2002 on such issues as proper selection of planting material, propagation techniques, pruning, soil conversation, product quality and other aspects of post harvest handling.

4.3. French Beans

During the late 1980s, fine green beans were produced in Butare and exported to France, in the context of a collaborative agreement with the Loiret Region. Bean exports ended in 1993 with the intensification of the civil war.

Because green beans had previously been exported, ADAR identified this crop as one warranting close examination. Following the advice of James Cartwright, ADAR's horticultural export marketing short-term expert, an action plan was developed in October, which outlined inputs and timing of a detailed trial protocol in a marshland site in Butare.

360 m² of French beans were planted on October 17, divided equally into the three trial varieties (Amy, Samantha, Paulista) and three individual plots per variety. The objective was to evaluate

yield and quality parameters as well as to obtain cost information for financial analysis. The trial suffered from too much rain and showed signs of poor root development. Due to poor quality, product samples were not sent to European importers. A second trial was planted in December with the same three varieties. A visit by the consultant is scheduled for the beginning of January of 2002 for follow-up.

4.4. Pyrethrum

Pyrethrum, a flower whose extract is used in the production of environmentally safe insecticides, has been produced in Rwanda since the 1950s. Prior to the construction of a processing plant in 1972, dried flowers were produced and exported to Kenya for processing. During the 1970s, the SOPYRWA factory was constructed and the production of brute extract was produced and exported to the sub-region for refinement. A refining unit was added in 1983 but was never operational. During the civil war, the factory escaped damage. The company was privatized in 1999.

Although the market for pyrethrin, as the extract is known, is cyclical in nature, with periods of under supply and over supply, the opportunity to create significant value added is substantial, prompting ADAR, from project outset, to develop a close working relationship with factory management.

During the second quarter of 2001, ADAR provided strategic planning to SOPYRWA management, assisting with the development of the company's business plan. As a result of advisory services provided by the project, SOPYRWA greatly expanded the area under flower production and increased the price paid to producers from 250 FRW to 400 FRW.

In response to a request by factory management, ADAR consultants conducted a detailed technical analysis of the factory and identified several initiatives required to improve product quality and company profitability. These included:

- rehabilitation or replacement of flower dryers;
- the establishment of a quality control laboratory to monitor and correct the chemical composition of raw material and extract;
- the implementation of a research and development program to improve the quality of raw material entering the factory;

- the rehabilitation of the refining unit;
- the execution of a comprehensive training program for factory personnel.

The consultants estimated that an investment of \$ 2.5 million would be required to completely renovate the installations.

SOPYRWA has traditionally used fuelwood and peat as energy sources for flower drying, engendering obvious negative environmental impacts. In an effort to promote adoption of alternative sources of energy, ADAR financed a study tour of solar drying facilities used by a Kenyan pyrethrum processor. Six SOPYRWA staff members participated in this visit and returned with construction diagrams for several different types of dryers.

During the coming years, it is likely that the pyrethrum market will enter into a period of oversupply. In order to weather the predicted difficult market conditions ahead, SOPYRWA will need to implement the recommendations contained in the ADAR technical analysis. In 2002, ADAR will focus on helping the company in adopting the necessary initiatives should assistance be requested.

4.5. Other Targeted Products

4.5.1. Tea

As with coffee, Rwanda possesses a large existing tea sector, which produces a high quality tea. Most of this tea is sold at the Mombassa auction, although there is one tea company with private sector management, which is engaging in differentiated marketing of Rwandan tea overseas. Tea estates are slated for privatization beginning March 2002.

ADAR intervened in the tea sector in November 2001 by mobilizing the services of John Walton, a tea consultant who worked on the original Rwanda tea privatisation study. His task was to value assets of three main tea units currently in the process of privatization: Kitabi, Gisakura and Mata.

The final report is at the disposal of the Rwanda Privatisation Bureau and of potential buyers. As soon as the tea units are privatized, ADAR initiatives will focus on how to help the sector add value and obtain a better return for its product through a combination of improved processing and differentiated marketing into quality conscious niche markets.

4.5.2. Potato

ADAR's involvement in the potato sub-sector began when the Chief of party and the Senior Technical Cadre visited Ruhengeri Prefecture in March 2001 to officially introduce ADAR and discuss key areas of concern in the Ruhengeri area for which ADAR would have most immediate and beneficial impact. The Sous-Préfet for Economic Affairs highlighted the weak earning power of potato growers, stemming from the absence of control over the commercialisation of their product. No grower distribution network existed, not even for Kigali, which represents 60% of the market for potatoes grown in Ruhengeri.

As a first step, ADAR held an initial meeting between potato growers and bulk buyers to get acquainted. Two groundbreaking strategy sessions among potato interests took place at ADAR during May following the Ruhengeri meeting. Two operators, one an exporter of unprocessed, organic fruits and the other, a cooperative specializing in seed cultivation and grower support programs in the Ruhengeri area, joined forces during the second quarter to create VOLCANO POTATO, the first enterprise capable of evolving into a potato agribusiness.

ADAR held several meetings between Volcano Potato and potential institutional customers (hotels, supermarkets, restaurants) in Kigali to facilitate the development of contracts between the two parties. Unfortunately, the vast majority of the crop was stolen by rebel elements based in the DRC (Democratic Republic of Congo) and no contract was ever drafted.

A number of meetings were organized between ADAR and the USAID financed advisor to the Ministry of Agriculture to discuss ADAR input into the potato sub-sector. Based on the analysis contained in the potato sector marketing study implemented by Abt Associates, substantial upstream work is required to improve product quality and conservation before Rwanda potatoes can be successfully marketed in the sub-region.

4.5.3. Ornamental Flowers and Transport issues

Flower production has great potential for creating value added but presents very significant hurdles, which must be overcome to achieve profitability. At present, there is only one flower exporting business in Rwanda, Highland Flowers, which exports roses. At the beginning of the project, initial efforts to identify prospective investors bore no fruit. Flower production is capital intensive: almost \$400,000 per hectare is required as an initial investment with a minimum of 6 hectares in

production to achieve economics of scale. Transport capacity for perishables is uncertain, diminishing recovery prospects on the high investment.

In June, ADAR assembled a group of horticultural and flowers exporters at the *ABC Center* to work on a strategy to improve airfreight from Kigali and to see how to produce a sufficient quantity of horticultural and flower products for export by air cargo.

