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ANNUAL REPORT 2004

ADAR RWANDA AGRIBUSINESS DEVELOPMENT ASSISTANCE

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ADAR RWANDA AGRIBUSINESS DEVELOPMENT ASSISTANCE

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The author's views expressed in this publication do not necessarily reflect the views of the United States Agency for International Development or the United States Government.

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Table of contents

1. INTRODUCTION	1
1.1. Background.....	1
1.2. Highlights	1
1.3. Organization of the Report	2
1.4. Divergence between Programmed and Executed Activities	2
2. COFFEE SECTOR	3
2.1. Project Activities	3
2.1.1. <i>Technical Assistance in CWS Establishment</i>	3
2.1.2. <i>Technical Training for CWS Personnel</i>	5
2.1.3. <i>Financial Management Training</i>	6
2.1.4. <i>Information sessions</i>	7
2.1.5. <i>Reinforcing Cupping Competencies</i>	7
2.1.6. <i>Producer Extension Activities</i>	8
2.1.7. <i>Study Tour in Central America</i>	8
2.2. Coffee Marketing Activities	9
2.2.1. <i>Participation in Events</i>	9
2.2.2. <i>Workshop sessions</i>	10
2.2.3. <i>Visits of potential buyers</i>	10
2.2.4. <i>Cupping tasting sessions in the USA and shipment of samples</i>	10
2.3. Results	11
2.3.1. <i>Evolution of the Coffee Campaign</i>	11
2.3.2. <i>Evolution of the Coffee Campaign per CWS</i>	12
2.3.3. <i>Production Achieved</i>	14
2.3.4. <i>Cost of Production Estimates</i>	15
2.3.5. <i>Coffee Quality Assessment</i>	16
2.3.6. <i>Marketing Performance</i>	16
2.4. The Application of Lessons Learned from the 2003 Season	18
2.4.1. <i>Needed improvements in infrastructure</i>	18
2.4.2. <i>Sensitizing CWS Personnel to Results from the 2003 Season</i>	18
2.4.3. <i>Timely Organization of the CWS Workforce</i>	19
2.4.4. <i>Improve Communications with Kenyan Master Trainers</i>	19
2.4.5. <i>Promote Total Quality Management</i>	19
2.5. Lessons Learned and Recommendations from the 2004 Season	20
2.5.1. <i>The Necessity of Improving Cherry Collection</i>	20
2.5.2. <i>The necessity of installing flotation tanks and pre-drying area</i>	20
2.5.3. <i>Developing Stricter Eligibility Criteria for the Placement of Kenyan Trainers</i>	20
2.5.4. <i>Reinforcing Efforts to Promote the Adoption of the Cost Accounting Tool</i>	21
2.5.5. <i>Promoting Alternative Pulping Machines</i>	21
2.5.6. <i>Continue to Improve Local Cupping Capacity</i>	22
3. TEA SECTOR.....	22
4. HORTICULTURE	23
4.1. Passion Fruit Production	23
4.1.1. <i>Training Activities</i>	23
4.1.2. <i>ACDI/VOCA Cooperation for Passion Fruit Production Grant</i>	25
4.1.3. <i>Collaboration with Projects and Partners</i>	25
4.1.4. <i>Assistance for Shema Fruits</i>	26
4.1.5. <i>Efforts to Re-launch Passion Fruit Exports</i>	27
4.2. Bird's Eye Chillies	27
4.3. Floriculture	29

5. PROCESSED AGRICULTURAL PRODUCT	29
5.1. Certified Organic Dried Fruit.....	29
5.2. Soybean.....	30
5.3. Essential Oils.....	30
5.4. Honey	32
5.5. Additional Crops	33
6. PYRETHRUM.....	33
7. CROSSCUTTING ACTIVITIES.....	34
7.1. Business Development.....	34
7.1.1. <i>Feasibility Studies</i>	35
7.1.2. <i>Establishment of the Development Credit Authority (DCA) Bank Guarantee</i>	35
7.2. The Small Grant Cost-Sharing Program (SGCSP)	37
7.3. Environmental Issues	38
7.3.1. <i>Ensuring the environmental soundness of ADAR assisted CWS</i>	38
7.4. HIV/AIDS	39
7.5. The AgriBusiness Centre (ABC).....	40
7.6. Other Technical Activities	40
8. MONITORING AND EVALUATION.....	42
8.1 Impact Indicators	42
8.2. Performance Indicators	43
9. ADMINISTRATION AND FINANCE.....	47
9.1. Administration	47
9.2. Financial Overview	47
ANNEXES	49
Annex 1: Workshops/meetings, seminars/trainings and forums organized in 2004	50
Annex 2: Studies concluded/Reports published during 2004.....	53
Annex 3: ADAR's Newsletter	56
Annex 4: USAID - Tell Our Story	57

1. INTRODUCTION

1.1 Background

This report represents the fourth annual report for the technical contract under the Agribusiness Development Assistance to Rwanda (ADAR) project, a six year, USD 10.2 million activity financed by USAID, under the RAISE Indefinite Quantity Contract (IQC). Chemonics International Inc. was awarded the international contract to implement ADAR on November 19, 2000, for an initial period of three years. An option to extend the project for an additional period of three years through November 2006 was exercised in December 2002.

ADAR is a key activity contributing to achievement of USAID/Kigali's Strategic Objective 7 (SO7), namely, "to expand economic opportunities in rural areas" in targeted commodities to improve household *food* security. ADAR's activities fall under SO7's Intermediate Result "Expand Agribusinesses". The project seeks to achieve this result through: (i) Enhanced Performance of Assisted Firms, (ii) Improved Quality Products of Assisted Firms, and (iii) Improved Access to Financing for Agribusiness Firms. Project staff is comprised of two expatriate technical specialists, four national assistants and 14 support personnel.

In terms of implementation strategy, ADAR provides direct assistance to Rwandan entrepreneurs including producers, investors, promoters and exporters. The project helps its clients to increase productivity and competitiveness, improve product quality and to have increased access to financing and markets. Emphasis is placed on coffee processing, horticultural crops (passion fruit, birdseye chillie pepper) for export and business development services. The project is also active in developing processing options in pyrethrum, tea, dried tropical fruit, soybean, essential oils and honey, among others.

1.2. Highlights

The fourth year of ADAR's operations was marked by substantial progress in the major areas of activity. The project had a significant impact on key commodity sub-sectors as measured by quantitative results, and surpassed project impact indicator targets. Highlights of project activities over the year include:

- In coffee, excellent results with respect to production and marketing of 347 tons of fully washed coffee produce, all of which was sold by December 2004.
- Assistance to a local fruit processor to produce and export 500 kg of passion fruit puree to France, on a trial basis.
- Assistance to four private investors in the establishment of Birdseye Chillie (BEC) plantation and start-up of 18 hectares.
- The completion of feasibility studies of new products for export such as essential oils and honey.
- Approval of the Development Credit Authority (DCA) program by USAID Washington and the Bank of Kigali.
- The introduction of a monthly radio program focusing on agribusiness development issues.

1.3. Organization of the Report

The report is organized by commodity sector, with sections on coffee, horticulture, tea, pyrethrum, etc. The final sections focus on crosscutting issues such as business development, the small grant program, environment, monitoring and evaluation, finance and administration.

Each section provides an overview of the project's objectives within the sector, details activities undertaken during 2004 and draws conclusions based on results obtained and lessons learned.

1.4. Divergence between Programmed and Executed Activities

ADAR's 2004 work plan included a large number of activities, the majority of which were realized. For those activities which did not take place, the cause most often was related to timing: in some cases, clients were simply not ready to carry out the activity as planned; in others, the requisite conditions were lacking for the activity to be put in effect. These activities replaced un-programmed activities, driven by client demand.

In the *coffee sector*, ADAR anticipated providing technical assistance to install a coffee dry milling unit for SLTC, a project client, but the dry milling unit for SLTC did not materialize due to lack of commitment on the part of the operator during the 2004 coffee harvest. ADAR programmed training on "cupping tasting". This activity was instead implemented by OCIR Café and the PEARL project. In the *horticulture sector*, technical assistance programmed for RWANDA FLORA, the successors to Highland Flowers did not materialize as the company's managing director elected to contract technical assistance from another source. The activities programmed in the *food processing sector* did not take place because of either delays in project implementation due to unsecured financing or unavailability of fruit required to conduct training at a local food processor. The training of staff in the fruit dehydration pilot factory should be rescheduled as the investor finally received approval for financing in November 2004. The plan to assist with the installation of UNIMIX manufacturing equipment in a factory and to train factory personnel was similarly postponed. The October 2004 visit of a specialist to improve quality of processed fruit products for Shema Fruits export was delayed due to the lack of adequate supplies of fruit in Rwanda.

The technical assistance program that was planned for *SOPYRWA* in 2004 has been rescheduled due to nation-wide power crisis which has affected the pyrethrum processing. The training in health and safety will take place in the coming year. As stated in the work plan for 2004, the planned technical assistance for factory renovation of two *tea* estates was dependent on the evolution of the privatization process. With the privatization of Pfunda estate in November 2004 to be followed by others in 2005, ADAR is likely to be involved in these activities in 2005.

Despite being unable to realize all activities planned for 2004, the project overall adhered to the work plan and became involved in new sectors, such as *essential oils* (eucalyptus and geranium) and *honey*, once again showing ADAR's innovation and responsiveness to new opportunities as they arise.

2. COFFEE SECTOR

The coffee sector was particularly active in 2004, consuming at least half of ADAR's resources in terms of time, financial expenditures and human resources.

The volume of coffee processed by the coffee washing stations (CWS) assisted by ADAR was 250% greater than that produced in 2003. Three hundred and forty seven tons of fully washed green coffee, the majority of which was of high quality, were produced by the seven CWS assisted by the project in 2004, compared with the 147 tons produced by the four CWS assisted by ADAR in 2003. The increased number of clients, the lessons learned during 2003 and an increase in production of green coffee (Rwanda produced 15,000 tons in 2003 vs. 30,000 tons in 2004) all contributed to these remarkable results.

While in 2003 it took some time for Rwanda's coffee to find buyers (the sales more or less started during the month of November), this year the coffee was quickly purchased by importers. By July, almost 70% of the production had already been sold. This was essentially due to efforts undertaken by ADAR and its partners to make Rwandan coffee a known entity on the international market place.

Despite the fact that the clients did not follow all of ADAR's recommendations, which led to a few difficulties for the clients (lack of careful selection of coffee cherries, poor planning, weak organization, failure to respect total quality management), progress was generally encouraging in the coffee sector, as evidenced by the results obtained this year.

In the following sections, the report will address the different activities undertaken by ADAR in 2004, followed by the results, both in light of the recommendations made at the end of 2003 and the lessons learned from 2004.

2.1. Project Activities

In 2004, ADAR extended the menu of technical assistance and training provided to its coffee clients. As in 2003, assistance was provided to new clients on all aspects of CWS establishments including feasibility studies, design, construction supervision, equipment selection and installation. The Kenyan master trainers recruited by the project reinforced the technical assistance given to long-time clients and initiated training of staff of the new CWS; they also trained coffee producers supplying CWS on improved cherry production, harvesting and sorting techniques. A follow-up training of the CWS accountants assisted by the project in 2003 was conducted and new accountants and supervisors were trained in financial management. Cupping tasting capabilities were developed or strengthened for project staff and clients.

2.1.1. Technical Assistance in CWS Establishment

From the eight new investors who approached ADAR for the completion of CWS during the course of the first quarter (based upon feasibility studies which had been conducted by the

project for six of them), only four followed through with their CWS: *Ngenda, Gatare, Kamonyi* and *Nkora*. The others were not ready to start operations. The civil engineer worked closely with the CWS establishment specialist and provided advice for construction for *Ngenda, Gatare* and *Kamonyi* in the following areas (according to the specific CWS in question):

- Correcting the slope and forming washing and grading canals
- Adjusting dimensions of tanks
- Installing water supplies and testing water re-circulation units
- Construction of a pre-drying area
- Design and construction of drying tables
- Fine-tuning of pulping machines to insure optimum performance

The project assisted eighteen investors in preparation for the 2005 season. Technical and financial studies were finalized for sixteen CWS, three of which were elaborated in 2003 for promoters who were not ready to be operational in 2004, and two of which were auto-financed by the investor. The studies were elaborated using the generic model developed by the project, which is adapted to the needs of each client and helps the consultant to work on reports more rapidly.

Topographical and hydrological analyses were conducted during the course of these feasibility studies and construction was supervised by the ADAR consulting civil engineer. The works should be terminated by mid-January 2005 and the pulping equipment installed by end- February 2005 at the latest.



June 2005 - Topographical plan of the future CWS of Kinunu, Lake Kivu -->

Programmed Assistance to CWS in 2005

1	Eugène Ntagengerwa	KIGALI NGALI - Ngenda	Study elaborated in 2003 but promoters were not ready to be operational in 2004
2	Charles Bucyensenge	GITARAMA - Kayumbu	
3	COFII	GITARAMA - Ruyumba	
4	Chrysologue Kubwimana	GISENYI - Kayove	Feasibility Studies and Business Plans delivered to promoters. Construction of CWS in progress
5	Jean Dieudonné Gatsinga	KIBUYE - Rwabisindu	
6	Jean Bosco Rukundo	GITARAMA - Kamonyi	
7	Alphonse Kayijuka	CYANGUGU - Gatare	
8	Innocent Mwumvaneza (Cotecacya)	CYANGUGU - Bukunzi	
9	Nyaco2 (MM. Nkubili and Nkusi)	BYUMBA - Muhura	
10	Nicolas Ndagijimana	KIBUYE - Kibuye	
11	MIG 1 (<i>Multisectorielle d'Investissement de GIKONGORO</i>) - Nyaruguru		
12	MIG 2 (<i>Multisectorielle d'Investissement de GIKONGORO</i>) - Cyanika		
13	Aphrodis Mugambira	KIBUYE - Rusenyi	
14	Anastase Nzirasano	RUHENGURI - Bukonya	
15	Philippe Kanamugire	KIGALI NGALI - Nyamata	
16	RWACOF	KIGALI NGALI - Bicumbi	
17	Christian Kaningu	GITARAMA - Kayenzi	No Business Plan from ADAR
18	Pierre Munyura	CYANGUGU - Gashonga	

Approximately 20 CWS will be assisted by the project in 2005, including *Nkora* and *Gatare* for a second year. This is an estimate, with the final number to be determined between now and mid-February, according to the progress made by each CWS. The investors come from different backgrounds: two senators, businessmen, construction entrepreneurs, a doctor, a civil engineer, semi-washed coffee exporters and a lawyer.

With a total of twenty five CWS assisted or to be assisted by the project, including the five CWS which received assistance in 2003 and 2004 and in addition to *COOPAC*, ADAR is present in nearly all the regions of Rwanda in the coffee sector. If we include the other sectors, ADAR activities can be found in all 12 provinces of the country.

2.1.2 Technical Training for CWS Personnel

ADAR continued its successful program of providing Kenyan master trainers to its coffee clients. Master trainers were placed for a second year in *Masaka*, *Nyandungu*, *Sake* and *Migongo*. Four new clients, *Nkora*, *Gatare*, *Ngenda* and *UCAR/Kamonyi*, also benefited from this assistance.

The following master trainers were assigned to the eight CWS. Three arrived during the second quarter due to delays in the construction of the CWS:

CWS	Kenyan Master Trainer	Arrival date	Departure Date
Masaka	1. Warui Kinuthia	08/03/04	29/07/04
Nyandungu	2. Johnson Kanyi	08/03/04	16/07/04
Sake	3. Gerard Mwangi	08/03/04	29/07/04
Migongo	4. Hesbon Gachogu	10/03/04	30/07/04
Nkora	5. John Wasambla	16/03/04	20/07/04
Gatare	6. John Kimani	09/04/04	01/07/04
Kamonyi	7. James Nganga	05/05/04	01/07/04
Ngenda	8. Charles Thuo	06/05/04	02/07/04

The master trainers are mandated to organize the workforce of the CWS; assign individual tasks from cherry reception through processing and warehousing to competent personnel; provide instruction in cherry sorting, washing, fermenting and drying; establish a lot identification scheme to trace product from processing through warehousing; and assure fine tuning and adequate maintenance of pulping equipment.

A Kenyan master trainer was based at each of the eight CWS to assist in the supervision of activities listed above. Similar to the 2003 season, project staff met with the trainers on a regular basis in the field and at the ADAR office to supervise their activities.

ADAR staff worked closely with the CWS owners and master trainers to insure that efficient management systems were put in place at each station. Among the eight CWS, 19 section chiefs of the four CWS which have been assisted since 2003 received further training, and 43 section chiefs in the four new CWS were instructed in the aforementioned aspects of coffee processing. These section chiefs in turn trained workers within their sections.

The transfer of knowledge by the Kenyan master trainers to the CWS managers was particularly effective in *Sake* and *Migongo*. The CWS managers were the same as in 2003 and were able to build on knowledge acquired during the 2003 season, supervising the labor force more efficiently and possessing greater familiarity with the principle of separation of Grades A and B. However, they still need additional training in monitoring the fermentation process. It should be noted that the *Sake*, *Migongo*, *Nyandundu* and *Masaka* CWS will run on their own in 2005, as Kenyan master trainers will not be placed at their stations during the coming season.

