



RWANDA DAIRY COMPETITIVENESS PROGRAM II

QUARTERLY REPORT

January – March 2012

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Submitted to

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January 1, 2012 – March 30, 2012

Name of Project:	Rwanda Dairy Competitiveness Program II
Regions:	Northern, Southern, Eastern and Kigali Milk Sheds
Dates of project:	Jan 6, 2012 – Jan 5, 2017
Total estimated federal funding:	

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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
EMMP	Environmental Mitigation and Monitoring Plan
ESADA	East and Southern Africa Dairy Association
IEE	Initial Environmental Examination
M&E	Monitoring and Evaluation
MCC	Milk Cooling Centers
MINAGRI	Ministry of Agriculture and Animal Resources
NGOs	Non-governmental Organizations
PLHIV	People Living with HIV/AIDS
PMP	Performance Management Plan
RARDA	Rwanda Animal Resources Development Authority
RBS	Rwanda Bureau of Standards
RDCP II	Rwanda Dairy Sector Competitiveness Program II
RMSA	Rwanda Milk Sellers Association
RNDB	Rwanda National Dairy Board
RSOQ	Rwanda Seal of Quality
UCD	University of California – Davis

Introduction

This is the first quarterly report of the Rwanda Dairy Competitiveness Program II (RDCP II). This report covers January through March 2012. This project was designed to reduce poverty through expanded marketing of quality milk that generates income and employment, and improves nutrition of rural households. The 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.

As the initial obligation level was low the subsequent activity level was also low for the first three months of start-up. This report is focused on administrative start-up activities as well as future plans for the program. Future reports will provide more robust sections on activities undertaken specific to the reporting quarter.

RDCP II will be addressing the various challenges that the Rwandan dairy industry faces. The 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 Rwanda Seal of Quality (RSOQ), 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.

In this first quarterly report it is important to acknowledge the work already done by the predecessor project USAID Rwanda Dairy Competitiveness Project (RDCP I). Some of the key activities and achievements from that project are listed below:

- RDCP I project was a trusted source of information on the dairy value chain in Rwanda.
- RDCP I demonstrated that producers could produce good quality milk as long as price incentives are offered.
- RDCP I assisted MCCs to improve water supply and develop can wash facilities. In addition, water storage tanks and water heaters were added to MCCs, which

benefited tank and equipment cleaning, helping to improve milk quality for all farmers involved.

- RDCP I collaborated with EADD on a number of issues. An example was the Rabo Bank memorandum of understanding (MOU) in three milk sheds across the country. Under this MOU, Rabo Bank will provide business management training and access to financing. This program is now due to commence March 2012.
- RDCP I assisted the development of small enterprises with PLWHA entrepreneurs, including molasses sellers and distributors, ghee and milk sellers and Napier grass suppliers. Although not all dairy farmers, their businesses benefited the dairy value chain and increased milk production. The total number of small grants completed for Small and Medium Enterprises (SME) and Napier fodder production was 152, with a total value of \$15,380.
- RDCP I helped create and support organizations to oversee the activities of the dairy industry, namely RNDB with three key member groups – producers, processors and milk sellers. The cheese makers and milk sellers were organized as separate entities to address their unique issues and problems, but fully support and participate in RNDB activities.
- RDCP I funded the establishment of a private raw milk-testing laboratory- Dairy Quality Assurance Laboratory (DQAL). The ability to access timely and accurate milk testing facilities has improved milk quality and will contribute towards Rwanda's dairy sector achieving COMESA standards.

Gender

RDCP II will endeavor to build the capacity of women at all levels within the dairy sector. Gender mainstreaming within the project will raise the importance of gender awareness and the benefits for the dairy sector as a whole to be attained as a result of having a clearly defined gender strategy in place from project inception. The attainment and maintaining of quality production and standards through training supervision and follow up is an area suited to providing opportunities for women. Driving and achieving the quality vision for Rwanda's milk provides a significant opportunity for women at all levels of the sector.

RDCP II will draw up a gender mainstreaming plan and will employ a Gender Advisor to handle broader gender related activities and gender awareness. Interviews were held for the Gender Advisor position in February and March. In April it is expected that a candidate will be identified and will start soon after. The Gender Advisor will complete a gender mainstreaming plan that will permeate through all project activities. Mainstreaming gender from early on in RDCP II will stimulate rapid adoption of strategies beneficial to women. This will also apply to grantees who will receive gender awareness training as part of their grant approval procedure.