To assist ADAR in better understanding constraints and opportunities for export, given the existing air transport freight capacity, a horticultural export marketing specialist conducted a four-day mission to Rwanda to evaluate the transport situation and make recommendations regarding the organization of Rwandan exporters. The results of his analysis were presented to exporters, donors and financial institutions prior to the consultant's departure.

In November, ADAR organized a study tour to Uganda. The 14 person mission, which was lead by the USAID/Kigali mission director, visited selected companies/organisations involved in floricultural and horticultural exports. The Rwandan participants included key personalities from the banking, investment authority, transport and logistics, and producer sectors. The objective was to learn from Uganda's successful experience in developing floricultural exports. The Ugandan industry may be characterized by: substantial foreign investment, an experienced work force, availability of land and water, considerable investment in research and development; modern cold storage facilities and ample air cargo capacity – clearly a situation very different from Rwanda.

During the year, ADAR assisted two potential flower exporters to begin investment projects. The project helped a local businessman interested in rose production secure five hectares of land from the Kigali City Council. A second investor, who currently produces anthurium for the local market, is receiving ADAR assistance in developing a proposal to expand his farm with a view to producing for the export market. In addition, ADAR financed the participation of the director of Highland Flowers in a management course held in Kenya.

5. CROSS-CUTTING ISSUES

5.1. Access to Financing / Business Development

In June, responding to a request by USAID, ADAR prepared and submitted a **Loan Guarantee Fund (LGF) Revision** proposal designed to convert most of the LGF of the Task Order into a multipurpose financial component that would improve access to finance for micro-enterprises to enhance the viability of the agribusiness sector in Rwanda. AID, believing that the time frame of the project was too short to make a loan guarantee fund a viable option, requested that a new proposal be submitted, omitting any loan guarantee provisions.

In November, ADAR made a second proposal to establish a Small Grants Cost-sharing Program (SGCP). The ADAR contract allows for the possibility of a cost-sharing grants program by noting that the Chemonics consortium will promote cost-sharing opportunities to help Rwandan agribusinesses reduce the risk of new products, ventures, and markets. AID approved this proposal to establish a \$300,000 SGCP. It is expected that the program will be operational by the end of the first trimester of 2002, pending various USAID approvals.

In the meantime, the project expanded options available to agribusiness firms for financing, by editing the “Directory of Financing Sources” and the “Directory of Borrowers Institutions” which have been distributed to ADAR clients. The project also assisted six clients in preparation of business plans, feasibility studies, and bank contacts in the coffee (3), pyrethrum (1) and passion fruit (2) sectors.

ADAR improved receptivity of the banking community to agribusiness borrowers, with the organization of two workshops in July and September at the *ABC Center*. Coffee operators were introduced to UBPR (*Union des Banques Populaires du Rwanda*) and to BRD (*Banque Rwandaise de Développement*). ADAR worked closely with the BRD to inform them on investment needs and sponsored a BRD agent to participate in the study tour to Uganda.

The Project enhanced and integrated agribusiness professional support services by providing a one-week training of trainer session in September for 11 consultants selected and chosen among 300 candidates applying for the seminar. It is expected that ADAR will call on the services of some of these consultants during 2002.

Three business managers were sent to Mombassa in September for a one-week seminar on “Corporate Governance”. The objective was to help them to develop their leadership and strategic planning skills. This seminar had an impact on the performance of the manager of Highland Flowers in understanding relationships between revenue, expenses, assets, liabilities and equity.

ADAR worked on a proposition of collaboration with CARE Rwanda. The objective was a mobilization of the farmer’s saving as a mechanism to access to a more substantial bank financing. ADAR concluded that this program would be better implemented by partners involved in micro-finance activities.

5.2. ABC Center

The *ABC Center* provides information services primarily designed for agribusinesses, such as product information (on production techniques, processing equipment, import regulations, prices, market trends, trade fairs and shows, etc.) and Internet access (four computers are at the disposal of ADAR clients in the *ABC Center*).

The *ABC Center* was officially launched on September 18. An *Agribusiness brochure* was edited in August. During 2001, 602 visitors used ADAR facilities; from April to December 2001, fifteen technical workshops, meetings and seminars were organized at the *ABC Center* for ADAR clients; three seminars and four study tours were organized abroad. From the date of its opening, the *ABC Center* registered 22 members as ADAR clients.

ADAR has developed a high profile within the agri-business community. Between July and October, six articles appeared in the local newspapers, and the acting Chief of Party was interviewed by a local radio station broadcast to present ADAR activities in the coffee sector. ADAR also sponsored the participation of three clients at the International Kigali Fair, from August 24th to September 3rd, providing assistance with stand set-up, marketing, packaging, and lodging. ADAR clients won the first three awards recognizing superior performance at the fair. In 2002, the ABC Center will establish a website and Internet networks which will help Rwandan agribusiness firms identify new markets or solidify current market positions.

5.3. Cooperating Partners

During the first year of operation, ADAR worked in close partnership with several projects and GOR institutions. Among USAID-financed projects included in the mission's Strategic Objective 3 ADAR working in close cooperation with the PEARL Project co-financed the consultancy of an American Specialty Coffee marketing expert and hosted the final debriefing of the consultant at ADAR's offices. The project also collaborated with ACDI/VOCA, assisting mutual clients in obtaining bank financing for coffee washing station development. As mentioned previously, the project has partnered with OntheFRONTIER, in developing a comprehensive long-term strategy to develop premium specialty coffees in Rwanda.

Among GOR institutions, ADAR has worked closely with OCIR CAFÉ, in the context of its field-level training program to improve the quality of coffee cherries entering into processing facilities. OCIR CAFÉ has organized the training programs with ADAR supplying the trainers and program follow-up. The project also has had a close partnership with Rwandan Private Sector Foundation with which it has organized trade fairs and help promote the privatization of GOR-owned agribusinesses. During the coming year, ADAR will continue to deepen these partnerships, in order to take advantage of synergies and promote sustainability of project activities.

5.4. Environmental Impact

During June, ADAR prepared an Environmental Impact Policy Draft to be a guide to monitoring and alleviating potential environmental degradation that could result from agribusiness units assisted by the Project. The suggestion of the Home Office (HO) in October was to initiate the development of an internal management review process that would include consideration of all environmental aspects of operations and prescribe mitigation measures when there is a possibility of negative environmental impact.

ADAR is presently developing a Scope of Work and will field a consultant to work with Project management. A two-week consultancy will document local environmental laws and regulations, define a system to insure that environmental issues are adequately addressed in project activities, and identify and consolidate information on relevant best management practices to mitigate negative environmental consequences. This will be implemented during the first quarter 2002.