The same situation applied for *Masaka* and *Nyandungu*, but unfortunately their CWS managers were not the same as in 2003, and had to be trained for the first time by the Kenyans, as with the managers of *Nkora*, *Gatare*, *Ngenda* and *Kamonyi*.

The managers began the season with almost no experience in coffee purchasing and processing and little experience in the supervision of a large labor force, with the exception of *Nkora* which was already being managed by an experienced technician who needed only to have his organizational skills reinforced. The managers were active in mastering the different tasks and sequence of events involved in producing fully washed premium coffee, and their staff was efficient especially at *Masaka* and *Nyandungu* where they benefited from experience gained in 2003.

2.1.3. Financial Management Training

The cost accounting module elaborated by ADAR in 2002 to allow CWS management to closely monitor activities at the station and determine costs of production by major expenditure categories was successfully adapted in 2003 and used in 2004 for the active coffee clients.

In 2004, the project planned to apply the cost accounting module for ten CWS, the four who were supported in 2003, together with six new stations. Finally, the project used the module at the seven stations assisted by the project during the year.

Prior to the commencement of the production season, the ADAR consultant conducted a seminar at the project office for nine CWS accountants from both old and new stations. The two-day session detailed daily management tasks at a station during the processing season and was followed up on a monthly basis with on-site application of the seminar's content at *Nkora*, *Gatare*, *Masaka* (all new accountants) and *Kamonyi*, and on-site retraining for *Sake* and *Migongo Masaka*. The consultant monitored all operational costs and collected the data needed to calculate the cost per kilogram of coffee produced. *Ngenda* was not part of this program as they had almost no activities on-going in 2004.

The financial accounting module was well accepted and effectively implemented in the two new CWS of *Nkora* and *Gatare*, and the consultant was particularly impressed by the accounting and administrative management of *Sake* and *Nkora*. The management of the other CWS made significant progress in assembling pertinent information with the exception of *Masaka* whose accountant was reluctant to share cost of production information. This problem was also encountered in 2003 last year. It is regrettable that the owners of *Masaka* do not understand the importance of an analytical cost accounting system to the success of their enterprise.

After having gathered and analyzed all pertinent information and data, the consultant provided to the owner of each CWS a report on the situation of his/her station with respect to estimation of operational costs.

2.1.4. Information sessions

During the past year, the project provided a great number of information sessions for the investors to keep them posted on its programs and organization of activities. Key information sessions included: the launching of the coffee season in January and a seminar on organic coffee in November.

Twenty-one coffee operators participated in January in the half-day workshop organized by the project to launch the coffee season. They received a debriefing concerning the results from the 2003 harvest, successes and continuing challenges. The president of *COOPAC* made a presentation of his first year of activities and provided details on access to financing, construction of CWS, choice of equipment, technical management, marketing and relations with buyers. As a follow-up to the presentation, the participants at the session visited his washing station in February.

Following her participation at the IFOAM Conference held in Kampala on Organic coffee in October, the ADAR Horticulture Specialist conducted an information session in November for 15 operators. Organic coffee does not exist in Rwanda, and the interest shown by the participants at the workshop might lead to the introduction of this coffee in Rwanda. A visit to several organic farms in Uganda is programmed for the beginning of 2005.

2.1.5. Reinforcing Cupping Competencies

In 2003 ADAR sponsored two-week training for the OCIR Café's Chief Liquorer at the Ethiopian Coffee and Tea Quality Control and Liquoring Center in Addis Ababa. As a result, the Chief Liquorer was able to improve his cupping skills and better evaluate coffee production and will subsequently train ADAR clients.

During the second quarter, the future cuppers of ADAR clients *Masaka*, *Migongo*, *Nkora* and *COOPAC* followed an intensive, three-month course in cupping which began on April 13. Twelve apprentice cuppers participated in the sessions conducted by SCAA's Institute of Coffee Quality Coffee Corps program, and organized by OCIR Café, PEARL and ACDI/VOCA. They attended six one-week sessions in which they were introduced to cupping techniques, the concepts of sensory evaluation, scoring, prepping and detecting different levels of acidity and body together with cup defects.

The session conducted in July concerned the identification of defective lots so that they could be treated differently (separately deperched and strictly graded) before being exported.

A second training on cupping tasting was organized and sponsored by ADAR in October at Coffee Lab International in Vermont for the President of *COOPAC*, the Managing Director *Masaka* and the cupper of *Nkora* Coffee, as they all intend to install a cupping laboratory

with a roasting machine at their respective CWS. The coffee expert from ADAR accompanied the group in order to be introduced to the practice of cupping. The session successfully reinforced the participant's capacity to evaluate quality coffees according to the norms of the SCAA. Nonetheless, if the participants were capable of judging and comparing coffees of different qualities and origins (Rwanda, Kenya, Ethiopia, Guatemala, Colombia, Mexico and Sumatra), they must still learn how to evaluate the specific cup characteristics. The managing Director of Masaka noted in her report: *"This cupping training has completely changed my way of handling coffee since any mistake in the preparation affects the cup. I believe such training programs will improve the quality of Rwanda coffee"*.

2.1.6. Producer Extension Activities

Following the training commenced in 2003 for farmer groups on cherry selection and sorting, the same program was conducted by a Kenyan master trainer for the new client *Gatare*, with two training sessions being held for the benefit of 173 farmers who supply the CWS.

To enhance the productivity of coffee trees, pruning on a regular basis is very important. According to the growth cycle of the coffee tree, the pruning has to be done following harvest of the cherries, which in Rwanda corresponds with the June/July period. Of the five Kenyans remaining in July, four conducted training on pruning of coffee bushes for a total of 90 coffee producers located in proximity to the *Migongo*, *Nkora Masaka* and *Sake* CWS.

ADAR has also been working since the end of 2003 on a poster on the *"Techniques for Coffee Harvesting and Selection of Cherries before being deparched at the CWS"* that was printed in A2 format at the end of the third quarter; delays in printing were due mainly to difficulties in finding an appropriate designer and the digitization of the drawings. One thousand five hundred copies of the poster will be distributed to OCIR Café and ADAR clients at the beginning of 2005 prior to the next harvest.

In order to strengthen the ability of its clients to properly dry parchment coffee, ADAR purchased three moisture meters and placed them in the stations of *Nyamdungu*, *Sake* and *Nkora* during the 2004 harvest. At the end of June, the moisture meters were returned to the project for use at other washing stations in 2005.

2.1.7. Study Tour in Central America

During the last quarter, the project organized a coffee study tour in Guatemala and Salvador, for five key coffee operators to gain an in-depth understanding of techniques which are employed in the production of Specialty coffee. They visited coffee plantations and CWS which have been assisted by the Central America and Dominican Republic Coffee Quality Project of Chemonics International. The participants were introduced to new pulping technologies, specifically the "Ecosistem" that uses much less water and energy than technologies now in use in Rwanda.



Mr. Chivichón explaining in details the use of his equipment and machinery

The participants, and particularly the ADAR consultant in charge of the technical assistance for CWS establishment, were impressed by the pulping capacity (6 to 8 tons/hour compared to 3 tons/h for the McKinnon) with the same consumption of energy (10kwatt/h), and with excellent pulping quality.

ADAR is convinced that this study tour might have a big impact on the evolution of the coffee processing in Rwanda. It is envisaged that three CWS will adopt the “Ecosistem” pulper during 2005.

2.2. Coffee Marketing Activities

Marketing has been a very important component for ADAR in 2004. This is not surprising, given the nearly 200% increase in ADAR-assisted coffee processing over 2003.

Participation in events, marketing seminars by international experts, visits of potential buyers, cupping tasting sessions in the USA and shipment of samples, along with production of promotional materials were the key activities of ADAR during the third quarter.

2.2.1. Participation in Events

The ADAR Chief of Party and the project’s marketing consultant attended a major coffee trade fair held in Rimini, Italy in January where they promoted ADAR’s fully washed coffee. They also met and reconnected with importers, roasters and trade members of the Gourmet European coffee community.

Eight operators were accompanied by the ADAR Chief of Party, the ADAR Coffee Expert and a CWS establishment advisor to the first conference and exhibition organized by EAFCA - *East African Fine Coffees Association* - held in Nairobi on February 18-21.

The investors met potential buyers, learned from the presentations given by specialists in the Premium coffee market on subjects ranging from production to marketing in accordance with the standards set by the buyers, visited equipment suppliers and went to the “Fair View” CWS to see and better understand the advantages of the Brazilian “Pinhalense” machine, which uses much less water than the ones used in the Rwandan CWS.

The ADAR COP, together with a client, attended the SCAA conference in Atlanta. Rwanda was present in three booths sponsored by: OCIR Café/ADAR/PEARL, INZOZI and EAFCA. These groups prepared, organized, collaborated and carried out everything that was necessary to help make this event a success for Rwanda. Approximately 1,000 participants visited the booths of Rwanda; about 100 registered at the OCIR Café booth and around half of those 100 roasters and importers expressed a strong interest in and in some cases a commitment to purchase Rwandan coffee this year.

The participation of the COP in the “Cafeologie space” at the Ethnic Food Show in France in June provided an opportunity for him to propose a program for the introduction of a premium Rwandan coffee to a well established roaster in Paris.

2.2.2. Workshop sessions

At the end of February 2004, the project marketing expert who had participated in the Rimini fair conducted a half-day workshop/seminar at ADAR which provided a complete overview of coffee preparation and export for the CWS owners present. Topics included: differences between Specialty and commercial coffee, lot sampling, building farmer trust, marketing coffee, sample preparation, daily records, quality control, cupping skills and export preparation (dry milling, warehousing, shipping and document preparation).

In mid-March, *John Schluter*, a coffee importer based in Switzerland, conducted a seminar at ADAR about the challenges facing Rwandan coffees in 2004. Twenty coffee operators participated actively in the discussions held by Mr. Schluter on topics ranging from total quality management, financing the working capital, handling and storing the coffee before export and marketing of fully washed coffee.



2.2.3. Visits of potential buyers

Rwandan coffee continued to stimulate worldwide interest. Representatives from four American coffee roasting companies and three European coffee importers conducted prospective visits with partial financing from ADAR to various CWS in June. The four Americans included the managers of Green Mountain Roasters, Stumptown Coffee Roasters, BullRun Roasting Co. and Atlas Coffee Importers. The three Europeans include Schluter SA/Switzerland, Supremo/Belgium and Drucafe/London. In addition, a Canadian buyer who visited Rwanda in November indicated an interest in purchasing Rwandan coffees for the Canadian market.

2.2.4. Cupping tasting sessions in the USA and shipment of samples

Throughout the year, coffee samples were sent to several potential buyers in the USA, Canada, Europe and Japan, both directly and/or indirectly, mainly via the ADAR marketing consultant and a Swiss importer.

In order to keep the momentum and exposure of Rwandan fully washed coffees during the buying season, ADAR sponsored a series of cupping tasting presentations from August to October in Seattle, *San Francisco* →, New York and Chicago, where there are large concentrations of Specialty coffee industry members. The presentations were conducted by the ADAR marketing consultant to introduce the 2004 Rwandan coffee harvest to potential buyers. A total of 200 roasters and importers were contacted during the series via paper and/or electronic invitation, and more than 60 attended the sessions.



New York was the opportunity for a group from ADAR to meet with invitees.

2.2.5. Production of promotional materials

As a promoter of Rwandan coffees, ADAR co-sponsored with Schluter SA the *poster to the right*, which has been distributed to more than 3,000 roasters and coffee shops in Europe.

ADAR sponsored the production of COOPAC's logo and the design for its packaging, and gave assistance for the conception and the design of the brochures of *Migongo* and *Sake*. The brochures are presently in the hands of the owners for approval, and should be printed next year.

2.3. Results

2.3.1. Evolution of the Coffee Campaign

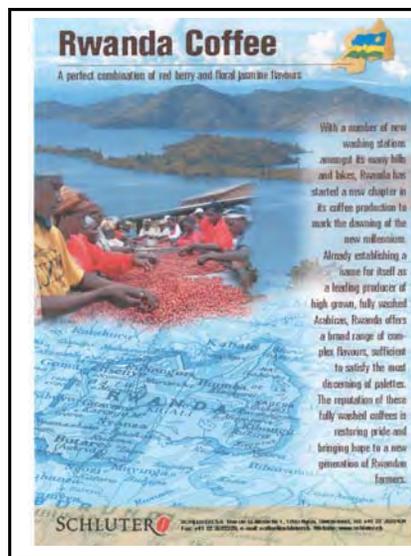
The eight CWS receiving ADAR assistance underwent different experiences over the course of the coffee season. They began activities at different times as a result of their physical location (coffee is harvested earlier in the west), problems encountered in finalizing construction and financial issues.

The stations of *Masaka*, *Sake* and *Migongo* who have respectively 7, 18 and 48 hectares of industrial plantations, greatly increased plantation production with *Masaka* and *Sake* tripling production and *Migongo* doubling its off take.

Generally speaking, energy was supplied on a regular basis, except for *Nyandungu* which faced a serious problem due to lack of power in Kigali, where it is situated. The owners procured a grant from ADAR, under the Small Grants Cost Sharing Program, to purchase a generator. Regular water supply was less problematic than last year for *Masaka* which also benefited from the project's cost-sharing fund for the completion of deep water well. *Nyandungu* reacted quickly and took corrective measures when a fermentation tank collapsed after having been over-filled with coffee cherries.

Although *Masaka* experienced a 1.3% decrease in production from the 2003 coffee season (primarily caused by poor management), the CWS of *Migongo*, *Nyandungu* and *Sake* doubled or even tripled the quantity of cherries processed. This was due to an increase in the number of producers supplying cherries (stimulated in part by a higher purchasing price), the improved quality and timeliness of cherries delivered to the CWS and the high yields achieved during 2004.

The quantities of coffee cherries handled by these four CWS have increased by over 86% from the 2003 season.



2.3.2. Evolution of the Coffee Campaign per CWS

The 2004 season was marked by three different types of clients: (i) those who did not measure up to ADAR's expectations, (ii) those who need to make improvements to management and (iii) those who performed well according to ADAR's standards.

2.3.2.1. Three out of four of the new clients did not measure up to ADAR's expectations

Results achieved by the following three clients were disappointing, either because of their failure to access a bank loan (*Ngenda*), insufficient involvement on the part of the investor (*Gatare*) or lack of organization on the part of a cooperative (*UCAR/Kamonyi*).

Ngenda - Lack of financing. Even though it received intensive assistance in design and construction, the *Ngenda* CWS had no production this year. In spite of the efforts on the part of the promoter, Mr. Eugène Ntagengerwa, together with the supportive advice and financial assistance provided by ADAR from the Small Grants Cost Sharing Program, the client was unable to access the bank credit needed to finish off the CWS and provide the working capital for the coffee season. The Kenyan master trainer who arrived on 18 April 2004 to work at the CWS could achieve no concrete results at *Ngenda* without the infrastructure needed to process the coffee. He was eventually installed on the site at the beginning of May but the coffee season was already approaching its closure, hastened in part by an early end to the rains. The Kenyan master trainer was used at *Ngenda* to train the CWS manager on coffee processing techniques using the couple of hundred of kilograms of coffee cherries available. For the remainder of the time, the trainer provided additional technical assistance at *Masaka* and *Nkora*.

Gatare - Lack of involvement of the investor - The *Gatare* CWS produced only 12.6 tons of parchment coffee in 2004, despite the fact that it is located in one of the best coffee growing regions of Rwanda. The poor performance of the *Gatare* CWS can be attributed to inadequate involvement on the part of the investor during station construction. The water supply was inadequate because the investor failed to properly capture the water source. ADAR proposed the use of the Small Grants Cost Sharing fund to improve the water supply but the investor did not submit his contribution within the time frame allowed, and the funds were not forthcoming as a result.

Kamonyi - Lack of financing and management. The performance of the *Kamonyi* CWS was a disappointment. The UCAR Cooperative, which is the owner, was plagued by disunity between its members. ACDI/VOCA provided the funds for almost the entire investment and worked to strengthen the organizational skills of the cooperative. ADAR financed the water supply (water pump and pipes) as well as contributing towards the purchase of a generator. However, only minimal use was made of this potentially productive CWS. The lack of seriousness on the part of the management prompted the bank to cease the financing of the working capital. Only 2.2 tons of parchments were produced by the CWS. The CWS today is in need of repairs, as it was poorly constructed, and issues still remain unresolved between the cooperative and ACDI/VOCA. In view of all these problems, ADAR decided to discontinue assistance to *Kamonyi*.

2.3.2.2 Results achieved with the four existing clients were notable

The *Masaka, Nyandungu, Sake* and *Migongo* CWS, which have been assisted by ADAR since 2003, made remarkable progress over the 2004 coffee season. With the exception of *Masaka*, which achieved only a 5% increase in production over 2003, all stations more than doubled their production over the previous year. Moreover, all CWS improved the quality of coffee produced, through a better mastery of management techniques (grading of coffee cherries, pulping, fermentation, washing, and drying). This is essential if the CWS are going to continue to produce a consistently good quality coffee in the absence of the Kenyan master trainers, following their two years of work with the CWS.

