



Annual Report and Quarterly Report

January 6 – September 30 2012

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Submitted to

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RWANDA DAIRY COMPETITIVENESS PROGRAM II

CA# USAID-696-A-12-00002

ANNUAL REPORT

January 6 – September 30, 2012

QUARTERLY REPORT

July 1, 2012 – September 30, 2012

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Table of Contents

Acronyms and Abbreviations	4
Introduction	5
Gender	6
Grants and Investment	7
Sub Contractors.....	8
Stakeholder Collaboration	8
Administration	10
Challenges	11
Monitoring and Evaluation and Knowledge Management.....	12
Environmental Compliance	13
RDCP II Performance and Results.....	13
Results Framework.....	14
IR 1: Rwandan Dairy Products Meet COMESA Standards	14
IR 2: Expanded Investment in Dairy Processing and Marketing	21
Annual Performance Data Table	26

Acronyms and Abbreviations

ABS	African Breeders Services Total Cattle Management Limited
AI	Artificial Insemination
BDS	Business Development Services
COMESA	Common Market for Eastern and Southern Africa
COP	Chief of Party
DCA	Development Credit Authority
DCOP	Deputy Chief of Party
DSWG	Dairy Sector Working Group
DQAL	Dairy Quality Assessment Laboratory
EADD	East Africa Dairy Development project
EDPRS	Economic Development and Poverty Reduction Strategy
EMMP	Environmental Mitigation and Monitoring Plan
ESADA	East and Southern Africa Dairy Association
IEE	Initial Environmental Examination
INGO	International Non-Governmental Organization
GoR	Government of Rwanda
M&E	Monitoring and Evaluation
MCCs	Milk Collection Centers
MINAGRI	Ministry of Agriculture and Animal Resources
MINECOFIN	Ministry of Economic Planning and Finance
MINEDUC	Ministry of Education
MINICOM	Ministry of Trade & Industry
MINALOC	Ministry of Local Government
MINISANTE	Ministry of Health
NDS	National Dairy Strategy
NGOs	Non-governmental Organizations
PLWHA	People Living with HIV and AIDS
PMP	Performance Management Plan
PSF	Private Sector Federation
PSTA III	Strategic Plan for the Transformation of Agriculture in Rwanda – Phase III
RAB	Rwanda Agriculture Board
RARDA	Rwanda Animal Resources Development Authority
RBS	Rwanda Bureau of Standards
RDB	Rwanda Development Board
RDCP II	Rwanda Dairy Competitiveness Program II
RMSA	Rwanda Milk Sellers Association
RNDB	Rwanda National Dairy Board
SOQ	Seal of Quality
UCD	University of California – Davis

Introduction

Rwanda Dairy Competitiveness Program II (RDCP II) was awarded to Land O'Lakes in January 2012. This document is the combined quarterly report for the period July to September 2012 and also represents the annual report, January 2012 through September 2012. RDCP II was designed to reduce poverty through expanded marketing of quality milk that generates income and employment, and improves nutrition of rural households. RDCP II aims to achieve this by linking existing and new smallholder dairy producers to expanding market demand driven by improved quality, reduced transaction costs and increased investment all along the dairy value chain.

RDCP II contract was signed Jan 6, 2012. There was an initial obligation of \$507,000 that enabled engagement of the COP, core staff and a scaled back start up activities. By mid-April, RDCP II was fully obligated and RDCP II proceeded to recruit a full complement of staff during the months of May and June. Primary focus in the beginning was reestablishing project presence and introductions to key stakeholders both at Kigali and federal level. The year 1 work plan and project PMP were finalized, sub contracts were awarded, baseline contract awarded, gender mainstreaming plan established, sub awards process initiated and EMMP submitted. Initial implementation involved preparatory work in many of the new districts as RDCP II will work across 17 districts as opposed to 2 on the previous phase. Building up good stakeholder relationships was key as this helped provide a solid foundation for collaboration in the subsequent years of the project.

Compared with year one targets (see APDT on page 30), initial achievements are currently behind track. This can be attributed to a combination of factors, including a reduced initial obligation and the establishment of a solid grants process (driver of all subsequent project field activities) which required significant time to get underway. This, plus the additional task of completing the GoR NDS as requested by USAID contributed to a slow achievement in the first nine months. Although the latter required considerable time and input, it did provide very useful insights into the key areas of focus and intervention for RDCP II. Year one targets not met will be added to year two targets.

Current status of the dairy sector

In its first nine months, RDCP II has begun to address the various challenges that the Rwandan dairy industry faces. A key step in this process was acting on the request from USAID for RDCP II to facilitate development of the National Dairy Strategy (NDS) for the Government of Rwanda (GoR). The strategy development process started in July and a final document will be ready for validation during October 2012. This document, once completed, will act as the reference point /road map for the Ministry of Agriculture and Animal resources (MINAGRI) and the Ministry of Trade & Industry (MINICOM) and their respective implementing agencies on the implementation of a five year strategy for the dairy sector as a whole. The NDS will be finalized during October 2012 for incorporation into the GoR Strategic Plan for the Transformation of Agriculture in

Rwanda – Phase III (PSTA III) and the Economic Development and Poverty Reduction Strategy (EDPRS II) during November and December 2012.

The dairy industry continues to be dominated by the informal sector supplying low quality raw milk. This informal sector is characterized by a lack of incentives to expand and or upgrade production or processing practices. The ripple effect through the supply chain is clear and is demonstrated by a lack of or reluctance for new domestic product development, more intense competition with regional processors, and regional standards that are challenging to enforce. The informal sector is risk averse concentrating on known suppliers at one end and regular buyers/consumers at the other. In addition, it is plagued by losses due to poor handling practices creating health risks for the end consumer.

The overarching goal and mission for RDCP II is **to increase the competitiveness of Rwandan dairy products in regional markets to positively impact rural household incomes associated with dairy-related enterprises.**

RDCP II will upgrade the entire dairy value chain by stimulating investment and helping improve management practices at key points along the value chain, from the smallholder producer to milk cooling centers (MCC), milk transporters and milk processors. In addition, RDCP II will build capacity of sector wide institutions, including relevant departments in MINICOM and MINAGRI that interact directly with the dairy sector, the Rwanda National Dairy Board (RNDB) and Rwanda Bureau of Standards (RBS), empowering them to lead the dairy industry while facilitating them to advocate for and bring about positive policy initiatives and reforms. Progress in improving the competitive position of Rwanda's dairy industry will be measured by tracking export market expansion, change in farm level dairy income, number of new products that meet industry quality standards/awarded Seal of Quality (SOQ), value of non-RDCP II resources leveraged for the sector's development, and number of policy reforms advocated for and/or enacted among other progress measures.

RDCP II has four key products to promote: the SOQ, Feed Flow Plan, Herd Health Plan and Reproduction Plan. Each plan has evolved to be milk shed specific as each individual milk sheds have unique geographic and commercial characteristics. Successful adoption of these plans by partners at field level will result in increased productivity and quality of product coupled with increased engagement of non-producers in the value chain actively maintaining the integrity of the milk as it moves from farmer to processor or milk vendor.

