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Enabling poor rural people
to overcome poverty

President's report

Proposed loan and grant to the Republic of Rwanda for the

Post-Harvest and Agribusiness Support Project

Note to Executive Board representatives

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Abbreviations and acronyms

ASAP	Adaption for Smallholder Agriculture Programme
BDF	Business Development Fund
CIP	Crop Intensification Programme
RB-COSOP	results-based country strategic opportunities programme
EDPRSII	Economic Development and Poverty Reduction Strategy (2013-2018)
EICV3	Third Integrated Household Living Conditions Survey
MINAGRI	Ministry of Agriculture and Animal Resources
PASP	Post-harvest Agribusiness Support Project
PHHTF	Post-harvest and Handling Task Force
PSTAIIII	Strategic Plan for the Transformation of Agriculture
RAB	Rwanda Agriculture Board
RCA	Rwanda Cooperative Agency
SPIU	Single programme implementation unit

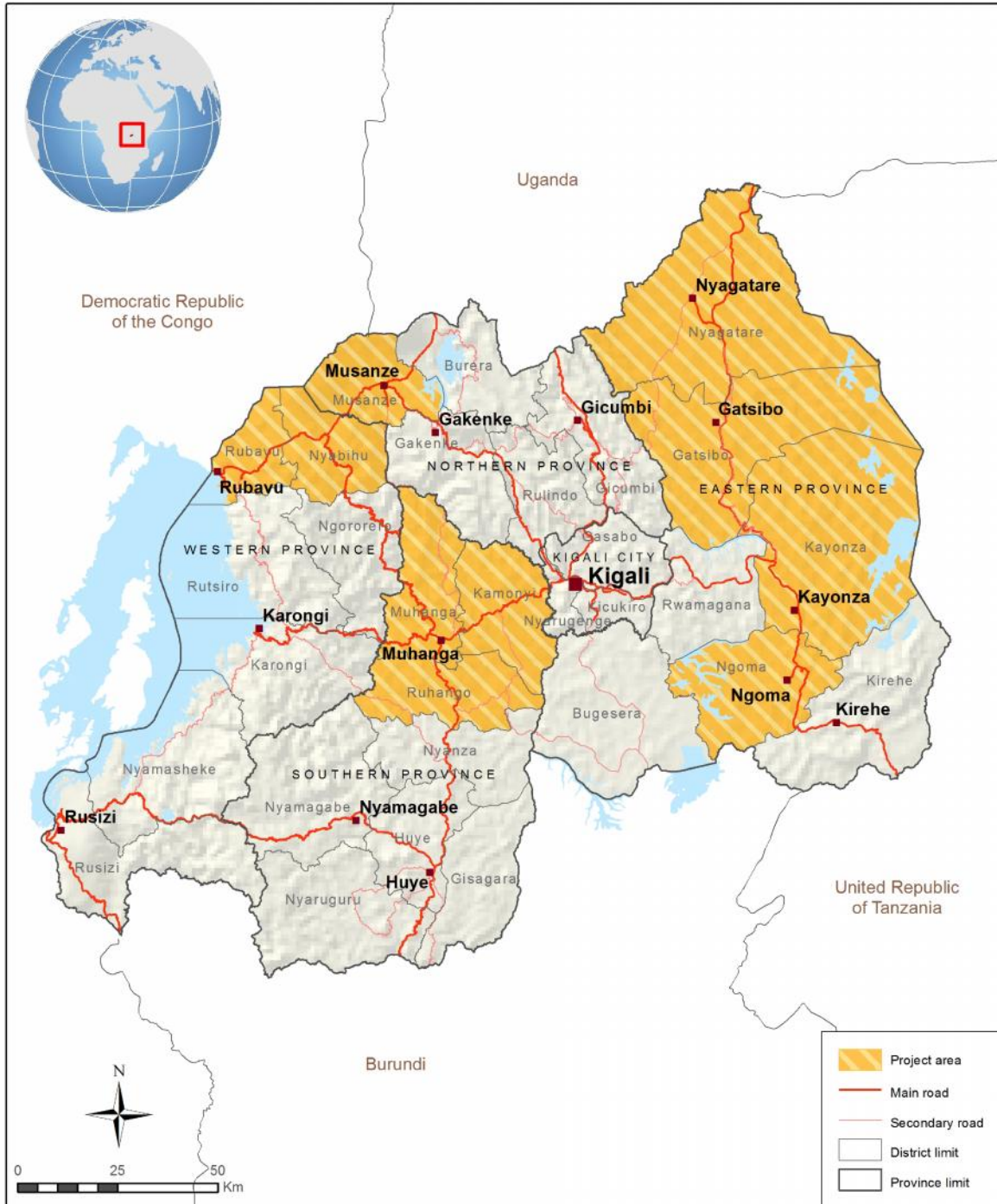
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Maps of the project area

Rwanda

Post-harvest Agribusiness Support Project (PASP)

Design report

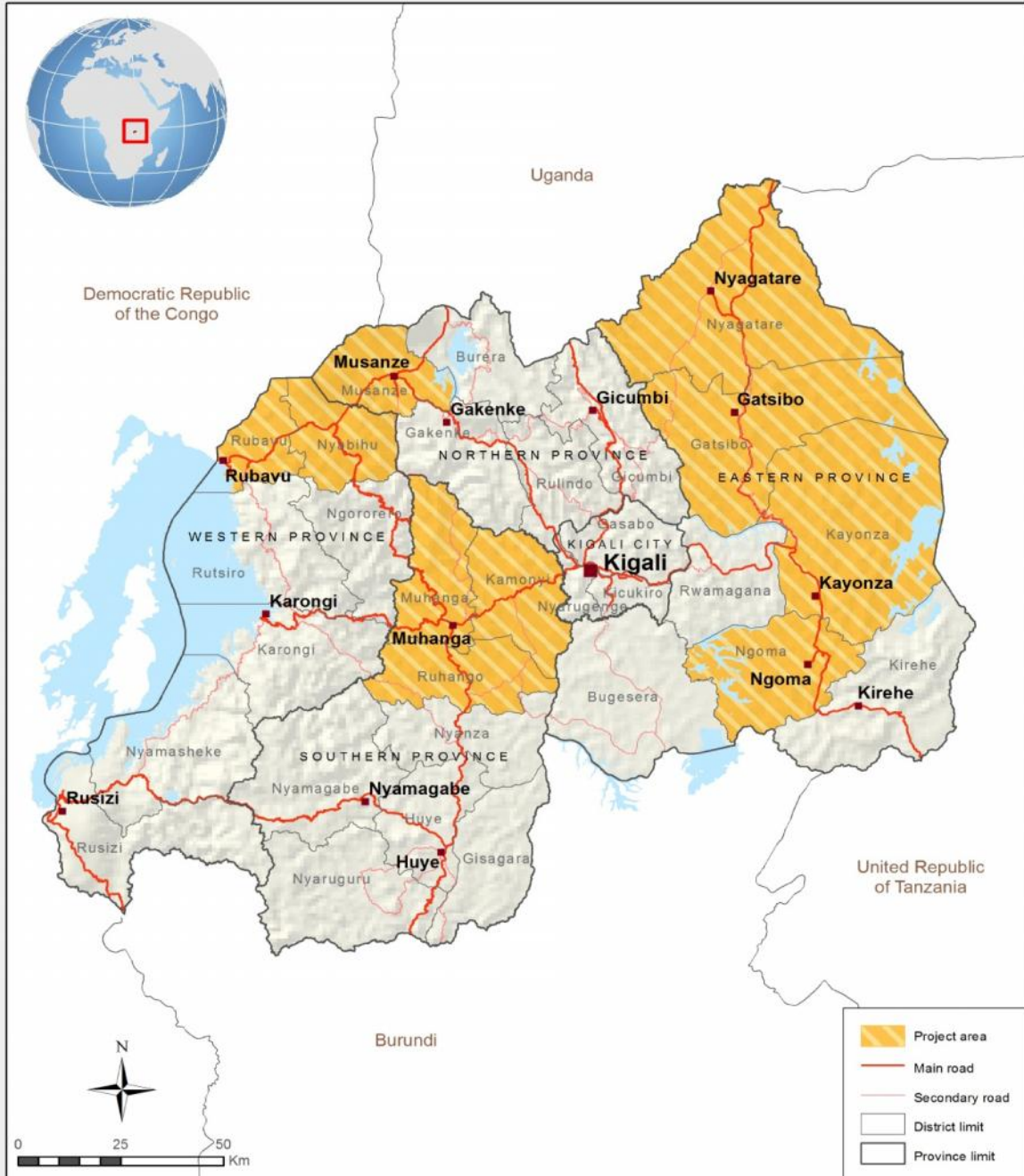


The designations employed and the presentation of the material in this map do not imply the expression of any opinion whatsoever on the part of IFAD concerning the delimitation of the frontiers or boundaries, or the authorities thereof.
 Map compiled by IFAD | 19-04-2013