Despite these results, these stations did not strictly follow all the recommendations made last year by the Kenyan master trainers to have the total quality management required; unfortunately the managers were not sufficiently committed to their tasks to achieve the desired result. This was particularly the case at *Masaka* and *Nyandungu* where the managers were not the same as last year, and were not as conscientious about their work as they should have been. The fact that the owners are involved in other business activities and do not maintain strict control over the operations exacerbates the situation.

2.3.2.3 Nkora, an Outstanding CWS

Nkora, which is the oldest CWS in Rwanda, is located in the northwestern part of the country; it received ADAR assistance for the first time in 2004. This station is the best equipped in terms of depulping capacity (400 tons/year) and energy supply (its own hydro-electric plant), and is the most impressive in terms of results achieved. Built in 1987 under management of the Government of Rwanda (GOR), the station was taken over by the cooperative UPROCA in 2000 as part of the privatization process.



Drying tables at Nkora coffee washing station

Nkora has been making noticeable improvements in terms of management since it was placed in the hands of a joint venture (cooperative/private) called “*Nkora Coffee*” in 2003, with technical and accounting assistance from ADAR.

The superior performance of *Nkora* in 2004 can be attributed to the organization put in place with the assistance from ADAR and followed through the owner. The Rwandan manager of the station was committed to his job, and had the support of a quality control and administrative staff which helped to implement good management. In contrast to the 86 tons of parchment produced in 2003, *Nkora* had 125.7 tons in 2004 (despite experiencing a lack of adequate drying space), which represents an increase of 46%. The station achieved the best quantitative results in its history in 2004, and the quality of its coffee was classified as one of best by the potential buyers during the cupping tests they conducted while visiting Rwanda.

2.3.3. Production Achieved

The following table provides a summary of production results for the 2003 and 2004 coffee seasons.

Washing Station	Purchase of Coffee Cherries (T)		Ratio (coffee) - Kg Cherries/Parchment		Production of Parchment Coffee (T)	
	2003	2004	2003	2004	2003	2004
Gatare	-	63.4	-	5.02	-	12.6
Kamonyi	-	11.3	-	4.90	-	2.3
Masaka	295.5	291.7	5.34	5.32	55	54.8
Migongo	235.3	526.6	5.82	4.91	40	107.2
Ngenda	-	0	-	-	-	0
Nkora	-	616.1	-	4.78	-	128.8
Nyandungu	184.3	405.8	5.21	5.11	35	79.4
Sake	88.4	271.7	5.25	5.06	17	53.7
Total/Average	803.05	2186.6	5.41	4.98	147	#438.8

The coffee harvest was exceptional in Rwanda this year, which explains in part the figures depicted in the above table, particularly with respect to the quantity of cherries purchased by the ADAR-assisted CWS (increasing by 86%). Production of parchment coffee increased threefold in 2004.

In 2004, total national production doubled to 30,000 metric tons over the previous year. Production of fully washed green coffee went from 330 to 750 tons, of which 347 tons were produced by ADAR-assisted CWS. *Nyandungu* went from 35 to 79 tons of green coffee and *Migongo* from 40 to 79 tons in 2003 and 2004, respectively.

The cherry to parchment coffee ratio provides a good indication of the quality of the cherry; the lower the ratio, the better the intrinsic quality of the raw material. By way of example, the conversion ratio of cherry to beans on industrial plantations in Kenya is about 4.25 to 1 kg of parchment coffee, reflecting good plant nutrition, adequate phytosanitary protection and sufficient irrigation. Under smallholder circumstances, a good ratio is generally five to one.

In the case of the CWS assisted by ADAR, this ratio went from 5.41/kg in 2003 to 4.98/kg in 2004, which falls more closely in line with the standard of five to one; moreover, coffee falling within the Grade A category formed approximately 78% of the entire parchment coffee production. This improvement in coffee quality can be attributed to the lessons learned during the 2003 season, namely better phytosanitary management of the crop, mulching and pruning as taught by the Kenyan master trainers in 2003, along with improved production, timely delivery of cherries to the CWS and more careful grading.

The six CWS, however, operated well below their production capacity, even if it was doubled over that achieved in 2003. The average capacity realized in 2004 was 30% of total. The main reasons for this underutilization of capacity are:

- The infrastructure is not adapted to producing such large quantities; investors do not follow the construction plans which are designed with the installation of large pipes in mind, in order to ensure adequate water supplies. Instead, investors tend to put in smaller pipes in order to reduce costs.

- The capacity of production of the depulper is not adequate.
- The stations are not equipped to treat 30 to 40 tons of cherries per day (the amount which can be expected during the peak harvest period).
- The number of drying tables is insufficient, despite having been increased since the 2003 season.
- The amount of credit given to investors for their working capital is not adequate for the purchase of large quantities of cherries.

The example of *COOPAC*, however, shows that it is possible to achieve the targeted level of production: in 2004, this CWS produced 197 tons of parchment coffee thanks to their excellent organization and infrastructure, which is capable of handling a volume of 200 tons per year.

2.3.4. Cost of Production Estimates

Cost of production estimates in each CWS were calculated using the aforementioned cost accounting module.

The table below gives the costs of production estimates, excluding financing costs, in USD for the 2003 and 2004 harvests on a per pound FOB Mombassa basis. The estimated production costs per pound include dry milling costs (USD 0.03), OCIR Café fees (USD 0.01), jute sacks (USD 0.01) and transport to Mombassa with insurance (USD 0.07).

CWS	Cost of production/lbs FOB Mombassa	
	2003	2004
Masaka	USD 0.48	USD 0.59
Nyandungu	USD 0.42	USD 0.51
Sake	USD 0.48	USD 0.50
Migongo	USD 0.55	USD 0.57
Nkora Coffee	-	USD 0.46
UDLC Gatere	-	USD 0.52

The variation between ex-CWS production costs is mainly due to differences in prices paid for coffee cherries (from an average of FRW 50 to FRW 80/kg) and transport costs, which depend on the location of the cherry collection centers in relation to the CWS (high for *Migongo*). As an example, the difference of production costs between 2003 and 2004 for *Masaka* and *Nyandungu* was due in part to the higher price they were forced to pay for cherries, as they had to compete for the same suppliers.

The rise in production costs relative to 2003 can be primarily attributed to the following reasons: (i) increase in the purchasing price for coffee cherries at all the stations (from an average of 50 FRW to 80 FRW), (ii) increase in transport costs stemming principally from the rise in the price of fuel and (iii) larger numbers of employees as a result of expected increase in production.

2.3.5. Coffee Quality Assessment

According to the numerous cupping which were conducted by potential importers in Rwanda, the USA, Europe and Japan together with independent laboratories over the course of the year, the potential of Rwanda is high as a Specialty and Gourmet coffee origin. Much work remains to be done, however, for the ADAR clients to enter the Specialty market, as it requires total quality management to maintain the same level of quality across the years in order to create customer loyalty. As an example, cupping of primarily ADAR-assisted CWS coffees was conducted at OCIR Café by a group of potential buyers, and the coffees achieved many high marks. Results of their cupping evaluation are in the table below.

Number (blind)	CWS	Quality Evaluation	Score	Rank
1	Rushashi	Well balanced quality, good body, chocolate taste	87.5	4
2	Sake	Good coffee, but weak acidity	86	6
3	Nkora	Good coffee, but with a trace of herby taste	87	5
4	Migongo	Good coffee, but with residual traces of a pulpy taste	85	7
5	Kamonyi	Sweet coffee, with a chocolate taste	93	2
6	Masaka	Good coffee with a good body and agreeable aroma	88	3
7	Nyandungu	Excellent coffee, with good body and sweetness	95.5	1

The Rwandan coffees which were tasted at the sessions sponsored by ADAR in Seattle, San Francisco, New York and Chicago were greatly appreciated by the cuppers who found the presentation and cupping most valuable, providing a necessary flavor and quality context for roasters. The vast majority of the coffees which were tasted scored extremely well in the cupping. As an example, in Seattle *Nkora* was evaluated as follows: “balanced, caramel apple, perfume, juicy, berry spicy, chocolate undertones, cleanest, bright” and *Masaka* “balanced acidity/body, consistent and sweet, honey aromas, nice balanced, spicy, cherry, changed flavor as it cooled to baggy”.

These results are encouraging compared to last year. Only a few bad cups were found to have taste defects that most likely were due to insect damage to cherries. Special attention must be paid to this problem as populations of “antestia orbitalis” were observed in 2004 on coffee.

2.3.6. Marketing Performance

When Rwanda produced around 40 tons of fully washed coffee in 2002, selling the coffee was not too difficult. The 320 tons produced in 2003 took more time to find a place on the quality market, as it was necessary to build up the name of Rwanda as a coffee origin. As a result, most of the coffee was not sold until December. All 750 tons produced in 2004 were sold by the beginning of fourth quarter, attesting to the great progress that Rwanda has achieved in becoming known on the world quality coffee market

The intense marketing and promotion campaign that ADAR conducted contributed greatly to making this new origin known in specialty coffee markets in the USA and Europe. The project continued to play the role of facilitator, linking the producer with the buyer and ensuring that the former is self sufficient and able to negotiate the contract. As a result, ADAR clients succeeded in selling their coffee very quickly. More than two-thirds of the coffees were shipped to the US, including nine containers (from *Nyandungu*, *Sake*, *Migongo* and *COOPAC*) sold to the world famous coffee company “Starbucks”. Other importers purchasing coffee were: InterAmerican (three containers), Volcafe Specialty and Royal Coffee California (one container each), and Atlas Coffee Seattle with half a container.

Because of its “exceptional fruity” flavor, *Nyandungu* was the favorite of all ADAR coffees of 2004. The *Nyandungu* coffee was a finalist for designation as a Starbucks “Black Apron Special”, which is Starbucks featured, single origin coffee and is the object of an extensive marketing program by the company. Finally, the Rwandan coffee placed second in the competition. Although overall coffee quality was judged to be outstanding, a few cups among the 200 that were tasted contained the off-taste known as “potato taste”. This factor was responsible for the non-selection of the Rwandan product.

Despite this setback, nomination as a “Black Apron Special” has raised the profile of Rwanda’s coffees and will have a very positive impact on future prices achieved, providing that the CWS owners can minimize the incidence of “potato taste” during the upcoming season. As a nominated coffee, the owners will receive a check for USD 15,000 as a reward from Starbucks. This money will be used to support a project targeted to benefit the smallholders who supply the coffee washing station in the form of the construction of a school for their children, a health clinic, a water supply point, and a football pitch, among other items.

Nyandungu was also chosen by a French coffee roaster, Café Verlet, to be the coffee featured during its 125th anniversary celebration. The numerous journalists and clients who were present were quick to remark about the excellent quality of this coffee, with its “*aroma of blackberry with a touch of jasmine*”, and the articles which will be published in several magazines and newspapers will have a positive impact for Rwanda. 250gr of *Nyandungu* coffee is sold at USD 8.00 at the coffee store.



Eric Duchosoy, the owner of Café Verlet

Prices achieved for Grade A coffee by ADAR-assisted clients ranged from \$0.90 to \$1.20 per pound, compared to an average price of \$0.65 per pound for “Other Arabicas” quoted on the New York Board of Trade’s Coffee Exchange. With ADAR’s clients average cost of production estimated at \$0.52 per pound, based on a cherry price of between 50 FRW and 80 FRW, the profitability of the 2004 season for both cherry producers and CWS operators is clearly apparent. This is eloquent testament to the rapid progress which Rwanda’s fully-washed coffee sub-sector has made in just two short years.

2.4. The Application of Lessons Learned from the 2003 Season

This section reviews the application of “lessons learned” contain in the 2003 Annual Report.

2.4.1. Needed improvements in infrastructure

Two critical areas identified for improvement were the installation of flotation tanks and the construction of shaded pre-drying tables to isolate diseased and insect-damaged beans.

The 2003 Annual Report recommended the construction of flotation tanks to improve the separation of damaged beans which are responsible for off tastes, notably the dreaded “potato taste” that severely compromise coffee quality. Despite the project’s offer to provide significant financial assistance for this \$3,000 investment, CWS owners did not install flotation tanks during 2004.

Three of the six CWS in operation last season did, however, install shaded pre-drying tables at the washing stations, making it easier for workers to identify bad beans when they are still translucent. It is critical to the sustained development of the premium quality, fully washed coffee sector that operators take all necessary measures to cull damaged beans, enact a rigorous system of lot traceability and conduct regular lot cupping to minimize the incidence of the “potato taste”. If this challenge is not met by ADAR’s coffee clients, importers will simply look elsewhere to source their coffee.



Model of pre-drying tables - COOPAC

2.4.2. Sensitizing CWS Personnel to Results from the 2003 Season

ADAR’s clients first produced fully-washed coffee in 2003. Management and CWS staff had no prior experience in coffee production and everyone learned by doing.

In order to effectively draw lessons from the experience and apply those lessons to the 2004 season, ADAR recognized the importance of reviewing the season with CWS personnel.

Before the commencement of the 2004 harvest, discussions, lead by ADAR’s coffee expert, were held on site with CWS personnel about the marketing circuits for different segments of the fully washed Arabica industry, the impact of each individual step in processing on final quality and the importance of the cupping tasting made by potential buyers. These structured reviews greatly assisted CWS personnel in improving cherry collection, processing, traceability and overall product quality.

2.4.3. Timely Organization of the CWS Workforce

At the outset of the 2003 season, the Kenyan master trainers arrived at their assigned CWS just before the beginning of the cherry harvest. As such, they did not have enough time to organize the workforce prior to the start-up of processing operations. During this past year, the Kenyan master trainers arrived sufficiently in advance to organize the CWS labor force in a timely fashion, recruiting when necessary, clarifying roles and responsibilities of each worker and conducting specialized training. Turnover of CWS personnel, however, remains a significant problem. *Masaka* and *Nyandungu* had to hire new CWS managers and the Kenyan master trainers were thus required to train CWS managers for a second time in two seasons.

2.4.4. Improve Communications with Kenyan Master Trainers

In 2004, the *Kenyan master trainers* provided regular, detailed reports on the progress of their activities, and these were discussed at the ADAR office once a month. They were still reluctant to provide in writing examples of specific problems (to avoid conflict with the CWS personnel), but they had an open and frank verbal communication with the ADAR coffee expert who regularly visited them in the field and conducted periodic technical and managerial audits of all project-assisted stations to ensure that problems were addressed in a timely manner. It is hoped that in the coming season the reports provided by the Kenyan master trainers will be more reflective of the reality on the ground, and that these are discussed with the CWS investors

2.4.5. Promote Total Quality Management

ADAR's ambitious plans to introduce a program of *Total Quality Management (TQM)* at the CWS in 2004 were not realized. This system can only work if the operator is closely involved in the activities at his/her station. The investors of the six stations assisted by the project, however, are businessmen/women (and in some cases parliamentarians) who do not devote the majority of their time to the operations of their stations during the coffee harvest season. The successful results achieved by *Nyandungu* in 2004 are largely due to the Kenyan master trainer attached to the station rather than the local CWS manager.

Masaka lacked good management in 2004: the investor was conspicuously absent, the station manager was not actively involved (due to lack of opportunity) and the accountant's performance was characterized by a lack of transparency and serious errors in record keeping. The improvements in operations at *Sake* and *Migongo* over the 2003 season can be attributed to the dedicated involvement of the station managers (carried over from the previous season), a high degree of organization and fully transparent record keeping.

The only CWS which was truly outstanding in terms of management in 2004 was *Nkora*, thanks to its excellent staff comprised of, among others, a good station manager, a quality control manager as well as drying monitors, all following the station's operations with careful attention to detail. The success of *COOPAC* can be attributed to the commitment of the president of the cooperative who put into place a management strategy, which he personally monitored with a group of well trained and motivated staff.

2.5. Lessons Learned and Recommendations from the 2004 Season

2.5.1. *The Necessity of Improving Cherry Collection*

The production of premium quality coffee requires attention to detail at all stages of processing, from cherry collection through dry milling and storage. Although significant progress has been made in cherry collection logistics and delivery, there is still room for improvement. Crucial to the success of a CWS is the development of strong supplier/processor relations. To further that objective, ADAR will work with the CWS owners before the harvest to develop ways of creating producer loyalty. As an example, instead of having the cherries delivered in plastic bags, the owners could provide the producers with jute or sisal sacks or straw baskets, which allow the cherries to breathe, forestall fermentation and improve quality.

2.5.2. *The necessity of installing flotation tanks and pre-drying area*

Due to some quality problems encountered last year, the installation of flotation tanks and pre-drying areas will become a requirement in the construction of all new CWS assisted by the project, and at the same time it will be recommended that cement drying blocks be put in place for the lower grades of coffee, in order to free up more space on the drying tables for the high quality beans.

Additionally the installation of ventilated rooms for drying is to be proposed to help during peak times of the coffee harvest.