Gender

Mainstreaming gender right from the initial stage of RDCP II has facilitated the implementation and evaluation processes of the project interventions. This has stimulated rapid adoption of strategies beneficial to women and men and has further led to increased women's participation in RDCP II rollout and implementation activities. For example, gender has been considered during RDCP II scoping, beneficiary identification and needs identification, grant application and screening processes and the vulnerable groups identification. This approach has been adopted to reduce gender disparities, mitigate harmful

effects such as Gender Based Violence, bring forth sustainable development, and ensure equal Access and Control over available opportunities to women as well as men. This can be observed in the disaggregated lists of our identified beneficiaries.

RDCP II has enabled gender mainstreaming through training of RDCP II field and office- based staff. The training was conducted in two phases: the first gender staff training was on key gender concepts and a snapshot of the program's crucial areas where gender should be mainstreamed and why; and the second phase familiarized field staff on key gender concerns. The latter was predicated on a "gender guiding tool" developed by the RDCP II Gender Advisor to guide RDCP II staff during implementation, and hence ensure that women and men equally benefit from the services and opportunities that the program offers. As for grants, the award of a grant will partly depend on a project's positive impacts on both women and men. Consistent with this requirement, applicants are expected to explicitly state how gender will be mainstreamed into the project, and further indicate how the project will address empowerment of girls and women. Applicants who passed the first screening stage (concept note stage) have been advised to mainstream gender in their full and final grant proposals.

To emphasize the importance of gender consideration, successful grantees will be required to attend gender awareness training as part of their grant approval procedure. RDCP II is committed to mainstreaming gender in to every sphere of its operations from program introduction, scoping data collection, beneficiary identification, needs assessment to the implementation and support of project activities.

In order to familiarize ourselves with women's issues at milk-shed level and to develop the gender mainstreaming activity plan, the Gender Advisor worked with the baseline survey consultants to develop a gendered questionnaire and appropriate data collection tools. Results of this exercise will be available when final baseline report is available at the end of October.

Grants and Investment

RDCP II has placed particular emphasis on leveraging additional investment from both the public and private sectors. This investment will help to ensure ownership and show a vested interest in long term success and growth. The project has, from the beginning, actively sought and supported partners willing to invest their own resources in the long term development of Rwanda's dairy sector. This vested interest provides the basis for RDCP II's exit strategy which has been considered from year one.

The grants component is a critical tool in stimulating the dairy industry, and encouraging investment that will raise the caliber of this sector as a whole. The Sub Awards Manager joined RDCP II mid-May. Preparation of a grants manual began in June and was finalized and submitted to USAID for review in September, in time for the approval of grants award process which will be implemented in October. A grants advertisement was placed in the Rwanda press in July. The advertisement called for concept notes on activities that would contribute to RDCP II expected outputs and goal. Over 300 concept notes were

received. An internal grant evaluation committee reviewed the concept notes at the end of September and invited 63 applicants to submit full proposals. These proposals will be reviewed and grants awarded to successful proposals during the first quarter of Year 2.

RDCP II received a training visit from Land O'Lakes head-quarters Contracts and Compliance Manager in September. This was to ensure best practices are followed by RDCP II staff and to train the RDCP II Sub Awards Manager. In addition, the RDCP II grants manual was revised, completed and submitted to USAID for review.

Sub Contractors

During year one RDCP II finalized contracts with all three implementing sub-contractors identified in the proposal, ABS, INSPIRED and University of California - Davis (UC Davis). These sub contracts are fostering industry collaboration to promote a growth-oriented enabling environment for the dairy sector. Key to this output will be enhanced and effective on-going communication between public and private stakeholders.

ABS has recruited seven staff on RDCP II – four Milk Shed Specialists, a National Production Specialist, a Senior Technical Advisor and an Accounts Assistant. ABS senior staff are based at the RDCP II project office in Kigali. The ABS field team complements the Land O'Lakes milk shed quality team with one Milk Shed Specialist each from Land O'Lakes and ABS in individual milk sheds. RDCP II has worked during the reporting period to create a team approach so that ABS staff and LOL staff are viewed as one RDCP II team to preclude confusion at field level.

The INSPIRED sub contract was finalized in June. Their team was in-country during August and September to complete the Financial Services Analysis both in Kigali and at milk shed level. A detailed survey was completed despite unforeseen delays as a result of the GoR National Population Census. Analysis and feedback from this survey will be provided during October with more detailed follow on discussions with potential service providers in November. Early findings and recommendations have been incorporated into the NDS.

UC Davis subcontract was finalized at the end of September. Preliminary activities will commence during the next quarter with a first UC Davis team visit planned for early January 2013. From October detailed preparations for their initial visit will be carried out. Key deliverables of this visit will be identification of major diseases, etiologies and suitable remedies of same and a comprehensive report on solutions as it applies to resource limited settings relevant to the Rwandan environment and context.

Stakeholder Collaboration

RDCP II has engaged with a broad range of key stakeholders in the dairy sector both public and private sector during the last quarter and the whole reporting period. Introductions and registration at district level were

completed in 12 districts namely Bugesera, Gisagara, Huye, Gasabo, Gicumbi, Kamonyi, Musanze, Nyagatare, Nyanza, Rubavu, Ruhango, and Rwamagana. The objective of introductions at district level has been two fold i.e., for INGO registration and to introduce the project so that implementation of activities could commence. The Rwanda financial year commences July 1 so RDCP II activities at district level will be aligned with the district activity calendar where possible.

RDCP II's engagement in the GoR NDS has resulted in ongoing discussions with public and private sector. From the GoR this has included MINAGRI, MINICOM and their implementing partners in particular Rwanda Agriculture Board (RAB), RBS, Private Sector Federation (PSF) and Rwanda Development Board (RDB). With government, a lot of discussion has revolved around the design and eventual implementation of the strategy and in particular the future role of RNDB. The private sector has been widely consulted to establish how best to accommodate its growth and ownership in the strategy.

RDCP II has invested considerable effort into achieving inter-ministerial dialogue on the NDS, especially between MINAGRI and MINICOM. It is evident that MINAGRI's interest is production focused while MINICOM's is trade and processing related, nevertheless broad inter-ministerial agreement is critical, particularly on modality of implementation, if agreement on the strategy is to be reached.

In addition, the strategy team held senior level meetings with key government officials at ministerial and permanent secretarial level from key ministries including MINAGRI, MINICOM, Ministry of Health (MINISANTE), Ministry of Economic Planning and Finance (MINECOFIN), Ministry of Education (MINEDUC) and Ministry of Local Government (MINALOC). Each of these partners is viewed as a key stakeholder in the dairy process.

The DSWG met on four occasions during the reporting period to discuss NDS progress. Three meetings were hosted at MINAGRI and one at RDCP II offices. RDCP II has promoted increased engagement of private sector and MINICOM or its implementing partners at these sessions so that the influence of MINAGRI and RAB can be harnessed with broader representation of the whole sector.

RDCP II continued to engage with other NGOs involved in the dairy sector to explore areas of collaboration, in particular the East African Dairy Development (EADD project), which will conclude its activities in Rwanda in June 2013. RDCP II co-hosted an outcome mapping exercise during May at which the lead organizations in dairy were consulted on how best to engage government towards facilitating an enabling policy environment. At the end of May, RDCP II co-facilitated with EADD on the dairy consumer survey presentation, and in August a field learning visit and workshop were held with EADD and Heifer International. This provided an opportunity to examine the MCC Hub Model and explore how its best practices could be strengthened through the upcoming RDCP II grant process.