Grants and Investment

RDCP II will place particular emphasis on leveraging additional investment from both the public and private sectors. This investment helps to ensure ownership and shows a vested interest in long term success and growth. The project will, from the beginning, actively seek and support 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 will be in place from year one.

The grants component will be a critical tool in stimulating the dairy industry, encouraging investment that will raise the caliber of this sector as a whole. A grant management program will be put in place within the first six months. An experienced Subawards Manager was identified in March and she will start next quarter.

Sub Contractors

RDCP II with its three sub-contractors, ABS, INSPIRED and University of California - Davis (UC Davis) will foster 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 will focus on maintaining strong private sector growth and development introducing best production practices as initiated under the first Rwanda Dairy Competitiveness project. ABS has already been brought on board and is supporting development of RDCP II start up and work planning.

INSPIRED will work with financial institutions to develop appropriate financial products and services. A key first activity for INSPIRED will be a financial services survey and analysis in the four milk sheds and Kigali. Timing of this activity will be dependent on obligation of additional funds which we hope will commence in the next quarter.

UC Davis will initially concentrate on providing a sustainable veterinary framework and creating locally appropriate animal health policies. Timing of UC Davis activities will be dependent of obligation of additional funds which we hope will commence in the next quarter.

Stakeholder Collaboration

RDCP II engaged with a broad range of key stakeholders in the dairy sector both public and private sector during this quarter. In February and March several meetings were held. These were primarily introductory in nature and were held with public bodies at senior level such as the Director General and Permanent Secretary level with Minagri, Minicom, Rwanda Agricultural Board (RAB) and Rwanda Bureau of Standards (RBS). RDCP II also held collaborative meetings with NGO stakeholders that are active in the dairy sector including EADD, Heifer and Send a Cow and World Food Program (school feeding program). The private sector was engaged and meetings were held with several companies including Inyange, Nestle, Milk Sellers Assoc., Cheese Makers Association, RNDB, financial institutions such as BPR and various input supply companies.

Discussions were held to initiate the next Dairy Sector Working Group (DSWG) meeting. It was decided at RNDB board meeting convened on March 28 at RDCP II offices that it would be appropriate for RNDB to host the next DSWG meeting. It was also concluded that the forthcoming results of the EADD survey should be available by the time of the DSWG meeting as these results would be of significant interest to such a forum. It was planned to make arrangements for the DSWG meeting to be held in May 2012. Introductory and planning meetings were also held at district level in particular Eastern province.

Chief of Party (COP) and Deputy Chief of Party (DCOP) attended the E Dairy conference in Kigali on March 22 and 23. Useful discussions were held with chairman of Kenya Dairy Board, who was presenting at E dairy - to explore lessons learned that would be appropriate for future growth and development of RNDB.

RDCP II COP and regional Program Director attended preliminary findings of EADD consumer survey on February 9. It was decided by the audience present that more detail was required in specific areas. EADD agreed to complete a preliminary analysis during February and March with the final survey report/results expected by the end of April. This survey is expected to provide data for RDCP II's consumer preferences approach as required under IR 1.3.

Key Start Up Logistics

RDCP II was awarded on January 6, 2012. The initial obligation granted was lower than anticipated due to a congressional funding hold. The amount initially obligated was \$507,000. This funding was sufficient to allow for project start up activities to commence. Chief of Party was employed on January 16 and arrived in Kigali February 1, 2012. Land O'Lakes has retained the same office premises as used during the first phase in Nyarutarama with lease commencing on February 1. RDCP II retained some key staff such as the former project Accountant and M&E Specialist from phase one, these staff commenced employment on February 1 and March 1 respectively.

ABS Senior Technical Advisor (STA) arrived in Rwanda at the end of January. ABS immediately recruited four local staff members from phase one.

RDCP II collected the three project vehicles, the two project motorbikes and the project office furniture and equipment from phase one from storage in the USAID warehouse during first week of February. Procurement of additional vehicles and equipment was postponed due to funding shortfalls. However vehicles and equipment collected allowed RDCP II to reestablish an office and logistical presence promptly.