Nkora, for example, was flooded with coffee during times of large deliveries, and was faced with a shortage of space; the quality of the coffee was adversely affected as a result of having overly large quantities of parchment coffee on the drying tables, which lead to poorly controlled and insufficient drying. *Nkora* plans to install ventilated drying rooms for the 2005 season to prevent a recurrence of this problem.

2.5.3. *Developing Stricter Eligibility Criteria for the Placement of Kenyan Trainers*

With each new coffee season, the number of ADAR coffee clients increases, as does the associated management burden. In order to facilitate programming and mobilization of technical assistance and ease the management burden on ADAR, the project has developed eligibility criteria and deadlines for the placement of Kenyan master trainers.

ADAR will provide assistance to new CWS only if the following conditions are met: (i) credit is awarded by the bank by the end of December at very latest, (ii) construction is finished and equipment put in place by the end of February, (iii) the length of stay of the Kenyan consultants does not exceed three months to avoid visa problems and (iv) each investor contributes to the logistical arrangements for the consultant assigned to their CWS by providing them with transport to and from the station.

2.5.4. Reinforcing Efforts to Promote the Adoption of the Cost Accounting Tool

After two years of assistance, the CWS accountants still have not learned how to close their accounts properly, or how to calculate production costs and from these draw conclusions, despite Herculean efforts by ADAR's consultant to train CWS accountants. This is an indication of the extent to which the vast majority of operators do not recognize the importance of accounting as a monitoring and programming tool, with the result that their businesses suffer.

The importance of cost monitoring came into clear focus this past season with Starbucks request for financial data from the *Nyandundu* CWS which was able to furnish the required information because of the efforts of the ADAR consultant. Hopefully, this experience will motivate CWS owners to rigorously apply the cost accounting module this coming season.

For the accountants of the four CWS who benefited from the consultant's assistance in 2003 and 2004, a meeting will be held to go over the closure of accounts, to ensure they have mastered this procedure as these accountants will not be receiving further assistance from the project.

The project plans to produce a global evaluation of the financial activities of each CWS over the two year period, using a table format which details volumes produced, quality of same and sales by grade category, for submission to the investors as a summary of, and conclusion to, ADAR's assistance.

Concerning the new clients, it is advisable for ADAR to provide the same type of assistance, namely training of the CWS accountants and monitoring of their performance in the field, but this time using a simple but complete management system in order to be able to produce a full financial account at the end of each coffee season. In cases where weak involvement of and lack of interest on the part of CWS staff are found, the project will cease to provide this assistance to the accountant.

2.5.5. Promoting Alternative Pulping Machines

The coffee cherry pulper used at most CWS in Rwanda - primarily McKinnon and Toto - consume large amounts of water and energy. There are other, more economical systems, currently used in countries producing specialty coffee such as Guatemala and El Salvador which were seen by the ADAR team during the November 2004 study tour.

It is in Rwanda's interest to take advantage of this type of technology, as well as others such as the "Penagos" system used in Colombia or the "Pinhalense" used in Brazil. ADAR should help to introduce and disseminate these systems throughout Rwanda, such are the benefits in terms of water and electricity saved. Project clients are interested in importing three of the "Ecosystem" machines used in Guatemala for their CWS and plan to use them for the 2005 coffee season. Another client plans to buy the "Pinhalense" system for the 2005 season. These systems, once installed, will serve as good models of how water and electricity usage can be reduced during coffee processing.

2.5.6. Continue to Improve Local Cupping Capacity

Concerning the cupping training that the ADAR group underwent at Coffee Lab International (CLI) in Vermont, the duration was too short (the trainer believed that a four week course would be appropriate). To correct this situation, the project should ideally send the person most qualified for coffee cupping in Rwanda, namely Mr. Jean Bahizi of OCIR Café, to a coffee lab institute for two weeks of training to perfect his skills with Specialty coffees. Mr. Bahizi has already been trained in cupping tasting during a course in Ethiopia in 2003. He could be provided with a custom designed training, and in turn would train Rwandan coffee tasters employed in the mini-labs that the ADAR clients most advanced in coffee processing plan to install in their CWS with the support of the Small Grants Cost Sharing Program.

3. TEA SECTOR

Tea is one of Rwanda's most important export-earning sectors, generating USD 26.8 million in revenue in 2003; to date, the only type of tea produced has been the standard crush, tear and curl (CTC), a finely cut product used in tea bags. Given that global production for CTC tea has been characterized by oversupply for many years, and that Rwanda is a small producer in world terms, the country needs to diversify into specialty tea for high value niche markets if this sector is to grow in importance and value. Orthodox tea, which is produced by a different process wherein the leaves are curled rather than cut, is one such specialty tea that is currently sought on the world market. To date, only India and Sri Lanka produce orthodox tea.

ADAR's involvement in the development of Rwanda's tea sector has been limited, primarily due to the slow progress being made in the privatization of the tea estates and factories. Two factories thus far have been privatized (*Sorwathé* and *Pfunda*), and four more are scheduled for bidding in 2005. Since several experts believe that one and possibly two factories (*Gisovu* and *Kitabi*) have the potential for production of high value Orthodox tea, two tea industry stakeholders (*OCIR Thé* and *Multisectorielle d'Investissement de Gikongoro* (MIG)) asked ADAR for assistance in developing this option. A consultant, who is highly experienced in traditional (CTC) and orthodox tea production, conducted a study in October to assess the suitability of *Gisovu* and *Kitabi* for orthodox tea production, in addition to inspecting the organizational operation of another factory, *Mata*, along with that of *Kitabi*.

The consultant found that *Gisovu* has the potential to produce a very high quality Orthodox tea, due to a number of factors: the estate is located at a high altitude close to the equator, the soil is ideal for producing quality, and there is a good range of tea clones which could translate well from CTC to orthodox style, among others. Additionally, by freeing up existing underutilized space, the *Gisovu* factory could accommodate a 500 ton/year Orthodox line. The *Kitabi* factory scored slightly lower than *Gisovu* for Orthodox tea production, but was still found to qualify. If all product options (black tea, green tea and flavored tea) are included, complete with necessary building work, technical consultancy and three months of expert training, the total investment cost was estimated to be USD 480,000 to 500,000 for *Gisovu* and USD 520,000 to 540,000 for *Kitabi*.

In terms of organizational operations, the consultant found several aspects that should be addressed immediately if Rwanda's tea industry is to become truly competitive in the global premium quality market. Yields and worker productivity are low, fertilizer deliveries are late and insufficient amounts applied, some of the factory machinery is antiquated, outdated process techniques are used and lack of proper quality control are just some of the areas where improvements need to be made. The consultant recommended that *OCIR Thé* management give immediate attention to these important issues, noting that effectively resolving them before privatization would enhance the value of the factories.

The consultant believed that Rwanda does have the potential to become recognized and respected as a world center for excellence in tea. The tea diversification strategy which has been adopted as a national plan could swiftly put the country into a pivotal position as a specialty and added value tea supplier provided all stakeholders work together and in the same direction. He recommended Rwanda make a speedy move into orthodox tea production as the initial step towards achieving the national tea strategy.

Should *OCIR Thé* and the other stakeholders prove to be interested in following these recommendations, ADAR will be prepared to help with the diversification of Rwanda's tea sector into specialty tea.

4. HORTICULTURE

4.1. Passion Fruit Production

4.1.1. Training Activities

In 2004, ADAR continued to devote considerable time and effort to training passion fruit producers in the Cyangugu Province on all aspects of passion fruit production as well as appropriate harvesting and post harvest handling techniques.



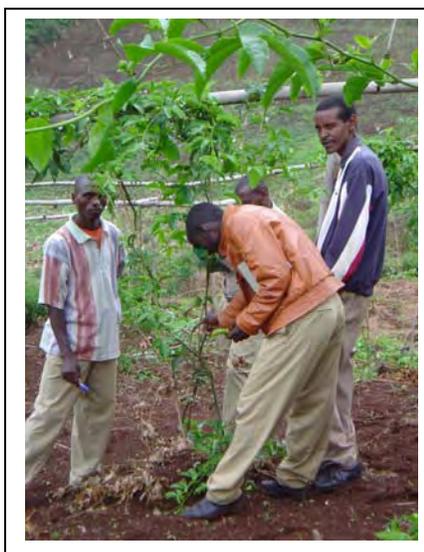
A model passion fruit plantation in the Gashonga District of Cyangugu

Working with the same groups of master farmers selected in 2003 who supply APROJUFUGI (Gashonga district) and SONAFRUIT (Cyimbogo district), the two major fruit processors in the province, the project conducted hands-on training at regular intervals throughout the year, with the subject varying according to the prevailing activities of the season (e.g. pruning and trellising in February, seed selection and nursery establishment in June, etc.). This being the second year that such training has been provided, and it was encouraging to note the progress on the ground, both in terms of the numbers of producers using improved practices and the quality of their passion fruit plantations.

Crops that had been established before the training began in 2003, using non-selected seed, did not fare as well, primarily due to high levels of seed-borne diseases (*Septoria* and Cucumber Mosaic Virus). Those planted following the first training of master farmers in seed selection in June 2003, however, proved to be healthy, for the most part, and should yield quality fruit during the 2005 harvest season. Of particular interest is a very well maintained one hectare plantation established by a private investor, in the Mibilizi District.

He has plans to expand and plant another four hectares early next year, and if it is given the same careful attention as the first crop, could result in an important source of high quality passion fruit. Less promising results were achieved with the Catholic Parish at Mibilizi; although their agronomist had participated in all the ADAR trainings, he was not able to follow all recommended practices. The productivity of the crop, together with its quality, will not be as good as had been anticipated. The parish was discouraged by the high investment costs required, and decided to hold off on expanding their plantation until they were assured of its profitability.

ADAR's master farmer training continued to place considerable emphasis on Integrated Pest Management (IPM) for passion fruit, with courses devoted to this subject conducted in May and October to cover both rainy and dry season problems. This hands-on course was first developed in 2003, and includes field exercises. It is important for the master farmers to regularly refresh their problem identification skills, particularly with respect to distinguishing disease from insect problems and abiotic disorders. They also need reinforcement in their mastery of pest management strategies. Additionally, new problems arise - for example, a previously rare disease problem (*Haematonectria canker*, a fungal disease) was found to be on the rise in Cyangugu in October - which farmers may be unfamiliar with and therefore particularly in need of assistance for identification and management.



IPM training course field exercise

IPM training for the passion fruit master farmers has proven to be of significant value, and will continue to form an important component of the ADAR training program.

In response to a request from an ADAR client, Shema Fruits, a fruit processing factory, the project began passion fruit training activities in the Butare area in June 2004. One producer association, identified by Shema Fruits, and the Butare Prison farm (which has supplied Shema with other fruit in the past) were provided disease free seed and given training in nursery establishment and field preparation/transplanting in July. By November, the association had planted 0.1 and the prison 0.6 hectare (with plans for an additional 1.5 hectares) of passion fruit. Both will be provided regular training, and it is hoped they will start harvesting fruit for delivery to the Shema Fruits factory in early 2006. Other groups who may receive similar assistance will be identified by the Shema personnel together with ADAR's input, in an attempt to ensure the factory has adequate supplies of passion fruit in the years to come.

From these two years of working with master farmers, as well as private entrepreneurs' agronomists, ADAR has learned that an essential part of training is regular follow-up visits to the trainees' fields. This enables the project to assess how effective the training has been, where changes need to be made and what new problems are being encountered at the field level. Regular visits also provide information on the quantities and quality of fruit to be expected over the harvest period, which is essential to determining whether or not attempts should be made to re-launch passion fruit exports.

4.1.2. ACDI/VOCA Cooperation for Passion Fruit Production Grant

A proposal for financial assistance in the form of inputs and development of infrastructure (nurseries, charcoal evaporative coolers, fruit collection centers) for 49 passion fruit producer associations in the Gashonga district of Cyangugu was finally approved for funding by ACDI/VOCA in January.

Following considerable logistical arrangements, *Duterimbere*, the local NGO responsible for managing the purchases and other expenses on behalf of the associations, started disbursing funds in the second quarter. The ultimate goal of this project is for the producer associations to significantly expand production of passion fruit, starting with the establishment of a total of 50 hectares of new passion fruit plantations in 2004. Selected seed was collected and plans drawn for ten model nurseries to be set up at different locations in the district, using the ACDI/VOCA financing. Progress on nursery establishment was slow at many of the sites, due mainly to lack of motivation of the nursery managers and water supply problems.

Transplanting to the field was thus behind schedule, not starting until November with some still to occur in January 2005. Changes will be made in the way the nurseries are managed next year so as to provide the managers an incentive to complete tasks in a timely manner. The managers will be given all the necessary inputs by June, but receive no payment for their work. Instead, they will be allowed to sell the seedlings and retain the profits.

Work also commenced on other aspects of the ACDI/VOCA program, with farmers being provided trellising materials and other inputs, and construction of the evaporative coolers and collection centers being well under way by the end of the year. All construction should be completed during the first quarter of 2005.

In this first year of provision of financial assistance, we found that a great deal of time was spent facilitating the liaison between *Duterimbere* and the producer associations, along with ensuring that the latter complied with ACDI/VOCA's reporting requirements. It is hoped that all parties will find it easier to work together and learn to streamline operations in the second year.

4.1.3 Collaboration with Projects and Partners

In response to the increasing levels of disease in passion fruit plantations throughout Rwanda, ADAR approached the ISAR based CIAT/ATDT program early in 2004 to explore the possibility of jointly producing passion fruit disease management manuals and posters for

distribution to Rwandan farmers. The ISAR researcher responsible for passion fruit concurred that these would be useful, and the ATDT program director agreed to pay for the graphics work and the bulk of the production costs. The ADAR horticultural specialist drafted the text, and together with the ISAR researcher, prepared accompanying photographs depicting each of the major passion fruit diseases in Rwanda. Production of the manual and posters was finally completed during the third quarter, and copies were distributed to passion fruit growers ADAR is working with in Cyangugu and Butare; other passion fruit growers will receive the materials through ISAR's outreach program.

While undeniably a valuable tool, the manual and posters are just part of the strategy for tackling Rwanda's growing passion fruit disease problem. Farmers need regular training in disease identification and management strategies to ensure they are capable of making use of these materials. ADAR does this with its Cyangugu and Butare producers (described above), and so to help ISAR develop its own program for other regions of Rwanda, two of their researchers were invited to participate in ADAR's IPM training sessions in May. The researchers found the ADAR training approach and IPM course content to be effective, and from the experience were able to develop their own training program which they conducted in other regions of the country.

**TUMENYE KANDI TURWANYE
INDWARA Z'AMATUNDA (MARAKUJA)**



Byateguwe ku bufatanye bwa
ISAR - Ishami rishinzwe Imbuto, Imboga n'Indabo,
umushinga ADAR n'umushinga
ISAR/CIAT/ATDT ku nkunga ya USAID

4.1.4. Assistance for Shema Fruits

During his ADAR-sponsored October 2003 visit to Shema Fruits, Eric Ribot, a small-scale jam maker from France, expressed an interest in procuring passion fruit purée from the company for use in the manufacture of jams and other products at his factory in France. After considerable discussion between the owner of Shema, Mr. Ribot and ADAR, it was decided that the project would assist Shema with trial exports of passion fruit and other tropical fruit purées to Europe. Plans were made for the trials to begin in the third quarter; these were not realized, however, due to the inability of Shema to procure enough passion fruit to manufacture the purée.

This situation resulted from the intense competition for passion fruit created by Ugandan traders who have been coming to Rwanda to purchase passion fruit over the past several years. Previously, their purchases were limited primarily to the northern part of the country. With the serious passion fruit disease epidemic adversely affecting production in that region, the Ugandan traders have now resorted to traveling as far as Burundi in order to purchase fruit. The Ugandans offer a higher price than can Shema and are out-competing Shema and other Rwandan companies on the passion fruit market. This situation leads to Shema's request that ADAR train passion fruit producers in the Butare area, as described above.

Shema finally managed to procure enough passion fruit to prepare and send out one trial shipment of 495 kg of purée in October, which was sold to importers in Belgium and France. The product was favorably received, and the importers were anxious to place orders for regular shipments. Unfortunately, Shema could not find enough passion fruit to meet their demand, and the shipments have been postponed indefinitely.

ADAR will be conducting an estimate of passion fruit production for the 2005 season in the Cyangugu province, and if the quantities are sufficient to meet Shema's needs, the company may be able to contract with producers in order to procure fruit from the province, which as of yet has not been penetrated by the Ugandan traders.

In 2003, Shema Fruits had learned from Mr. Ribot that one of their products, strawberry jam, could be improved if they were to use a better variety of fruit. The strawberry grown in Rwanda is small fruited, pale in color and not suitable for production of high quality jam. Since strawberries are almost always propagated by vegetative means, importation of new planting material is complicated. In the second quarter of 2004, ADAR's horticultural specialist learned of a source of true (botanical) seed of a large, dark red variety of strawberry, which was easily imported. The seed was given to the Butare Prison farm, which, after several trials, was successful in producing plants of this new variety. The material will be multiplied and planted out on the prison farm, and possibly distributed to other growers willing to supply Shema with strawberries.