RDCP II held discussions in September with USAID Ejo Heza project

implemented by CHF International to explore how best to collaborate on field activities in Southern Province and on ways and means of working together on new dairy related financial products and services.



In collaboration with RAB, RDCP II supported the latter with promotional material for the National Milk Week during the National Agricultural Show held in Kigali in early June. At the same event RDCP II supported RNDB and DQAL to host a stand to promote their respective products and services.

Photo taken at the RAB Stand at Kigali Agricultural Show

Administration

RDCP II has a full technical and administrative team. There are 23 Land O'Lakes and seven ABS staff totaling 30 for the program. The organization chart is indicated below (Figure 1).

All administrative systems are now in place and working well. During the reporting period various staff training sessions were held. The COP attended Land O'Lakes HQ induction and training in February and the annual COP conference in Kenya in May. Six staff members attended USAID rules and regulations training held in Kigali during May. The Land O'Lakes Human Resources Manager visited the program in May to carry out human resource training and to familiarize project staff with Land O'Lakes operational policies and practices. Land O'Lakes Regional Accountant also visited in May to carry out training on financial systems and reporting following best practices procedures. In September the project received training visits from Head Office Contracts and Compliance Manager and Regional M&E Specialist to carry out detailed training in these respective areas.

RDCP II expatriate staff work permit applications were issued in July and Land O'Lakes received International Non-Governmental Organization (INGO) registration certificate in September.

Following receipt of appropriate waivers from USAID, six motorbikes and three project vehicles were purchased in July and August, respectively.

RDCP II has secured small regional project office locations in Rwamagana (Eastern Milk Shed) and Nyanza (Southern Milk Shed) (Figure 2). An office for the Northern Milk Shed will soon be secured in Musanze. RDCP II has 8 field staff working as milk shed specialists. Each milk shed has two field staff, with each one covering at least two districts and is responsible for production and quality. The milk shed specialists are the initial and primary contact points for all project activities at district level. In this regard, they are in contact with district officials, MCC cooperatives and all private sector partners and grantees.

Figure 1: RDCP II Organizational Chart

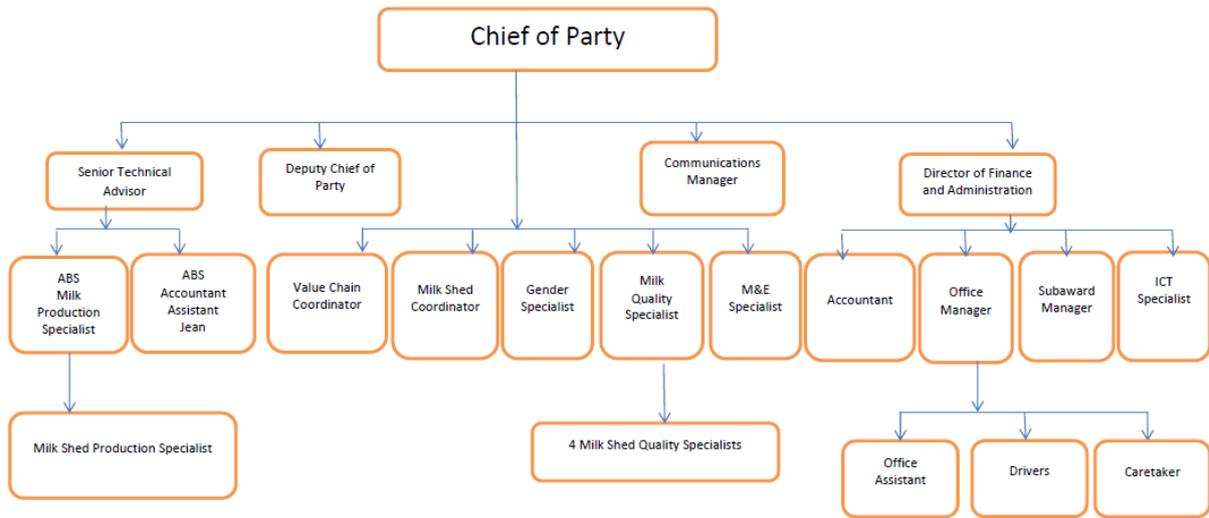
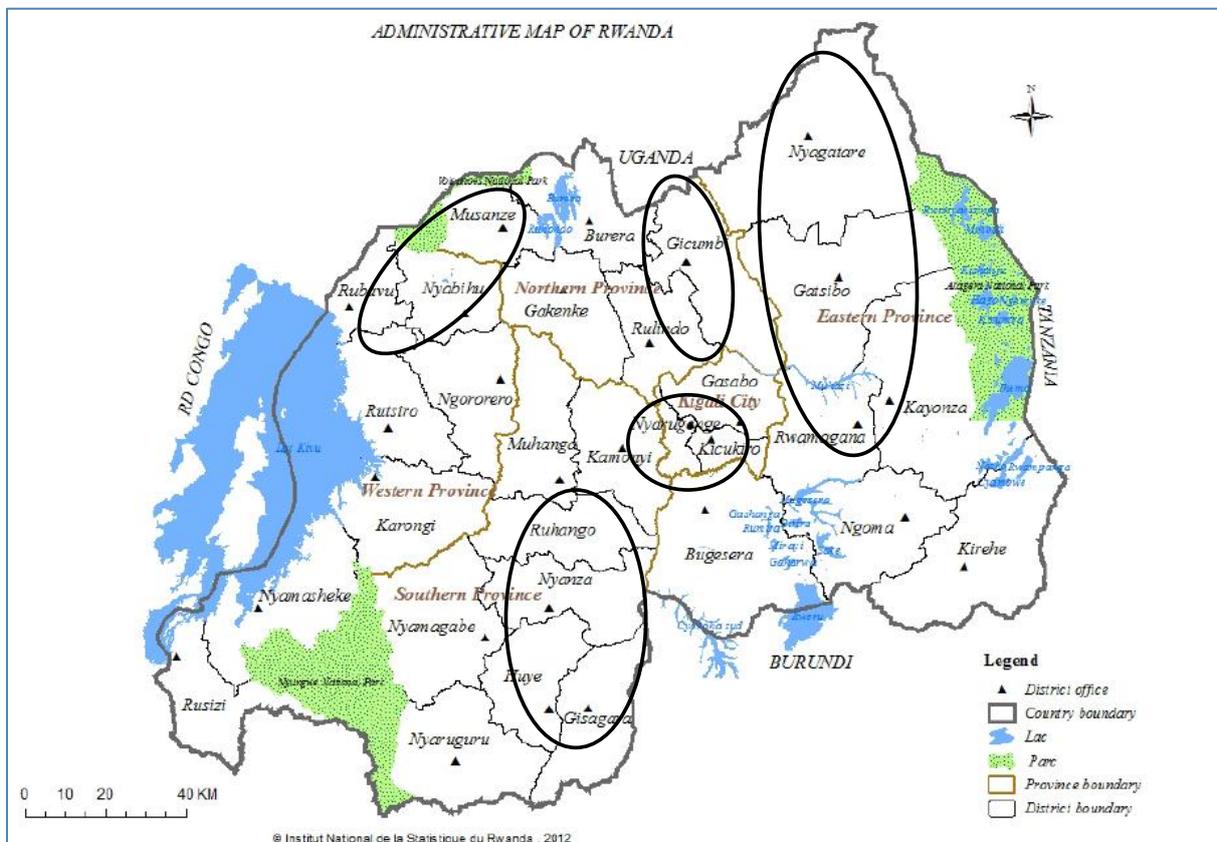


Figure 2: Map of Rwanda indicating main Milk Sheds (encircled)



Challenges

Grants. RDCP II activities and achievement of results will be driven by the project grant component. RDCP II, during the reporting period, put in place the necessary structures and staff to roll out project grants activities early in Year 2. A successful grant component requires that RDCP II fully understands what is

needed by potential implementing partners (sub awardees). This includes understanding limitations, which addressed, will lead to improved performance and sustainability at partner level. This approach, a key element of USAID FORWARD, aims to build capacity and ownership in local partners. However there may be a perception of reduced project performance as the process gets underway but in the long run a successful grant program creates more sustainable outcomes.

