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## President's Report

### Proposed loan to the Republic of Rwanda for the Kayonza Irrigation and Integrated Watershed Management Project – Phase I (KIIWP1)

Project ID: 2000002229

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For: Approval

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### Project delivery team

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## Abbreviations and acronyms

AWP/B	annual workplan and budget
ESIA	environmental and social impact assessment
ESMF	environmental and social management framework
ESMP	environmental and social management plan
FS	feasibility study
IFMIS	integrated financial management information system
KIIWP	Kayonza Irrigation and Integrated Watershed Management Project
KWAMP	Kirehe Community-based Watershed Management Project
MINAGRI	Ministry of Agriculture and Animal Resources
PSC	project steering committee
RAB	Rwanda Agriculture and Animal Resources Development Board
RAP	resettlement action plan
SPIU	single project implementation unit
TOC	theory of change

# Map of the project area



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 | 12-02-2019

## Republic of Rwanda

### Kayonza Irrigation and Integrated Watershed Management Project – Phase I (KIIWP1)

#### Financing summary

<b>Initiating institution:</b>	International Fund for Agricultural Development
<b>Borrower:</b>	Republic of Rwanda, represented by the Ministry of Finance and Economic Planning
<b>Executing agency:</b>	Ministry of Agriculture and Animal Resources
<b>Total project cost:</b>	US\$24.73 million
<b>Amount of IFAD loan:</b>	SDR 12.85 million (equivalent to US\$17.8 million)
<b>Terms of IFAD loan:</b>	Highly concessional
<b>Amount of IFAD climate finance:</b>	US\$8.3 million
<b>Contribution of borrower:</b>	US\$5.42 million
<b>Contribution of beneficiaries:</b>	US\$1.53 million
<b>Appraising institution:</b>	IFAD
<b>Cooperating institution:</b>	Directly supervised by IFAD

## Recommendation for approval

The Executive Board is invited to approve the recommendation contained in paragraph 62.

# Proposed loan to the Republic of Rwanda for the Kayonza Irrigation and Integrated Watershed Management Project – Phase I (KIIWP1)

## I. Context

### A. National context and rationale for IFAD involvement

#### National context

1. Rwanda is a low-income country with a densely packed population of about 12.5 million people. It has a total land area of 26,338 km<sup>2</sup>, 18,095 km<sup>2</sup> of which is classified as arable agricultural land. Rwanda has enjoyed political stability in the past two decades, which, combined with good governance and consistent policies, has created an enabling policy environment for ensuring successful development programmes. The country has also seen its economy grow by 7.9 per cent per year since the turn of the century. In this same period, GDP per capita has risen from US\$242 to US\$729 and poverty has fallen from 60 per cent to 39 per cent of the population.
2. Poverty remains a key challenge, especially in rural areas.<sup>1</sup> Official estimates show that 19 per cent of households are food insecure and 38 per cent of children under five are chronically malnourished.
3. The agriculture sector has proven to be a key driver of poverty reduction. It employs around 70 per cent of the population, provides 91 per cent of the food consumed in the country, accounts for 70 per cent of export revenues and contributes 32.7 per cent of GDP. Rwandan agriculture is characterized by small production units, reflecting the high population pressure on natural resources. About 80 per cent of the rural population consists of subsistence farmers who employ mostly rainfed production systems. Critically, less than 6 per cent of all cultivated land is irrigated.
4. The land itself is fragile due to its mountainous topography, thin soil layers and limited vegetation cover. Population pressure has forced settlement in marginal areas, resulting in overgrazing, severe soil erosion and soil exhaustion, combined with high vulnerability of rural communities to climate and weather shocks.
5. Improvements in the agriculture sector over the past decade have been driven mainly by interventions in land management, input provision and irrigation. The crop-livestock intensification agenda remains critical. Continued food and high-value commodity production and productivity increases are essential to make the largely subsistence sector more knowledge-intensive, competitive and market-oriented. Sustainable development of irrigated agriculture is acknowledged in most of Rwanda's flagship policy documents as a key driver to boost agricultural production and productivity.

Special aspects related to IFAD's corporate mainstreaming priorities

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<sup>1</sup> The incidence of poverty is 43 per cent of the population in rural areas, in contrast to 22 per cent in urban areas.