5.5. Monitoring and Evaluation

The ADAR Monitoring and Evaluation plan was finalized and submitted to USAID/Rwanda on May 31, 2001. The results framework and corresponding indicators and targets were carefully determined from previous internal data collection, external surveys and reports, and partner/client information.

ADAR established eighteen indicator targets for the first year of operation. The project met or exceeded 10 targets and fell short on 8 targets. In almost all cases, the shortfalls resulted from circumstances beyond the manageable interests of the project.

The project greatly exceeded its targeted number of visitors (348%), attesting to the interest and importance accorded to ADAR by the agribusiness community. This was also borne out by the level of participation in ADAR workshops (261% executed), the number of clients using Internet services (380%) and the number of person modules of training courses completed by gender (228%). The project surpassed the number of registered clients it had targeted at the end of the year (110%) and the number of service providers, which had received ADAR assistance (110%). The target of producing 50 tons of fully washed coffee was reached, though technical assistance provided to UPROCA, a cooperative located in Gisenyi.

The project surpassed its target of number of operators assisted by ADAR to upgrade standards (160%) and fell only slightly short of the benchmark for number of new market contacts established by clients (14 contacts established out of the 15 anticipated). ADAR met its target of one service provider training program implemented.

The project suggest that indicator 2.1.3, "Capacity of Airfreight Available to Rwandan Exporters" be amended. At present, DAS Air supplies a weekly cargo capacity of 70 tons, split between Kampala, Nairobi and Kigali. Currently, the major constraint to increased exports is quality of product rather than quantity of available airfreight. Progress towards achieving a major project objective, "Expanded Volume of Goods Marketed within the Targeted Commodity Chains", could be better monitored by tracking the volume of selected commodities exported during a calendar year.

ADAR has slightly modified two indicators related to payment for ADAR products and services.

Due to the limited financial resources of many of ADAR's clients, the project elected to provide the ADAR edited monographs, "Sources of Financing" and "The Borrowers' Handbook" to ADAR clients and partners, free of charge. The indicator tracking the number of ADAR publications sold to project clientele appearing in the results framework will therefore be eliminated. The project will, however, monitor the number of publications distributed. One of the indicators tracking Project Intermediate Result 1 B, "Expanded Access to Markets", refers to the number of clients paying to use Internet services at the ABC Center. For reasons cited above, ADAR is not charging clients for this service. ADAR proposes to change these two indicators to reflect this change in policy.

There are eight indicator targets which were not met during 2001. Project Intermediate Result 2C, "Improved price information" tracks the number of clients participating in price information models, which refers to clients regularly receiving information on market prices of selected commodities. In October, ADAR subscribed to the International Trade Center's weekly electronic newsletter covering wholesale market prices of fruits and vegetables in major European centers. ADAR planned to analyse this data, forwarding its conclusions to clients on a weekly basis. Due to an error committed by a local bank, the electronic subscription payment was not forwarded in a timely manner and the project did not receive the newsletter. The problem has been resolved and price information and analysis will be transmitted to clients beginning in the first quarter of 2002.

Two related indicator targets, which was not reached, concerns the number of bank participants (loan officers/financial management consultants) trained by ADAR and the number of financing seminars sponsored by the project. A training course was programmed for the fourth quarter. Due to a scheduling conflict, the identified consultant was not available. The training course was thus reprogrammed for the first quarter of 2002.

Nine out of the fifteen firms targeted received assistance in accessing new markets. This shortfall may be attributed to a need to improve product quality prior to engaging in marketing activities. ADAR reached 75% of its target with respect to the provision of assistance to secure bank loans (6 of 8 firms assisted). This indicates that some operators were not sufficiently advanced in the development of their investment projects to capitalize on ADAR assistance for business plan preparation. Two out of three targeted operators improved standards through ADAR initiatives. The number of firms purchasing directories or other ADAR edited monographs, alluded to previously, was not met. This was due to unforeseen delays in the production of the manuals by the printer.

For a more detailed look at our first year results, please see Annex 1.

5.6. Financial Overview

The period in question-November 14, 2000 through December 31, 2001, represents Year 1 of the project though it covers 12.5 months. Project activities did not commence on the start date above as a delay in the official contract award occurred. Total expenditures over the first year reflect a moderate spending level overall. From the ceiling price of \$5,712,914, a total of \$1,564,165 (27%) was billed through December 31, 2001. The remainder to be spent over 22 months comes to \$4,141,898 . As of December 31, obligated funds remained at \$1,700,000 or 30% of the total budget.

TOTAL BUDGET	US \$5,712,914
<i>Of which:</i>	
- <i>LOE</i>	US \$2,373,070
- <i>Materials</i>	US \$3,339,844

Considering the Materials ceiling price of \$3,339,844, \$821,162 or 25% of this total was spent during this period. Of the \$1.25 million originally budgeted under Materials for a Loan Guarantee Fund, \$300,000 will now be used for a cost-sharing grants program, with the remainder to be reprogrammed for project purposes. From the labor ceiling price of \$2,373,070, \$743,002 or 31% of this total was spent.

"Regarding Level of Effort (LOE), of a total of 6,879 days, 1,739 days or 25 % have been used. Of the 1,739 days, 1,240 days are attributed to long-term local and expatriate LOE. The remainder -499 days- is the total for all short-term local and expatriate LOE utilized in Year 1.

Rwanda ADAR has been active for 15 months of 36 total, 13 of which are reflected in this analysis. Expenditures may best be described as moderate to low when considering total contract value. However, the start-up period must be taken into consideration along with the non-linear nature of project expenditures over the project lifecycle. Projects generally accelerate expenditures above the mean during their mid-years and have expenditures below the mean in the start-up and phase-out periods. Other circumstances have contributed to a lower rate of spending including the following:

- Funds associated with the LGF were not utilized as it was determined that the LGF was not an appropriate program/use of funds given current conditions in Rwanda.
- A local Office Manager was not hired during Year 1 but was programmed into the budget.

- With the departure of the former COP and brief period of transition, less funds for this position were utilized than originally anticipated.
- Subcontractor ‘Other Direct Costs’ were much less than anticipated.

Rwanda ADAR anticipates a demanding and eventful Year 2 with increased spending in the areas of training and subcontractor Short-Term Technical Assistance, principally in the coffee and horticultural areas, and reprogramming of the 1.25 million LGF funds.