National Dairy Strategy (NDS). RDCP II was tasked with producing the National Dairy Strategy. Although outside the original scope of the project, this presented both a challenge and an opportunity. The challenge was to complete a significant piece of work in a limited frame that would meet expectations of the GoR and be accepted in the PSTA III. The opportunity was to place the project at the center of policy and to have the opportunity to influence policy change at most senior levels of government. The strategy process commenced mid-July and a final strategy report will be ready for GoR to review and validate during October 2012. It is clear that many of changes recommended are controversial. This will continue to challenge RDCP II as it seeks to implement recommendations in collaboration government partners some of which will require a change from a production focused mindset (Minagri and RAB) to a market driven approach.

The National Census. The GoR national census took place in August 2012. This precluded all other surveys at household from taking place around this time. This caused unforeseen delays as both the baseline survey and the financial services survey were planned for August. Permission was received from the Institute of Statistics and surveys proceeded in September.

INGO Registration. The process of INGO registration is onerous and time consuming as it requires registration and approval at both district and Kigali level. Individual activity plans need to be presented and approved at district level – a requirement of INGO registration. At present this is an annual requirement however a change in procedure has been recommended where by projects can register for 3- 5 years. It is hoped this change will be in place for next year. RDCP II has received registration for the period up to Oct 1 2013.

Monitoring and Evaluation and Knowledge Management

Monitoring and Evaluation (M&E), an integral part of RDCP II, is used to enrich the quality of RDCP II interventions as appropriate. The RDCP II Performance Management Plan (PMP), approved in April by USAID, is a guide for RDCP II results management/measurement process and reporting. The PMP includes indicators to track results/progress made during the year. Particular emphasis is placed on tracking RDCP II impact on women and income generation as a result of project interventions at all levels of the dairy value chain. The PMP was finalized in collaboration with USAID and is designed to help RDCP II to:

- Design measurable, targeted results that respond to specific needs
- Monitor and review progress in achieving results
- Document, communicate and promote results
- Disseminate program information

To ensure accurate estimation of the “before and after” RDCP II results, and to validate the program targets, a baseline assessment was conducted during the reporting period. Due to the National Census in Rwanda baseline data collection was put on hold until September. The completed baseline report is expected by mid-October 2102. Data collection, data inputting, surveys and focus group interviews were completed during September with statistical analysis and final report write up remaining as of the end of September.

The M&E Specialist coordinated RDCP II data collection for:

- Partner Reporting and Performance Management System (USAID/MEMS System)
- TraiNet System (USAID training-related database)
- MRR System (USAID Micro-enterprise Results Reporting)
- Rwanda Central Government (MINAGRI) and Local Government (17 partner districts) quarterly and annual reports.

The USAID reporting period for MEMS and TraiNet System is October 1 to September 30, January 1 to December 31 for MRR system, and July 1 to June 30 for Rwanda central and local governments. RDCP II produced quarterly reports during the reporting period and incorporated the fourth quarter report in this annual report.

Environmental Compliance

RDCP II has submitted revised versions of the Environmental Mitigation and Monitoring Plan (EMMP) of the program to USAID during the reporting period. As the RDCP II version of the EMMP was too detailed and going beyond what was required, during a meeting in September with USAID MEO and AOR, the USAID preferred format of the EMMP was clarified. The preferred format and recommendations were conveyed to the Nairobi-based Land O’Lakes environmental expert who as of the end of reporting period was preparing to submit the revised EMMP. The Land O’Lakes expert was subsequently invited to present best practices at the USAID training for partners to be held on October 11, 2012 in Kigali. This visit would coincide with her visit to Kigali in October to train RDCP II staff on environmental compliance and on environmental compliance for grant sub awardees.

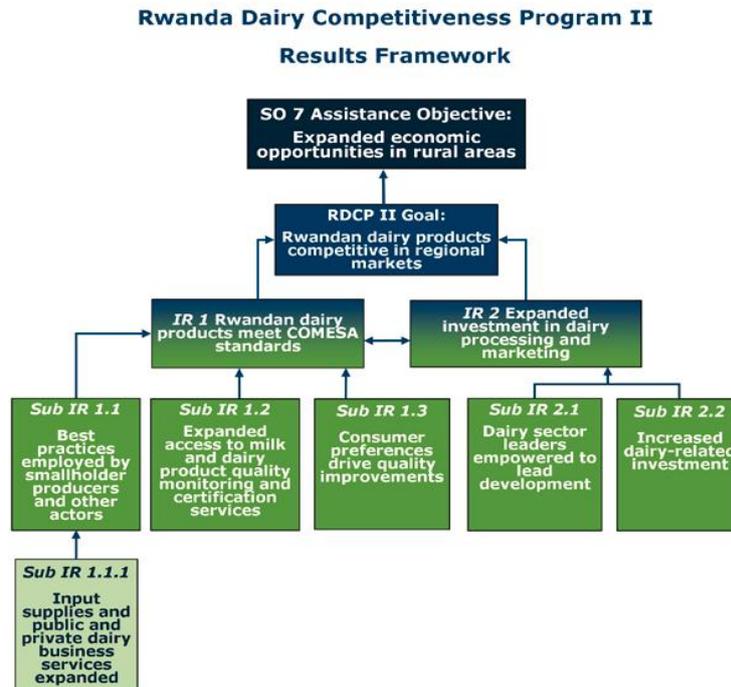
RDCP II Performance and Results

RDCP II has two program IRs (Figure 3):

- IR 1: Rwanda dairy products meet COMESA standards; and
IR 2: Expanded investment in dairy processing and marketing.

The following presents a summary of the main activities initiated during the reporting period and quarter four. Overall, activities in a short year one period have built a solid foundation for onward implementation where the dynamic grants portfolio will drive year two activities and results.

Figure 3: RDCP II Results Framework



IR 1: Rwandan Dairy Products Meet COMESA Standards

IR1.1 Best practices employed by small holder producers and other actors

This intermediate result will be tackled through adoption of technologies which enhance productivity and best practices which maintain the quality of milk as it passes through the value chain.

RDCP II has begun to promote four core products/activities in relation to best practices i.e., the Feed Flow Plan, the Herd Health Plan, the Reproduction Plan and the SOQ. All are interlinked and depend on one another to achieve maximum output. RDCP II will work with service providers in individual milk sheds to devise improved service delivery in relation to these four core activities. It is evident that a different approach is required for each milk shed due to varying topographies and commercial environments (Table 1).