Rwanda

Climate Resilient Post-harvest and Agribusiness Support Project (PASP)

Design report



The designations employed and the presentation of the material in this map do not imply the expression of any opinion whatsoever on the part of IFAD concerning the delimitation of the frontiers or boundaries, or the authorities thereof.
 Map compiled by IFAD | 02-09-2013

Republic of Rwanda

The Post-Harvest and Agribusiness Support Project

Financing summary

Initiating institution:	IFAD
Borrower:	Government of Rwanda
Executing agency:	Ministry of Agriculture and Animal Resources (MINAGRI)
Total project cost:	US\$83.35 million
Amount of IFAD loan:	SDR 8.77 million (equivalent to approximately US\$13.45 million)
Amount of IFAD grant:	SDR 8.77 million (equivalent to approximately US\$13.45 million)
Terms of IFAD loan:	Highly concessional
Amount of Adaption for Smallholder Agriculture Programme (ASAP) Trust Fund grant:	SDR 4.5 million (equivalent to approximately US\$7 million)
Cofinancier(s):	Leveraged commercial loans to project beneficiaries from national financial institutions and the private sector
Amount of cofinancing:	US\$34.5 million (target)
Contribution of borrower:	US\$3.4 million
Contribution of beneficiaries:	US\$11.5 million
Appraising institution:	IFAD

Recommendation for approval

The Executive Board is invited to approve the recommendation for the proposed financing to the Republic of Rwanda for the Post-Harvest and Agribusiness Support Project, including a blended Adaptation for Smallholder Agriculture Programme grant, as contained in paragraph 50.

Proposed loan and grant to the Republic of Rwanda for the Post-Harvest and Agribusiness Support Project

I. Strategic context and rationale

A. Country and rural development and poverty context

1. Rwanda is a small, landlocked country with limited natural resources and a modest mining industry. The population has grown at a rate of 2.6 per cent over the last 10 years, reaching a total of 10.8 million in 2012, and a population density of 416 persons per square kilometre, the highest in Africa.
2. Rwanda's society is still largely rural (85 per cent) and agriculture-dependent. From a tragically low starting point in 1994, Rwanda has achieved extraordinary results in two decades. Thanks to strong economic growth over the last 10 years, poverty has declined from 57 per cent (2005) to 45 per cent (2011) but it remains high in rural areas.
3. The country's long-term development goals are embedded in its Vision 2020 which is founded on good governance, development of human resources, a private-sector-led economy, infrastructure development, market-led agriculture and regional economic integration. Vision 2020 seeks to transform Rwanda from a low-income agriculture-based economy into a service-oriented economy by 2020.
4. Vision 2020 sets out ambitious objectives: by 2020, gross domestic product (GDP) per capita should have grown from US\$250 to US\$900 and less than 30 per cent of the population should be living below the poverty line. Rural economic transformation through the modernization of the agriculture sector is one of the key priority areas. By 2020, agricultural production should have tripled, exports should have increased fivefold and the proportion of population depending on primary agricultural production should have been reduced to 50 per cent.
5. Strategies for achieving these objectives are articulated in the 2013-2018 Economic Development and Poverty Reduction Strategy (EDPRSII). The achievements made during the period of the first Economic Development and Poverty Reduction Strategy (2008-2012) have been remarkable in terms of economic growth and increased incomes, as well as other well-being indicators. The country's GDP has grown by an annual average of 8 per cent over the past 20 years and GDP per capita increased from US\$479 in 2008 to US\$644 in 2012. The Government of Rwanda has made great progress in deepening reforms, especially those designed to improve the business environment.
6. Despite the country's success in establishing a sound investment climate, foreign direct investment remains low. The main constraints to accelerated growth, investments and exports are lack of economic infrastructure, a still limited skill base and an increasing vulnerability to climate risks. The agriculture sector is the hardest hit by adverse climatic conditions, as agricultural production is exposed to drought events, intense and erratic rainfall, increasing incidence of high winds and emerging seasonal and temperature shifts. If not addressed, climate variability will impose

significant economic costs – estimated at between US\$50 million and US\$300 million annually by 2030 – given the country’s dependency on rainfed agriculture for supporting rural livelihoods and exports.

7. The recently published Third Integrated Household Living Conditions Survey (EICV3) shows that the standard of living for Rwanda’s population has improved over the last five years. The proportion of the population below the poverty line decreased from 58.9 per cent to 44.9 per cent and extreme poverty fell from 40 per cent to 24 per cent over the last decade. Despite these achievements, poverty is still widespread: in rural areas, poverty affects 48.7 per cent of the population and extreme poverty, 26.4 per cent. The prevalence of chronic malnutrition (stunting) among children under five remains very high (43 per cent).
8. The realization of the Rwanda Vision 2020 will primarily depend on the dynamism of the agricultural sector and in particular the growth and sustainability of food crops in the face of increasing climatic uncertainties. Higher agricultural productivity has been the main driver of growth and poverty reduction in Rwanda (14 percentage points) over the past 10 years. Together with its increased commercialization, reflected in the rising share of harvests sold on local markets, the increase in agricultural production accounted for about 45 per cent of the reduction in poverty over the last decade. The sector occupies 80 per cent of the labour force, a high percentage of which is composed of women, and generates roughly 45 per cent of the country’s export revenue. Agriculture contributes to national food self-sufficiency, providing over 90 per cent of all food consumed.

B. Rationale and alignment with government priorities and RB-COSOP

9. The Post-Harvest and Agribusiness Support Project (PASP) is fully aligned with the 2013-2016 Strategic Plan for the Transformation of Agriculture (PSTAIII), which provides the policy framework for the agricultural sector in the country. Still in the process of being adopted, PSTAIII translates government policy objectives into a comprehensive roadmap to transform Rwanda’s agriculture from a subsistence to a knowledge-based, value-creating sector while ensuring food security and preserving natural resources under increasing climatic uncertainty.
10. Under its Crop Intensification Programme (CIP) and dairy development initiatives, the Government of Rwanda has made enormous strides in improving the physical and policy environment for agricultural intensification and growth, has created a dairy sector in which very large numbers of smallholder participate, has established a fertilizer distribution network, has laid the foundation for stronger farmer cooperation for the purpose of bulking up output, and has initiated the development of modern post-harvest infrastructure in key value chains.
11. Key accomplishments under the CIP include: (i) increased use of improved seeds for maize (61.8 per cent), wheat (46.3 per cent) and Irish potato (16.3 per cent); and (ii) doubled national average in the use of fertilizer – from 8.5 kg per hectare in 2006 to roughly 16 kg per hectare in 2010. Yields have significantly increased and overall production, assisted by the land-use consolidation programme, has grown without an expansion of the total area under cultivation. The total production of maize, wheat and cassava tripled from 2007 to 2011, the production of beans doubled, and the production of rice and Irish potato rose by 30 per cent.
12. Concurrent with the increase in crop production, Rwanda has also seen a shift towards more commercial agriculture, with marketed output increasing in all provinces. Post-harvest losses are however recognized as one of the greatest sources of inefficiency in agricultural production in the country and therefore provide one of the best “no-regrets” opportunities for improving crop productivity and smallholder resilience in uncertain climatic and economic conditions. Current losses for key commodities amount to about 30 per cent of harvested products, but

these losses are likely to increase given the country's reliance on rainfed agriculture and its vulnerability to climate change.