ANNEXES

ANNEX 1: ADAR 2001 RESULTS TRACKING TABLE

ANNEX 2 : WORKSHOPS AND SEMINARS

Workshops and seminars organized by ADAR in 2001			
Description	Facilitator	Participants	Date
Workshops / meetings organized by ADAR (outside the office)			
FRSP - Work Plan Focus Group meeting	ADAR	13	Feb. 21
BCR - Project Launching workshop	ADAR	65	March 9
Gisenyi - Presentation of ADAR / coffee marketing chain meeting	ADAR	48	March 26
Kibuye - Presentation of ADAR / coffee marketing chain meeting	ADAR	58	March 28
Ruhengeri - Irish Potato marketing chain meeting	ADAR	63	April 18
Cyangugu - Presentation of ADAR / coffee marketing chain meeting	ADAR	37	May 22
Butare - Agribusiness meeting	ADAR	31	June 27
RFSP - 3 rd PPP or Volcano project meeting	ADAR	16	June 29
Gitarama - Presentation of ADAR / coffee marketing chain meeting	ADAR	32	Oct. 31
Workshops / meetings organized at ADAR			
Investors Focus Group	ADAR	16	Feb. 16
Debriefing on horticulture sector to investors	James Cartwright	12	March 31
Debriefing on coffee / horticulture sectors to operators	Ricardo Frohmader	17	April 10
1 st Coffee strategy meeting	ADAR	7	May 14
1 st Irish Potato meeting	ADAR	15	May 16
2 nd Coffee strategy meeting	ADAR	11	May 29
2 nd Irish Potato meeting	ADAR	13	June 5
3 rd Coffee strategy meeting	ADAR	6	June 12
1 st Passion fruit strategy meeting	ADAR	16	June 14
1 st Potato Promotion Project (PPP) meeting	ADAR	10	June 15
1 st Air fret transport meeting	ADAR	7	June 22
2 nd PPP or Volcano project meeting	ADAR	11	June 25
Financing opportunity for coffee operators – <i>Union des Banques Populaires du Rwanda</i> (UBPR)	Speciose Ayinkamiye	7	July 8
Introduction to the model of a coffee washing station of Burundi to coffee investors	François Sihimbiro	7	July 13
1 st <i>Advisory Group</i> meeting	ADAR	12	July 18
Debriefing on horticultural sector to investors	James Cartwright	16	Aug. 18
Flower advisory and transport meeting	ADAR	3	Aug. 22
The Rehabilitation of SOPYRWA, the pyrethrum factory	Alexander Dalgety Richard Binnington	13	Sept. 7
ABC launching	ADAR	40	Sept. 18
Financing opportunity for coffee operators - <i>Banque Rwandaise de Développement</i> (BRD)	Jean-Pierre Rubulika	6	Sept 26
Horticulture export and transport issue	Steven Humphreys	11	Oct. 8
Coffee coordination meeting	ADAR	15	Oct. 12
Debriefing on visit to the Anuga Fair	ADAR	9	Oct. 29
Debriefing on organic products	Anne Turner	9	Nov. 3
2 nd <i>Advisory Group</i> meeting	ADAR	13	Dec. 6
Seminars			
Kibuye - Techniques on coffee pruning	Alan Finey	15	Aug. 6
Gisenyi - Techniques on coffee pruning	Alan Finey	23	Aug. 8
Cyangugu - Techniques on coffee pruning	Alan Finey	23	Aug. 10
ADAR training room - Introduction to Norms and Standards for agribusiness	B. Munyanganizi	10	Aug. 23
ADAR training room - Training of Trainers	Ahmed El Idrissi Théog. Nkulikiyinka	11	Sep. 3-7
Kigali Rural - Techniques on coffee pruning and fertilizers	Alan Finey	50	Sep. 19
Kibuye - Techniques on coffee phyto-sanitary protection	Alan Finey	10	Sep. 21
Gisenyi - Techniques on coffee phyto-sanitary protection	Alan Finey	20	Sep. 26
Cyangugu - Techniques on coffee phyto-sanitary protection	Alan Finey	29	Sep. 28
ADAR training room - Invest on coffee	François Sihimbiro	12	Oct 17-19
Seminars organized abroad			
Kenya - Coffee Farm Management, Coffee Factory Management, Coffee Nursery Management	Kenya Coffee College - KCC	7	Sep 2-16
Monbasa - Corporate Governance (CG)	Commonwealth Association for CG	3	Sep. 24-28
Kenya - Coffee Factory Management	K. Coffee College	4	Dec
Events abroad			
USA/Miami - Participation to the SCAA Conference	Ricardo Frohmader	6 (3)*	
Uganda/Kampala - Participation to the EAFCA Conference	ADAR	8 (1)*	June 17-21
Kenya - Study Tour with OCIR CAFE	ADAR/ Alan Finey	10 (2)*	June 25-29
Germany/Cologne - Participation to the Anuga Fair	Ricardo Frohmader	3	Oct. 13-17
Kenya - Study Tour for SOPYRWA (pyrethrum)	ADAR	6	Nov. 5-10
Uganda - Study Tour with USAID and Rwandan private operators	ADAR	10 (5)*	Nov 26-Dec 1

* Sponsored by ADAR

ANNEX 3 : REPORTS

No.	Report Title	Final Report	Author
1	Annual Work Plan	March 01	Joel Antal
2	Survey of (mainly) coffee and horticultural capacity and access for export market March 17 - April 6	May 01	Ricardo Frohmader
3	Survey of horticultural capacity and access for export market March 26 - April 9	April 01	James Cartwright
4	2001 – First Quarterly Report January 21 – March 31	April 01	Joel Antal
5	2001 – Second Quarterly Report April 01 – June 30	July 01	Joel Antal
6	A review of ADAR horticultural activities August 13-19	September 01	James Cartwright
7	Survey on passion fruit in Rwanda August 13 - September 30	(October 01)	Jumapili Rwahungu
7	Training of Trainers August 29 – September 5	September 01	Ahmed El Idrissi Théogène Nkulikinyika
8	Rehabilitation of SOPYRWA August 31 - September 8	(October 01)	Alexander Dalgety Richard Binnington
9	2001 – Third Quarterly Report July 1 – September 30	(October 01)	Maurice Wiener
10	Training : techniques on coffee pruning, and on phyto-sanitary protection August 6-10 / September 19-28	November 01	Alan Finey
11	Transport issue October 6-9	October	Steven Humphreys
12	Seminar - Invest on coffee October 17-19	December 01	François Sihimbiro
13	Assisting Rwandans with entry into the international Organic market for tropical fruit October 22 - November 3	December 01	Anne Turner
14	European market for Rwandan products (Passion Fruit, Physalis, and French Beans) 14 days in November	December 01	Peter Jaeger
15	Potential of Rwanda to capture a share of the American Specialty Coffee Market November 5-23	December 01	Sam G. Olivieri
16	Evaluation of three Tea units - Kitabi, Gisakura and Mata November 25 - December 12	December 01	John Walton
17	Facilitation of elaboration of Work Plan 2002 November 28 - December 8	December 01	Elyett Rasendrasirofo
18	Progress Report on Product action plans (French beans, physalis and passion Fruit) - Part 1 November 16-18	(January 01)	James Cartwright
19	Annual Report → Jan 22 - December 31, 2001 Work Plan → January 1 – December 31, 2002	(January 01)	Geoffrey Livingston