Table 1: Milk shed variations as identified by the draft National Dairy Strategy report.

Milk Shed	Balance of Cattle Breeds	Proportion of Gir'inka cows	Forage land/resource availability	Comments
Kigali	High % of Holstein but not likely producing close to genetic potential	Low 2,460 head (hd)	Low availability High price of land Cost of feeding is high Rwf 1300/day for farm labor	Larger farms with higher proportion of absentee owners. (10% of herds are 20 - 300 hd) Reports are that some farms are scaling back their operations. Close/easy access to Kigali AMS market with direct selling/own kiosks Cash cost of milk was estimated at Rwf 180/l (for 70 hd cow operation) Feed costing Rwf 170 - 190/kg and milk price of Rwf 300 will make feeding concentrates economical.
North east /East	Less xbred as high % of Ankoles 40% of the dairy cows are in the region	High outside Nyagatare 36,353 hd	Medium to high but undeveloped grassland Low cattle carrying capacity of the land Dry season can limit forage and water intake	Larger farms but tradition of herding so more difficult to change attitudes. Lowest rainfall areas(8-900 mm) Some reports that producers are shifting to beef operations Largest number of MCCs in this area
South	X-bred	Medium 34,666 hd	Low. less land/cow	Cows may be more dispersed in small herds over the area. Medium rainfall (900-950 mm) Surplus milk produced and processed into fermented milk sold to Kigali, Bukavu (DRC) and Burundi
North	More xbred (Jersey x)	Medium 25,190 hd	Low. less land/cow climate milder, cost of cut forage can be as much as Rwf	Close/easy access to Kigali AMS market. Higher rainfall 950-1,000 mm) District regulations require that cattle be kept in the household
North west	More xbreeds Holstein X in Gishwati	Low (in milk-shed) 34,618 hd	Low/medium except in Gishwati which is high	Climate more favourable for pasture-based systems High proportion of absentee owners in Gishwati. High rainfall > 1,000 mm Road system is poor for collection of milk, especially in wet season

Scoping data collection activities progressed during the latter quarters of the reporting period to identify relevant information pertaining to each of these service delivery models. The sub awards program which will commence giving

out grants during Quarter 1 of Year Two will be the mechanism to drive and stimulate service delivery.

The SOQ quality management program will be the RDCP II's intervention for maintaining quality milk along the value chain. Detailed discussions were held with three interested early adopters of the SOQ program namely Blessed Dairies, Kivu Dairies and Inyange Industries. Promotion of best hygiene and handling practices will be led by these milk buyers as a means of maintaining milk quality. Blessed dairies began to pay a premium of 10 Rwf/liter of milk in September to their transporter aggregators based on early deliveries and attention to improved milk quality from individual farmers. Kivu Dairies in September came to agreement with Inyange Industries to supply milk at an agreed premium price. This will enable Kivu to pass on this premium to farmers to encourage improved milk quality and to become engaged in the SOQ program. RDCP II has been promoting the SOQ to MCCs in the east that would most likely supply to Inyange Industries. RDCP II has taken a broad approach to promoting the concept of the SOQ after realizing that in the initial phase pace of adoption will vary from partner to partner.

Presentations were made to and discussions held with RAB and RBS on how best to integrate the proposed SOQ program into their current areas of responsibility. MOUs may be drafted for each organization on the modality of how best RDCP II can support their adoption of the SOQ innovation. RDCP II has offered to cost share four milk quality interns (field officers) for RBS who will work at milk shed level to train and monitor those enrolled in the SOQ program. It is anticipated the details of this arrangement can be finalized in the next quarter.

Nigel Wilkinson (STTA – dairy processing expert) made two visits to progress the design of the SOQ program. He worked with RDCP II project staff to come up with a time frame for roll out and development of the SOQ program. Pace of roll out will be determined by individual partners as each one will most likely adopt the program to best suit its particular requirements.

Strategic Objective 7: Expanded economic opportunities in rural areas				
Intermediate Result 1: Rwandan Dairy Products Meet COMESA Standards				
IR1.1 Best practices employed by smallholder producers and other actors				
IR1.1 Objective	Activity	Indicator	Target	Current Status
Increase industry competitiveness by using production level best practices via private and public extension services to increase supply of high quality milk	Increase smallholder adoption of best practices through delivery of extension services	Value of incremental milk sales (collected at farm- level) attributed to FTF implementation	10% increase against baseline	<p>The program is not yet engaged in dairy activities with partners at farm level in the field. The increase in volume of sales is expected to be a result of adoption of best practices by farmers. Through partner service providers, the project will introduce feed flow, herd health and breeding plans, quality assessment & the SOQ program, and basic business practices.</p> <p>Beneficiary selection & needs assessment began in August 2012 in 12 Districts.</p> <p>In total 1,609 beneficiaries of whom 1,081 are male and 528 female have been identified and enrolled, 854 of them are in the vulnerable category.</p>
		Change in liters of milk marketed by Milk Collection Centers	10%	<p>RDCP II interventions in dairy production & quality, & business practice are expected to increase milk production in its operation areas.</p> <p>Currently the volume of milk marketed by 27 identified MCCs is 54,126 L/day.</p> <p>BDS technical support and market linkages are expected to boost MCCs sales volumes.</p> <p>Grants will enhance value chain activities to ensure improved dairy management practices and efficiency</p>
		Number of farmers and others who have applied new technologies or management practices as a result of USG assistance	100	At this stage no new technologies have been implemented. But various partners have been identified and engaged through partners/stakeholders meetings and workshops.
		Number of individuals who have received USG supported short term agricultural sector productivity or food security training.	1800	Training of farmers has not yet started but beneficiary identification is underway. Grant applicants have also enlisted potential beneficiaries that will be vetted by RDCP II.