13. The National Adaptation Programme of Action and National Strategy on Climate Change and Low-Carbon Development highlight improved post-harvest management as a key climate change adaptation priority. With multiple cropping systems promoted under CIP, harvesting is now taking place at wetter times of the year, which means that farmers can no longer rely on the sun to dry cereals and pulses to safe moisture-content levels for storage. Higher humidity conditions at harvest are more conducive for development of micro-organisms and insects, causing higher levels of deterioration of crops in storage. In dairy value chains, water scarcity is influencing fodder production, and temperature fluctuations complicate the safe storage, transport and cooling of milk in the supply chain. To buffer this growing range of climate-induced stresses, new agricultural investment programmes need to incorporate improved post-harvest processing and storage techniques. Through the Adaptation for Smallholder Agriculture Programme (ASAP), PASP will develop the financial incentives and policy mechanisms to bring these climate risk management investments to a critical scale.
14. PASP is aligned with the second strategic objective of the new 2013-2018 results-based country strategic opportunities programme (RB-COSOP), which supports the achievement of government targets for reducing post-harvest losses and generating opportunities for youth employment and added value of agriculture produce through processing and agribusiness. The project will facilitate and support organized smallholders and small and medium-sized enterprises (SMEs) in setting up and managing aggregation and post-harvest market chain businesses and partnerships with the financial sector, private entrepreneurs and service providers for the priority CIP crops and dairy.

II. Project description

A. Project area and target group

15. **Geographic scope.** While most targeted CIP commodities are produced nationwide, PASP will focus initially on 10 districts located in the north-west, southern and eastern regions, which have been selected using three main criteria: (i) land area dedicated to individual crops, according to the 2011-2012 Ministry of Agriculture and Animal Resources (MINAGRI)/CIP data; (ii) poverty, assessed by cross-referencing EICV3 and *Ubudehe*¹ data; and (iii) potential for value chain development and growth, based on current and prospective processing facilities.
16. **Target groups and approach.** PASP's primary target group comprises poor smallholder farmers engaged in either production or primary processing of priority CIP crops and dairy. These include poor farmers with some production potential, members of cooperatives who own small land plots and smallholders who supplement their income through agricultural wage work. PASP will initially target 32,400 rural households (155,518 people) selected from the *Ubudehe* categories II (the very poor), III (the poor) and IV (the resourceful poor) and living in the 10 districts targeted by the project. As PASP implementation capacities are gradually developed, MINAGRI will scale up successful operations to other major market-driven crop or livestock activities and geographical areas.

B. Project development objective

17. The project's overall goal is to alleviate poverty, increase rural income and contribute to the overall economic development of Rwanda. Its development

¹ In Rwanda, the social conditions of each household have been identified in a national initiative launched in 2001 called *Ubudehe* programme. This programme is based on the idea that citizens can analyse their own poverty within their communities and develop solutions together to the problems identified. There are six *Ubudehe* categories: extreme poor, very poor, poor, resourceful poor, food rich and money rich.

objective is to increase the incomes of smallholders and rural labourers (including women, youth and vulnerable groups) from CIP crop and dairy businesses, especially those related to aggregating production for markets, supporting transformation and creating value-added to enable smallholders to capture a higher share of the value. The project will address the post-harvest sector of the CIP crops and dairy to demonstrate pro-poor and climate-resilient approaches benefitting IFAD target groups in post-harvest activities under increasing climatic uncertainty.

18. PASP will be strengthened through an ASAP US\$7 million investment providing incremental support to address climate-related post-harvest problems in the prioritized CIP crops and dairy, and ensure that appropriate mechanisms are established to safe guard food security. ASAP support will facilitate a better understanding of how current and future agro-meteorological conditions influence harvest and post-harvest activities, so as to ensure that rural infrastructure and related project investments, including appropriate and timely climate information services, reflect the growing concern over changing climatic patterns. ASAP investments will be fully embedded in PASP components and results framework.

C. Components/outcomes

19. The first significant point where primary produce is aggregated – a product aggregation point or business hub, will be the focus of project implementation to serve smallholders post-harvest services' needs. A hub includes the physical place where primary products are aggregated and where value addition could be generated, together with facilitation of the necessary managerial and technical skills, technologies and equipment (e.g. for quality control, sorting, packaging, storing, value adding, etc.). The project will be implemented over a five-year period and will comprise three mutually reinforcing components.

Component 1: Hub capacity development programme and business coaching (US\$8.20 million)

20. Component 1 will support cooperatives, farmers' organizations and SMEs associated with participating hubs in acquiring the skills, knowledge and access to specialized service providers to create and operate viable businesses capable of delivering larger volumes of improved produce to the market and manage climate risks in post-production processes. It will assist actors in the hubs of the selected commodities in identifying and addressing gaps in their business management and financial skills and in producing bankable business plans to develop and manage their services more profitably, form stronger linkages with supplying farmers and integrate low-carbon and climate-resilience activities.
21. Implementation of this component will involve the following sequence of activities:
 - identify existing post-harvest hubs owned by or linked with a cooperative, farmers' organization or SME mostly comprised by PASP target groups with the potential to develop a bankable business plan that could lead to market linkages and value addition;
 - Assess capacity-building needs and market linkage/development potential of hubs with due attention to targeting and inclusion issues;
 - Implement an action plan for skill development and capacity-building support;
 - When minimum capacity of the group has been built, facilitate development of a simple business plan that is commercially viable, which may involve conducting market and value addition studies and climate risk assessments to formulate a priority project;
 - If selected to progress, support development of a fully-fledged business plan based on the requirements of commercial banks;

- If cofinanced by a lender (component 2), provide implementation support for the business plan, with close performance monitoring to ensure that the capacity-building investments foreseen in the proposal are undertaken and that the specialized service providers required for implementation are contracted in a timely manner and are adequately supervised; and
 - If the initial business plan is successfully implemented, develop a more complex operation with focused project investments and capacity-building resources strategically linked to leverage borrowing from the banking system and private sector once commercial viability and long-term sustainability have been independently verified.
22. PASP will incorporate climate risk management into the planning and implementation of hub investments by promoting and demonstrating climate-resilient practices, technologies and innovations. ASAP funding will facilitate access to specialized service providers and link hubs with support agencies for post-harvest activities to ensure that climate risk management is incorporated into the institutional learning and services they provide to clients. Some of these funds will be made available to demonstrate the technical and commercial viability of new technologies responding to environmental and climatic challenges. Capacity-building investments will be driven by the identified needs and linked closely with the implementation support requirements of the business plans.

Component 2: Post-harvest climate-resilient agribusiness investment support (US\$71.23 million, including US\$34.62 million leveraged from the financial sector)

23. Component 2 will facilitate hub-identified business investments in improved climate-resilient and low-carbon post-harvesting procedures, drying, processing and value addition, storage, logistics and distribution that generate reductions in product losses and increase smallholder and rural labourer incomes. Based on viable business plans generated with component 1 facilitation, component 2 will strictly link focused investment resources to leverage borrowing from the commercial banking system to cofinance these business plans. ASAP funds will be allocated to support the incremental costs related to business plan investments in low-carbon energy supplies and post-harvest equipment, infrastructure, climate-resilient buildings and associated training to develop the hubs' capacity to establish and operate such investments and improve their efficiency and sustainability.
24. To support implementation of component 2, PASP will partner with the Rwanda Rural Investment Facility (RIF2), a programme administered by the Business Development Fund (BDF). The objective of this partnership is to provide financial incentives for RIF2-affiliated institutions and entrepreneurs to cofinance viable business plans. Component 2 will provide a grant for a portion of an investment loan approved to a participating hub that has obtained a loan from a RIF2-licensed financial institution to cofinance the business plan investment. Financial incentives will be awarded only to groups with a plan strong enough to receive bank financing once its viability and feasibility have been properly checked by microfinance institution professionals and its sustainability prospects have been independently verified by the financial institution. Participating farmers' associations, cooperatives and SMEs owning or associated with a hub borrowing from a licensed financial institution are eligible for support under RIF2. Beneficiaries of the RIF2 will also benefit from an existing guarantee extended by the Agriculture Guarantee Fund, also administered by BNR.
25. The ASAP grant financing will be directly administered by MINAGRI's single programme implementation unit (SPIU) to ensure that the incremental costs associated with establishing climate-resilient technologies and processes, including the climate-proofing of hubs or milk collection centers, are covered in the investment component of business plans. Since ASAP grants will address climate

issues not typically included in the loan assessment process, an important activity for PASP is to sensitise the lending organizations providing the financial capital to the importance of climate risk management as part of the overall investment package and longer-time horizon required to ensure investment sustainability. Ensuring that the financial sector is prepared to gradually internalize the full cost of climate-resilience investments is critical for PASP, since ASAP resources will be insufficient to address all climate risk management costs in all the supported business plans.

