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Investing in rural people

Republic of Rwanda

Rwanda Dairy Development Project

Negotiated financing agreement

Executive Board — 118th Session
Rome, 21-22 September 2016

For: Information

Negotiated financing agreement: "Rwanda Dairy Development Project"

(Negotiations concluded on 24 August 2016)

Loan Number: _____
Grant Number: _____

Project Title: Rwanda Dairy Development Project (RDDP) (“RDDP” or “the Project”)

The Republic of Rwanda (the “Borrower/Recipient”)

and

The International Fund for Agricultural Development (the “Fund” or “IFAD”)

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

HEREBY agree as follows:

Section A

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

2. The Fund’s General Conditions for Agricultural Development Financing dated 29 April 2009, amended as of April 2014, and as may be amended hereafter 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 to the Borrower/Recipient (the “Financing”), which the Borrower/Recipient shall use to implement the Project in accordance with the terms and conditions of this Agreement.

Section B

1. A. The amount of the Loan is thirty one million, three hundred and fifty thousand Special Drawing Rights (SDR 31 350 000).

   B. The amount of the Grant is seven hundred and ninety thousand Special Drawing Rights (SDR 790 000).

2. The Loan shall be free of interest but bear a service charge of three fourths of one per cent (0.75 percent) per annum and have a maturity period of forty (40) years, including a grace period of ten (10) years.

3. The Loan Service Payment Currency shall be US dollar.

4. The first day of the applicable Fiscal Year shall be July 1st.

5. Payments of principal and service charge shall be payable on each 15 February and 15 August.

6. There shall be one Designated Account denominated in USD (referred to as the “Designated Account”) opened by the Borrower/Recipient in the National Bank of Rwanda, through which the proceeds of the Financing shall be channelled. The Borrower/Recipient 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 Account”) opened by the Lead Project Agency in the National Bank of Rwanda to receive and hold the proceeds of the financing transferred from the Designated Account. The Borrower/Recipient 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/Recipient shall provide counterpart financing for the Project in an approximate amount of three million, eight hundred and sixty-three thousand and nine hundred US dollars (USD 3 863 900). The counterpart financing provided by the Borrower/Recipient shall cover the payment of duties and taxes related to the Financing.

Section C

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

2. The following are designated as additional Project Parties: the Rwanda Agriculture Board (RAB), the Rwanda Council of Veterinary Doctors (RCVD), the Rwanda Cooperative Agency (RCA), Heifer International, and any other parties deemed necessary by the Lead Project Agency (LPA).

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

Section D

The Loan will be administered and the Project supervised by IFAD.

Section E

1. The following are designated as additional grounds for 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 consent 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.

(b) The SPIU Coordinator, the RDDP Programme Manager and/or the SPIU Director of Administration and Finance (DAF) are appointed, transferred or removed from the SPIU without the prior concurrence of the Fund.

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

(a) The Borrower/Recipient and HPI have entered into the HPI Co-Financing Agreement as outlined in section 8.2 of Schedule 1 to this Agreement, in form and substance satisfactory to the Fund;

(b) The Borrower/Recipient has duly opened the Designated Account and the Project Operations Account;

(c) The Borrower/Recipient has prepared the revised PIM, in form and substance satisfactory to the Fund;

(d) The Borrower/Recipient has established the Project Steering Committee in accordance with section II.A.6 of Schedule 1 to this Agreement; and

(e) The Borrower/Recipient has appointed the RDDP Programme Manager with terms of reference and qualifications acceptable to the Fund.

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

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

For the Borrower/Recipient:

Ministry of Finance and Economic Planning
P.O. Box 158
Kigali, the Republic of Rwanda

For the Fund:

President
International Fund for Agricultural development
Via Paolo di Dono 44
00142 Rome, Italy

This Agreement, dated [Date], has been prepared in the English language in two (2) original copies, one (1) for the Fund and one (1) for the Borrower/Recipient.

THE REPUBLIC OF RWANDA

____
[Authorized Representative Name]
Minister of Finance and
Economic Planning

INTERNATIONAL FUND FOR
AGRICULTURAL DEVELOPMENT

____
Kanayo F. Nwanze
President

Schedule 1

I. Project Description

1. Target Population. The Project shall benefit about 100,000 resource-poor rural households, of whom 80,000 will be involved in dairy farming and 20,000 in off-farm activities along the dairy value chain. The Project comprises initially 12 districts in the East, North, West and South Provinces of Rwanda. Selection of the targeted districts was based on: (i) current cattle population and level of milk production; (ii) current and projected market development potential, including investments in milk collection centres (MCCs), dairy processing plants and animal feed factories; and (iii) levels of poverty, food insecurity and malnutrition ("Project Area"). With an estimated population of 4.6 million, poverty in the project area is higher than the national average.