6. Climate change. Climate change has resulted in Rwanda experiencing frequent and recurrent mid-season droughts. While the Northern and Southern Provinces suffer from major landslides and severe soil erosion due to heavy floods, the Eastern Province, including the Kayonza District, is regularly hit by drought, leading to lower agricultural production and higher livestock deaths.
7. Gender. Gender inequality remains a serious concern in rural areas, where traditional patriarchal attitudes continue to prevail. Although women provide the bulk of the labour (86 per cent) in the agriculture sector, with lower levels of schooling and higher illiteracy rates (23 per cent), they are confined to subsistence farming with limited skills, access to markets and control over land.
8. Youth. Over 50 per cent of the population is under the age of 20, and the median age is 22.7. Youth unemployment is relatively low (4.1 per cent) and more of an urban problem. Youth inactivity (37 per cent) stems mainly from young people still in education (75 per cent) or looking after their families (16 per cent). Two thirds of employed youth work in agriculture, but the sector is characterized by low productivity, low earnings and precarious working conditions.
9. Nutrition. Almost 38 per cent of children under five are chronically malnourished, and stunting continues to be a major public health concern. Official estimates show that 19 per cent of households are food insecure, often related to the instability of rural incomes, access to land, livestock ownership and events such as crop failures and seasonal scarcities, which reduce access to food.

#### Rationale for IFAD involvement

10. In 2016, the Eastern Province was hit by a severe drought that further increased the challenges faced by farmers in terms of land pressure, loss of soil fertility and inadequate farmer participation in rural development planning. More than 47,000 households in the Province became food insecure, and the Government of Rwanda had to provide food relief and water for livestock to the affected districts.
11. Along with its strategy to mitigate the drought-induced calamities through improved use of untapped water resources, the Government has asked IFAD to formulate a new integrated irrigation and watershed development project, revolving around the most seriously affected district of Kayonza.
12. The project will also build on the experience of the recently completed Kirehe Community-based Watershed Management Project (KWAMP) in a neighbouring district, which helped reduce poverty levels from 54 per cent to 37 per cent of the population from 2008 to 2016.

#### B. Lessons learned

13. Project design builds on the strengths and lessons learned from KWAMP and the ongoing Project for Rural Income through Exports, the Climate-Resilient Post-Harvest and Agribusiness Support Project and the Rwanda Dairy Development Project:
  - (a) The focus on a single district facilitated the active role of local government staff at different administrative levels.
  - (b) A critical element for ensuring the sustainability of watershed management is the integrated and participatory approach used to prepare, implement and monitor catchment management plans. The strengthening of irrigation water user organizations and other decentralized structures ensured community ownership and adequate infrastructure management.
  - (c) Strategic partnerships and innovative approaches are key to promoting gender equality and youth engagement in agriculture. The Rwanda Youth Agribusiness Forum is a relevant partner for engaging youth in agriculture. The Gender Action Learning System in Rwanda has contributed to an increase

in men's and women's equal access to economic opportunities, decision-making processes and share of the workload.

- (d) The competitively staffed single project implementation unit (SPIU), in charge of implementing IFAD-funded projects, allows for rapid project start-up and timely disbursements.

## II. Project description

### A. Project objectives, geographic area of intervention and target groups

14. The project's overall goal is to contribute to poverty reduction in the drought-prone Eastern Province of Rwanda. The development objective is to sustainably improve the food security and income of 50,000 rural households and boost their climate resilience.
15. The Kayonza Irrigation and Integrated Watershed Management Project (KIIWP) will be implemented in two distinct phases. The rationale for the phased approach is for KIIWP1 to: respond to the urgent demand of the Government of Rwanda to tackle drought-related issues as quickly as possible; and to conduct the feasibility study (FS) and environmental and social impact assessments (ESIA) and validate the irrigation schemes ahead of large irrigation development and farm business development support in KIIWP2.
16. The target area is the Kayonza District in the Eastern Province of Rwanda. Out of a total of 12 sectors, the project will target the 8 drought-prone sectors of Gahini, Kabare, Kabarondo, Murama, Murundi, Mwiri, Ndego and Rwinkwavu. These areas are relatively hot, with limited rainfall compared to the rest of the country, averaging 900 mm per year. Households face a serious water scarcity challenge during nearly all the dry months of the year, but there is high potential for irrigation development. For more than three quarters of the total active population, agriculture is the main economic activity and source of income.
17. The project will target poor and food insecure rural households in the following Ubudehe categories of the national wealth ranking system: Category 1 – families who do not own a house or cannot pay rent, have a poor diet and can hardly afford basic household tools and clothes; Category 2 – those who have a dwelling of their own or are able to rent one and who obtain food and wages mostly from working for others but rarely have full-time jobs; and Category 3 – those who have a job and farmers who go beyond subsistence farming to produce a surplus that can be sold. The targeting strategy recognizes the heterogeneous nature of the target group and includes specific measures to target the poorest people, and women and youth.