SECTION TWO :

SECOND ANNUAL WORK PLAN

INTRODUCTION

This Second Annual Work Plan describes the principal project interventions that will be implemented during the coming twelve months and provides a timeline that identifies beginning and end dates for programmed project technical assistance and training activities.

The work plan uses the following nomenclature to characterize interventions. “Objective” refers to a key focus area such as “Improved Coffee Quality at Field Level for Selected ADAR Clients” which is critical to attaining one of the Project Intermediate Results. “Activity” is defined as the provision of a service, such as technical assistance or training that contributes to the attainment of the objective. “Task” is a discrete action such as the elaboration of a Scope of Work that is necessary to implement the activity.

The document is organized as follows. The introduction discusses the project’s strategic vision, its prioritization of interventions and the methodology used to elaborate the work plan. Programmed interventions by sub-sector are then described, followed by a discussion of cross-cutting areas such as business development, market information, environment and administration.

In drafting an annual report or work plan which deals with several types of commodities and forms of assistance, one must choose between organizing project activities by sub-sector which is generally easier to understand, or organizing project activities by crosscutting intermediate and sub-results inscribed in the Results Framework. This second approach, while explicitly making the link between planned actions and the results framework, tends to complicate an understanding of programmed initiatives. In order to both facilitate understanding and clearly link objectives with anticipated results, the interventions are described on a sectoral basis, where appropriate, but reference is made to the intermediate and sub-results in the text. A table annexed to the present report explicitly associates actions and anticipated results.

Although a substantial effort has been made to program the contents and timing of ADAR interventions over the coming twelve months, the project believes that it is important to maintain a degree of flexibility to better respond to new client needs, unanticipated opportunities and changing circumstances. Thus, mid-course corrections to the programmed activities may occur.

1. PRIORITIZATION OF PROJECT INTERVENTIONS

ADAR is beginning the second year of its ambitious three-year mandate. The first annual work plan identified nine commodities¹ as areas of project focus, reflecting both perceived opportunities and demand for ADAR services.

One of the key lessons learned from the first year of operation is the need to prioritize project interventions in order to manage to best effect limited project resources and to fulfil the role of catalyst that was envisioned in the project scope of work. To that end, the ADAR technical team prioritized the list of target commodities for 2002, based on the following criteria: potential for rapid, concrete results, the relative impact of project activities in a particular commodity area, the dynamism of economic operators involved with the commodity and the ability of ADAR to contribute in a significant manner to sector development.

During the coming year, ADAR will remain open to extending limited technical assistance and training in non-priority areas, in function of the pertinence and potential of the project proposal.

In 2001, ADAR provided substantial assistance to the tea and flower sub-sector. It was felt that the privatisation of the tea sector needs to move forward before ADAR can meaningfully assist with quality improvement and marketing issues. In the flower sector, the project will continue to assist interested investors in accessing market information and in the elaboration of feasibility studies.

During the 2002 work plan year, however, ADAR will focus closely on coffee, pyrethrum and currently exported horticultural crops (passion fruit, physalis and apple banana).

2. ADAR STRATEGIC VISION

During the preparatory phase of the 2002 work plan, project staff developed a strategic vision to serve as a beacon to guide ADAR activities:

Increase revenues in targeted sub-sectors by furnishing hands-on technical assistance to key dynamic private sector operators, while, at the same time, providing relevant information and training to the agri-business community at large.

¹ Coffee, tea, pyrethrum, cut flowers, physalis, passion fruit, apple banana, green beans, Irish potato

The 2002 work plan operationalizes this vision by concentrating resources on the provision of technical assistance to key operators in priority sub-sectors. It is anticipated that the development of these selected enterprises will serve as models that will be emulated by other operators in the sub-sectors.

3. COFFEE SUB-SECTOR

3.1. Current Situation

Coffee is Rwanda's principal export crop, supplying 15,000 tons of product to the world market. Although the country possesses ideal growing conditions (appropriate arabica varieties, soils, altitude, sunlight, and precipitation), the quality of coffee produced at present is mediocre. The principal reasons for this unrealized potential are poor production techniques and the deterioration of processing infrastructure as a consequence of civil war and genocide during the 1990s. At present, there are only two washing stations in Rwanda located at Masaka (Kigali Ngali) and Nkora (Gisenyi). The Masaka station requires a complete rehabilitation of machines and infrastructure to be operational. The Nkora station is functional but last year operated at only 20% of 400 ton capacity.

The current world coffee market is characterized by both an oversupply of ordinary quality coffee resulting in extremely low prices and an exploding demand for premium quality specialty coffee that fetches very high prices from specialty coffee importers. It is clear that the Rwandan coffee industry must improve coffee quality to position itself for entry into the specialty coffee market.

The production of a premium quality coffee in Rwanda requires the creation of washing stations and a radical change in coffee production methods. Throughout its history as a coffee producing nation, Rwanda has produced semi-washed coffee, which, at times of high world market prices, permitted producers and processors to achieve viable returns on investment and labor. With the current oversupply, this is no longer possible.

At present, neither investors in washing stations nor coffee producers have the knowledge and experience to capitalize on Rwanda's inherent advantages in coffee production. These shortcomings must be addressed to move towards the production of a premium quality product.

Several ADAR clients (COOPAC, SICAF, UCAR, Ets. Kanock, ENAS, Sake Coffee Plantation) are developing projects to construct and equip washing stations in order to produce premium quality coffee. The focus of ADAR's activities in the coming year will be to provide hands-on technical assistance and training in order to help producers improve product quality at field level and assist in the establishment of the required infrastructure to allow significant improvement in coffee quality.