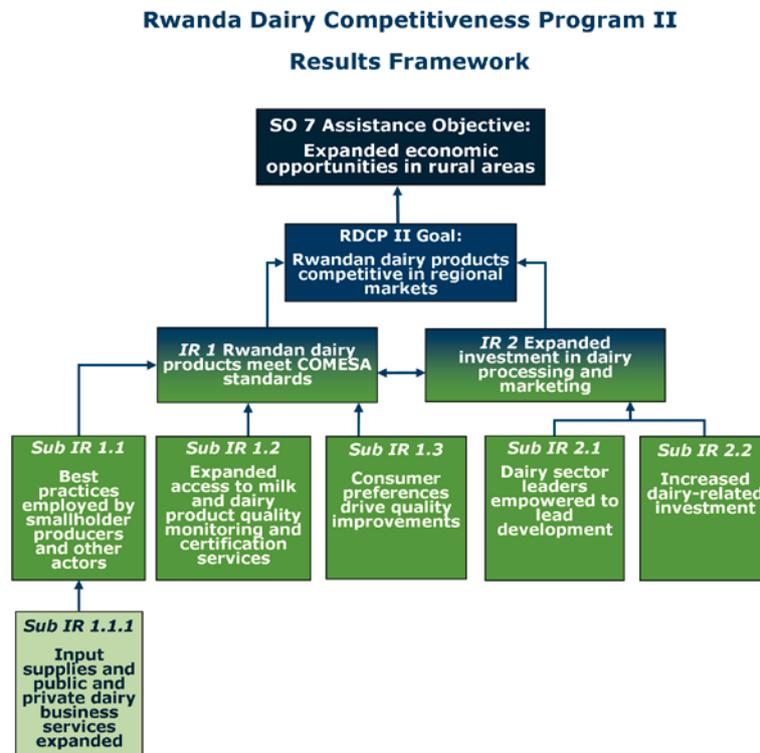
Land O'Lakes regional program director visited Kigali from February 7-9. Main objective of his visit was to meet with and orient new COP, meet with key USAID Mission staff and to attend EADD presentation of results from their dairy consumer survey.

RDCP II COP went to Land O'Lakes head office in Minneapolis/St Paul for a one week orientation and training from February 11 – 18, 2012.

Recruitment of new staff commenced during February. Advertisements were placed in main Rwanda papers and interviews were held during February and March. Land O Lakes home office Program Manager arrived in country February 27th and stayed for three weeks to assist with recruitment and start up activities. Association and Cooperative Development Specialist and Deputy Chief of Party joined RDCP II in March. Key positions were interviewed and personnel identified included were Finance and Administration Manager, Sub Awards Manager, Office Manager, Quality Manager, Milk Shed Coordinator, Communications Manager, and Gender Advisor. These staff will join RDCP II during April and May.

The Land O'Lakes international non-Government organization (INGO) registration process commenced immediately in February. Although Land O'Lakes was previously registered, its registration was terminated, as per Rwanda immigration department regulations, when phase one ended in November 2011. Land O'Lakes must now be re-registered. The process is underway and it is planned to be completed during the next quarter. Immigration registration rules require district acknowledgement of project activities at district level. District plans were drawn up and once completed will be taken to the districts during April. Both RDCP II expatriate staff, the COP and the STA, were issued with special passes by Rwanda Immigration. Once INGO registration is complete their work permits can be issued, this is as per Rwanda immigration procedures.

Results Framework



RDCP II Performance and Results

RDCP II has two project IR's:

IR 1: Rwanda dairy products meet COMESA standards; and

IR 2: Expanded Investment in dairy processing and marketing.

A performance data table with progress to date information will be included in the next reporting cycle. The project will also complete a baseline in the next quarter. The following tables detail the main sub activities and expected results.