2. Goal. The goal of the Project is to contribute to pro-poor national economic growth and improve the livelihoods of resource-poor rural households. This will be achieved by focusing on food security and nutrition, empowering women and youth, increasing smallholder dairy farmers' incomes and developing a climate-resilient dairy value chain.

3. Objectives. The objective of the Project is to increase the dairy sector's competitiveness and profitability through the provision of quality products from small-scale producers to domestic and regional consumers, thus improving their livelihoods, food security and nutrition while building overall resilience. The specific objectives will aim at the following:

- Sustainably intensify dairy production and increase productivity among participating smallholder farmers. This shall be achieved through: the promotion of improved climate-smart dairy-farming practices and access to quality dairy inputs; extension services including veterinary and artificial insemination services; green technologies; and business and financial services, following a hub-model approach.

- Increase incomes among participating smallholder farmers from dairy farming through the combined effects of increased milk production and improved market access. This shall be achieved through the development of dairy hubs; establishment and strengthening of dairy farmers' organizations; and facilitation of linkages to markets and dairy value-chain actors such as milk collectors, processors, transporters, traders and investors in milk quality through public-private-producer partnerships.

4. Components. The Project shall consist of the following Components:

Component 1: Climate-smart dairy production intensification

This component aims at increasing the capacity of smallholder dairy farmers and farm assistants to sustainably produce and supply higher volumes of quality milk to the dairy market, through: (i) enhancing the capacity of smallholder dairy farmers and farm assistants to improve their knowledge, attitudes and behaviours for increased milk productivity and quality; (ii) providing smallholder dairy farmers with sustainable access to public and private livestock services and inputs; and (iii) supporting resource-poor households without cattle to acquire dairy assets so that they can begin dairy farming through the Girinka programme and increase their capacity to implement climate-smart investments aimed at sustainably improving milk productivity and quality, as well as increasing household-level milk consumption.

Component 2: Producer organization and value chain development

This component is designed to enable farmers to capitalize on productivity gains realized through investments made under component 1 and to increase their earnings through: (i) organization and capacity-building of dairy-farmer cooperatives for improved service delivery to farmers in milk collection and marketing, input supply, animal-health services and financial services under the hub model; (ii) investment in climate-resilient milk collection, processing and marketing infrastructure aimed at reducing post-production losses and enhancing the supply of quality milk in the domestic and regional markets; and (iii) leveraging financing for climate-resilient dairy enterprise development aimed at catalysing growth in all segments of the dairy value chain.

Component 3: Institutional and policy development

This Component aims to facilitate the establishment of an evidence-based, inclusive policy framework and institutional structure for the Rwandan dairy sector, through: (i) formulation of a national dairy policy and legislation necessary for improving the regulatory environment of the sector; (ii) policy implementation and institutional strengthening; and (iii) policy-related analysis and technical assistance.

II. Implementation Arrangements

A. Organization and Management

5. Lead Project Agency ("LPA")

5.1. The LPA shall be MINAGRI, who shall have the overall responsibility for Project implementation.

6. Project Steering Committee ("PSC")

6.1. Establishment and Composition. The Borrower/Recipient, through MINAGRI, shall establish the PSC, with structure, functions and responsibilities in accordance with the PIM and acceptable to the Fund. The PSC shall be chaired by MINAGRI's Permanent Secretary and comprise representatives as indicated in the PIM. The PSC shall meet at least twice a year and the SPIU shall act as PSC's secretariat.

6.2. Responsibilities. The PSC is responsible for Project oversight and strategic guidance, as detailed in the PIM, including (i) provision of strategic guidance to Project management; (ii) approval of the AWPB and of the initial Procurement Plan and of financial and technical progress reports; (ii) vigilance over full transparency and accountability in Project management; (iii) review and follow-up of supervision and audit recommendations; (iv) promotion of cooperation with all development partners; and (v) identification of policy issues for attention by the Borrower/Recipient an initiation of follow-up action on lessons and findings from the Project.

7. Single Project Implementation Unit ("SPIU")

7.1. Composition. The MINAGRI shall keep the SPIU with the structure, functions and responsibilities acceptable to the Fund and in accordance with the PIM. Additional qualified staff shall be selected according to the Borrower/Recipient's applicable procedures acceptable to the Fund and their recruitment shall be subject to the Fund's no-objection.

7.2. Responsibilities. The SPIU is responsible for overall Project management and coordination, including, inter alia: (i) preparation of the AWPB; (ii) financial management; (iii) procurement; (iv) Project monitoring and evaluation (M&E);

(v) knowledge management; (vi) preparation and consolidation of SOEs, financial statements and withdrawal applications; (vii) Project reporting; and (viii) coordination of all Project implementing partners.

