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Enabling poor rural people  
to overcome poverty

## **Republic of Rwanda**

### **Post-Harvest and Agribusiness Support Project**

#### **Negotiated financing agreement**

Executive Board — 110<sup>th</sup> Session  
Rome, 10-12 December 2013

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For: **Information**

## **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 105<sup>th</sup> 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.

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For the Fund  
[insert name and title]

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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

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## Schedule 1

### *Project Description and Implementation Arrangements*

#### I. Project Description

1. *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
<b>TOTAL</b>	<b>8 770 000</b>	<b>8 770 000</b>	<b>4 510 000</b>

(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.