4.1.5. Efforts to Re-launch Passion Fruit Exports

Attempts to export fresh passion fruit from Rwanda in 2002 failed, primarily due to insufficient quantities of export quality fruit. In 2003, ADAR identified Cyangugu province as having the greatest potential for production of high quality passion fruit, and began training farmers in the region in improved production practices, as described above. With 2004 being the second year of ADAR training of the Cyangugu producers, it had been hoped that the levels of export quality fruit would be sufficient to attempt to re-launch exports to Europe. Field visits in January revealed that the crop, which had been planted in 2002, prior to commencement of the training, had high levels of disease. Since the producers had not yet been trained in seed selection when they prepared the seedlings for 2002, they were unaware of the need to avoid taking fruit from plants infected with diseases such as *Septoria*, which was then transmitted via the seed resulting in widespread infection. Better results are expected with the 2005 harvest, as it was planted from selected seed. If the quantities of high quality fruit are sufficient and a Rwandan entrepreneur willing to take on the challenge of exporting the fruit is identified, it may be possible that shipments of fresh fruit to Europe will resume in 2005.

4.2. Bird's Eye Chillies

At the beginning of 2004, the ADAR horticultural specialist held discussions with the members of the PEARL project responsible for the Bird's Eye Chillie (BEC) program and visited several of the production sites. She found they were not following the recommended practices, with many of the fields were severely infected with diseases, and the stored chillies being in some cases destroyed by insects (infestation most likely occurring pre-storage due to

poor pest management). It was decided that ADAR would embark on its own, separate BEC program for new investors interested in producing, processing and exporting a high quality product which could be sold on the food market, rather than the lower paying industrial market (where chillies are processed into personal safety and riot control products). Sufficient seed to plant 25 ha was ordered from a certified organic supplier in Malawi, and a new, updated production, harvest and post harvest handling guide was prepared and made available to interested clients.

By the end of the third quarter, four new clients had registered with the project for the production of BEC and a meeting was held in August wherein the requirements for growing, processing and marketing the crop to meet export standards were discussed. The option for organic certification was explained, as this would add considerable value to the product, and participants were advised on what must be done if they are to obtain certification. A BEC working group was formed from those at the meeting who took the definitive decision of entering into BEC production; each planned to plant 5 ha of the crop in 2004.

Ideally, the BEC should have been sown in the nursery by August, however all four clients encountered difficulties of one sort or another, with the result that the first nursery was established only at the end of September, with the others following over the period of October to early December. Transplanting to the field therefore occurred/will occur from December to January. This should not pose a problem, however, over the short dry season in January provided none experience difficulties with their irrigation systems.



BEC newly transplanted crop

For BEC production, harvesting and drying to yield a top quality product, all steps need to be carefully monitored. Disease management is critical, as is harvesting only fully mature, undamaged fruit in a hygienic manner. Additionally, the dried fruit needs to be properly graded, packed and stored. Given the time consuming nature of following the crop through all steps, particularly when dealing with growers unfamiliar with BEC production, a local agronomist was hired in October 2004 to help the horticultural specialist ensure that ADAR clients will have a high quality chillie to offer to the export market. The agronomist visited each client's field site at least once every week, and instructed their staffs in BEC production techniques.

In order to ensure their crops are aflatoxin and microbe free, members of the BEC working group are being encouraged to apply to ADAR's Small Grants Cost Sharing Program for the purchase of solar tunnel dryers. A suitable and relatively inexpensive (ca. 6000 Euros) model has been identified, which can process up to 250 kg per batch, with a drying time of one to three days, depending on the climatic conditions. This dryer, known as the "Hohenheim", is constructed so that it can be operated in areas without a reliable energy supply, an important feature given Rwanda's electrical power problems. The dryers should be imported to Rwanda and installed in time to coincide with the first significant harvests, expected around July 2005.

If all members of the BEC working group succeed in producing a high quality chillie, they will most likely bulk their products so as to have a sufficient quantity to sell by the container load. They will be given assistance for marketing their crop by ADAR.

4.3. Floriculture

The company Rwanda Flora, which acquired the former Highland Flowers following its liquidation in the latter part of 2003, successfully rehabilitated all operations, using to a large extent the recommendations provided in a study financed by ADAR in mid-2003. Not only did the farm resume regular exports of roses to Europe, it expanded the area under production, brought in new varieties and started work on the construction of a “garden center” providing a range of ornamental plants for the local market.

Rwanda Flora’s owner has plans to expand production further in 2005, to achieve a total of 15 hectares under roses, and add technologies such as water harvesting from the roofs of the greenhouses to ensure sustainability of production. ADAR is likely to play a role in providing some of the technical assistance needed to realize these ambitious plans, together with other new activities the company develops over the course of the year.

5. PROCESSED AGRICULTURAL PRODUCT

ADAR continued to provide support for entrepreneurs interested in investing in food processing through the provision of feasibility studies.

5.1. Certified Organic Dried Fruit

Difficulties in securing the necessary funding constrained the development of the project for production of certified organic dried fruit at Kibuye.

The investor, with assistance from ADAR, first tried to obtain financing from a “Public Private Partnerships for Sustainable Development” initiative, launched by the Dutch Ministry of Foreign Affairs towards the end of 2003. Given that the project matched many of the stipulated requirements, it was hoped that the concept paper prepared and submitted in January would be favorably received. Unfortunately, the project was not amongst those selected, so the investor applied to the *Banque Rwandaise de Développement* (BRD) during the second quarter. The initial request was turned down, with the BRD insisting on further documentation as to the financial viability of the project. The information was subsequently gathered, and a second application submitted to the BRD in July. Approval was granted in October, at which point the investor commenced working on product development. Details of exactly how best to process and package the fruit are still being worked out through tests conducted by ATIE Process, the French company which manufactures the drying equipment, using fruit (apple banana in particular) from Rwanda.

Given that the dried fruit must be certified organic for the project to be profitable, efforts were made to determine how to ensure that smallholders who will be supplying the factory with fruit could achieve organic certification. During the first quarter, Catholic Relief Services (CRS) agreed to provide the agronomists needed to work with the designated farmers, once these have been selected. In the second quarter, a workshop was held for the CRS agronomists together with five staff from the Ministry of Agriculture/Kibuye Province. The principles and regulations of organic agriculture were explained, as were the requirements for setting up an Internal Control System (ICS), the mechanism for ensuring members of a large group of smallholders adhere to organic regulations.

Further efforts to select and prepare the Kibuye farmers for organic certification were postponed, pending the outcome of product development (described above).

5.2. Soybean

The company “African Food Products” (AFP), which intends to set up a factory for production of Unimix (a maize-soybean food supplement), encountered difficulties in procuring financing and thus was not able to purchase the necessary equipment and start up operations in 2004 as had been planned. ADAR sponsored the feasibility study and business plan for the company in 2003; yet, when the investor approached local and US financial institutions for funding in 2004, they requested that additional information be added to the plan, as well as for certain changes to be made in the format (using English, rather than French, with all figures in US dollars). ADAR therefore engaged the consultant who had developed the original business plan to rework the document so that it met all the requirements of the lending institutions. The final version of the business plan should be ready in early 2005; once AFP has successfully accessed financing for the project, ADAR will provide the technical assistance necessary to install equipment in the factory and train the staff in operational activities.

5.3. Essential Oils

In 2002, ADAR provided support for a study on the potential for the development of Agribusiness in Sustainable Natural African Plant Products (ASNAPP) for Rwanda. Certified organic essential oils, specifically those extracted from geranium and eucalyptus, were two products identified as having great potential as export commodities. As a result, World Relief and Solace Industries (a local NGO) began training two associations in the production (including distillation) of these two commodities. They approached ADAR in early 2004 for assistance, beginning with sponsorship of a survey to identify the sites where high concentrations of the eucalyptus species of interest (*Eucalyptus globulus* spp. *globulus*) could be found. Since the associations already had the distillation equipment in place, it was thought that once the zones where the species exists were identified, it would be only a matter of developing a sustainable system of harvesting of the leaves to produce samples to be sent to an importer in South Africa who had expressed interest in Rwandan *eucalyptus oil*.

In June 2004, a survey, covering all regions of Rwanda containing significant plantings of *Eucalyptus* species, was carried out to identify the sites where high concentrations of *Eucalyptus globulus* spp. *globulus* are located. The survey found that while no large plantings of *E. globulus* spp. *globulus* exist in Rwanda, there are sizeable plantings of another species of commercial interest, namely *Eucalyptus globulus* spp. *maidenii*. The locations and sizes of these plantings were documented, and samples collected for analysis of the oil quality.



Eucalyptus Globulus spp

The analysis was conducted by Rutgers University, using oil extracted by hydro-distillation, and the results indicated that there had been considerable hybridization between the various species of *Eucalyptus* in Rwanda, and that the *E. globulus* spp. *maidenii* currently found is of impure genetic make-up. The oil extracted from these trees, therefore, would not be of commercial value. Despite the results of the Rutgers analysis, there is still a possibility that the existing plantings of eucalyptus in Rwanda may yield an oil of export quality. According to Dan Brose, head of World Relief/Rwanda and an organic chemist by training, the method of extraction used for the Rutgers samples may have contributed to the adverse results. With an improved (steam distillation) method of extraction, it is possible that the eucalyptus trees already found in Rwanda will yield an essential oil of commercial interest. Further analysis is planned of samples extracted using this process and from the results we should know if the potential for eucalyptus oil export from Rwanda does exist.

With respect to the second essential oil of interest, ***geranium***, the type already existing in Rwanda was determined not to be the variety most widely sought on the international marketplace. Planting material of the more interesting “Bourbon” variety was imported from South Africa during the second quarter of 2004, and successfully transplanted by the Byumba and Gasabo associations being assisted by World Relief/Solace Industries for essential oil production. The crop, now covering 10 ha in total, is growing well and appears to be resistant to the unidentified fungal disease which affects the local Rwandan geranium variety. The insect problems which had been previously observed in the local material were successfully controlled with a botanical pesticide made from *Tephrosia*, a leguminous shrub which grows locally; this is a positive development towards the goal of obtaining organic certification.

One factor hindering the potential of developing essential oil exports is that the producer associations are not capable of handling all the steps required to be a successful competitor on the international marketplace. For this initiative to succeed, one or more Rwandan entrepreneurs need to commit to undertaking this activity. Future ADAR assistance to this initiative is therefore dependent on the identification of a suitable person/organization willing to work with the producer associations to successfully sell their products abroad. If/when this individual/organization is found, ADAR will assist World Relief/Solace Industries to ensure the producer associations master the techniques of and achieve organic certification, in addition to ensuring a quality control system is in place at all steps along the chain of production.

5.4. Honey

Through the US Embassy's Self Help program, ADAR was put in contact with Donatien Murenzi, a Rwandan businessman interested in exporting honey from the country. To determine whether or not Rwandan honey meets international standards, samples collected from three different locations were taken to the ICIPE honey laboratory in Nairobi for analysis in March. The results, which were sent to ADAR in May, revealed that none of the samples met EU requirements for table honey, due to problems ranging from a smoky flavor (too much smoke used in the harvest) to indications of overheating and premature harvest. The ICIPE researchers were of the opinion that these errors could be corrected, however, and EU grade honey could be produced in Rwanda if beekeepers were given training on hive management, harvesting, processing and storage of honey.

To determine exactly where Rwandan beekeepers were erring in the current practices and gather better information on the feasibility of developing honey exports, a consultant specialized in beekeeping and honey production was brought to Rwanda in July.

From a rapid assessment of the apiculture sector in Rwanda, the consultant concluded that honey is not only lacking in terms of quality, but that insufficient quantities are produced to be of interest to the export market. The low volumes she attributed to the fact that beekeepers lack a well established market for their product, as well as having no significant support from either the government or the NGO community. For the volumes of honey to be increased, a system of fair, immediate cash payment needs to be in place for honey that is of good quality. Through training of trainers and training of farmers, honey quality could be improved using locally available equipment and materials, which would not require significant investment. Use of traditional hives, for example, is preferable to expensive "modern" frame hives due to the migratory nature of African bees; moreover, beeswax, which is harvested as well as honey from traditional (but not frame) hives, is also a valuable export commodity.

The consultant affirmed that Rwanda will only have a comparative advantage on the export market for specialized, niche honeys, particularly organic and/or fair trade certified honey collected from the *Nyungwe Forest* or the *Volcano National Park*.

Several discussions were held with representatives from the Wildlife Conservation Society (WCS), an NGO which aims to assist associations living in the zones bordering the *Nyungwe Forest* and the *Parc des Volcans*; they, through their relationship with the ORTPN, would be able to procure the right for beehives to be set up at designated points in and around the forests, a practice which is currently forbidden by the GOR (due to the risk of causing forest fires).

Plans were drawn for ADAR to work with WCS in 2005, together with Donatien Murenzi, the interested investor, to take the steps needed (development of a residue monitoring scheme, training of trainers, organic certification) for the production and marketing of a niche "rainforest organic" honey for export.

5.5. Additional Crops

Over the course of the year, ADAR responded to several requests to investigate the feasibility of growing new horticultural crops on client's landholdings. The horticulture specialist looked at one site where *vanilla* had already been planted; this crop is not suited to Rwanda's cool conditions, and was not surprisingly found to be growing poorly. The client was therefore advised to put the land into crops better adapted to Rwanda, namely beans, maize, sorghum and strawberries.

A prospective site for *macademia* production was at too high an altitude for ideal growth (nearly 1900 m.a.s.l.) in addition to being located too far from a source of water, a requirement for a productive macademia crop.

Other requests were for technical assistance with the development of *aloe* production; after researching the subject, the horticultural specialist determined that only the Bugesera region would be suitable for this crop, given its preference for warm, dry climates. Additionally, planting material would have to be imported as no source of the aloe species of economic interest exists in Rwanda.

During the fourth quarter of the year, project technical assistance was solicited by a local *tomato* paste factory, a tannery and a slaughter house. ADAR staff will examine the possibilities of providing the requested assistance during the first quarter of 2005.

6. PYRETHRUM

During the past year, ADAR continued to provide support to SOPYRWA in two key areas: the renovation of the refinery and the implementation of a marketing strategy based on future diversification and distribution of the products processed from pyrethrum flowers. In 2004, factory efficiency was compromised, due to the nation-wide power crisis and subsequent rationing measure. SOPYRWA was supplied electricity during the night time only which decreased production and sales. This adversely affected the company's renovation plans for the dormant refining unit.

A consulting electrical engineer spent two weeks in September 2004 working on the rehabilitation of the electrical and instrument installations in the factory's refinery. He verified the work which had been conducted by SOPYRWA during the last twelve months, redesigned the instrumentation system, initiated a training program for company's welders and electricians, and determined further training programs to be introduced e.g. process operation, safety and fire fighting. This consultancy was a follow-up of the detailed analysis of the electrical system that he carried out in October 2002.

On the marketing side, SOPYRWA is presently selling all of its production to Valent BioSciences in the USA, which is a subsidiary of Sumitomo Chemical Company of Japan. Weaknesses in the present arrangement include the lack of a marketing policy and absence of marketing agents outside Rwanda.

The Kenyan expert developed and implemented a comprehensive study and marketing plan for SOPYRWA to build a strategy based on diversification and distribution of the products from processed pyrethrum flowers when the refining unit is operational. The consultant went to government agencies all over northwestern Europe in August to secure registration for Rwandan pyrethrum in all key markets in the world. In September, he traveled to the USA to compile appropriate packages of scientific and technical information, and submitted them to relevant authorities such as the US-Environmental Protection Agency (EPA).

The most important result of this contract has been the strengthening of the relationship between SOPYRWA and Valent BioSciences. The consultant has been reliably informed that SOPYRWA is now considered to be their preferred source of natural pyrethrum and that this will show in their purchases of Rwanda pyrethrum from 2005 onwards, as per the supply agreement that will be signed early next year. SOPYRWA has also gained a foothold in Europe through Denka International of Holland and PcS of Belgium. Denka is one of the oldest and still the largest users of pyrethrum in the Benelux countries. These two companies are ready to purchase pyrethrum from Rwanda once the product is registered with the relevant authorities there. Significant progress has also been made in devising a cost effective route to product registrations in Europe and in developing collaboration between Denka International and SOPYRWA through sponsorship under the PSOM funds that the Dutch government has set aside for such purposes.

The assistance ADAR provided to SOPYRWA in 2004 can therefore be considered as preparation for future developments. The effectiveness and impact of project's assistance during the past year will be confirmed when the refining unit is operational, currently expected to occur by mid-2005.

Some of the activities which were planned last year in the pyrethrum sector for SOPYRWA have been rescheduled for 2005 due to the aforementioned power crisis. The additional assistance to the renovated quality control laboratory as well as the training in health and safety should take place in 2005 after completion of the rehabilitation of the refining unit.

7. CROSSCUTTING ACTIVITIES

7.1. Business Development

The past year has been a very active one for ADAR's business development services component. The main activities included production and updating of feasibility studies and business plans (mostly for the coffee sector), and involvement in meetings/seminars with different partners to facilitate agribusiness access to finance for the private sector.