Component 3: Project management and coordination (US\$3.92 million)

26. Component 3 will ensure that the project is efficiently and effectively managed to achieve the expected results. MINAGRI's SPIU will have overall responsibility for coordinating and managing PASP and ASAP funds. Gender, youth, environmental, knowledge management and communication considerations will be integrated into all aspects of project management and the activities of the SPIU and implementing partners.

III. Project implementation

A. Approach

27. PASP's primary focus will be the facilitation of inclusive business activities that thrive on increased production of CIP crops and dairy. Investments in improved post-harvesting procedures and capacity-building of cooperatives and farmers' organizations are expected to generate reductions in product losses that will be just as important as the impressive results obtained by the Government through CIP in preserving food production and localized value addition in a changing and more uncertain climate.
28. PASP will promote value addition through a staged progression from improved harvesting procedures, basic rural agro-processing (cleaning, grading, sorting, packing), transport, bulking and storage options to more sophisticated climate-smart processing, transformation and packaging to meet the needs of more sophisticated domestic and export markets. The project will support participating hubs in building their capacity to meet market needs and increasing their efficiency and competitiveness by creating product added value.

B. Organizational framework

29. PASP will be implemented by MINAGRI's SPIU which currently manages three other IFAD-supported projects in Rwanda. In accordance with sector-wide approach (SWAp) principles and in order to mainstream project implementation into national structures, the Post-Harvest and Handling Task Force (PHHTF), the Rwanda Agriculture Board (RAB) and the Rwanda Cooperative Agency (RCA) will be responsible for supporting implementation of core project activities.
30. Other key implementation partners include: (i) district governments; (ii) technical, financial and training service providers; (iii) other development partners with specialized programmes such as the World Food Programme with its Purchase for Progress programme and the Belgian Development Agency-funded Market-oriented Advisory Services and Quality Seeds initiative that provides access to markets and quality seeds; (iv) the Rwanda Environmental Management Authority (REMA) programme related to climate change adaptation, supported by the United Nations Development Programme and the United Nations Environment Programme; and (v) private sector partners facilitating market linkages for PASP target groups.
31. PASP will be instrumental in establishing an agricultural meteorology function within MINAGRI. It will work together with the Rwanda Meteorological Service and REMA to expand their information product line to ensure that relevant and timely climate information is shared with beneficiaries to mitigate the impacts of climate variability on harvesting and drying. The Rwanda Development Board, through its United

Nations Framework Convention on Climate Change focal point, will link MINAGRI's SPIU to the national climate forum and other climate-risk-related initiatives within the Ministry of Environment.

C. Planning, monitoring and evaluation, and learning and knowledge management

32. PASP will set up a participatory learning system integrating planning, monitoring and evaluation and knowledge management with the following objectives: (i) supply stakeholders with the information and analysis required to steer project implementation; (ii) provide MINAGRI with information on progress to measure the project's contribution to PSTAIII implementation and to support coordination and synergies with other relevant programmes; (iii) monitor project impact on the *Ubudehe* poverty categories to ensure participation of the most vulnerable groups and prevent elite capture; (iv) provide participating cooperatives with regular feedback reports to give them an objective basis for requesting adequate support services; and (v) inform IFAD country programme on achievement of RB-COSOP targets.

D. Financial management, procurement and governance

33. MINAGRI will have overall responsibility for the project's financial management system. The project will be administered through the existing SPIU financial management structure. The SPIU uses the TOMPRO accounting system for both project and government reporting. The financial reporting and audit standards are acceptable to IFAD. Audits will be performed by the Auditor-General, which has been assessed as independent. Submission of the PASP implementation manual to IFAD will be a disbursement condition. Project funds will only flow from the SPIU to BDF, RCA or any other implementation partner once memorandums of understanding are in place. In addition to a PASP counterpart account in Rwandan francs, MINAGRI will open and maintain two bank accounts for IFAD and ASAP project funds: a designated account in United States dollars; and a project PASP operations account in Rwandan francs.
34. PASP will adopt the national procurement systems up to the agreed international competitive bidding threshold set for goods, works and services, and will comply with IFAD's prior review requirements in accordance with the financing agreement and the letter to the borrower. The following key actions will be mainstreamed during PASP implementation to ensure greater transparency and accountability in financial management and procurement: (i) increased and consistent disclosure of information to a wide audience, particularly at the community level; (ii) beneficiary/civil society oversight for monitoring purposes and to ensure that project-related information can be discussed openly; (iii) a responsive complaints handling system; and (iv) sound accounting and audit measures within a context of rigorous financial management.
35. National governance indicators rank Rwanda fiftieth out of 174 countries on the 2012 Transparency International Corruption Perceptions Index, and other similar assessments have also been positive. MINAGRI's SPIU is the East and Southern Africa regional leader in terms of control and financial management, reflected in the low-risk financial management assessment, and is fully compliant with IFAD financial management and procurement guidelines.

E. Supervision

36. Supervision will be conducted in accordance with the IFAD Policy on Supervision and Implementation Support.

IV. Project costs, financing, benefits

A. Project costs

37. Total project costs including price and physical contingencies are estimated at US\$83.35 million over the five-year project implementation period. Of this amount US\$24.73 million represents the foreign exchange content and US\$3.40 million are duties and taxes. Total base costs amount to US\$74.78 million, while physical and price contingencies are estimated at US\$8.57 million. Investment costs account for 93 per cent and recurrent costs account for 7 per cent of the base costs.

B. Project financing

38. As shown below, PASP will be financed by IFAD, the Government of Rwanda, leveraged commercial borrowing from the financial sector, and contributions from project beneficiaries. Fifty per cent of IFAD financing will be in the form of a Debt Sustainability Framework grant and 50 per cent in the form of a highly concessional loan, equivalent to US\$26.94 million (or 32.3 per cent of total project costs). A grant of US\$7 million (8.3 per cent) will be provided under ASAP. The Government of Rwanda will contribute US\$3.4 million (4.1 per cent) in the form of forgone taxes and duties. Approximately US\$11.47 million (13.8 per cent) will be provided by project beneficiaries in the form of cash, labour and in-kind inputs to the construction and operating costs of the post-harvest investments. Additionally, it is expected that IFAD and ASAP contributions will leverage commercial loans to project beneficiaries from the financial sector amounting to approximately US\$34.62 million (41.5 per cent) to support climate-resilient post-harvest investments.