### B. Components/outcomes and activities

18. KIIWP1 will last 2.5 years, and KIIWP2 is expected to be implemented in 3.5 years, resulting in a 6-year project implementation period. The two phases will be subject to separate approval and financing processes, with the submission of KIIWP2 for Executive Board approval after satisfactory achievement of the conditions specified in paragraph 22.
19. Hereafter, the full project is presented in this report, but detailed information is provided only on KIIWP1 for approval.
20. KIIWP1 will have two components:
  - (i) Component A, Strengthening resilience to droughts, will invest in catchment rehabilitation, livestock and domestic water infrastructure development and the establishment of efficient infrastructure management institutions. Specific environmental and social management plans (ESMPs) for these activities will be prepared during implementation. FSs and ESIAs will be



conducted for four potential irrigation schemes in the district. In addition, 5,000 hectares will be studied to develop a pipeline of investment-ready irrigation schemes.

- (ii) Component B, Institutional development and project coordination, will provide the institutional, managerial and administrative support services needed to implement the two technical components above. Key interventions include: i) capacity-building for implementation staff under the SPIU at the local and national level; and ii) gender and youth mainstreaming. Opportunities to support the development and implementation of national policies, strategies and/or regulations related to the project interventions will be prioritized.
21. The main expected outcomes and outputs foreseen in KIIWP1 are: (i) 11,250 people reporting improved access to land and water for production purposes; (ii) 1,400 hectares of land brought under climate-resilient management, benefiting 21,000 people; (iii) 35 infrastructure works (valley tanks and boreholes) constructed in rainfed areas; (iv) investment-ready schemes for the irrigation of 2,275 hectares, combined with an investment-ready pipeline of about 5,000 hectares; (v) 49 groups supported for sustainable management of natural resources and climate-related risks; and (vi) contribution to the development and/or operationalization of relevant national policies.
  22. In order to proceed from KIIWP1 to KIIWP2, the following triggers are established as conditions:
    - (a) FSs identify irrigation schemes that are financially, economically, environmentally and socially viable and sustainable;
    - (b) Satisfactory third-party review of FSs, ESIAAs and resettlement action plans (RAPs);
    - (c) ESIAAs and RAPs are disclosed at the local community level and on the national and IFAD websites for at least 120 days;
    - (d) Provision of a budget and commitment by the Government of Rwanda to implement the RAP and other ESMP activities identified by the ESIAAs; and
    - (e) Revision of the project design report and project implementation manual to incorporate the findings of KIIWP1.
  23. Before submitting KIIWP2 for Executive Board approval, IFAD Senior Management will assess whether the conditions have been fully met.
  24. The anticipated components and activities in KIIWP2, which will be further developed, consist of:
    - (i) Component A, Strengthening resilience to droughts, will promote climate-smart agriculture for irrigated and rainfed lands through farmer field schools, as well as good nutritional practices and the Gender Action Learning System. It will include investment in irrigation infrastructure development and marshland development.
    - (ii) Component B, Support to farm business development, will strengthen farmers' organizational and entrepreneurial skills by: (i) developing farming as a business skill; (ii) promoting mechanization, post-harvest storage and irrigation technologies tailored to smallholder agriculture; and (iii) supporting backward and forward linkages.
    - (iii) Component C, Institutional development and project coordination, will continue supporting the project as described under KIIWP1.
  25. The main expected outcomes on completion of KIIWP2 include: (i) improved access by 225,000 people to land, forests, water and water bodies for production

purposes; (ii) 2,275 hectares of farmland under water-related infrastructure; (iii) 5,350 hectares of farmland under climate-resilient management and practices; (iv) 55 infrastructure management institutions with increased capacity to sustainably manage natural resources and climate-related risks; (v) enhanced use by farmers, including youth, of technologies, equipment and infrastructure tailored to smallholder agriculture; and (vi) increased economic benefits to farmers from market participation.