One of ADAR's contributions to these activities led to the approval of a Development Credit Authority (DCA) program by USAID Washington and the Bank of Kigali (BK).

7.1.1. Feasibility Studies

Twenty feasibility studies were conducted over the course of the year, 13 of which concerned the establishment of new coffee washing stations. The studies were elaborated with the generic model developed by the project which is adapted to the needs of each client. Adaptation of the generic model greatly streamlines study implementation and allows consultants to produce reports more rapidly.

ADAR's Business Development Advisor (BDA) was particularly active in finalizing the business plans developed by the consultants and in negotiating with banks to facilitate access to finance for new and existing project clients. As an example, among the eight project-assisted clients in 2004, all except *one* were successful in obtaining financing thanks in large measure to ADAR support. The other studies were conducted in the following areas: passion fresh fruit export, soybean processing and orthodox tea production

7.1.2. Establishment of the Development Credit Authority (DCA) Bank Guarantee

ADAR played a major role in the establishment of a DCA program through the provision of a project consultant who came to Rwanda in August to conduct a risk assessment of the Bank of Kigali and its loan portfolio, as a preliminary step in USAID's efforts to establish a DCA loan portfolio guarantee facility in Rwanda. ADAR was also very active in the negotiations between USAID and BK which led to the approval in October.

The function of the DCA guarantee program is to encourage banks to extend credit to marginal clients who have a sensible business plan, but may lack the collateral that Rwandan banks seek. The USAID/Rwanda mission aims to stimulate USD 2 million in Bank of Kigali debt financing through a loan guarantee program which will cover 40% of approved loans. This lending could take the form of an investment or working capital, depending on the needs of the individual borrower. Only businesses that receive technical assistance and training from ADAR are eligible for this DCA guaranteed loan program

With the establishment of the DCA program, ADAR's role is now to act as a facilitator and mainly to encourage its clients to take advantage of the BK program. The table below - with expected fully washed coffee production for 2005, investment cost, loan for investment and working capital - summarizes the assistance ADAR has provided and could provide in 2005 to almost twenty coffee washing stations.

At the time of writing, one ADAR client had received a loan from BK for investment and working capital, and seven others had submitted their loan applications to the same Bank. The approval of the DCA program by USAID Washington and the Bank of Kigali (BK) should have considerable impact on the development of credit in the agribusiness sector in Rwanda.

The ADAR clients who are not working with the BK preferred to submit their request to other banks like BRD, UBPR, BCR and BANCOR.

N°	Owner	Location of the station Province and District	Feasibility Studies and Business Plan	Capacity of Production Tons CM	Production 2004 May Tons CM	Cost of Construction Frw (mill.)	Investment Frw (mill.)	Banks Frw (mill.)	Investment (Stabex 2004) Frw (mill.)
Coffee Washing stations being assisted by ADAR in 2004 (and in 2005)									
1	Faustin Mbundu - Nkora Coffee	GISENYI - Kayove		320	99	100	25	61	14
2	Théobald Bavugamenshi	CYANGUGU - Gatare	ADAR	80	10	65	45	5	15
Coffee Washing stations to be assisted by ADAR in 2005					Production 2005	Investment cost	Loan for Investment	Working capital	
1	Faustin Mbundu - Nkora Coffee	GISENYI - Kayove		320	120				
2	Théobald Bavugamenshi	CYANGUGU - Gatare	ADAR	200	45	174	23	77	
3	Eugène Ntagengerwa	KIGALI NGALI - Ngenda	ADAR	150	45	118	36	46	18
4	Innocent Mwumvaneza (Cotecacya)	CYANGUGU - Bukunzi	ADAR	200	60	104	36	46	
5	Charles Bucyensenge	GITARAMA - Kayumbu	ADAR	125	35	116	37	53	
6	Jean Bosco Rukundo	GITARAMA - Kamonyi	ADAR	80	24	74	20	40	
7	Chrysologue Kubwimana	GISENYI - Kayove	ADAR	200	60	152	66	50	
8	Nicolas Ndagijimana	KIBUYE - Kibuye	ADAR	80	24	90	35	37	
9	Jean Dieudonné Gatsinga	KIBUYE - Rwabisindu	ADAR	200	60	105	37	45	
10	Alphonse Kayijuka	CYANGUGU - Gatare	ADAR	200	60	101	34	46	
11	Nyaco (MM. Nkubili and Nkusi)	BUYUMBA - Muhura	ADAR	200	60	133	60	42	
12	MIG 1 (Multisectorielle d'Investissement de GIKONGORO - Nyaruguru)		ADAR	200	60	272	133	79	
13	MIG 2 (Multisectorielle d'Investissement de GIKONGORO - Cyanika)		ADAR	200	60				
14	Aphrodis Mugambira	KIBUYE - Rusenyi	ADAR	100			#35	#45	
15	Anastase Nzirasano	RUHENGARI - Bukonya	ADAR	150			#35	#45	
16	Philippe Kanamugire	KIGALI NGALI - Nyamata	ADAR	100			#35	#45	
17	RWACOF	KIGALI NGALI - Bicumbi	ADAR	200			#35	#45	
18	Christian Kaningu - Kayenzi	GITARAMA - Kayumbu	ADAR	120	40	62	15	35	
19	COFII	GITARAMA	ADAR	200					
20	Pierre Munyura	Cyangugu - Gashonga	ADAR	100					
TOTAL							657*	776*	

Loan for Investment: The total of FRW 657,000,000 represents approximately USD 1,100,000 for the Coffee washing stations that will be assisted by ADAR in 2005, but it does not mean that all those CWS will go to BK for financing. The figures for CWS no. 14 to 17 are only approximate

Working Capital The total of FRW 776,000,000, equivalent to USD 1,293,000, was arrived at on the same basis as the investment loan. It is important to take into consideration, however, that the ADAR long standing clients (e.g. *Migongo, Nyandungu, Sake, Masaka, COOPAC*) might approach BK for working capital loans for the 2005 harvest. Therefore, there may be requests for funds in addition to the USD 1,293,000. Again, not all ADAR assisted CWS will necessarily approach BK for financing.

An additional role for the Business Development Advisor is to promote investment in agribusiness and manage the project's client data base. ADAR currently has 85 clients who signed the project collaboration agreement. Twenty-five new clients registered this year. A summary of activity areas of ADAR clients is as follows:

Sector	Total Number of Clients	Number of Active Clients
Coffee	38	24
Horticulture-Passion Fruit	13	8
Horticulture- Other	22	10
Pyrethrum	1	1
Tea	2	1
Livestock products	3	2
Potatoes	2	-
Other	4	2
Total	85	48

7.2. The Small Grant Cost-Sharing Program (SGCSP)

During 2004, the SGCSP received seven grant requests, of which six concern the coffee sector and the remaining one concerns horticulture production.

Two out of the seven grant requests were approved. With these two additional approvals, the cumulative total of amount obligated is USD 166 970.51. Five applications are still in the process of being analyzed, modified or completed.

As of mid-December 2004, a total amount of USD 139,091.49 was disbursed, representing 36% of the grant budget.

The low number of grants approved this year is related to the fact that ADAR financial support is extended only to complete a financial package. To be eligible, potential beneficiaries must secure other sources of financial support prior to applying for an ADAR grant. Unfortunately during the year some of the clients wanted to get the grant as a part of the financial source which is approved even before being sure of other financing from banks or from the client's own capital.

With the current grant requests, plans are for some of them to be approved early next year. ADAR is encouraging the introduction of a new type of coffee depulping machine which greatly reduces the amount of water used in the CWS while providing a high production capacity. ADAR intends to provide a grant to any client who decides to be pioneer it this type of investment. Coffee lab installment and chillie pepper dryers will have priority as well for quality control improvement. Seventy to 80% of the grant budget could be consumed.

7.3. Environmental Issues

7.3.1. Ensuring the environmental soundness of ADAR assisted CWS

Many projects assisted by ADAR may potentially impact environmental (physical and biological) systems. To control this impact, it is important to introduce environmentally sound designs in all projects to ensure that negative impacts may be avoided or mitigated with preventative measures.

Given that ADAR has been providing assistance in the rehabilitation/construction and management of CWS since 2002, with plans for the construction of 11 new ones for the 2005 season, a decision was taken to study the environmental impact of the eight CWS which have been operational for the past two years. In so doing, it was hoped to determine what impact, if any, the CWS have had on the environment and where changes need to be made in their construction and/or management so as to ensure they are fully compliant with the USAID environmental regulations. A regional consultant was engaged in mid-October to prepare an environmental report for each of the eight CWS, using the "Environment and Quality Management Review" (QEMR) elaborated for ADAR in July 2002. The QEMR was designed specifically to help the project evaluate the environmental sustainability of client agribusiness operations.

After visiting and evaluating the eight CWS (*Nyandungu, Masaka, Sake, Ngenda, Migongo, Nkora, COOPAC and Gatara*), the consultant noted the following as posing the greatest risks to the environment:

1. Putting CWS into operation before all construction has been completed, which leads to erosion in many instances (a great number of the CSW are on steep slopes); and
2. Inappropriate disposal of both liquid and solid wastes: water used for fermentation, washing and grading of the coffee at some of the CWS is disposed of in a way that could potentially contaminate lakes and rivers. In most cases, this is due to improper construction of the percolation tanks (used to trap waste water). In one instance, solid wastes (the cherry pulp) were not being properly composted, and the noxious material was dangerously close to the CWS tanks and canals. Proper disposal of both liquid and solid wastes was particularly problematic at those CWS which had not terminated all construction work before going into operation.

Overall, however, the evaluation found that the CWS were not adversely affecting the environment, with measures in place to ensure that they do not do so; in this regard, he noted that almost all CWS have systems for recycling water, and all but one had percolation tanks which trap the waste water to prevent its contaminating adjacent lakes and rivers.

From his study, the consultant was able to formulate recommendations for the various individuals and organizations who might be involved in future CWS construction so as to avoid harming the environment.

Donors considering financing CWS should, in his opinion, insist that a preliminary environmental impact assessment is conducted prior to agreeing to support the construction of a new CWS. Such an assessment would ensure that only appropriate sites are chosen for the CWS where its construction and operations will not result in erosion, pollution or other damage to the environment. Donors should also insist that regular assessments be conducted by a qualified consultant during the construction of the CWS as well as when it becomes operational to guarantee that any unforeseen environmental problems are addressed.

The CWS investors are advised to be more cautious when selecting the sites for their stations, and in particular to avoid locating them on steep slopes. Pumps and other facilities for recycling water must be installed, as well as properly constructed percolation tanks so as to prevent contamination of nearby bodies of water. Planting macrophytes in the percolation tanks would help remove the contaminants from the waste water. The CWS must be constructed and managed so that hygienic conditions are maintained, including provision of adequate and environmentally sound toilet facilities. Particular attention should be paid to hygiene during the periods when the station is processing coffee. Mechanisms should be in place to guarantee worker safety for all CWS employees.

The evaluation also included advice for the coffee farmers who supply n investors must fulfill if they are to receive ADAR assistance in the construction and management of their CWS. Risks of adverse impact on the environment will be reduced, and the safety and health of CWS workers as well as surrounding communities will be better guaranteed.

7.4. HIV/AIDS

In response to the AIDS pandemic affecting all of Africa, ADAR made a decision to try to incorporate HIV/AIDS into the project's program.

A consultant specialized in this field spent nearly two weeks in Rwanda in July, visiting a range of organizations involved in the fight against HIV/AIDS in the country to identify concrete ways ADAR could mount a response to the pandemic. She proposed that workplace-based HIV/AIDS programs should be installed at three of project's clients' operations: SOPYRWA, Shema Fruits and the Masaka CWS.

The objective of these programs will be to harness unique workplace attributes for sustained behavior change. The advantage of a workplace based program is that it provides the opportunity to reach management, a group representing highly skilled labor, together with the labor force, which is a key driver in Rwanda's economic growth.

Given ADAR's limitations in terms of numbers and expertise of the staff, an NGO with experience in HIV/AIDS activities should be contracted to establish the workplace-based programs for the ADAR clients early in 2005.

7.5. The AgriBusiness Centre (ABC)

During 2004, the ABC continued to be frequently utilized by its members, providing individualized research in response to demands from more clients.

During this past year, for the first time since opening its doors to clients, the Center played an extremely active role in the provision of information, reinforcing its position as the leader in agribusiness information in Rwanda with uninterrupted visits from members coming to consult documentation on agribusiness. Also of note, a group of consultants working for MINAGRI, which is developing a three year plan of action to put a new policy (focused on transforming the agriculture sector) into operation, availed themselves of the Center's information, as did the PEDICRE/TWIN project which is developing a base study on coffee production, IFAD who is conducting a study on coffee processing, UNIDO/WB who presented a report on micro and small entrepreneurs, etc. Studies/Reports such as "Management of a coffee washing station", "Model of a feasibility study for the implementation of a CWS", "Techniques on Coffee processing", "Coffee pruning" were given to partners such as TWIN and STABEX who utilize them as reference documents in their respective coffee programs.

One of the consultants noted: *"ADAR is doing quite good work in the agribusiness area and we therefore need to recognize its contribution by building on what they are doing. I will make reference to their work without any hesitation"*.

In order to expand the outreach of the ABC, and particularly to develop ways to diffuse market information that might be sustainable beyond the life of the project, the ABC Information Specialist went to the IDEA/ADC project in Uganda in March. The three-day training session afforded her the opportunity to learn about the IDEA data base and the different bulletins and newsletters implemented by their center. This helped the ADAR information specialist gather ideas on how to develop new products for ABC members.

To further the objective of helping ADAR clients access the market and to keep them updated on coffee prices, since April 2004, the ABC has been sending on a daily basis (via e-mail) the latest developments in the coffee market. The coffee prices are also posted every day on the board located at the entrance to the ADAR office. The quarterly newsletter is now e-mailed to more than three hundred clients and is a useful tool to communicate the activities and results obtained by the project (Annex 3 is the page 1 of the Newsletter of the second quarter).

Due to the increasing number of clients visiting the ABC, an additional computer was added to facilitate access to information.

7.6. Other Technical Activities

During the past year, ADAR continued to reinforce its staff's skills and promote its activities inside and outside of the project.

In February, The ADAR accountant attended a regional training course in Bamako with ten other Chemonics project accountants to ensure transparency in Chemonics financial management, raise awareness of potential ethical issues, and to maintain audit compliance. This useful session helped the participants better understand their financial management responsibilities and authorities, explained USAID reporting requirements, and taught them how to perform advanced QuickBooks functions.

In March, all ADAR staff participated in a team building workshop conducted by the ADAR director outside of Kigali. This was an interesting and useful experience for the team who participated actively in the discussions covering: the image of ADAR, time and stress management, what works well at the project and what needs to be improved. Follow-up was rapidly implemented by the operations manager of the project.

During the entire year, ADAR was active in working on the preparation and the trips of different US delegations in Rwanda who visited various projects. As a member of the jury of the Business Plan Competition (BPC) program implemented by the Rwandan Private Sector Federation (RPSF) and the World Bank - through its Competitiveness and Enterprise Development project - ADAR assisted RPSF in the assessment process of the candidates' proposals to select innovative and profitable business ideas.

After having successfully launched in July its first two hour monthly program on the local radio, Radio-10, the Chief of Party, the Horticulture Specialist, the Coffee Expert and the BDA presented programs on project activities in coffee, maracuja, pyrethrum and access to finance, respectively, with the collaboration of project clients. The program has been a useful tool to expand information about ADAR throughout the country, and the discussions raised by the organizers stimulated many people to call in with questions and contribute to the dialogue.

Concerning press and donors articles, the project was featured in the business section of the New York Times on July 27 under the title "Rwanda Savors the Rewards of Coffee Production". The story shined a positive light on the work USAID coffee projects are doing in Rwanda. An article about an ADAR-assisted CWS, *Masaka*, also appeared on USAID's Web site (Annex 4) under the title "Rwandan Farmers Benefit from Quality Coffee" as a USAID success story in Rwanda. Coffee and Cocoa International had a long article in their July magazine about USAID and the Chemonics project in Rwanda.

Concerning the TRADE proposal submitted by ADAR to improve the passion fruit production in Rwanda, it was not successful in its bid for funding. The exercise of preparing the proposal left the project convinced, however, that work needs to be done on the development of irrigation for passion fruit, and plans are underway to determine how this can be worked into the activities of 2005.

8. MONITORING AND EVALUATION

ADAR provides quarterly and annual monitoring and evaluation updates. Performance indicators are reported quarterly whereas impact indicators are calculated annually.

8.1. Impact Indicators

- 1.1: Increased value of goods marketed by ADAR-assisted firms and cooperatives
- 1.2: Increased volume of goods marketed by ADAR-assisted firms and cooperatives
- 2.1: Increased number of quality enhancement innovations initiated by ADAR clients.
- 3.1: Number of agribusiness proposals with business plans prepared/submitted to financial institutions
- 3.2: Number of agribusiness loans approved by financial institutions through ADAR catalysts

According to ADAR's indicator monitoring plan, project beneficiaries provide information at the end of the calendar year. This information, both quantitative and subjective, is obtained through interviews and surveys conducted by project personnel. Twenty-eight clients were contacted to provide information on impact indicators, 21 of which completed the survey instrument. Each of them received assistance from the project during 2004, be it technical, financial or informational.