(United States dollars)

Category	IFAD loan	IFAD grant	ASAP grant	Beneficiaries	National financial institutions and private sector	Government of Rwanda	Total	%
	Amount	Amount	Amount	Amount	Amount	Amount	Amount	
I. Investment costs								
A. Goods and financial incentives	8 569 022	8 569 022	4 443 532	7 778 156	34 618 599	1 412 680	65 391 011	78%
B. Services	3 250 875	3 250 875	2 270 043	2 165 506	-	1 135 695	12 072 994	14%
II. Recurrent costs	1 648 810	1 648 810	210 289	1 525 709	-	852 818	5 886 436	7%
Total project costs	13 468 707	13 468 707	6 923 864	11 469 370	34 618 599	3 401 193	83 350 441	100%

C. Summary benefit and economic analysis

39. **Benefits.** PASP will provide the following range of benefits to participants: (i) improved product quality and better margin on sales of produce; (ii) improved access to financial and non-financial services; (iii) reduced post-harvest losses, especially resulting from timely harvesting, climate smart processing, drying/cooling and storage facilities; (iv) enhanced market opportunities through improved linkages and contracts between producers and processors; (v) enhanced bargaining power for sale of outputs; (vi) employment in rural areas; (vii) strengthened capacity of the responsible government agencies; and (viii) greater government tax revenues as a result of increased economic activity and reduced imports.
40. **Economic analysis.** The project is expected to provide an economic rate of return (ERR) of 15.7 per cent, with a net present value (NPV) of US\$8.3 million on a capital investment of US\$46.4 million. These results indicate that on the basis of an

opportunity cost of capital of 12 per cent, the project shows a satisfactory ERR and NPV, and is justified on economic grounds.

41. **Sustainability.** The sustainability of programme benefits will be ensured through: (i) implementation by national structures; (ii) utilization of national procedures; (iii) focus on cooperatives to ensure that they acquire the technical and management capacities as well as the financial capital to become sustainable and profitable organizations; (iv) delivery of targeted agricultural extension and other support services to enable farmers to access such services well beyond the project's time frame; (v) facilitation of hubs' access to rural financial services to enable them to establish a long-term business relationship with the financial sector to ensure that their businesses can grow and advance to a commercial scale; and (vi) ASAP investment providing incremental support to reduce the vulnerability of post-harvest market chains to the impacts of climate change and safeguard food security.

D. Risk identification and mitigation

42. The table below summarizes main risks and mitigation measures:

<i>Main risks</i>	<i>Mitigation measures</i>
Weak management capacity of cooperatives	PASP supports focused capacity development programmes to foster the governance and management capacity of cooperatives.
Business management capacity of the new hubs does not develop fast enough to cope with their expansion and ensure that activities are managed effectively in support of value chain development	PASP provides inputs appropriate to the needs of the hubs that are supported by an extensive training and business coaching programme. Where appropriate, the project will support a "turnaround" programme that has proved effective under other projects supporting cooperative development.
PASP financial incentives encourage non-commercial hub investments	PASP financial services strategy focuses on fostering the commercial lending sector by not subsidizing interest rates, but instead by linking focused project investment resources to leverage borrowing from the commercial banking system once the viability and sustainability of business proposals have been independently verified by participating financial institutions.
Current losses for key commodities amount to about 30 per cent of harvested products, but these losses are likely to increase given the country's reliance on rainfed agriculture and its vulnerability to climate change	PASP promotes investments in climate-resilient and low-carbon harvest and post-harvesting procedures, drying/cooling, processing and value addition to generate reductions in product losses and increase smallholder and rural labourer incomes.

V. Corporate considerations

A. Compliance with IFAD policies

43. PASP design is aligned to the IFAD Strategic Framework 2011-2015 and complies with IFAD policies on targeting, gender, rural finance, the environment and climate change, and private sector development.

B. Alignment and harmonization

44. PASP reflects the national development objectives of reducing poverty and achieving economic growth in Vision 2020 and EDPRSII. The project has also been designed concurrently with the formulation of PSTAIII, which has allowed PASP formulation to be closely articulated with the sector development goals and enabled full alignment with MINAGRI's policy framework and investment programme.

C. Innovations and scaling up

45. PASP is an innovative programme designed to support product aggregation points in priority CIP commodities and dairy, and develop hub management capacity and linkages with service providers and related businesses to improve hub effectiveness and contribute to higher returns to their clients. After adaptation and improvement, the model can then be rolled out across other agricultural value chains and districts across Rwanda. PASP's innovative features can be summarized as follows: (i) participatory monitoring and evaluation; (ii) performance-based contracts for business development services; and (iii) leveraging of resources from the commercial lending sector and public-private partnerships for scaling up results.

D. Policy engagement

46. IFAD participates in Rwanda's rural development cluster through the agriculture sector and SWAp working groups. Engaging with the World Bank, European Union and other development partners with larger complementary financial, technical and advisory enables IFAD to leverage its more limited resources to reach the desired scales of intervention. At national level, IFAD will continue its partnership with key line ministries positioning itself as one of the leading partners in rural development. Under PASP, IFAD will deepen its long-term commitment to selected public institutions as key partners in country programme implementation, and will continue supporting farmers' organizations – focusing on specific value chains to help build more transparent and accountable management structures.

VI. Legal instruments and authority

47. A project financing agreement between the Republic of Rwanda and IFAD will constitute the legal instrument for extending the proposed financing to the borrower. A copy of the negotiated financing agreement is attached as an annex.
48. The Republic of Rwanda is empowered under its laws to receive financing from IFAD and from the ASAP Trust Fund, acting through IFAD in its capacity of Trustee of the ASAP Trust Fund.
49. I am satisfied that the proposed financing will comply with the Agreement Establishing IFAD and the Policies and Criteria for IFAD financing.

VII. Recommendation

50. I recommend that the Executive Board approve the proposed financing in terms of the following resolution:

RESOLVED: that the Fund shall provide a loan on highly concessional terms to the Republic of Rwanda in an amount equivalent to eight million seven hundred and seventy thousand special drawing rights (SDR 8,770,000), and upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented herein.

RESOLVED FURTHER: that the Fund shall provide a grant to the Republic of Rwanda in an amount equivalent to eight million seven hundred and seventy thousand special drawing rights (SDR 8,770,000) and upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented herein.

RESOLVED FURTHER: that the Fund shall provide an ASAP grant to the Republic of Rwanda in an amount equivalent to four million five hundred and ten thousand special drawing rights (SDR 4,510,000) and upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented herein.

Kanayo F. Nwanze
President

Negotiated financing agreement: "Post-Harvest and Agribusiness Support Project"

(Negotiations concluded on 3 December 2013)

IFAD loan Number: [click and insert number]

IFAD Grant Number:[click and insert number]

ASAP Trust Grant Number: [click and insert number]

Project Title: Post-Harvest and Agribusiness Support Project (PASP) (the "Project")

The International Fund for Agricultural Development (the "Fund" or "IFAD")

and

The Adaptation for Smallholder Agriculture Programme Trust Fund ("the ASAP Trust")

and

the Republic of Rwanda (the "Borrower")

(each a "Party" and both of them collectively the "Parties")

hereby agree as follows:

Preamble

WHEREAS the Executive Board of the International Fund for Agricultural Development (the "Fund" or "IFAD"), at its 105th Session approved the establishment of an Adaptation for Smallholder Agriculture Programme Trust Fund ("the ASAP Trust");

WHEREAS IFAD has agreed to extend a loan and a grant to the Borrower for the purpose of financing the Post-Harvest and Agribusiness Support Project (PASP), on the terms and conditions set forth in this Agreement;

WHEREAS, on the basis of the above and other considerations, the ASAP Trust has agreed to extend an ASAP Trust Grant to the Recipient for the purpose of increasing the financing in respect of the above referred Project, on the terms and conditions set forth in this Agreement;

WHEREAS the commitment of the ASAP Trust Grant is subject to availability of funds in the ASAP Trust Fund;

NOW THEREFORE, the parties hereto hereby agree as follows:

Section A

1. The following documents collectively form this Agreement: this document, the Project Description and Implementation Arrangements (Schedule 1), the Allocation Table (Schedule 2), and the Special Covenants (Schedule 3).

2. The Fund's General Conditions for Agricultural Development Financing dated 29 April 2009, as may be amended from time to time (the "General Conditions") are annexed to this Agreement, and all provisions thereof shall apply to this Agreement. For the purposes of this Agreement the terms defined in the General Conditions shall have the meanings set forth therein.

3. The Fund shall provide a Loan and a Grant and the ASAP Trust shall provide a Trust Grant to the Borrower (collectively referred to as "the Financing"), which the Borrower shall use to implement the Project in accordance with the terms and conditions of this Agreement.