IR 1.1.1 Input supplies and Public and Private dairy business services expanded

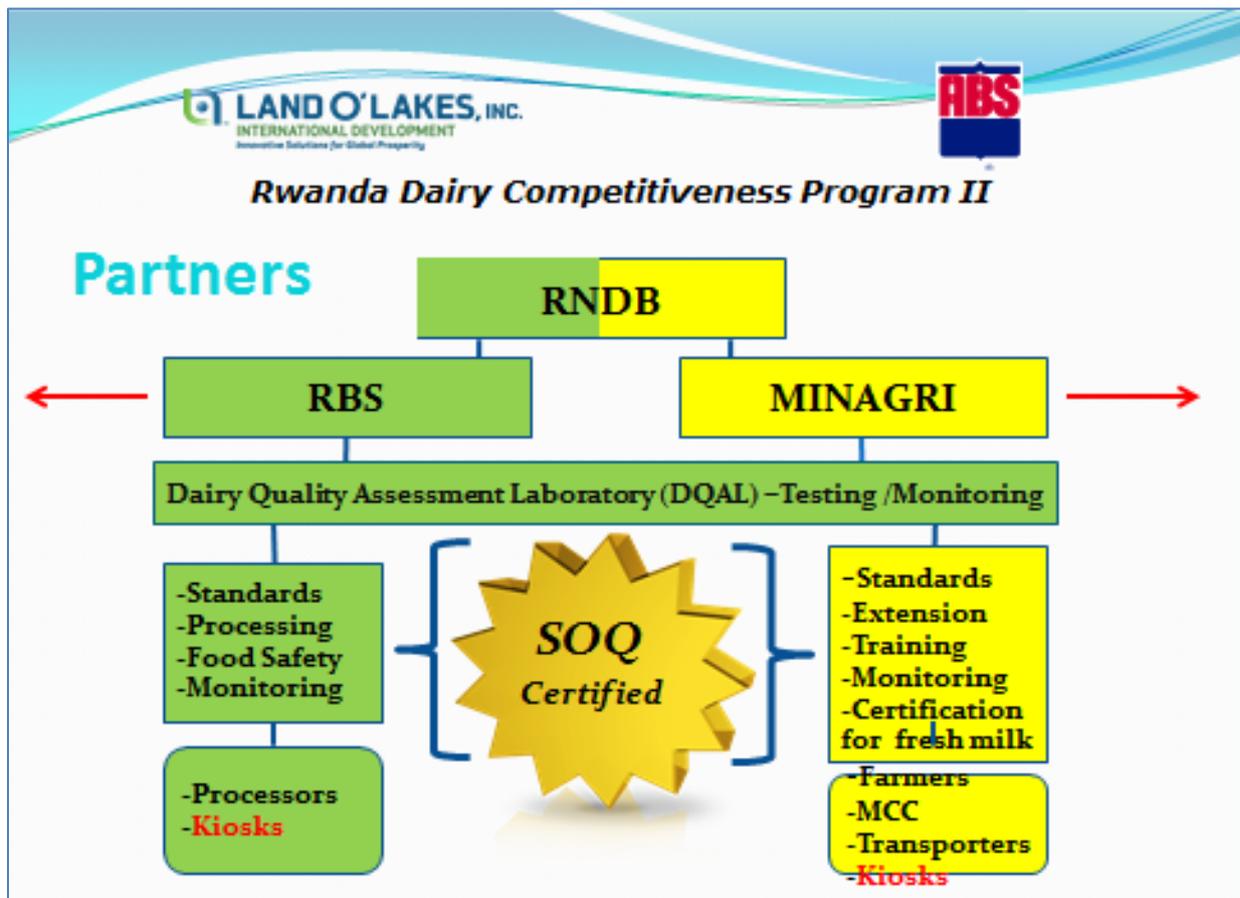
Activities related to this IR will be driven by the sub awards process. A number of concept notes on input supply and improved service provision were received for consideration during the first round of grant applications in August.

IR Objective	Activity	Indicator	Year Target 1	Current Status
Stimulate investments in new inputs and services; expand the number of innovative, low cost high impact services, inputs and technologies available, and serve as a catalyst to increase utilization of these goods and services	1.1.1a: Build capacity of private sector input and service providers	Number of MSMEs receiving business development services from USG assisted sources	100	112 Service providers (SPs) received orientation trainings on animal feeding & breeding, quality, gender & basic business management skills. 63 were shortlisted for full proposal writing & submission & were introduced to the process of proposal writing. 28 SPs responded to the call for Expression of Interest
	1.1.1b: Stimulate demand for and provision of new inputs and services through business innovation grants	Value of inputs and services used by members of targeted producer cooperatives	20% increase compared to baseline value	No data available since RDCP II is in the process of engaging service providers and dairy cooperatives.
	1.1.1c: Facilitate BDS solutions to meet industry needs			

IR 1.2 Expanded access to milk and dairy product quality monitoring and certification services

RDCP II held discussions with RAB/RALIS and RBS to introduce the concept of a SOQ program. Below is a diagrammatic representation as to how collaboration might proceed as presented to these parties in collaboration with other stakeholders such as DQAL and RNDB (Figure 4).

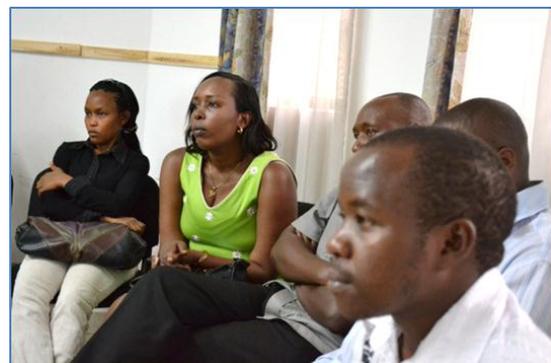
Figure 4: Proposed collaboration with the SOQ



RAB/RALIS is currently responsible for activities related to milk quality from the farm to processor stage from where RBS takes over. RDCP II proposed introduction of interns (field officers) to bolster RBS field monitoring. A MOU will be prepared but in principle RBS has confirmed its interest in such an arrangement. RAB/RALIS already have sufficient field presence to inspect and monitor quality of milk. The specifics of the arrangement will be finalized in the next quarter. RBS will train and supervise the interns. RDCP II will support RNDB capacity development to enable it to provide services of this nature that add value to the dairy sector.

RBS trained RDCP II and DQAL staff on quality standards in July. All field staff are now familiar with the details related to national dairy standards.

Photo: Milk sellers training on the Seal of quality at RDCP II offices.



DQAL carried out a milk sampling exercise with Blessed Dairies transporters in August – the results confirmed high incidence of mastitis. These results highlight the need for mastitis control. Chronic mastitis is a major contributor to poor milk

quality in Rwanda. RDCP II will work through the grants program to support service providers interested in combatting this particular problem.

IR Objective	1.2 Activity	Indicator	Year 1 Target	Current Status
Enhance milk quality standards and certification, and laboratory testing services	1.2.a Clarify roles and strategy of key partners	Number of new milk quality assessment technologies\protocols adapted\implemented	1	<p>A preliminary milk quality assessment was conducted through DQAL for 41 farmers and transporters of Gicumbi District to provide basic information on quality and standards of milk supplied to processors e.g., Blessed Dairies Processing Plant.</p> <p>Also milk quality was assessed at 30 milk aggregation points. Technicians from each point have been engaged to follow up on the SOQ program implementation.</p> <p>19 MCCs have enrolled for the SOQ program and will be linked to selected milk aggregation points.</p> <p>17 Milk sellers and kiosk owners have been introduced to the SOQ program</p>
	1.2.b Build capacity of RBS and MINAGRI			
	1.2.c Build capacity of DQAL			
	1.2.d Enhance marketing of services			

IR 1.3 Consumer preferences drive quality improvements

The EADD survey presented at the end of May revealed many interesting facts about milk consumption in Rwanda. Most notably that 1 in 3 Rwandans do not drink *any* milk and also that per capita consumption is currently about 40 liters per year, the lowest in the EAC. RDCP II collaborated closely with EADD in the survey presentation and preparation for the two day workshop which was hosted by MINICOM. The workshop was intended to inform MINICOM of the current status of the dairy sector and suggested key areas of intervention.

A key target of the draft NDS presented at the end of September is to increase Rwanda per capita milk consumption to 80 liters per year by 2017. The NDS has taken a market driven approach to produce competitiveness from Rwanda's dairy sector. The NDS recommends a coordinated GoR approved consumption campaign aimed at school children through school milk feeding programs, initiation of a generic promotion program for milk targeted at milk drinkers and non-milk drinkers, and increased accessibility of milk and dairy products to a wide range of consumers. In addition, regional opportunities particularly in the Eastern DRC and Burundi were identified. These opportunities would require a policy shift towards markets facilitation (e.g., relaxing packaging materials restrictions for export products).