3.2. Objective 1: Improve Coffee Quality at Field Level

Activity 1: training of trainers in production techniques

Activity 2: introduce improved post-harvest selection/handling techniques

Rwanda has traditionally produced ordinary grade coffee and, at producer level, there existed no price differential for better quality beans. As a result, the producer had no incentive to adopt crop husbandry practices aimed at improving the quality of the coffee cherry or implementing rigorous cherry selection prior to processing. The recent orientation towards targeting the premium market requires that producers improve production techniques and sort cherries prior to processing.

During the second quarter, ADAR will conduct training of trainer sessions for OCIR-CAFÉ extension agents and representatives of cooperatives in communes in which washing stations have or will be built.

ADAR will also provide training to producers during the coming harvest season in cherry selection. The training will target producers who are currently supplying raw material to a washing station.

3.3. Objective 2: Introduce Improved Processing Infrastructure and Techniques (depulping, washing, fermentation, drying and milling)

Activity 1: provision of technical assistance for washing station establishment

Activity 2: provision of technical assistance to improve processing techniques

Activity 3: provision of technical assistance to improve financial management

The private sector operators who are investing in plantations and washing stations have little or no experience in coffee production or processing. They require advisory services in feasibility

study/business plan development, equipment selection and installation, washing station construction and technical and financial management of washing stations.

ADAR is working closely with seven private operators and cooperatives that are at different stages in project development. Ets Kanock has begun construction of its washing station and is currently purchasing necessary equipment. It is anticipated that the firm will be producing fully washed coffee during the coming production season. SICAF has constructed two washing stations but has not yet secured funding for equipment purchase. ENAS and Sake Coffee have 30 hectares and 15 hectares of coffee in production but need to conduct feasibility studies for the establishment of processing facilities. The company NNK has recently been constituted and has not yet elaborated a technical dossier. COOPAC has recently received funding from ACDI/VOCA and the BRD but has yet to begin washing station construction or equipment purchase.

During the coming year, the project will mobilize local and international experts to assist in developing required studies and business plans for those firms that are in the preliminary phases of project development. ADAR will provide hands-on technical assistance and training in the construction and start-up of washing stations to companies that have secured project funding.

In addition to the technical aspects of washing station establishment, there is a clear need to train operators in the financial management of coffee processing. The project will develop a training module, applicable to all coffee processing facilities that will comprehensively cover cost accounting. Training and follow-up will be provided to all clients during the coming year.

During the coming year, the project will closely examine opportunities to use the future ADAR cost-sharing component in support of washing station establishment. An area of particular interest would be cost sharing of waste water recycling equipment to insure that waste water from the coffee washing process does not contribute to water pollution in the surrounding areas.

3.4. Objective 3: Position Premium fully Washed Coffee in the Specialty Market

Activity 1: development of specialty market opportunities

Activity 2: lead a coffee exporter mission to the SCAA 2002

It is anticipated that certain of ADAR's clients will produce a significantly better quality of coffee from newly established washing stations during this coming season. These clients will require market intermediary services to identify potential specialty market buyers and to assist exporters in directing sample shipments to potential clients. During the first quarter, the project will contact the Specialty Coffee Institute (SCI), which is the research branch of the Specialty Coffee Association of America (SCAA). The institute specializes in market development, quality control and country-specific analysis. The SCI is currently working with Chemonics on the development of the coffee industry in Peru and will be a valuable resource for Rwandan operators in developing marketing outlets for their improved product.

In order to introduce processors to American specialty coffee importers, the project will organize a mission to the American Specialty Coffee Association's annual conference that will be held in San Diego in May. The mission will be lead by the marketing consultant that will permit Rwandan exporters to fully profit from the industry contacts of the marketing consultant.

4. HORTICULTURAL SUB-SECTOR

4.1. Current Situation

The export of horticultural products, principally, passion fruit, physalis and apple banana, is in an embryonic stage. At present, there are two exporters who ship limited quantities of product (generally less than two tons) on a regular basis, one of whom is providing organically certified products to a Belgium importer.

Although these products exist in plentiful supply in Rwanda and ADAR financial analyses indicate a potential for profitability, feedback from European importers indicate that major qualitative improvements, both at field and pack house levels, are necessary for a sustained export program to be developed.

During the coming year, ADAR will provide a multi-faceted assistance program to a core group of exporters that will address key production, conditioning and market development issues. Substantial hands-on technical assistance has been programmed which will be associated with limited field trials. ADAR staff will assist exporters with the elaboration of appropriate packaging, the continued development of European market contacts, the adoption of improved management practices and the acquisition of increased cargo space on outbound cargo planes.

4.2. Objective 1: Improve Field Level Fruit Quality of ADAR Clients

Activity 1: Provision of technical assistance and training in production and field-level conditioning techniques

ADAR has retained the services of Dr. Anne Turner, a horticultural specialist, to pilot field level quality improvement efforts during the coming year. She will conduct a diagnostic mission during the first quarter of 2002 in order to identify key constraints to quality improvement (variety, soil fertility, production techniques, harvesting and handling practices) and will elaborate a quality improvement program to be subsequently implemented by the consultant. ADAR may commission research trials to be executed by ISAR. The consultant will conduct on-site practical training for the exporters and their field staffs. Where possible, training will be conducted at a centralized location in order to minimize logistic requirements. Cost sharing funds may be mobilized to defray expenses related to establishment of new varieties, purchase of field packing crates or other equipment related to quality improvement.

4.3. Objective 2: Improve Conditioning of ADAR Client's Fruit

Activity 1: Provision of technical assistance and training in the organization and management of pack houses

Activity 2: Development of appropriate technology cold stores

Activity 3: Development of appropriate packaging

The handful of firms which are or have exported horticultural products in the recent past have extremely rudimentary physical infrastructure and pack house staffs have little or no knowledge of practices which maintain inherent product quality and hygiene from field to consumer. Aspects such as cleaning, grading, packing, shipment preparation, ventilation to disburse ethylene gas build-up

and quality assurance systems need to be taught to exporters if importer quality requirements are to be met.

Dr. Anne Turner has substantial experience in training pack house staff and will assume responsibility for providing practical hands-on training to personnel both in the technical and managerial aspects of pack houses.