### C. Theory of change

26. The KIIWP1 theory of change (TOC) is based on the situation faced by crop and livestock farmers in the target area. Identified problems include: (i) climate change; (ii) population pressure; (iii) limited water storage and availability; (iv) crop failures in subsistence agriculture; (v) limited number of investment-ready irrigation projects; (vi) inadequate farmer participation in rural development planning; and (vii) weak technical and organizational capacity of district staff.
27. These factors lead to catchment degradation, conflicts between water users, the death of livestock, the need for emergency food, reduced investment in irrigation, a weak sense of responsibility/ownership of natural resources and lack of a harmonized approach to support project implementation.
28. The KIIWP1 TOC is that smallholder farmers will sustainably increase their food security and income through focused interventions made at the district/sector level. The TOC assumes that ownership of infrastructure by beneficiaries, combined with the integrated watershed management approach adopted by the project, will ensure appropriate management of natural resources and increased control of climate-related risks in the target areas.

### D. Alignment, ownership and partnerships

29. The project will contribute to Rwanda's long-term development goals in Vision 2020 and Vision 2050 to transform the country from a low-income agriculture-based economy into a knowledge-based, service-oriented economy with upper-middle income status by 2035. The Government of Rwanda's medium-term strategy to achieve this is encapsulated in the second Economic Development and Poverty Reduction Strategy. The project is fully aligned with the goals and objectives of the IFAD Strategic Framework 2016-2025, the new draft country strategic opportunities programme 2019-2024 and IFAD policies, strategies and action plans.
30. Overall, KIIWP will directly contribute to the attainment of several Sustainable Development Goals, notably 1 (No Poverty); 2 (Zero Hunger); 5 (Gender Equality); 8 (Decent Work and Economic Growth); 9 (Industry, Innovation and Infrastructure); 13 (Climate Action) and 15 (Life on Land).
31. Project implementation will build on the existing programmes and activities of other implementing partners or agencies working in the same sector or geographical location, including the World Bank, the Food and Agriculture Organization of the United Nations and the European Union. Partners that can collaborate with KIIWP1 are the Ministry of Agriculture and Animal Resources (MINAGRI), the Rwanda Capacity Development and Employment Services Board and ongoing IFAD-funded projects in the country.

### E. Costs, benefits and financing

Project costs KIIWP1

32. KIIWP1 total project costs, including physical and price contingencies, are estimated at US\$24.73 million (RWF 22.2 billion), US\$23.62 million of which are baseline costs and US\$1.11 million are allowances for physical and price contingencies. The costs by project component are as follows: (i) strengthening

resilience to droughts, US\$21.32 million (86.2 per cent); and (ii) institutional development and project coordination, US\$3.41 million (13.8 per cent).

33. Under Component A, Strengthening resilience to droughts, Sub-component A.1, Catchment rehabilitation and protection, is partially counted as climate finance. The total amount of IFAD climate finance for this project is preliminarily calculated as US\$8,263,396,<sup>2</sup> which represents 46.4 per cent of the total project amount.

Table 1

**Project costs by component (and subcomponent) and financier**

(Thousands of United States dollars)

<i>Component</i>	<i>Beneficiaries</i>		<i>IFAD loan</i>		<i>Government</i>		<i>Total</i>	
	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>
<b>A. Strengthening resilience to droughts</b>								
1. Catchment rehabilitation and protection	1 527.1	14.5	7 044.2	66.9	1 956.4	18.6	10 527.6	42.6
2. Irrigation development	-	-	6 929.6	70.1	2 961.4	27.4	9 891.1	40.0
3. Infrastructure management institutions	-	-	269.3	82.0	59.1	18.0	328.5	1.3
4. ESMP	-	-	471.5	82.0	103.5	18.0	575.0	2.3
<b>Subtotal: Strengthening resilience to droughts</b>	<b>1 527.1</b>	<b>7.2</b>	<b>14 714.7</b>	<b>69.0</b>	<b>5 084.4</b>	<b>23.8</b>	<b>21 322.1</b>	<b>86.2</b>
<b>B. Institutional development and project coordination</b>								
1. Institutional support	-	-	227.2	82.0	49.9	18.0	277.1	1.1
2. Project management and coordination	-	-	2 849.2	90.9	285.7	9.1	3 134.9	12.7
<b>Subtotal: Institutional development and project coordination</b>	<b>-</b>	<b>-</b>	<b>3 076.4</b>	<b>90.2</b>	<b>335.5</b>	<b>9.8</b>	<b>3 412.0</b>	<b>13.8</b>
<b>Total</b>	<b>1 527.1</b>	<b>6.2</b>	<b>17 791.1</b>	<b>71.9</b>	<b>5 416.0</b>	<b>21.9</b>	<b>24 734.1</b>	<b>100.0</b>