The RDCP II SOQ initiative was introduced during July. Initial response to the idea has been very positive. Blessed Dairies sees the SOQ as a domestic marketing tool for its dairy products. However, more widespread SOQ adoption at producer level gives the Rwanda dairy sector the credibility as a source of quality milk and quality dairy products.

IR Objective	1.3 Activity	Indicator	Year 1 Target	Current Status
Rwanda National Dairy Board (RNDB) leading a rigorous SOQ program that provides accountability to consumers from farm to processing plant	1.3.a Develop SOQ strategy with RNDB and processors support within first 90 days	Number of new products awarded SOQ	3	Still at the stage of introducing SOQ initiative various partners.
	1.3.b Design SOQ product testing and certification program with RNDP and processors within six months	Percentage of milk marketed under national seal of quality	5%	Still at the stage of introducing SOQ initiative various partners.
	1.3.c Increase demand for SOQ products			
	1.3.d Facilitate regional market expansion			

IR 2: Expanded Investment in Dairy Processing and Marketing

2.1 Dairy Sector Leaders empowered to lead development

The NDS will provide direction for this IR. The first draft of the NDS was produced at the end of September clearly indicating the importance of roles and targets of implementing partners of the MINAGRI and MINICOM to support growth of the private sector.

This activity was not originally in RDCP II scope of work, however RDCP II's engagement in this process has brought about close dialogue and a good working relationship with key ministries and policy areas early in the project cycle. This significant undertaking has allowed the program to be fully engaged at all levels of dairy intervention and become familiar with the decision making process as far as dairy policy matters are concerned. The NDS has taken into account public, private and civil society opinion.

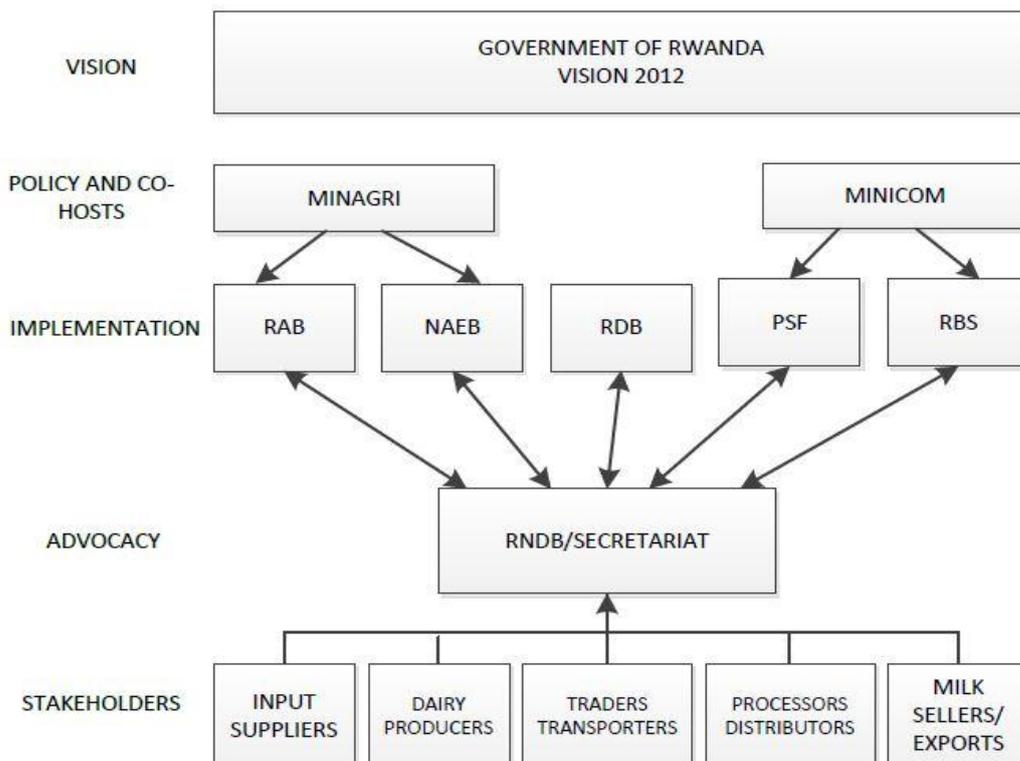
MINAGRI is committed to inclusion of the NDS in the PSTA III which is the mechanism for funding the agricultural sector from July 2013 for a five-year

period. This collaboration is key to the successful implementation of the strategy. The outcomes of the NDS will determine many of the activities mentioned below as RDCP II moves into year 2.

The draft of the NDS has revealed the need to identify a strong platform to advocate for the whole dairy sector. The existing RNDB structure is not the appropriate model for advocacy. As of the end of September, it was evident that RNDB will need to reconsider its status so that it properly represents the vested interests of stakeholders from the Rwanda dairy sector. The schematic below (Figure 5) represents the suggested implementation framework as identified by the NDS showing a central role for RNDB (or RNDA – Rwanda National Dairy Association – proposed new name & status). To enable RNDB to function at this level considerable capacity building resources will be required to provide for a credible entity.

The DSWG met on four occasions to discuss the progress of the NDS. At present the group shows strong representation from MINAGRI, RAB and the NGO sector; however, a challenge is to increase the private sector and MINICOM participation so that the latter can influence policy makers to bring positive change for private sector development. See Figure 5 below for a schematic of the NDS.

Figure 5: Schematic of the Implementation Framework of the NDS



IR 2.1 Objective	Activity	Indicator	Y 1 Target	Current Status
Empower industry institutions and leaders to drive industry competitiveness through increased stakeholder engagement, leadership development and stakeholder advocacy	2.1.a Build capacity of RNDB and DSWG	Number of policies, regulations, and administrative procedures in development, passed or being implemented as a result of USG assistance	1	These IRs are to be provided direction by the NDS under the leadership of MINAGRI and MINICOM
	2.1.b Facilitate institutional and association capacity building	Number of dairy related firms and organizations newly aligned within and provided a voice by dairy sector affinity organizations	20	
	2.1.c Foster competitiveness-enhancing enabling environment	Number of food security private enterprises (for profit), producers organizations, water users associations, women's groups, trade and business associations, and community-based organizations (CBOs) receiving USG	100	4 women groups, 27 MCCs, 8 processors including dairy plants, cheese makers and feed processors were introduced to RDCP II and oriented on grants program. The identification and orientation process is still underway.
	2.1.d Leadership training, mentorship and networking	Number of private enterprises, producers organizations, water users associations, women's groups, trade and business associations and community-based organizations that applied new technologies or management practices as a result of USG assistance	50	At this stage no new technologies have been implemented. But various partners have been identified and engaged through stakeholder meetings and workshops.
		Number of members of producer organizations and community based organizations receiving USG assistance	4000	So far RDCP II has enrolled 27 MCCs with a membership base of 4799 (Male: 3152, Female: 1647) . These will form the basis for program intervention at farm level in area of milk production, quality and marketing.

IR 2.2 Increased dairy related investment

This IR will be driven by the RDCP II grants program which will commence in the next quarter. The grants concept note selection process was finalized during the reporting period and 63 concept paper applicants were invited to submit full proposals which will be evaluated and grants awarded during October and November. The range of applicants was broad and covered requests for support from production to processing to research and development.