At present, no pack house in Rwanda has refrigeration facilities. In view of the embryonic stage of development, it would not be currently advisable to promote investment in a modern coldstore, given the substantial fixed and variable costs. Nevertheless, decreasing product ambient temperatures, particularly for passion fruit, is critical to insuring product quality and required shelf life at the importer level.

During the second quarter of 2002, ADAR will assist exporters in constructing appropriate technology cold stores at their pack houses. The project has identified a post-harvest specialist who has constructed appropriate technology cold stores in southern Africa. He will be engaged to provide on-site training in cold store construction and maintenance. ADAR will provide requisite materials and follow-up.

With the exception of one exporter, operators do not have appropriate packaging to expedite product to European markets. It would not be advisable to invest in packaging prior to improving product quality. However, individual firm packing designs should be elaborated and printing plates developed in order to rapidly produce cartons when quality and market conditions warrant exports.

During the second quarter, ADAR will assist enterprises in developing a carton design and will have plates made by a carton manufacturer so as to respond to market demand in a prompt fashion.

4.4. Objective 3: Development of Market Opportunities for Rwandan Horticultural Exports

Activity 1: Raise the profile of Rwanda as a potential source of tropical horticultural products

Activity 2: Facilitate the export of products meeting European market requirements

At present, Rwandan agricultural exports do not meet European market requirements. The case of passion fruit is illustrative. Rwandan passion fruit lacks the desired color to make it a viable alternative to Zimbabwean and Kenyan fruit. Yet, if the problem is a nutrient deficiency or other factor correctable in the near term, then project actions can have a positive impact on opening markets for Rwandan commodities. In the interim, it is necessary to promote Rwanda as a potential alternative source of certain tropical fruits.

To this end, ADAR will continue with its program of sending product samples to European importers in order to gain feedback and develop market contacts with prospective customers. Passion fruit, physalis and apple banana samples will be sent to Belgium, Germany and France during the first quarter under the supervision of the project.

The project will invite selected European importers to Rwanda to introduce them to potential exporters and to visit production areas. This will be done on a cost-sharing basis with interested European firms. Due to current political instability in Zimbabwe, importers are seeking alternative sources of supply for certain products, notably passion fruit and physalis, presenting Rwanda with a good opportunity to enter the market if quality can be improved.

ADAR will continue its program of facilitating participation of exporters in key European trade fairs. Until local products meet international requirements, exporters will participate as visitors. This will afford them the possibility of better understanding market requirements, in addition to favoring the establishment of commercial contacts with importers and trade organizations.

Project staff will assist exporters in developing appropriate procedures and documentation, such as bills of lading to accompany shipments. A training module will be given at the Kigali airport during the first quarter, destined essentially for future exporters, which will provide step by step instruction in the procedural aspects of expediting perishable products and in analyzing local airport handling costs.

4.5. Objective 4: Develop Organically Certified Horticultural Exports

Activity 1: Obtain organic certification for selected producers

Activity 2: Pursue market contacts with organic importers

Activity 3: Begin export of certified products

The world market for organic products is expanding dramatically. This market holds significant promise for Rwanda for the following reasons. Profit margins are, on average, 30% higher for organically certified perishables, thereby compensating for Rwanda's higher comparative transport costs. At present, producer/exporters are growing uncertified organic products so no change in production methods is required to obtain certification. Consumers of organic products are less concerned with the superficial appearance of fruit so constraints which impede the development of exports for the conventional market are much less a factor for organic export market development.

During the past year, ADAR assisted three exporters in applying for organic certification through ECOCERT, the major European certifying agency. Duly completed application forms have been sent to the agency and a visit by a certified inspector will occur, probably during the second quarter.

ADAR will cost share certification expenses and will provide technical assistance to the applicants during field inspections. Accompanied by ADAR's organic agriculture advisor, the three candidates for certification will attend Biofach, the major European organic trade fair in February to familiarize themselves with market requirements, packaging and develop commercial contacts.

In the event that certification is attained by the applicants, ADAR will assist the exporters by providing market intermediary services. A European-based marketing consultant may be hired to represent Rwandan interests in major wholesale markets.

4.6. Objective 5: Develop Horticultural Processing Options for Export

Activity 1: conduct pre-feasibility study

Activity 2: implement technical/financial analysis of identified opportunity

Activity 3: assist in business plan preparation

Activity 4: provide assistance in equipment installation and start-up

Horticultural processing in Rwanda is essentially limited to the production of passion fruit juice and concentrate as well as the manufacture of jams and jellies. Passion fruit juice and concentrate cannot be competitive on European markets, given the extremely high transportation costs and the low juice yields of varieties suitable to the Rwandan climate. Opportunities for new entrants into the local market appear to be limited, given the large number of operators currently producing juice and concentrate for a market that lacks significant buying power. Jams and jellies for export to Europe face a saturated market, populated by many low cost producers from Eastern Europe.

During the coming year, ADAR will seek to identify new products, such as organic passion fruit leather or candies, which may present significant marketing opportunities in regional and international markets. The project has programmed a study by CIRAD, the French tropical agronomic research institute, which has extensive experience in the transformation of fruits and vegetables, in order to identify transformation processes that can generate added value, given the constraints facing Rwandan operators.

5. PYRETHRUM SUB-SECTOR

5.1. Current Situation

Pyrethrum is, in monetary terms, the third leading producer of foreign exchange, after coffee and tea. The pyrethrum flower is cultivated by several hundred small producers in the northwest part of Rwanda and is sold to the sole in-country processing facility, SOPYRWA. Over the last three years, flower production (and semi-refined extract) has increased substantially, in response to market demand. Hectarage under cultivation has risen from 800 ha to 2500 ha. An additional 750 hectares need to be planted to fully utilize existing processing capacity. Using better genetic plant material and more fertilizers could significantly augment yields per hectare.

There is significant opportunity to improve both the production and profitability of SOPYRWA. By investing in key renovations, notably for flower dryers, extraction equipment, retooling a dormant refining unit as well as providing training to factory personnel, the company and its suppliers could become a major force on the regional pyrethrin market.

5.2. Objective 1: Improve the Quality of the Semi-Finished Product

Activity 1: assistance for the selection, installation and start-up of new extraction equipment

Activity 2: technical analysis to renovate SOPYRWA refining capacity

ADAR will provide advisory services to SOPYRWA to improve the currently low pyrene extraction rate. This will entail new equipment selection and installation as well as establishing a laboratory to analyze chemical composition of both raw and processed material. A consultancy has been programmed for the second quarter.