Table 2

**Project costs by expenditure category and financier**

(Thousands of United States dollars)

<i>Expenditure category</i>	<i>Beneficiaries</i>		<i>IFAD loan</i>		<i>Government</i>		<i>Total</i>	
	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>
1. Equipment and materials	-	-	2 501.6	80.0	625.4	20.0	3 127.0	12.6
2. Works	1 527.1	20.5	4 567.9	61.5	1 337.9	18.0	7 432.9	30.1
3. Vehicles	-	-	191.0	80.0	47.8	20.0	238.8	1.0
4. Consultancies and non-consulting services	-	-	7 888.8	71.3	3 172.0	28.7	11 060.8	44.7
5. Training and workshops	-	-	854.6	82.0	187.6	18.0	1 042.2	4.2
6. Grants and subsidies	-	-	-	-	-	-	-	-
7. Salaries and allowances	-	-	1 580.6	100.0	0.0	-	1 580.6	6.4
8. Operating costs	-	-	206.6	82.0	45.3	18.0	251.9	1.0
<b>Total</b>	<b>1 527.1</b>	<b>6.2</b>	<b>17 791.1</b>	<b>71.9</b>	<b>5 416.0</b>	<b>21.9</b>	<b>24 734.1</b>	<b>100.0</b>

<sup>2</sup> As per MDB Methodologies for Tracking Climate Adaptation and Mitigation Finance, and subject to the costing tables included in this document.

Table 3  
**Project costs by component and project year**  
 (Thousands of United States dollars)

Component/ subcomponent	2019		2020		2021		2022		Total
	Amount	%	Amount	%	Amount	%	Amount	%	Amount
<b>A. Strengthening resilience to droughts</b>									
1. Catchment rehabilitation and protection	3 140.0	54.3	5 043.6	46.4	1 719.0	22.5	-	-	9 902.6
2. Irrigation development	1 120.0	19.4	4 210.9	38.7	4 208.0	55.1	-	-	9 538.9
3. Infrastructure management institutions	144.1	2.5	94.6	0.9	77.3	1.0	4.0	0.9	319.9
4. Environment and social management plan	-	-	350.7	3.2	203.4	2.7	-	-	554.1
<b>Subtotal: Strengthening resilience to droughts</b>	<b>4 404.1</b>	<b>76.2</b>	<b>9 699.8</b>	<b>89.2</b>	<b>6 207.7</b>	<b>81.3</b>	<b>4.0</b>	<b>0.9</b>	<b>20 315.5</b>
<b>B. Institutional development and project coordination</b>									
1. Institutional support	48.7	0.8	64.7	0.6	81.0	1.1	71.0	16.2	265.4
2. Project management and coordination	1 166.0	20.2	641.1	5.9	893.7	11.7	333.6	76.2	3 034.5
<b>Subtotal Institutional development and project coordination</b>	<b>1 214.8</b>	<b>21.0</b>	<b>705.9</b>	<b>6.5</b>	<b>974.7</b>	<b>12.8</b>	<b>404.6</b>	<b>92.4</b>	<b>3 299.9</b>
<b>Total baseline costs</b>	<b>5 618.8</b>	<b>97.2</b>	<b>10 405.6</b>	<b>95.7</b>	<b>7 182.4</b>	<b>94.0</b>	<b>408.6</b>	<b>93.3</b>	<b>23 615.5</b>
Physical contingencies	107.0	1.8	151.0	1.4	86.0	1.1	-	-	334.0
Inflation:									
Local	56.8	1.0	334.1	3.1	449.3	5.9	54.9	12.5	895.0
Foreign	30.4	0.5	164.5	1.5	172.1	2.2	7.8	1.8	374.9
<b>Subtotal inflation</b>	<b>87.2</b>	<b>1.5</b>	<b>498.6</b>	<b>4.6</b>	<b>621.4</b>	<b>8.1</b>	<b>62.7</b>	<b>14.3</b>	<b>1 269.9</b>
Devaluation	(29.9)	(0.5)	(179.8)	(1.7)	(252.1)	(3.3)	(33.4)	(7.6)	(495.2)
<b>Subtotal price contingencies</b>	<b>57.3</b>	<b>1.0</b>	<b>318.8</b>	<b>2.9</b>	<b>369.3</b>	<b>4.8</b>	<b>29.3</b>	<b>6.7</b>	<b>774.7</b>
<b>Total project costs</b>	<b>5 783.1</b>	<b>100.0</b>	<b>10 875.4</b>	<b>100.0</b>	<b>7 637.6</b>	<b>100.0</b>	<b>437.9</b>	<b>100.0</b>	<b>24 734.1</b>
Taxes	1 044.0	-	1 906.1	-	1 250.3	-	34.2	-	4 234.9
Foreign exchange	3 072.9	-	5 611.7	-	3 559.5	-	117.0	-	12 361.0