Among the five impact indicators, four indicators showed significant growth compared to 2004, two of which surpassed impact targets. The value of products marketed with ADAR assistance grew by 42% during the past year, again attesting to the impact of project activities on agribusiness development. The volume of production of project clients, however, decreased slightly from 1,364 tons to 1,174 tons. This was primarily due to two factors: the effects of diseases on passion fruit production and the non-inclusion of data from certain fruit producers, notably Sina and Floris, with whom ADAR no longer works closely.

The third impact indicator, "Increase in the Number of Quality Enhancement Innovations Initiated by ADAR Clients" also achieved positive results. Fifty-one innovations were registered, compared with 31 during the previous year, denoting an evolution of 71%. This indicator bodes well for a future increase in production during the coming year.

Impact indicators related to access to finance, (Number of Agribusiness Proposals with Business Plans Prepared/Submitted to Financial Institutions; Number of Agribusiness Loans Approved by Financial Institutions) also registered positive results during 2004. Fifteen business plans were produced in 2004, representing an increase of 114% compared to 2003. Twelve ADAR clients will be approved for bank loans, compared to one during last year. This attests to the increasing willingness of banks to lend to the agribusiness sector, in particular in the coffee sub-sector which achieved admirable results during 2003.

ADAR and its partners worked extensively with banking institutions during the last year to facilitate access to finance. The increase in bank loans reflects a perception among bankers that risk has been significantly reduced due to assistance provided by ADAR to its clients.

8.2. Performance Indicators

Performance indicators track the provision of project inputs such as seminars, services and other quantifiable project initiatives.

ADAR has 16 performance indicators, linked to specific sub-results (SR). These sub-results are, in turn, linked to project intermediate results (PIR) which measure project impact and were discussed in a preceding paragraph.

The targets for most of the performance indicators were surpassed during this past year. Results for 11 indicators surpassed the targets. Two indicators achieved 70% of the target and two others achieved more than 50% of the target. Only one indicator, “the number of clients who apply techniques learned from ADAR” did not reach 50% of the target. This may be explained by the limited number of active clients with whom the project works. ADAR has a total of 85 registered clients, 25 of whom signed cooperation agreements during this last year. At present, ADAR works closely with about 30 clients, many of whom are starting up activities in the coffee sector during the coming year. They will begin to apply techniques learned from ADAR during the 2005 coffee season.

SR 1.1. Increased access to information and improved information exchange

- PI 1.1.1: Number of visitors using ADAR facilities
- PI 1.1.2: Number of participants in ADAR sponsored workshops/seminars/study tours.
- PI 1.1.3: Number of stakeholders participating in ADAR-sponsored price information models.

ADAR surpassed targets for all three performance indicators that measure access to information and improved information exchange. The project received 600 visits more than anticipated. The number of participants in project-sponsored workshops, seminars and study tours was greater than the target of 1,000. The number of individuals who received price information was 164, largely surpassing the target of 120.

SR 1.2. Expanded access to markets and increased client sales

- PI 1.2.1: Number of clients using ADAR direct assistance to access markets.
- PI 1.2.2: Number of clients using the internet to access markets.
- PI 1.2.3: Number of new market contacts established by selected ADAR clients.

Two of the three indicators largely exceeded targets while the third indicator met its target. The indicator measuring market contacts is far larger than programmed. This is due to project efforts in product marketing. In particular, the coffee tasting sessions in the U.S.A. afforded the opportunity for several roasters and importers to discover Rwandan coffee and develop an interest in the product.

SR 1.3. Improved agribusiness management skills

- PI 1.3.1: Number of person modules of ADAR training courses completed, by gender.
- PI 1.3.2: Number of clients applying ADAR training in business practice.

Two hundred and sixty nine persons participated in ADAR training courses, compared to the target of 350. This shortfall is due to the fact that ADAR's training courses are targeted to individuals who are receiving technical assistance from the project and are thus in a position to immediately capitalize on the contents of the training course as opposed to providing training without a concrete context or follow-up. The number of clients applying ADAR training in business practice was also short of the target. This is because ADAR works with a limited number of clients. Clients who registered during this last year will certainly apply techniques learned from the project in 2005 and this will be reflected in next year's statistics.

SR 2.1. Increased awareness of product quality management strategies

- PI 2.1.1: Number of operators assisted by ADAR to upgrade product quality standards.

Twenty-nine clients were assisted compared to the target of 15. This illustrates the importance that the project attaches to product quality improvement as it has proven to be a generator of increased revenues for ADAR clients.

SR 3.1. Expanded options available to agribusiness firms for financing

- PI 3.1.1: Number of firms requesting directories of financing and/or borrower institutions.
- PI 3.1.2: Number of finance seminars sponsored by ADAR.

During 2004, 23 clients requested financing directories, representing 46% of the target. This shortfall was due to the fact that most of ADAR's clients have already received the directory. Among the project's new clients, many of them were able to obtain financing from local banks, thus they did not need the directories. The project sponsored five bank seminars compared to the target of eight. This shortfall denotes a lack of interest and time on the part of bank officers to attend this type of seminar, despite the fact that ADAR made several overtures in their direction.

SR 3.2. Improved receptivity of the banking community to agribusiness borrowers

- PI 3.2.1: Number of bank agribusiness clients assisted by ADAR.
- PI 3.2.2: Number of bank participant-sessions trained through ADAR.

The project assisted 27 clients to develop and deepen relationships with local banks compared to the target of 20. Regarding the number of bank officers trained, 23 officers attended training sessions representing 76% of the previsions.

SR 3.3. Enhanced and integrated agribusiness professional support services

- PI 3.3.1: Number of service providers assisted by ADAR.
- PI 3.3.2: Number of service provider training sessions conducted.

The project assisted 43 service providers compared to the 15 targeted. This excellent result is due to the large number of training of trainers activities in the area of passion fruit production. Regarding the number of training sessions destined for service providers, ADAR conducted three sessions, or 75% of the target. In fact, there is little demand for training by service providers as they prefer to be employed by the project in an activity in which they have expertise rather than being trained in new areas.

ADAR 2004 PERFORMANCE INDICATORS RESULTS

	1st Semester 04			2nd Semester 04			Total 04	Target 04	%
	W	M	T	W	M	T			
SR1.a Increased access to information and improved information exchange									
Number of visitors using ADAR facilities; by gender	86	467	553	89	531	620	1173	500	234.6
Number of registered ADAR clients	1	9	10	1	14	15	25	15	166.6667
N° of participants - sessions at ADAR - sponsored: Workshops:	13	107	120	17	94	111	238	1000	104
Seminars/training-ADAR	100	363	463	32	174	206	662		
Foreign Study Tours	5	10	15	1	8	9	33		
Forums	10	39	49	13	40	53	102		
							1035		
N° of stakeholders participating in ADAR-sponsored price information models			164				164	120	136.6667
SR1.b Expanded access to markets and increased client sales									
N° of clients using ADAR direct assistance to access markets	3	9	12	1	17	18	30	30	100
N° of clients using the Internet to access markets;by gender	7	109	206	1	88	89	295	50	590
N° of new market contacts established by selected ADAR clients	12	31	43	72	288	360	403	35	1151.429
SR1.c Improved Agribusiness Management skills									
N° of person-modules of ADAR training courses completed; by gender	30	128	158	104	7	111	269	350	76.85714
N° of clients applying ADAR training in business practice	3	16	19				19	55	34.54545
SR2.a Increased Awareness of product quality management strategies									
N° of operators assisted by ADAR to upgrade quality standards	2	9	11	1	17	18	29	15	193.3333
SR3.a Improved access to financing for Agribusiness Firms									
	Number								
N° of firms requesting directories of financing sources and/or borrower's institutions	1	8	9	1	13	14	23	50	46
N° of financing seminars sponsored by ADAR			4			1	5	8	62.5
SR3.b Improved Receptivity of Banking community to Agribusiness Borrowers									
N° of bank agribusiness clients assisted by ADAR	0	6	6	3	18	21	27	20	135
N° of bank participant-sessions trained through ADAR; by gender	2	7	9	2	12	14	23	30	76.66667
SR3.c Improved Receptivity of Banking community to Agribusiness Borrowers									
N° of service providers assisted by ADAR	2	7	9	2	32	34	43	15	286.6667
N° of service providers training session conducted			1	0		2	3	4	75

Notes: W = Women; M = Men; T = Total

PROJECT IMPACT INDICATORS, 2004

Indicators	Units	Baseline Dec-00	Results Dec-03	Results Dec-04	%Evolution 2003-2004	%Evolution 2000-2004
I. Enhanced Performance of ADAR assisted firms						
I.1. Increased value of goods marketed by ADAR assisted firms & cooperatives	000 Frw/year	242	1 363	1 940	42	701
I.2. Increased volume of goods marketed by ADAR assisted firms & cooperatives		355.00	645.00	130.40		
	MT/year	248	1364	1174	-14	373
II. Improved Quality Products from ADAR Assisted Firms						
II.1. Increase Number of Quality Enhancement innovations initiated by ADAR clients	Number	10	31	53	71	430
III. Improved Access to Financing For Agribusiness Firms						
III.1. Number of Agribusiness proposals with Business Plans prepared/submitted to financial institutions.	Number	NA*	7	15	114	
III.2. Number of agribusiness loans approved by financial institution trough ADAR Catalyst	Number	0	1	12	1100	

9. ADMINISTRATION AND FINANCE

9.1. Administration

Over the past year, the administrative unit continued to provide effective backstopping for efficient project activities. The unit deployed considerable effort, especially in the coffee sector due to the presence of eight Kenyan master coffee trainers in Rwanda and the visits to their respective washing stations. Visas were obtained for five Kenyan master trainers after a long and complicated process, and the work permits for the three Kenyans who were newly contracted for the present harvest. The lack of the fourth vehicle (supposed to arrive in April, in fact reaching Kigali in October) posed a particularly difficult problem for the administration, and resulted in the drivers often having to work seven days per week.

Departures and recruitments of local staff were significant in 2004. Anastase Murekezi, the ADAR coffee expert, left the project in October in order to take up his new post as Secretary of State for Commerce in charge of the Promotion of Industries and the Private Sector. He was replaced by Ephrem Niyonsaba, former Head of Production at OCIR Café. In order to assist the Horticulture Specialist with field work and extension activities, Capiton Dusabumuremyi was selected by ADAR as the agronomist to work with private entrepreneurs embarking on production of horticultural crops. Venant Bavakure, the new ADAR accountant hired at the end of June after the departure of Francois Nginshuti, underwent two weeks of training on USAID / Chemonics accounting principles and practice with David Holmes, Chemonics' Field Accounting Manager.

9.2. Financial Overview

While the official contract Year 4 covers the period of November 14, 2003, through November 13, 2004, financial data for this annual report will cover January 1, 2004, through December 31, 2004. We use these reporting dates in order to be consistent with the financial analysis included in previous annual reports. Although Year 4 represents the first of ADAR's three option years, for the current financial analysis we treat the ADAR contract as a single six year activity.

Total expenditures during this fourth year reflect a slightly increased spending level relative to the third year. The chart below is a summary of the budget, expenditures from last year, expenditures for the period of this report, and total expenditures to date:

	Current Budget	Jan. 1, 2003 – Dec. 31, 2003	Jan. 1, 2004 – Dec. 31, 2004	Total Expenditures thru Dec. 31, 2004	Amount Remaining
Labor	\$ 5,669,376	\$ 1,200,766.49	\$ 961,659.15	\$ 4,047,279.17	\$ 1,622,096.83
Materials	\$ 4,542,232	\$ 588,939.57	\$ 743,334.50	\$ 3,082,427.71	\$ 1,459,804.29
Total	\$ 10,211,608	\$ 1,789,906.06	\$ 1,841,452.55	\$ 7,129,706.88	\$ 3,081,901.12

Overall Expenditures: Of the extension ceiling price of \$10,211,608, a total of \$7,129,706.88 (69.82%) was billed through December 31, 2004. The most recent contract modification, #11, increased the obligated amount to \$8,162,914.00 (79.94%). The current spending levels place ADAR in good stead for the remaining contract years. With just over \$3,081,901.12 in contract funds remaining, ADAR is financially prepared to support an active schedule in the 22 upcoming project months.

Reporting Period Expenditures: As noted above, ADAR's contract budget provides for total materials expenditures of \$4,542,232 and total labor expenditures of \$5,669,376. ADAR's actual spending levels for Year 4 have been on target: materials expenditures equaled \$743,334.50, or 16.36% of the total budgeted amount, while labor expenditures during the current reporting period amounted to \$961,659.15, or 19.96% of the total budgeted amount. ADAR's Year 4 expenditures thus represent an intermediate between the Y2 expenditures total of \$1,914,382.20 and the Y3 expenditures total of \$1,789,906.06, with Labor expenditures slightly below Year 3 levels and Materials expenditures slightly higher.

With the increased capacity of local and regional consultants to provide high quality technical assistance, ADAR has been able to shift funds to other important programs that directly impact our clients, including international study tours and expanded marketing activities.

Rwanda ADAR anticipates an intense and eventful Year 5. As indicated earlier in this report, ADAR will place considerable emphasis on consolidating and advancing the significant coffee marketing gains of Year 4, while also continuing efforts to expand Rwanda's horticultural export sector.

ANNEXES

Annex 1: Workshops/meetings, seminars/trainings and forums organized in 2004

Description	Facilitator	Participants			Date
		M	F	Tot	
Workshops/Meetings					
Meeting on ADAR's Upgraded Assistance for CWS	ADAR	4	-	4	January 14
Technical Planning Meeting for ADAR Coffee Clients	ADAR	3	-	3	January 19
Pyrethrum marketing meeting	ADAR	3	-	3	January 21
Meeting with Coffee Investors for the Launch of the 2004 coffee season	ADAR	19	2	21	January 27
Meeting with new ADAR clients to discuss CWS equipment and certification of investors with the RIPA Program	ADAR	5	1	6	February 24
Meeting between coffee investors and marketing consultant/buyer	Kelly Peltier	6	3	9	February 25
Briefing meeting with Kenyan coffee technicians (round II)	ADAR	4	-	4	March 5
Meeting on challenges for the 2004 coffee season	John Schluter	16	4	20	March 11
Meeting with ADAR clients to evaluate the equipment needs for CWS for the 2004 coffee season	ADAR	11	2	13	March 17
Discussion on refurbishment of disks for depulping equipment at Masaka and Nkora CWS	ADAR	4	-	4	March 23
Meeting on collaboration between ADAR and STABEX projects on CWS	ADAR	3	-	3	April 5
3 debriefing meetings with Kenyan coffee technicians (2004 coffee season)	ADAR	14	-	14	April 5, May 10, June 22
Fully washed coffee sector partners' meeting	ADAR	9	1	10	April 6
Information session for ADAR new investors in coffee sector	ADAR	6	-	6	May 19
Meeting on organic coffee production	ADAR	7	-	7	May 28
Study of Rwandan honey production and the potential for marketing	Nicola Bradbear	5	4	9	July 19
Access on the Banque de Kigali Financing	ADAR	12	1	13	August 20
Debriefing meeting on Business Plan for passion fruit export	José Habimana	9	4	13	August 12
Meeting with potential investors in Chili sector	ADAR	5	1	6	August 26
Preparation of the study tour to Central America scheduled in November-December 2004	ADAR	7	-	7	September 13
Debriefing meeting on rehabilitation of SOPYRWA	Ian Watson Walker	2	-	2	September 25
Follow-up of COTECACYA CWS construction	ADAR	3	-	3	October 12
Debriefing meeting on Feasibility for the manufacture of Orthodox Tea	Nigel Melican	11	1	12	October 21
Briefing meeting on the Central America study tour	ADAR	6	-	6	October 28
IFOAM debriefing meeting	ADAR	12	2	14	November 17
Debriefing meeting on the Evaluation of the impact of CWS on the environment	Alexis Gakuba	14	1	15	November 18
Meeting on ADAR assistance in 2005	ADAR	8	3	11	November 30
S/Total workshops/seminars		208	30	238	