B. Implementation of Components

8.1. Supporting Agencies. Within MINAGRI, the day-to-day operations of the Project will be carried out by the SPIU, which will report to the Director General of the RAB, the main implementating partner. The RCVD, the RCA, Rwanda's Business Development Fund ("BDF"), the Rwanda National Dairy Platform and/or any other relevant institution selected by the LPA will be responsible for supporting implementation of core Project activities. To this end, the SPIU shall amend and/or sign implementation conventions with RAB, RCVD, RCA, BDF or any other parties deemed necessary by the LPA, 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.

8.2. Co-Financing Agreement. The Borrower/Recipient and Heifer International will enter into the Co-Financing Agreement for a total co-financing by Heifer International of USD 4 000 000. The Co-Financing Agreement will establish the terms and conditions of the co-financing as well as the implementation of activities under components 1 and 2 by Heifer International, including detailed description of activities financed solely by Heifer International and those to be financed by IFAD in the amount of USD 4 000 000.

8.3. Partnership Agreements. Project implementation will be structured around performance-based Memoranda of Understanding ("MOUs") with key government agencies, partnership agreements with implementation partners, and service contracts with recruited service providers. Collaboration will also be forged with the Food and Agriculture Organization of the United Nations (FAO) for technical support, including on-the-job training in: (i) prospective study on demand and supply for feed and GHG emissions; and (ii) conceptualization and preparation of a breeding programme for smallholder dairy cows including the development of an Animal Identification and Performance Recording System (AIPRS) for dairy cattle.

8.4. Service Providers. Service providers shall be contracted through competitive government procedures and based on renewable performance based service contracts. These contracts shall specify 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. To ensure uninterrupted service delivery during implementation, the LPA will enter into multi-year agreements with all partners, but provide annual reviews to ensure the achievement of results. All service contracts for multi-year engagement will be issued on an annual basis, and will be renewable only upon achievement of clearly set performance targets. The LPA shall enter into a service contract with Heifer International for the Project activities to be financed by the Fund and implemented by Heifer International.

8.5. Mid-Term Review. (a) The LPA 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/Recipient 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/Recipient 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.

8.6. Monitoring and Evaluation (M&E). The Project will set up a participatory learning system integrating planning, monitoring and evaluation and knowledge management. The LPA will establish an M&E system by no later than the end of the first year of the Project. The M&E system shall be based on a baseline study that shall be undertaken by the LPA within the first six months of Project implementation. 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 implementation partners, service providers and SPIU 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.

C. Project Implementation Manual (“PIM”)

9.1. Preparation. The Borrower/Recipient shall prepare, in accordance with terms of reference acceptable to the Fund, a PIM, which shall include, among other arrangements: (i) institutional coordination and day-to-day execution of the Project; (ii) Project budgeting, disbursement, financial management, procurement monitoring, evaluation, reporting and related procedures; (iii) detailed description of implementation arrangements for each Project components; and (v) such other administrative, financial, technical and organizational arrangements and procedures as shall be required for the Project.

9.2. Approval and Adoption. The LPA, shall forward the draft PIM to the Fund for comments and approval. The LPA shall adopt the PIM, substantially in the form approved by the Fund, and the LPA shall promptly provide copies thereof to the Fund. The Borrower/Recipient shall carry out the Project in accordance with the PIM and shall not amend, abrogate, waive or permit to be amended, abrogated, or waived, the aforementioned manual, or any provision thereof, without the prior written consent of the Fund.

Schedule 2

Allocation Table

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

Category		Loan Amount Allocated (expressed in SDR)	Grant Amount Allocated (expressed in SDR)
I.	Works	330 000	
II.	Goods, Services and Inputs	9 700 000	370 000
III.	Consultancies	3 700 000	350 000
IV.	Training & Workshops	6 300 000	
V.	Grants & Subsidies	5 030 000	
VI.	Salaries and Allowances	2 420 000	
VII.	Operating Costs	780 000	
	Unallocated	3 090 000	70 000
TOTAL		31 350 000	790 000

(b) In all cases the percentage of expenditures to be financed will be 100% net of taxes and financing and co-financing from beneficiaries, national financial institutions and the private sector.

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

"Grants and Subsidies" comprises financial incentives and transfers to support 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 dairy hubs' capacity to establish and operate such investments and improve their efficiency and sustainability. These Grants and Subsidies will be administered by the SPIU and/or BDF and/or any financial service provider identified by the Borrower/Recipient and acceptable to the Fund.

"Goods, Services and Inputs" also comprises vehicles, equipment and materials.

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.