#### Project financing/cofinancing strategy and plan

34. The IFAD loan for KIIWP1 is in an amount equivalent to US\$17.8 million (71.9 per cent). The Government of Rwanda will contribute US\$5.42 million (21.9 per cent) in the form of tax exemptions and consultancies for irrigation schemes; and beneficiaries for a total of US\$1.53 million (6.2 per cent) in the form of works. The estimated costs for KIIWP2 are approximately US\$59 million (RWF 53 billion). KIIWP2 is expected to be financed by: (i) IFAD, up to US\$26 million, under the financing terms prevailing at the time of approval; (ii) the private sector, US\$322,000; (iii) the International Cocoa Organization, US\$246,000; (iv) Government of Rwanda, a total of US\$9 million in the form of tax exemptions; (v) cofinanciers, a total of US\$22 million; and (vi) beneficiaries, US\$2 million.
35. Several development partners, mainly the Korea International Cooperation Agency but the African Development Bank, the OPEC Fund for International Development, the Spanish Government and the European Union as well, have expressed interest in cofinancing KIIWP2 once the results of the FSs and ESAs are disclosed. Should the level of cofinancing not be sufficient, resources under the Twelfth Replenishment of IFAD's Resources cycle may be sourced (under financing terms to be determined and subject to internal procedures and subsequent Executive Board approval).
- Disbursement
36. A designated account in United States dollars will be opened at the National Bank of Rwanda specifically to receive loan proceeds from IFAD. This account will be managed by the SPIU under the supervision of the Rwanda Agriculture and Animal

Resources Development Board (RAB), in accordance with Government of Rwanda procedures. A project operating account in Rwandan francs will also be opened at the National Bank of Rwanda. These two accounts will be linked to the integrated financial management information system (IFMIS) but will not be subjected to daily zero balance requirements under the single Treasury account. For local currency transactions, the Rwandan francs operating account will be used, while for transactions in United States dollars and foreign travel/training, authority will be sought from the Accountant General to draw United States dollars from the designated account.

#### Summary of benefits and economic analysis

37. The economic and financial analysis of KIIWP1 shows that the project would be profitable with an economic internal rate of return of 15.74 per cent and a net present value of US\$1.7 million at a 12 per cent economic discount rate. The sensitivity analysis shows that the economic profitability of KIIWP1 would remain satisfactory even if project costs increased by 26 per cent, project benefits decreased by 21 per cent or the benefits lagged behind by two years. Economic benefits derive from increased value of agricultural production and the value of improved access to water for domestic and livestock uses. Benefits also include the improvement of living conditions and nutrition, the positive spillover effects of capacity-building on the local community and less land lost as a result of soil erosion control.
38. The overall economic and financial analysis shows that KIIWP1 and KIIWP2 are financially profitable for rural households engaged in agricultural production, with a financial internal rate of return for farmers ranging from 20 to 27 per cent depending on the production system. The economic and financial analysis for the entire project (KIIWP1 and KIIWP2) yields satisfactory results, with a 19.32 per cent economic internal rate of return and a net present value of US\$12.5 million at a 12 per cent economic discount rate.