IR 1: Rwandan Dairy Products Meet COMESA Standards

Strategic Objective 7: Expanded economic opportunities in rural areas					
Intermediate Result 1: Rwandan Dairy Products Meet COMESA Standards					
IR 1.1: Best practices employed by smallholder producers and other actors					
IR Objective	Activity	Indicator	Year 1 Target	Verification	Schedule
Increase industry competitiveness by employing production level best practices via private and public extension services to increase supply of high quality milk	1.1: 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 compared to baseline	Beneficiary household survey	Semi annually
		Change in liters of milk marketed by Milk Collection Centers (MCCs)	10%	Review of MCCs' records	Monthly
		Number of farmers and others who have applied new technologies or management practices as a result of USG assistance	100	Beneficiary household survey	Semi annually
		Number of individuals who have received USG supported short term agricultural sector productivity or food security training	1800	Review of program, MCC, cooperative, input suppliers, cheese makers, processors, milk sellers and milk transporters' records	Quarterly

Strategic Objective 7: Expanded economic opportunities in rural areas					
Intermediate Result 1: Rwandan Dairy Products Meet COMESA Standards					
IR 1.1.1: Input supplies and Public and Private dairy business services expanded					
IR Objective	Activity	Indicator	Year 1 Target	Verification	Schedule
Stimulate investments in new inputs and services; expand the	1.1.1a: Build capacity of private sector input and service providers	Number of MSMEs receiving business development	100	Review of benefiting MSME's records	Quarterly

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	1.1.1b: Stimulate demand for and provision of new inputs and services through business innovation grants	services from USG assisted sources			
	1.1.1c: Facilitate BDS solutions to meet industry needs	Value of inputs and services used by members of targeted producer cooperatives	20% increase compared to baseline value	Beneficiary household survey;	Semi Annually

Strategic Objective 7: Expanded economic opportunities in rural areas					
Intermediate Result 1: Rwandan Dairy Products Meet COMESA Standards					
IR 1.2: Expanded access to milk and dairy product quality monitoring and certification services					
IR Objective	Activity	Indicator	Year 1 Target	Verification	Schedule
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	Review of DQAL and RBS records	Annually
	1.2.b Build capacity of RBS and MINAGRI				
	1.2.c Build capacity of DQAL				
	1.2.d Enhance marketing of services				

Strategic Objective 7: Expanded economic opportunities in rural areas					
Intermediate Result 1: Rwandan Dairy Products Meet COMESA Standards					
IR 1.3.:Consumer Preferences Drive Quality Improvements					
IR Objective	Activity	Indicator	Year 1 Target	Verification	Schedule
Rwanda National Dairy Board (RNDB) leading a rigorous RSOQ program that provides accountability to consumers from farm to processing plant	1.3.a Develop RSOQ strategy with RNDB and processors support within first 90 days	Number of new products awarded ROSQ	3	Review of RNDB and assisted smallholders' records	Quarterly
	1.3.b Design RSOQ product testing and certification program with RNDP and processors within six months	Percentage of milk marketed under national seal of quality	5%	Review of RNDB records	Semi annually
	1.3.c Increase demand for RSOQ products				
	1.3.d Facilitate regional market expansion				

IR 2: Expanded Investment in Dairy Processing and Marketing

Strategic Objective 7: Expanded economic opportunities in rural areas					
Intermediate Result 2: Expanded investment in dairy processing and marketing					
IR 2.1.: Dairy Sector Leaders Empowered to Lead Development					
IR Objective	Activity	Indicator	Year 1 Target	Verification	Schedule
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	Review of RNDB and stakeholders records	Annually
	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	Associations records review	Annually
	2.1.c Foster a 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 assistance	100	Review of benefiting enterprises records	Annually
	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 (CBOs) that applied new technologies or management practices as a result of USG assistance	50	Review of benefiting enterprises records	Annually
		Number of members of producer organizations and community based organizations receiving USG assistance	4000	Review of benefiting enterprises records	Annually

Strategic Objective 7: Expanded economic opportunities in rural areas					
Intermediate Result 1: Expanded investment in dairy processing and marketing					
IR 2.2.: Increased Dairy-Related Investment					
IR Objective	Activity	Indicator	Year 1 Target	Verification	Schedule
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 RDCP II	USD 1 Million	Review of RNDB and stakeholders records	Quarterly
	2.2.b Promote investment at all levels in the dairy sector	Total increase in installed storage capacity (Cubic meters)	10 Cubic meters	Review of benefitting MCCs records, Spot check verifications	Quarterly
	2.2.c Stimulate supply and demand for dairy-related financial services	Value of Agricultural and Rural Loans	USD 100,000	Review of benefitting value chain actors records; review of participating	Semi Annually
	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	Beneficiary household survey; spot check verifications; review of cooperative records	Semi Annually