Section B

1. A. The amount of the IFAD Loan is SDR 8 770 000

B. The amount of the IFAD Grant is SDR 8 770 000.

C. The amount of the ASAP Trust Grant is SDR 4 510 000.

2. The IFAD Loan is granted on highly concessional terms as defined in Section 5.01 (a) of the General Conditions.

3. The Loan Service Payment Currency for the IFAD loan shall be the United States Dollars (USD).

4. The first day of the applicable Fiscal Year shall be the first of July.

5. Payments of principal and service charge of the IFAD loan shall be payable on each 15 April and 15 October.

6. There shall be one Designated Account denominated in USD (referred to as the "Designated Accounts") opened by the Borrower in the National Bank of Rwanda, through which the proceeds of the IFAD Loan and Grant, and the ASAP Trust Grant shall be channelled. The Borrower shall inform the Fund of the officials authorized to operate the Designated Account.

7. There shall be one Project Operations Account denominated in Rwandan francs (RWF) (the "Operations Accounts") opened by the Lead Project Agency in the National Bank of Rwanda to receive and hold the financing transferred from the Designated Account. The Borrower shall inform the Fund of the officials authorized to operate the Project Operations Account.

8. There shall be a Project Counterpart Account denominated in RWF and opened by the Lead Project Agency in the National Bank of Rwanda to receive the Borrower's counterpart funds. The Borrower shall provide counterpart financing for the Project in an approximate amount of three million four hundred thousand United States Dollars (USD 3 400 000). The counterpart financing provided by the Borrower shall cover the payment of duties and taxes related to the Financing and some recurrent costs.

Section C

1. The Lead Project Agency shall be the Ministry of Agriculture and Animal Resources (MINAGRI) of the Borrower.

2. The following are designated as additional Project Parties: the Rwanda Agriculture Board (RAB), the Business Development Fund (BDF), the Rwanda Cooperative Agency (RCA) and any other parties deemed necessary by the Lead Project Agency.

3. The Project Completion Date shall be the fifth anniversary of the date of entry into force of this Agreement.

Section D

The IFAD loan, the IFAD Grant and the ASAP Trust Grant will be administered and the Project supervised by the Fund.

Section E

1. The following are designated as additional grounds for the suspension of this Agreement:

- (a) The Project Implementation Manual (PIM), or any provision thereof, has been waived, suspended, terminated, amended or modified without the prior agreement of the Fund and the Fund has determined that such waiver, suspension, termination, amendment or modification has had, or is likely to have, a material adverse effect on the Project, and the Borrower has not taken any measures to remedy the situation; and
- (b) The SPIU Coordinator and/or the SPIU Director of Administration and Finance (DAF) have been removed from the Project without prior consultation with the Fund.

2. The following are designated as additional general conditions precedent to withdrawal:

- (a) The Designated Accounts and the Project Operations Accounts shall have been duly opened by the Borrower; and
- (b) The PIM shall have been submitted to the Fund.

3. This Agreement is subject to ratification by the Borrower.

4. The following are the designated representatives and addresses to be used for any communication related to this Agreement:

For the Fund:
 President
 International Fund for Agricultural Development
 Via Paolo di Dono 44
 00142 Rome, Italy

For the Borrower/Recipient:
 Ministry of Finance and
 Economic Planning
 of the Republic of Rwanda
 P.O. Box 158
 Kigali, Republic of Rwanda

For the Adaptation for Smallholder Agriculture Programme Trust Fund
 President of the International Fund for Agricultural Development in its capacity as Trustee
 of the Adaptation for Smallholder Agriculture Programme Trust Fund
 Via Paolo di Dono 44
 00142 Rome, Italy

This agreement, dated [click and type], has been prepared in the (English) language in nine (9) original copies, three (3) for the Fund, three for the Trust and three (3) for the Borrower/Recipient.

For the Fund
[insert name and title]

For the Borrower/Recipient
[insert name and title]

For the Adaptation for Smallholder Agriculture Programme Trust Fund
President of the International Fund
for Agricultural Development in its capacity as Trustee
of the Adaptation for Smallholder Agriculture Programme
Trust Fund

Schedule 1

Project Description and Implementation Arrangements

I. Project Description

51. *Target Population.* The Project's primary target group comprises poor smallholder farmers engaged in either production or primary processing of priority Crop Intensification Programme ("CIP") crops and dairy and other commodities that can demonstrate viable business proposals. These include poor farmers with some production potential, members of cooperatives who own small land plots and smallholders who supplement their income through agricultural wage work. The Project will initially target approximately 32,400 rural households selected from the *Ubudehe* categories II (the very poor), III (the poor) and IV (the resourceful poor) and living in districts located, inter alia, in the Northern, Western, Southern and Eastern provinces where the Project will be intervening ("Project Area").

2. *Goal.* The overall goal of the Project is to alleviate poverty, increase rural income and contribute to the overall economic development of Rwanda.

3. *Objectives.* The objectives of the Project are to increase smallholder and rural laborer incomes (including women, youth and vulnerable groups) from CIP crop and dairy businesses, especially those related to aggregating production for markets, supporting transformation and creating value-added to enable smallholders to capture a higher share of the value.

4. *Components.* The Project will be implemented over a five-year period and will comprise three mutually reinforcing components: (I) HUB capacity development programme and business coaching, (II) Post-harvest climate resilient agri-business investment support, and (III) Project management and coordination.

4.1. Component 1: HUB capacity development programme and business coaching.

Component 1 will support cooperatives, farmers' organizations and small and medium enterprises (SMEs) associated with participating HUBs, or wishing to establish new HUBs, in acquiring the skills, knowledge and access to specialized service providers to create and operate viable businesses capable of delivering larger volumes of improved produce to the market and manage climate risks in post-production processes. This component will assist actors in the HUBs of the selected commodities in identifying and addressing gaps in their business management and financial skills, and in producing bankable business plans (BPs) to develop and manage their services more profitably, form stronger linkages with supplying farmers and integrate low-carbon and climate resilience activities. Implementation of this component will involve the following sequence of activities:

- (a) identify existing post-harvest HUBs that are owned by, or linked with, a cooperative, farmers' organization or SME mostly comprised by the Project target groups, with the potential to develop a bankable business plan (BP) leading to market linkages and value addition;
- (b) assess capacity-building needs and market linkage/development potential of HUBs with due attention to targeting and inclusion issues;
- (c) implement an action plan for skill development and capacity-building support;

- (d) when minimum capacity of the group has been built, facilitate the development of a simple BP that is commercially viable, which may involve conducting market and value addition studies and climate risk assessments;
- (e) support the development of a fully-fledged BP based on the requirements of commercial banks;
- (f) if cofinanced by a lender (component 2), provide implementation support for the BP, with close performance monitoring to ensure that the capacity-building investments foreseen in the proposal are undertaken and that the specialised service providers required for BP implementation are contracted in a timely manner and are adequately supervised; and
- (g) if the initial BP is successfully implemented, develop a more complex operation with focused project investments and capacity-building resources strategically linked to leverage borrowing from the banking system and private sector, once commercial viability and long-term sustainability have been independently verified.

The Project will incorporate climate risk management into the planning and implementation of hub investments by promoting and demonstrating climate-resilient practices, technologies and innovations. ASAP funding will facilitate access to specialized service providers and link hubs with support agencies for post-harvest activities to ensure that climate risk management is incorporated into the institutional learning and services they provide to clients. Some of these funds will be made available to demonstrate the technical and commercial viability of new technologies responding to environmental and climatic challenges. Capacity-building investments will be driven by the identified needs and linked closely with the implementation support requirements of the business plans.

4.2. Component 2: Post-harvest climate resilient agri-business investment support.

Component 2 will facilitate HUB-identified business investments in improved climate resilient and low-carbon post-harvesting procedures, drying, processing and value addition, storage, logistics and distribution that generate reductions in product losses and increase smallholder and rural labourer incomes.