The pyrethrum factory's refining unit was constructed in the mid-1980s but functioned only briefly. It escaped damage during the war and can be renovated at minimal cost. Once the new laboratory facilities have been established, ADAR will provide technical assistance to renovate the refining unit during the second quarter of the year.

5.3. Objective 2: Reinforce Security and Maintenance of the Factory

Activity 1: training of factory technicians in security norms

Pythrine extraction and refinement requires rigorous respect for security norms to guarantee factory worker safety. A pyrethrum processing expert is programmed to provide training to SOPYRWA factory personnel during the third quarter of the year.

6. CROSS-CUTTING AREAS

6.1. Business Development

This section describes business development activities that are not specifically focused on one commodity area. Business development activities which concern a particular commodity (example business plan development for coffee washing stations and training in financial management for washing stations) are discussed in the section dealing with coffee.

6.2. Objective 1: Improve Access to Finance for ADAR Clients

Activity 1: assist clients in business plan elaboration

Activity 2: training of bank loan officers and consultants in agri-business risk analysis

Activity 3: provision of training to reinforce sound financial management

Activity 4: operationalize cost-sharing grant program

Although ADAR has decided to focus in 2002 on three sub-sectors, coffee, horticultural export products and pyrethrum, the project must maintain sufficient flexibility to accommodate requests for services from operators involved in non-priority commodities. During the coming year, the project will positively respond to requests for business development services from the agri-business community at large. A feasibility study for the renovation of an anthurium flower farm is programmed for implementation during the second quarter of the year.

A training program in agri-business risk assessment for loan officers and financial consultants will be conducted during the first quarter.

One of the major impediments to obtaining bank financing for agri-business projects is the absence of cost accounting systems in enterprises seeking loans. In order to permit operators to better understand their cost structure and increase the probability of securing funding, the project will develop training modules in cost accounting, adapted to the specific needs of different sectors. Modules adapted to the needs of horticultural exporters and processors will be developed during the third quarter.

In December, AID/Kigali approved the establishment of a cost-sharing program to defray costs associated with start-up and expansion of activities implemented by ADAR clients. A procedures

manual is currently being elaborated and will be submitted to AID for review upon completion. It is hoped that the cost-sharing grant program will be operational before June.

6.3. Market Information Services

During the fourth quarter of 2001, ADAR inaugurated the ABC center. The center provides information on production, processing, marketing and regulatory issues to ADAR clients and the general public. During the first quarter of 2002, a consultant in market information services will train ADAR personnel in electronic data and document archival systems. Training programs will be offered to ADAR clients in the use of the Internet to access technical and market information during the second quarter.

6.4. Environment

Certain of ADAR's targeted sub-sectors, notably pyrethrum and coffee, present significant issues regarding responsible environmental stewardship. Pyrethrum processing can have significant negative environmental impacts with respect to deforestation, as fuelwood and peat moss are used as energy sources in the drying process. Additionally, the use of toxic chemicals in the extraction process poses obvious issues for the environment.

Coffee processing, particularly the disposal of waste water from coffee washing, has significant potential negative impacts as the waste water contains several pollutants.

During the first quarter, the project will conduct an environmental study of current and future ADAR activities. The assessment will develop guidelines to insure that project activities are consistent with environmentally sound management practices and will also identify areas where cost sharing could be used to promote sustainable environmental stewardship.

6.5. Project Management

During the coming year, project management will focus on rationalizing ADAR staffing resources. A re-examination of the terms of reference of the project's technical team will be conducted during the first quarter, as the original project structure, organized around the ABC Center and "Special Initiatives" are not best suited to the sub-sectoral approach required by ADAR. Tasks will be organized around specific sub-sectors, with a technical team member responsible for all activities within that sector.

The resident technical team requires additional staffing support in two main areas: horticultural conditioning and information technology. There exists sufficient funds in the budget to hire one additional full time staff member and one individual on a half time basis. In function of available local expertise, the project will seek to fill these one and a half positions as rapidly as possible during the first months of the year.

The project will continue to promote coordination and participation from its partners and the USAID mission. The Advisory Group will meet, as scheduled, on a quarterly basis. It is proposed that the project technical staff and the USAID S03 team meet four times a year to review the quarterly reports and discuss needed adjustments to the annual work plan.

Key project dates over the next 12 months are: the 15th of April, July, October and January (2003) when the quarterly Advisory Group meetings will be held and the 30th of the aforementioned months when ADAR will submit its quarterly or annual reports. The monitoring and evaluation report developed in April 2001, proposes to submit a separate M&E report due on November 30th. It is suggested that this report be subsumed into the project's annual report in order to have uniform reporting dates and to avoid redundancy in information transmitted to partners and USAID.

ANNEXES

ANNEX 1 : Programmed 2002 Short-Term Technical Assistance and Training

Sector	Assignment	Est. Days	Quarter	Consultant
Coffee	Training Post-Harvest Prod.	10	3 rd	A. Finney
Coffee	Training in Cherry Selection	5	1 st -2 nd	A. Finney
Coffee	TA in Washing Station Est.	15	1 st -2 nd	A. Finney et al.
Coffee	TA for Bus. Plan Elaboration	20	1 st -2 nd	F. Sihimbiro & TBD
Coffee	TA for Engineering Works	40	2 nd -3 rd - 4 th	TBD
Coffee	Training in washing station tech. Mgmt.	80	2 nd -3 rd - 4 th	TBD
Coffee	Training in Financial Mgmt.	40	2 nd -3 rd - 4 th	Célestin
Coffee	TA for coffee marketing	30	2 nd -3 rd - 4 th	TBD
Horticulture	TA for Production	70	2 nd -3 rd - 4 th	A. Turner
Horticulture	TA for Conditioning	50	1 st -2 nd - 3 rd	N. Ngewano
Horticulture	TA for ABC Center	20	1 st	A. Houyoux
Horticulture	TA for Processing	30	1 st -2 nd	CIRAD
Horticulture	TA for Business Plans	25	2 nd -3 rd	N. Monkan <i>et al.</i>
Pyrethrum	TA for Factory Renovation	20	2 nd	S. Head
Pyrethrum	Training in Factory Safety	15	3 rd	Binnington
Bus. Dev.	Training in Risk Mgmt.	40	1 st	Chase & Habimana
Bus. Dev.	Training in Cost Accounting	30	2 nd -3 rd	Célestin
Environment	Environmental Assessment	30	2 nd	Gibson

ANNEX 2 : GANTT CHARTS