

An Integrated Investment Appraisal of Cassava Starch Production in Rwanda: The Case of Kinazi Cassava Plant

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Abstract

In April 2012, Kinazi Cassava Plant was established as a government initiative to produce high quality cassava flour, and other value added cassava products. After the successful establishment of the cassava flour plant in Ruhango district, KCP now plans to diversify into cassava starch production to feed the emerging manufacturing industries such as the pharmaceuticals, food processing, breweries, textiles etc. both domestically and for exportation. The study assesses the financial and economic viability, the stakeholder impact and the risk inherent in establishing the Kinazi Cassava Starch Plant in Rwanda. The deterministic results from the analysis indicate that the project sponsors will earn a rate of return greater than the opportunity cost of funds. Additionally, large net economic benefits will accrue to Rwanda in the form of tax revenue generated directly and indirectly through the export sales of cassava starch. The identified stakeholders who benefit from the project are the owners of the project, the government and labour who benefit in the form of profits, tax revenue and higher wages respectively. The risk analysis conducted revealed that changes in certain critical input variables (real exchange rate, real price of cassava tubers, price of cassava starch, investment cost over-run and production capacity utilization) cause project outcomes to increase or decrease significantly.

Keywords: Financial analysis, economic analysis, risk analysis, cassava starch production, Rwanda

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