To support implementation of component 2, the Project will partner with national financing institutions, including the Business Development Fund (BDF). Based on viable BPs generated with component 1 facilitation, component 2 will strictly link focused investment resources to leverage borrowing from the commercial banking system to cofinance these business plans. Financial incentives will be awarded only to groups with a business proposal strong enough to receive bank financing once its viability and feasibility have been properly checked and its sustainability prospects have been independently verified by the financial institution.

ASAP funds will be allocated to support the incremental costs related to business plan investments in low-carbon energy supplies and post-harvest equipment, infrastructure, climate-resilient buildings and associated training to develop the hubs' capacity to establish and operate such investments and improve their efficiency and sustainability. The ASAP grant financing will be directly administered by MINAGRI's single programme implementation unit (SPIU) to ensure that the incremental costs associated with establishing climate-resilient technologies and processes, including the climate-proofing of hubs or milk collection centers, are covered in the investment component of business plans.

Since ASAP grants will address climate issues not typically included in the loan assessment process, an important activity for the Project is to sensitise the lending

organizations providing the financial capital to the importance of climate risk management as part of the overall investment package and longer-time horizon required to ensure investment sustainability. Ensuring that the financial sector is prepared to gradually internalize the full cost of climate-resilient investments is critical for the Project, since ASAP resources will be insufficient to address all climate risk management costs in all the supported business plans.

4.3. Component 3: Project management and coordination.

Component 3 will ensure that the Project is efficiently and effectively managed to achieve the expected results. MINAGRI's SPIU will have overall responsibility for coordinating and managing the Project and its funds. Gender, youth, environmental, knowledge management and communication considerations will be integrated in all aspects of project management, as well as the activities of the SPIU and the implementing partners. The performance indicators of this component will include quality and timely execution of annual work plan and budgets, timely submission of progress reports and annual audit reports, participatory Monitoring and Evaluation (M&E) able to document key indicators and actual levels of disbursements in line with planning.

II. Implementation Arrangements

5. *Lead Project Agency*

5.1 Designation. The Project will be implemented by MINAGRI's Single Project Implementation Unit (SPIU) which currently manages all IFAD-supported projects in Rwanda. In accordance with sector-wide approach (SWAp) principles and in order to mainstream project implementation into national structures, the Rwanda Agriculture Board (RAB), the Rwanda Cooperative Agency (RCA) and any other relevant institution selected by the Lead Project Agency will be responsible for supporting implementation of core project activities. To this end, the SPIU Coordinator shall sign implementation conventions with the RAB and RCA, and any other parties deemed necessary by the Lead Project Agency, which shall outline the activities to be undertaken, expected outcomes, the obligations and rights of each party, time frames, deadlines for submitting reports and indicators for monitoring and evaluation.

5.2 Responsibilities. The SPIU Coordinator shall be responsible for the overall coordination of the Project and for technical and financial reporting to the Permanent Secretary of MINAGRI. The SPIU shall be strengthened by professional staff in order to carry out its project coordination functions, including the PASP Programme Manager and the Accountant, as well as technical and support staff, as required.

6. *Implementation Partners*

Other implementation partners include: (i) local government; (ii) technical, financial and training service providers; (iii) other development partners with specialized programmes such as the World Food Programme with its Purchase for Progress programme; (iv) the Rwanda Environmental Management Authority (REMA) programme related to climate change adaptation, supported by the United Nations Development Programme and the United Nations Environment Programme; and (v) private sector partners facilitating market linkages for the Project target groups.

The Project will be instrumental in establishing an agricultural meteorology function within MINAGRI. It will work together with the Rwanda Meteorological Service and REMA to expand their information product line to ensure that relevant and timely climate

information is shared with beneficiaries to mitigate the impacts of climate variability on harvesting and drying.

7. *Project Steering Committee (PSC)*

7.1 Establishment. The Lead Project Agency shall establish a national PSC

7.2 Composition. The PSC shall be chaired by MINAGRI's Permanent Secretary, and its membership will be composed of key public and private Project stakeholders, including financial institutions and farmers organizations.

7.3. Responsibilities. The PSC shall provide oversight and overall strategic guidance. The PSC shall meet at least twice a year to review Project progress against targets, assess management effectiveness, decide on corrective measures where appropriate, review progress reports, review and approve AWPBs and support dissemination of lessons learned and good practices.

8. *Service Providers*. The Project, through the SPIU, shall outsource the execution of Project activities to service providers within the public and private sectors, including international and national non-governmental organizations. These service providers shall be contracted through competitive government procedures and based on renewable performance based contracts. The SPIU Coordinator, as appropriate, shall develop specifications and sign performance contracts with these service providers, specifying the activities to be undertaken, expected outcomes, the obligations and rights of each party, time frames, deadlines for submitting reports and indicators for monitoring and evaluation.

9. Mid-Term Review. (a) The Lead Project Agency and the Fund shall jointly carry out a review of Project implementation no later than the end of the third year of the Project (the "Mid-Term Review") based on terms of reference prepared by the Borrower and approved by the Fund. Amongst other things, the Mid-Term review shall consider the achievement of Project objectives and the constraints thereon, and recommend such reorientations as may be required to achieve such objectives and remove such constraints.

(b) The Borrower shall ensure that the agreed recommendations resulting from the Mid-Term Review are implemented within the agreed time frame and to the satisfaction of the Fund. Such recommendations may result in modifications to the Project.

10. *Project Implementation Manual*. The Lead Project Agency will finalize the Project Implementation Manual (PIM) and obtain the Fund's no-objection to the final version of the PIM no later than 6 months after the entry into force of this Agreement. The PIM shall include, amongst other things:

- (a) terms of reference and implementation responsibilities of all Project staff and all likely service providers and Project parties,
- (b) criteria for the performance appraisal of the Project staff and service providers,
- (c) Project operational, financial and accounting procedures, including eligibility criteria and modalities for Project financing, procurement, participatory planning, monitoring and evaluation system and procedures, including the Results and Impact Management System (RIMS) and
- (d) implementation modalities for all Project Components.

11. *Monitoring and Evaluation (M&E)*. The Project will set up a participatory learning system integrating planning, monitoring and evaluation and knowledge management. The Lead Project Agency will establish an M&E system by the end of the first year of the Project, in accordance with the RIMS. The M&E system shall be based on a baseline study that shall be undertaken by the Lead Project Agency within the first six months of the Project. The M&E system of the Project shall be participatory and shall be used as a management tool. Interim monitoring reports shall be sent to the Fund. These reports shall contribute to the certification of the work completed by service providers and Project staff in order to assess their performance and decide whether or not to renew their contracts. The M&E system shall collect and analyze the necessary information concerning the:

- (a) quantitative and qualitative performance of Project activities,
- (b) technical and financial implementation of Project activities,
- (c) financial appraisal of investment costs,
- (d) participation of beneficiaries, and
- (e) data management and update.

Schedule 2

Allocation Table

1. *Allocation of IFAD loan, IFAD Grant and ASAP Trust Grant Proceeds.* (a) The Table below sets forth the Categories of Eligible Expenditures to be financed by the IFAD Loan, the IFAD Grant and the ASAP Trust Grant and the allocation of the amounts of the IFAD Loan, the IFAD Grant and the ASAP Trust Grant to each Category and the percentages of expenditures for items to be financed in each Category:

Category	IFAD Loan Amount Allocated (expressed in SDR)	IFAD Grant Amount Allocated (expressed in SDR)	ASAP Trust Grant Amount Allocated (expressed in SDR)
I. Grants and Subsidies	4 870 000	4 870 000	2 450 000
II. Goods, Services and Inputs	2 060 000	2 060 000	1 490 000
III. Salaries and Allowances	500 000	500 000	120 000
IV. Operating Costs	460 000	460 000	0
Unallocated Costs	880 000	880 000	450 000
TOTAL	8 770 000	8 770 000	4 510 000

(a) In all cases the percentage of expenditures to be financed will be 100% net of taxes and beneficiary, national financial institutions and private sector, and government contributions.

(b) The PIM shall detail guidelines for allocating ASAP grant proceeds to eligible business plans.

