

**PROJECT DESCRIPTION**  
**UDAMACO Enterprise Development**  
**Rwanda**

**I. Introduction**

This appendix describes the activities to be undertaken and the results to be achieved with the funds obligated under this Agreement. Nothing in this Appendix A shall be construed as amending any of the definitions, conditions, or terms of the Agreement.

**II. Background**

Umutara Dairy Marketing Cooperative Union (UDAMACO) provides essential services to the 23 member cooperatives that represent 3,431 small scale dairy farmers. These services include marketing of members' milk, institutional capacity building of primary cooperatives, extension and veterinary services, and facilitating access to credit, especially to acquire improved breed cattle.

Currently, UDAMACO expects significant increases in milk production from its members, many of whom have already received improved breed cows. This will generate increased revenues for UDAMACO from check-off fees for milk sales, provided that it can effectively monitor milk sales by member cooperatives. It is estimated that presently UDAMACO is collecting only 60 percent of check-off revenue due to poor record keeping at the primary cooperative level and deliberate under reporting by some member cooperatives.

UDAMACO would like to take advantage of this opportunity for increased growth and revenues but is constrained by its inability to provide efficient and effective oversight, technical support and services to its member cooperatives and its grassroots farmer members.

**III. Funding**

A. ADF Contribution

The financial plan for ADF's contribution is set forth in Appendix A.-1 of this Agreement. The parties may make changes to the financial plan without formal amendment, if such changes are made in accordance with Article 7 of the Agreement and do not cause ADF's contribution to exceed the obligated amount specified in Article 4, section 4.1 of the Agreement.

B. UDAMACO Contribution

UDAMACO will contribute the time and skills of its staff. The Union will continue to pay full salaries for a manager, veterinary officer and its other existing staff and will pay fifty percent of the gross salary of a qualified accountant to be recruited. For the three additional staff to be recruited, (internal auditor, cooperative development officer and marketing officer) UDAMACO will pay fifty percent of their gross salary starting in month thirteen of their contract. UDAMACO will continue to pay for water and electricity and other operating costs not funded by ADF.

**IV. Project Goal**

The goal of this project is to promote the development of small scale agricultural enterprises and improve the standard of living of smallholder dairy farmers in Rwanda.

**V. Project Purpose**

The purpose of the project is to strengthen UDAMACO's capacity to provide better services to its member cooperatives and also prepare for sustained expansion.

**VI. Project Outputs**

A. Improved business systems as evidenced by:

automated financial management and accounting systems that routinely produce financial documents, records and audit reports for UDAMACO's Board of Directors and management's use in decision making.

B. Improved management capacity as evidenced by:

UDAMACO's use of an automated loan management system to monitor and track its members' loan repayments.

C. Improved technical capabilities as evidenced by:

member cooperatives' maintenance of accurate records and financial reports relating to milk sales.

D. Improved product safety and quality standards as evidenced by:

UDAMACO's compliance with all relevant standards for raw milk supply and certified by the Rwanda Bureau of Standards (RBS).

E. Improved environmental practices relevant to free range cattle grazing as evidenced by:

instances of documented non-compliance with UDAMACO's environmental manual requirements.

**VII. Project Activities**

UDAMACO will ensure the following major activities are implemented with the assistance of consultants where necessary.

A. Strengthening management in the following areas:

1. Business Plan

UDAMACO will hire a consultant to develop a five-year business growth and expansion plan that:

- a. analyzes current milk production and handling, and explores options for increasing production and quality of milk produced by UDAMACO farmers;
- b. reviews production costs and makes recommendations;
- c. integrates the entire supply chain to cover production, processing and marketing of finished products;
- d. addresses the disposal of dairy processing wastes;
- e. explores options for increasing benefits to members; and
- f. develops indicators to track benefits to members and the community.

2. Operations

The Union will hire a new manager, internal auditor, cooperative development officer, and marketing officer to manage its operations and prepare it for future expansion.

3. Financial management

An accountant will be hired to manage the Union's financial and reporting activities. The Union will also recruit an Internal Auditor to ensure implementation and compliance with financial policies and procedures.

B. Training and Technical Assistance

1. Training Activities

The project will provide the following training activities.

- a. Financial management training. A consultant will be hired to train UDAMACO and key staff of the primary cooperatives in financial management.
- b. Governance training. A consultant will train the UDAMACO members in cooperative management and good governance.
- c. Veterinary training. A consultant will train UDAMACO and primary key staff from primary cooperatives in elementary veterinary skills.
- d. Selected members of each primary cooperative will participate in a study tour to modern small scale farms within Rwanda.

2. Business Systems Formalization

- a. Accounting software to improve UDAMACO's financial management will be purchased and installed, and in-house training will be provided to users. Technical assistance consultants will train UDAMACO staff in financial management.
- b. Loan Performer Software will increase UDAMACO's capacity to monitor and track loan repayments by cooperative farmers. Loan performer software will be purchased and installed, and in-house training will be provided to users.



C. Environmental Management

UDAMACO will hire a consultant to prepare an environmental manual, and train and sensitize key staff of UDAMACO and cooperatives in general environmental awareness. The manual will identify key environmental issues and impacts relating to free range grazing, and provide appropriate mitigation measures for any negative impacts.

D. Quality Control

UDAMACO will achieve RBS certification for raw milk supply.

**VIII. Roles and responsibilities**

ADF's Partner in Rwanda will provide the standard ADF Training in bookkeeping, monitoring and assessment. UDAMACO is responsible for ensuring the proper management and implementation of the Investment. The ADF Partner in Rwanda will provide UDAMACO with technical and management assistance during implementation.

**IX. Monitoring and Evaluation**

ADF's Partner in Rwanda will closely monitor the activities of UDAMACO to ensure proper reporting, adherence to the project implementation plan by the client and movement towards the achievement of project objectives. The Partner will continuously assess the project risk and take remedial actions as needed. Monitoring by the Partner will be an important aspect of the on-going coaching and advisory service. The Partner will review ADF's quarterly reports and will submit comments and observations to the management of UDAMACO as part of the on-going performance assessment.

**X. Other Implementation Issues**

UDAMACO will request the Rwanda Environmental Management Authority (REMA) to determine whether the milk processing plant that UDAMACO has purchased is in compliance with Rwanda's environmental regulations. UDAMACO will provide ADF a copy of REMA's written determination.