Photo: shortlisted sub-awardees attending a briefing on how to complete full proposals for the first batch of grants.

RDCP II has engaged with a range of private sector companies in the last six months including Nestlé, Rwanda Ventures, Blessed Dairies, Minimex, Banque Populaire du Rwanda (BPR), Inyange Industries and many others at district level. All are at early stages of investment or expansion of existing activities in the dairy sector which shows positive signs for Rwanda's dairy development. The challenge continues to be that confidence is guarded and end market signals for increased consumption continue to be conservative.

INSPIRED completed its financial services survey in September. Analysis of the data collected will be finalized in October with a final report and recommendations available in November. The recommendations will include proposed new products and services both for commercial banks and financial institutions.

IR 2.2 Objective	Activity	Indicator	Year 1 Target	Current Status
Stimulate and leverage capital investments needed to upgrade the dairy value chain	2.2.a Coordinate and leverage industry investment	Value of non-program resources leveraged by the project	USD 1 Million	These IR is to be provided direction by the NDS, investments and up grades will be support by RDCP II sub awards process
	2.2.b Promote investment at all levels in the dairy sector	Total increase in installed storage capacity (Cubic meters)	10 Cubic meters	Currently the storage capacity of 27 MCCs is 61,500 liters . Most of the MCCs have applied for grant support, and RDCP II shall be active in promoting investment into the dairy sector.
	2.2.c Stimulate supply and demand for dairy-related financial services	Value of agricultural and rural loans	USD 100,000	A financial survey was conducted on 14 financial institutions and RDB, 34 MCCs in 7 Districts to assess the potential of investing in sector. The related report will be finalized in October 2012.
	2.2.d Facilitate investment in underserved markets	Number of dairy farms and dairy enterprises with upgraded production facilities resulting from successful financing applications	100	RDCP II not yet engaged with financial institutions, waiting for final report and recommendations from survey on financial services to be released in October 2012.
		Liters of additional daily milk processing resulting from financing assisted by RDCP II		

Annual Performance Data Table

Compared with year one targets (see APDT on page 30), initial achievements are currently behind track. This can be attributed to a combination of factors, including a reduced initial obligation and the establishment of a solid grants process (driver of all subsequent project field activities) which required significant time to get underway. This, plus the additional task of completing the GoR NDS as requested by USAID contributed to a slow achievement in the first nine months. Although the latter required considerable time and input, it did provide very useful insights into the key areas of focus and intervention

Agreement #	CA USAID 696-A-12- 00002	End Current Year	30- Sept- 12	End Project	05-Jan- 17	Quarter	3	September 2012
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for RDCP II. Year one targets not met will be added to year two targets.

Performance Indicator	Baseline Value	LOP Target	FY 2012 Target	Actual 2012	Actual Cumulative	Comments
Program Objective: Rwanda Dairy Products competitive in Regional markets						
Value of dairy products exports as a result of USG assistance	TBD	60% increase over baseline value	0	0	0	Outcome level indicators
Number of jobs attributed to FTF implementation	0	7,500	500	0	0	
Number of rural households benefiting directly from USG assistance	0	20,000	2500	0	0	In total 1,609 beneficiaries (1,081 male; 528 female) have been identified and enrolled. Service providers to carry out actual implementation of activities in some operation areas also identified. SPs recruitment process still underway.

Performance Indicator	Baseline Value	LOP Target	FY 2012 Target	Actual 2012	Actual Cumulative	Comments
Number of vulnerable households benefiting directly from USG assistance	0	8000	1000	0	0	854 (53% of beneficiaries identified) are classified in the vulnerable category, and the identification process is on-going
Change in net dairy income among targeted households	TBD	60%	10%	0	0	Outcome level indicator
IR 1.0: Rwanda Dairy Products Meet COMESA Standards						
Value of incremental milk sales (collected at farm-level) attributed to FTF implementation	TBD	60% increase over baseline value	10% increase over baseline value	0	0	The increase in volume of sales is expected to be a result of adoption of best practices by farmers. The program is not yet engaged in dairy activities with partners on the field.
Change in liters of milk marketed by Milk Collection Centers (MCCs)	TBD	60%	10%	0	0	Activity will be driven by the sub awards process. Currently the volume of milk marketed by 27 identified MCCs is 54,126 liters per day.
IR 1.1: Best practices employed by smallholder producers and other actors						
Number of farmers and others who have applied new technologies or management practices as a result of USG assistance	0	16000	2000	0	0	Outcome indicator. Actual activities with farmers still at early stage.
Number of individuals who have received USG supported short term agricultural sector productivity or food security	0	18000	3000	0	0	Actual activities with farmers still at early stage.

Performance Indicator	Baseline Value	LOP Target	FY 2012 Target	Actual 2012	Actual Cumulative	Comments
training						
IR 1.1.1: Input supplies and public (RARDA) and dairy business services expanded						These are Service Providers identified and oriented on RDCP II program and implementation approach. They will be involved in actual implementation of activities on field
Number of MSMEs receiving business development services from USG assisted sources	0	1500	100	112	112	
Value of inputs and services used by members of targeted cooperatives	TBD	80% increase over baseline value	20% increase over baseline value	0	0	
IR 1.2: Milk and dairy product quality monitoring and certification services available						Still at the stage of introducing SOQ initiative to various partners.
Number of new milk quality assessment technologies\protocols adapted\implemented	0	10	1	0	0	
IR 1.3: Consumer preferences drive quality improvement						
Number of new products awarded RSOQ	0	30	3	0	0	
Percentage of milk marketed under RSOQ	0	35%	5%	0	0	
IR 2.0: Expanded investment in dairy processing and marketing						These IRs are to be provided direction by the NDS under the leadership and support will be availed through the RDCP II grant program.
Value of new private sector investment in the agriculture sector or food chain leveraged by FTF implementation	0	20 M USD	1 M USD	0	0	
IR 2.1: Dairy sector leaders empowered to lead development						
Number of policies, regulations, and administrative procedures in	0	9	1	1	1	

Performance Indicator		Baseline Value	LOP Target	FY 2012 Target	Actual 2012	Actual Cumulative	Comments
development, passed or being implemented as a result of USG assistance ¹							
Number of dairy related firms and organizations newly aligned within and provided a voice by dairy sector affinity organizations		0	250	20	0	0	
Number of private enterprises, producers organizations, water users associations, women's groups, trade and business associations and community-based organizations (CBOs) that applied new technologies or management practices as a result of USG assistance		0	750	50	0	0	
Number of members of producer organizations and community based organizations receiving USG assistance		0	15,000	4000	0	0	
IR 2.2: Increased dairy related investment							
Total increase in installed storage capacity (cubic meters)		0	100	10	0	0	This IR will be driven by the RDCP II grants program which is at the stage of receiving full grant proposal applications and the release of financial services survey report from INSPIRED.
Value of Agricultural and Rural Loans		0	USD 1Million	USD 100,000	0	0	
Number of dairy enterprises with upgraded production facilities resulting from successful financing applications		0	2,000	100	0	0	

¹This indicator will include all 5 policy stages. RDCP II will count the highest stage completed during the reporting year

Performance Indicator	Baseline Value	LOP Target	FY 2012 Target	Actual 2012	Actual Cumulative	Comments
Liters of additional daily milk processing resulting from financing assisted by RDCP II	0	300,000	50,000	0	0	