(c) The terms used in the Table above are defined as follows:

"Grants and Subsidies" comprises financial incentives and transfers; and

"Goods, Services and Inputs" comprises vehicles, equipment, materials, contracts for service provision, technical assistance, studies, training and workshops.

(d) Eligible expenditures will be allocated to the IFAD Loan and Grant in equal measure.

(e) Based on each individual business plan, the SPIU will determine the level of ASAP grant support to finance the incremental cost of making the investment climate resilient.

The financing rationale for the "private" and "public" good elements of the business plans will be the criteria, as the role of the ASAP financing is to address the latter.

2. Start-up Costs. Withdrawals in respect of expenditures for start-up costs incurred before the satisfaction of the general conditions precedent to withdrawal shall not exceed an aggregate amount of SDR 100 000.

Schedule 3

Special Covenants

In accordance with Section 12.01(a)(xxiii) of the General Conditions, the Fund may suspend, in whole or in part, the right of the Borrower to request withdrawals from the Loan Account, the IFAD Grant Account and the ASAP Trust Grant Account, if the Borrower has defaulted in the performance of any covenant set forth below, and the Fund has determined that such default has had, or is likely to have, a material adverse effect on the Project:

1. *Project Personnel.* Professional staff of the SPIU shall be contracted, under procedures acceptable to the Fund, on an open, transparent and competitive basis and have qualifications and experience commensurate with their duties. Any discrimination based on gender, age, ethnicity or religion shall be prohibited in the recruitment of Project staff, in accordance with the laws in force in the territory of the Borrower. The recruitment and removal of professional staff shall be subject to the notification of the Fund.

2. *Gender.* The Borrower shall ensure that gender concerns shall be mainstreamed in all Project activities throughout the Project Implementation Period. The Borrower shall also ensure that women beneficiaries shall be represented in all Project activities and that they receive appropriate benefits from the Project outputs.

Logical framework

NARRATIVE SUMMARY	VERIFIABLE INDICATORS (*gender / vulnerable group disaggregated; RL: RIMS-level 1 (output) or 2 (outcome) indicators)	MEANS OF VERIFICATION	ASSUMPTIONS (A) AND RISKS (R)
OVERALL GOAL To alleviate poverty, increase rural income and contribute to the overall economic development of Rwanda	<ul style="list-style-type: none"> RL3: Increased ownership of household assets (household asset index)* (Targets defined in Baseline survey) RL3: Prevalence of child malnutrition* amongst the 15,000 HHs reduced by 5 % points by end of project. 	National statistics (EICV) Baseline and completion surveys	
PROJECT DEVELOPMENT OBJECTIVE Increased smallholder and rural worker incomes (including women, youth and vulnerable groups) from CIP crop and dairy PHHS-related businesses	<ul style="list-style-type: none"> 155,000 direct beneficiaries of which 40% are women and 20 % youth Average income increased by 15 % for at least half of the project's direct beneficiaries by end of project. At least 5 % points of increased farm income derived from focused products and dairy by MTR and 10 % points by end of project. At least 155,000 poor smallholder household members with increased food security and climate resilience (ASAP) At least 25,000 small-farm households that are engaged with participating HUBs gain access to additional harvest and post-harvest technology options which help them reduce climate risks (ASAP). 20% reduction in level of CIP crops post-harvest losses and milk spoilage over available baseline At least US\$29 million in leveraged commercial borrowing and other private sector resources for scaling up inclusive² business investments in climate resilient post-harvest handling, processing and marketing, and for actions that align scalable PPPs with such businesses US\$ value of new and existing post-harvest facilities and infrastructure made climate resilient (ASAP) 	Baseline and completion surveys Annual participatory studies Case studies on HUBs to assess changes	Government agriculture and SME policies remain in place over the project life (A) Favourable economic environment /export prices (A) Continued GoR commitment to promoting PASP value chains (R)
Component 1: HUB capacity development programme and business coaching			
Outcome: Participating HUBs have the skills and technologies, as well as access to specialized service providers, to create and operate viable businesses capable of delivering larger volumes of improved produce to the market and manage climate risks in post-production processes ³	<ul style="list-style-type: none"> 80% of participating HUBs in each selected value chain identify and address their business management and financial skill gaps and produce bankable business plans RL1: No. of people trained in post-production, processing and marketing 80% of participating HUBs identify and develop business proposals to commercial viability related to aggregating production from CIP crops and dairy for markets, supporting transformation and creating value-added to enable smallholders to capture a higher share of the value 	Baseline and completion surveys and case studies Client satisfaction surveys PASP monitoring system	Cooperatives remain the focus for GoR support to development of SMEs and agricultural value addition (A) Continued good collaboration between RCA and the Apex cooperative federations (A) PASP implementation partners (PHHTF, RAB) deliver required business services within their mandate to support PASP implementation and incorporate assessment and mitigation strategies of short and long term climate risks in their services (A)

² The term 'inclusive' means businesses that have Base-of-the-Pyramid (BoP) populations (*Ubudehe* cat. II, III and IV: very poor, poor and resourceful poor) as both customers and clients, and through which smallholder producers and entrepreneurs can hold on to their primary assets, i.e. land, water and labor to leverage technology, markets, jobs, capital from the larger scale investor.

³ Under PASP, a 'climate resilient' household is defined as a household that has access to timely and relevant climate information, additional technology options for crop and dairy production, and improved post-harvest storage for crop and dairy products.

	<ul style="list-style-type: none"> 80% of participating HUBs acquire required capacities to implement climate risk management strategies with clients and members (ASAP) 100% of HUB business plans incorporate climate change adaptation and food security measures including capacity building on climate resilient processing, handling and storage techniques (ASAP) <p>RL2: 80 % of participating HUBs implement new marketing contracts with buyers (traders, WFP, linkages with agro-processers, etc.)</p>	<p>Case studies on HUBs monitoring planned and actual outcomes of business plans</p> <p>Post training capacity assessment and targeted impact studies of HUB capability changes</p> <p>District databases on activities and outcomes of HUB activities</p>	<p>Business management capacity of the HUBs does not develop fast enough to cope with their expansion and manage their value chain development effectively</p>
Component 2: Post-harvest climate resilient agri-business investment support			
<p>Outcome: HUB investments in climate-resilient and low carbon technologies reduce post-harvest losses and increase smallholder incomes</p>	<ul style="list-style-type: none"> 80 % of participating HUBs implement business plans that increase HUB profits 20% of participating HUBs make significant (> Rwf 90 million) new capital investments in value adding and/or market development activities based on expanded finance from commercial banks and the private sector RL1: 80% of participating HUBs are able to access financing under commercial conditions at the end of the project 80% of participating farmers (disaggregated by sex) adopt best practices for post-harvest, crop drying/milk cooling and storage⁴ (ASAP) 80% of participating HUBs introduce relevant water-harvesting and management technology and/or show significantly reduced water usage (ASAP) Percentage increase on the number of private sector players collaborating with participating HUBs and PASP to establish and expand sustainable business linkages with the evolving PHHS enterprises of poor smallholders 	<p>Client satisfaction surveys</p> <p>AFR reviews and studies</p> <p>Project baseline and completion surveys and case studies</p> <p>Loan assessments from BDF</p> <p>Monthly and annual BDF reports to SPIU</p>	<p>Limited capacity of HUBs to originate and develop sound and bankable business proposals (R)</p> <p>Business management capacity of new HUBs does not develop fast enough to cope with their expansion and manage their activities to support the value chain development (R)</p> <p>Price volatility and transport cost disadvantages compared to competing regional production (R)</p> <p>Adoption of post-harvest and value addition mechanisation is slower than planned (R)</p> <p>Inadequate loan collateral provided by HUBs requiring loan guarantees are a major constraint to lending to HUBs (A)</p> <p>Domestic and regional export markets can absorb extra production (A)</p>

⁴ Best practices include access to appropriate climate information services to ensure timely harvest and drying, low carbon energy source for drying and cooling, improved storage methods such hermetically sealed bags, sufficient pallets to keep produce off the floor and assist with ventilation, and building codes and standards to ensure infrastructure resilient to high winds and intense rainfall events.