Trainings					
Training for new ADAR CWS clients on cost accounting	Célestin Nizeyimana	5	4	9	March 2-3
Training on grading of coffee cherries at Sake	Gerard N.Mwangi	25	-	25	March 30
Training on CWS cost accounting at Masaka	Célestin Nizeyimana	2	5	7	April 1
Training of Banks' staff on coffee sector	ADAR	7	2	9	April 2
Training on CWS cost accounting at Nyandungu	Célestin Nizeyimana	3	3	6	April 2-3
Training of agronomists of Butare and Kibuye on organic agriculture	ADAR	12	6	18	April 29
Techniques of coffee processing at Nyandungu CWS	Johnson Kanyi	1	3	4	April-June
Training on techniques of coffee processing at Gatara CWS	John K. Kimani	9	14	23	April-June
Training on techniques of coffee processing at Kamonyi CWS	James Nganga	4	2	6	April-June
Training on techniques of coffee processing at Masaka CWS	Egenius Warui K.	3	1	4	April-June
Training on techniques of coffee processing at Migongo CWS	Hesbon Gachogu	4	3	7	April-June
Training on techniques of coffee processing at Sake CWS	Gerard N.Mwangi	4	-	4	April-June
Training on cherry sorting for farmers	John K. Kimani	81	17	98	May 3-4
Training on cherry sorting for farmers	John K. Kimani	62	13	75	May 12-13
Training on techniques of coffee processing at Ngenda CWS	Charles Thuo	1	-	1	May
Training on IPM for APROJUFUGI at Gashonga	ADAR	26	3	29	May 5
Training on IPM for SONAFRUITs and Caritas at Cyimbogo	ADAR	15	2	17	May 6
Training on use of moisture meter model 920 for Nkora CWS personnel	J.O. Wasambla	5	1	6	May
Training on techniques of coffee processing at Nkora CWS	J.O. Wasambla	13	-	13	May
Training on coffee cupping at OCIR café	Jean Bahizi & J.O. Wasambla	3	2	5	May-June
Training on seed selection and preparation of nurseries for APROJUFUGI at Gashonga	ADAR	27	2	29	June 10
Training on seed selection and preparation of nurseries for SONAFRUITs and Caritas at Cyimbogo	ADAR	22	-	22	June 10
Training on seed preparation and realization of nurseries for Shema Fruits at Butare	ADAR	9	9	18	June 25
Training on pruning at Migongo CWS	Hesbon Gachogu	13	8	21	June
Training on coffee pruning at Migongo CWS	Hesbon Gachogu	13	8	21	July
Training on coffee pruning at Nkora CWS	Johnson Kanyi	34	11	45	July
Training on coffee pruning at Masaka CWS	Eugenius Warui	8	2	10	July
Training on coffee cupping at OCIR café	Jean Bahizi & J.O. Wasambla	3	2	5	July
Training of trainers: Adult Education Techniques at Gashonga	P.C. Habyalimana	30	2	32	July 7-9
Training on IPM for passion fruit at Cyimbogo and Gashonga	ADAR	46	4	50	October 28
Training on cultural techniques for field preparation and planting out/APROJUFUGI	ADAR	28	1	29	November 18
Bankers's training session on fully washed coffee	ADAR, MINECOFN & OnTheFrontier	12	2	14	November 19
S/Total trainings		530	132	662	

Forums					
Meeting between ADAR and Africare (Fact finding mission for upcoming project)	Africare	3	-	3	January 12
Meeting with USAID-DCA delegation	ADAR	4	2	6	February 23
Meeting with World Bank and FRSP	ADAR	4	1	5	February 25
Development Credit Authority meeting between the Bank of Kigali, USAID, ADAR and partners	ADAR	7	1	8	March 4
Meeting between ADAR, USAID and State Department staff	ADAR	1	2	3	March 5
Fifth Trade, Crop and Food Security meeting	Nyakato Kiganzi/Foodnet	3	2	5	March 5
IPM working group meeting		3	-	3	April 27
Meeting on mainstreaming transportation in agribusiness		14	2	16	May 17
Meeting on partnership between ADAR and the World Bank	ADAR	2	1	3	July 16
Private Sector Cluster Meeting/Present status and prospects for development of micro and small enterprises in Rwanda	Sponsored by ADAR	28	9	37	July 23
Meeting between ADAR, Netherlands Embassy and APROJUFUGI on the setting up of a cold store in Kigali	ADAR/Netherlands Embassy	3	-	3	October 13
Meeting between ADAR, Netherlands Embassy and FLORIS on the setting up of a cold store in Kigali	ADAR/Netherlands Embassy	1	1	2	October 13
Meeting between ADAR, Netherlands Embassy and ROPARWA on the setting up of a cold store in Kigali	ADAR/Netherlands Embassy	3	-	3	October 15
Meeting between ADAR, Netherlands Embassy and Gaperi Byumba Farmers on the setting up of a cold store in Kigali	ADAR/Netherlands Embassy	1	1	2	October 15
Meeting between ADAR, US Embassy and WCS on production & export of quality honey from Rwanda		2	1	3	November 10
S/Total forums		79	23	102	
Events abroad/Study tours					
Visit to the Tea Research Foundation of Kenya by members of Rwanda Tea Trading s.a.r.l.		2	-	2	Jan. 12-15
SCAE Rimini/Italy Conference and Exhibition		8	2	10	Jan. 21-Feb.3
EAFCA Conference and Exhibition		8	2	10	Feb. 19-22
SCAA conference & exhibition in Atlanta		-	1	1	April 23-27
Ethnic food exhibition in Pars		-	1	1	June 15-16
Study tour to New York for SOPYRWA registration to European Union		1	-	1	Sept. 4-14
Cupping tasting session at Coffee Lab International in Vermont		2	1	3	Sept. 15-26
Coffee study tour in El Salvador and Guatemala		5	-	5	Oct.29-Nov.9
S/Total events abroad/study tours		26	7	33	
GRAND TOTAL		843	192	1035	

Annex 2: Studies concluded/Reports published during 2004

N°	Report title	Date of visit/Date of contract	Date of Report	Report status	Author
93	ADAR Annual report	-	January	Final	Geoffrey Livingston and Maurice Wiener
94	Coffee Factory Development and Management	-	Final in Sept. 2002*		Log Associates/Kenya
95	Business Plan for Soya-Maize processing Plant (UNIMIW Production)	-	Final in Nov. 2003*		Théogène Kayiranga
96	Feasibility Study for the Construction of a CWS with a capacity of 125 tones of parchment coffee at Rutobwe/APCDKA	Dec.03	January	Final	François Sihimbiro
97	Feasibility Study for the construction of a CWS at Rwamatamu (Gatsinga Dieudonné)	Dec. 03	January	Draft	François Sihimbiro
98	ADAR Workplan 2004	-	January	Final	Maurice Wiener
99	Reports on visits to CWS at Ngenda, Gatare, Kamonyi, Kibingo	January 04	Jan., Feb., March	Draft	Jean Paul Rwagasana
100	Compendium of technical Guidelines for managing costs of CWS for the 2004 coffee season	January 04	February	Final	Célestin Nizeyimana
101	Report on the guidelines for managing costs of CWS, 2004	January 04	February	Final	Célestin Nizeyimana
102	Specialty Coffee Association of Europe, Rimini/Italy Conference and exhibition, Summary of visit	Jan.31- Feb?3, 04	February	Final	Kelly Peltier
103	Report on visits to CWS at Shenga/Kamonyi and Kibingo	April 03	February and March	Draft	André Munyakazi
104	Consultant's report (work performed at Ngenda, Gatare, APCDKA and Kamonyi CWS, First contract)	April 03	March	Final	Christian Kaningu
105	Feasibility Study and Business Plan for a private CWS/UDLC Gatare	December 03	March	Final	François Sihimbiro
106	Pilot Project for Dried Fruit Production in Rwanda	October 03	March	Final	Norbert Monkam
107	Report of first contract	Feb. 04	May 2004	Final	Christian Kaningu
108	Feasibility study for the construction of a CWS for APROCAF at Kamonyi/Gitarama	May 04	July 2004	Final	François Sihimbiro
109	Feasibility study for the construction of a private CWS for at Kayove/Gisenyi	May 04	July 2004	Final	François Sihimbiro
110	Feasibility Study for the construction of a private CWS at Rwamatamu/Kibuye	Dec. 03	July 2004	Final	François Sihimbiro
111	Feasibility Study for the construction of CWS for COTECACYA at Bukunzi/Cyangugu	May 04	July 2004	Final	François Sihimbiro
112	Feasibility Study for the construction of a private CWS at Mwasa, Gatare/Cyangugu	May 04	July 2004	Final	François Sihimbiro
113	Feasibility Study for passion fruit export	March 04	Aug. 2004	Final	José Habimana
114	Identification of zoning <i>Eucalyptus globulus</i> for essential oil	June 04	Aug. 2004	Final	Marie Josée Bigendako
115	Reviewed and updated study of food product for the implementation of a UNIMIX factory	June 04	-	Ongoing	Théogène Kayiranga

* Reports not mentioned in 2003

N°	Report title	Date of visit/Date of contract	Date of Report	Report status	Author
116	Risk Assessment Development Credit Authority Activity in Rwanda	July 2004	Aug. 2004	Final	Kenneth Birnabaum
117	Field accounting assignment: Training of the ADAR accountant	July 2004	Aug. 2004	Final	David Holmes
118	Feasibility Study for the construction of two private CWS for MIG sa at Gikongoro	Aug. 2004	Sept. 2004	Final	François Sihimbiro
119	Feasibility Study for the construction of a private CWS at Kibuye-Ville	Aug. 2004	Sept. 2004	Final	François Sihimbiro
120	Feasibility Study for the construction of a private CWS for NYACO Ltd at Muhura/Byumba	Aug. 2004	Sept. 2004	Final	François Sihimbiro
121	Determination of the improvements required for the production and export of quality honey from Rwanda	Aug. 2004	Sept. 2004	Final	Nicola Bradbear
122	Reports on operating costs for Gatare, Masaka, Nkora, Nyandungu, Migongo and Sake CWS over the 2004 coffee season	Aug. 2004	Nov-Dec.	Final	Célestin Nizeyimana
123	Coffee marketing to promote Rwandan coffee	2003	November	Final	Kelly Peltier
124	Final report on assistance to the establishment of CWS during 03 (May 03 to February 2004)	May 03	November	Final	Jean Paul Rwagasana
125	Final report on CWS Construction- SOW2	Febr. 04	October	Final	Christian Kaningu
126	Design and launch of a business plan for the marketing of SOPYRWA Pyrethrum products	May 04	-	Ongoing	James Wangai
127	Mainstreaming HIV/AIDS into Rwanda ADAR Project	July 04	October	Final	Leah Ann Evanson
128	Report on visit to SOPYRWA	Sept. 04	October	Final	Ian Watson-Walker
129	Report on Assistance to the establishment of CWS during 2004 - SOW2	Febr. 04	October	Final	Jean Paul Rwagasana
130	Training and information Development for the Horticulture Sector	Sept. 03	-	Ongoing	P.Célestin Habyalimana
131	Final report on the CWS Construction- SOW3	Sept. 04	-	Ongoing	Christian Kaningu
132	Report on 2004 Rwandan Harvest Cupping presentation events in USA	July 04	November	Final	Kelly Peltier
133	Potential production of High quality Orthodox Tea in Rwanda, and organizational constraints at Kitabi and Mata Units.	Oct. 04	November	Final	Nigel Melican
134	Feasibility Study for the construction of a private CWS at Bukonya /Ruhengeri for Anastase Nzirasanaho	Sept. 04	Dec.	Final	Fabien Nijimbere
135	Feasibility Study for the construction of a private CWS at Rusenyi/Kibuye for COVACAF	Sept. 04	Dec.	Final	Fabien Nijimbere
136	Feasibility Study for the construction of a private CWS at Bicumbi/Kigali Ngali for RWACOF	Sept. 04	Dec.	Final	Fabien Nijimbere
137	Feasibility Study for the construction of a private CWS at Nyamata/Kigali Ngali for Philipe Kanamugire	Sept. 04	Dec.	Final	Fabien Nijimbere

N°	Report title	Date of visit/Date of contract	Date of Report	Report status	Author
138	Technical proposal on Technical Assistance and Capacity Building for Trade Enhancement in Rwanda	Sept. 04	June	Final	Ashraf W. Rizk
139	8 synthesis reports for the CWS assisted in 2004	March 04	June 2004	Final	H.Gachogu, J. Kanyi, J. Kimani, G. Mwangi, C. Thuo, E. Warui, J. Wasambla, J. Nganga
140	Observational study tour to Gwatemala and El Salvador	Oct. 04	Dec. 04	Final	Roberto Prado

Annex 3: ADAR's Newsletter



Assistance à la Dynamisation
de l'Agribusiness au Rwanda

April → June 2004

AgriBusiness Centre

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Newsletter 7

Coffee Activities

Over this quarter, ADAR provided assistance to eight coffee washing stations, including four which began operations this year for the first time. Rigorous monitoring of their operations was conducted by Kenyan technicians, who came to Rwanda to train the stations' technical teams, as well as by ADAR staff, who frequently visited the production sites.

Success Story

This year, the coffee washing stations assisted by ADAR produced a total of 437 tons of parchment coffee, an increase of nearly 200% over the 147 tons produced last year during the same period !

Coffee Buyers rush to Kigali

The marketing approach, lead by OCIR Café since last year and supported by USAID funded projects such as ADAR PEARL and ACIDI VOCA, seems to be bearing fruit.

Five roasters from the USA and three coffee importers from Europe were in Rwanda during the month of June. They were particularly impressed by the washing stations that they visited and by the quality of the coffee which they tasted.

These visits generally ended with cupping tasting sessions, either at OCIR Café or at the production site itself.

Some of the buyers even went

to far as to declare the taste of the coffee to be "tremendous" and declared to have found in them "a certain aroma of blackberry with a touch of jasmine...".

It takes a true connoisseur to detect such subtle flavors...

This is, in any event, indicative of a promising future for the Rwandan coffees.

In addition to the washing stations of COOPAC and Maraba, which sold nearly all of their production by the end of June, those of Nyandungu and Sake were approached by an importer seeking to buy from each one a container of coffee, destined for Starbucks in the U.S.A.



Yves Tombeur from SUPREMO Belgium visiting the plantation of the Masaka washing station



Michael Lone from Atlas Coffee Seattle, tasting one of the "tremendous coffees"

ADAR participates in the SCAA at Atlanta

Rwanda's presence at the *Specialty Coffee Association of America* (SCAA), held this year in Atlanta during April, was strongly noted.

With its involvement in three stands - held by OCIR Café/PEARL/ADAR, Inzoz Coffee and EAFCA Rwanda - Rwanda was indeed an active participant.

More than 1000 people visited Rwanda's stands, 100 registered at the OCIR Café/PEARL/ADAR stand, and around 50 importers and/or roasters expressed their interest in purchasing Rwandan coffees. We're now waiting for the results from the samples sent for testing...

The coffee will tell all!



Mary-Consolée Kayitesi (Migongo coffee), Tim Shilling (Projet PEARL) and Ephrem Niyonsaba (OCIR Café) at the Rwanda booth

Annex 4: USAID - Tell Our Story

Farmers double earnings by selling coffee cherries to a USAID-funded washing station

Rwandan Farmers Benefit from Quality Coffee

Evariste Mutibagirana didn't know that coffee prices had plummeted to a 30-year low, nor did he know that Vietnam and Brazil had flooded the market with cheap robusta beans. He just knew that his coffee, grown on a few acres in central Rwanda, was earning him barely enough to get by. Mutibagirana had simply sold his coffee locally for whatever he could get.

Coffee cherries, which encase the beans, are de-pulped and then fermented and washed to remove their casing. Until last year, Mutibagirana and farmers like him in the city of Masaka did this work by hand, a tedious and imperfect process. He sold his hand-processed beans for not much more than thirteen cents a pound. Coffee, grown by more than 450,000 farmers in Rwanda, was once the country's number one export. But worldwide overproduction has caused it to slip. In 1990, Rwanda exported 45,000 tons of coffee. By 2003, that figure had dropped to 14,000 tons. Tea has overtaken coffee as the country's biggest export.

But last year was different. Mutibagirana pulled in 55% more per pound by selling his unprocessed coffee cherries directly to the local washing station in Masaka. The washing station, recently brought back to life with funding from USAID, is able to produce specialty coffee and sell it to international buyers. Specialty coffee demands a much higher price than commercial coffee, allowing farmers like Mutibagirana to fetch twice as much for their cherries as they had earned from their hand-processed beans.



Photo: Anne Kneidler

Evariste Mutibagirana shows off his ripe coffee cherries.

Agriculture represents the primary engine of economic growth in Rwanda. Rapid agricultural development fosters diversified rural enterprise development, sustainable livelihoods, incomes, and employment. USAID's agricultural sector activities emphasize intensification and commercialization of value-added agricultural production and marketing.

During its first full season, the Masaka washing station purchased almost \$27,000 worth of cherries from more than 400 local farmers. All thirty-eight tons of the processed beans were sold - Royal Coffee California bought nineteen tons, Drucafe from England bought fourteen tons, and the remaining six tons went to U.S. importers Intelligentsia and BD Imports. The station, which re-opened its doors in 2002 after being dormant for more than a decade in the wake of Rwanda's 1994 genocide, guarantees a market for local farmers looking to sell arabica which can be sold as specialty coffee on the world market and is a pricier bean than commercial robusta.

"We can now afford school fees for our three youngest children and we were finally able to buy a new home."

- Evariste Mutibagirana

Specialty coffee from East Africa could eventually command as much as 18% of the world market. Although much of this comes from Kenya and Ethiopia, Rwanda is starting to make its way back into the market, due in part to the USAID-funded project.

The washing station in Masaka is just one small piece of the project. USAID is helping promote broad-based economic growth in Rwanda by raising the value of agricultural products - like coffee - through better production and marketing. For Mutibagirana, a father of ten, better coffee means a better life.

Success Story

USAID

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