#### Exit strategy and sustainability

39. The sustainability of project benefits will be ensured through various means. The project will be implemented by RAB through district teams. The private sector will be engaged as early on as possible. The government entities are permanent structures that will be able to absorb support activities after project completion. KIIWP interventions will be owned by community organizations that will be involved from the outset and be trained to operate and manage them.

### III. Risks

#### A. Project risks and mitigation measures

40. The main risks and mitigation measures for KIIWP1 are detailed below.

Table 4

<i>Main risks</i>	<i>Mitigation measures</i>
Rwanda faces the growing effects of climate change, as evidenced by prolonged droughts.	Strengthening resilience to drought is a major part of the project.
FS/ESIAs find that some of the six proposed irrigation sites are not viable/feasible/appropriate.	KIIWP1 will conduct FS/ESIAs for six potential irrigation schemes and deliver FSs and ESIAs to prepare a pipeline of about 5,000 hectares of investment-ready irrigation schemes.
Competition between water users in times of scarcity.	Investments will increase water storage and boreholes for livestock. Catchment water management committees will be strengthened to support joint management of limited water resources.
Land tenure issues and conflict with the landless rural population, including livestock owners.	Cadastral surveys will be conducted and social management plans prepared in consultation with project-affected people and disclosed locally. Timely consultations will be held with livestock keepers to ensure access to grazing land. ESIAs will identify risks and specific mitigation measures to inform the project strategy.

## B. Environment and social category

41. The preliminary environmental and social risk category for the project is A. However, KIIWP1 activities are classified as category B, since interventions focus on preparatory studies for irrigation schemes, integrated watershed management and planning activities. KIIWP2 will include investments in water harvesting and storage, irrigation infrastructure development (area >100 hectares) and marshland development that may be categorized as A.

## C. Climate risk classification

42. The preliminary climate risk classification is high. The climate risk analysis is part of the environmental and social management framework (ESMF) developed for the KIIWP. The ESMF articulates the main climate risks in the region and potential impacts. An in-depth climate risk analysis will be conducted in the initial phases of project implementation, prior to any investments. The analysis will further develop specific climate change adaptation measures to increase the resilience of the target beneficiaries and agricultural systems.

## D. Debt sustainability

43. While below historical standards, Rwanda's growth in 2016 and early 2017 remained robust relative to the region, with 2017 growth estimated at 5.2 per cent. In the International Monetary Fund's most recent debt sustainability analysis, Rwanda is assessed to be at low risk of debt distress. Rwanda's external debt portfolio consists mostly of concessional loans,<sup>3</sup> which are expected to continue as the main source of funding for public projects.

# IV. Implementation

## A. Organizational framework

### Project management and coordination

44. The lead project agency will be RAB, under the auspices of MINAGRI. The SPIU, located under RAB, will be responsible for implementation. It will oversee and coordinate project activities that will be implemented at both the central and district levels. A project steering committee (PSC) – chaired by the Permanent Secretary of MINAGRI or his/her nominee and co-chaired by the RAB Director-General, and composed of the RAB Head of Corporate Services and representatives from ministries and institutions with direct relevancy to the achievement of KIIWP's goal and development objective, including the Ministry of Finance and Economic Planning – will be established to provide project oversight.
45. At the district level, day-to-day management of KIIWP1 will be delegated by RAB to a district project coordination unit in the Kayonza District.
46. Project components will be implemented mainly through service providers and implementing partners, including RAB. Contracts and partnerships will be based on renewable performance-based contracts or memorandums of understanding.
- ### Financial management, procurement and governance
47. Financial management (FM). The FM risk assessment indicates that Rwanda is a low-risk country with strong financial management systems and internal controls. The proposed implementation of FM is based on the systems of the Government of Rwanda, minimizing additional IFAD requirements.
48. The accounting systems, policies and procedures to be used by the SPIU will follow Government systems and be documented in the financial procedures manual. KIIWP1 will use the IFMIS as the FM system, with some adjustments required to generate reports specific to requirements.

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<sup>3</sup> 72 per cent as of end of June 2017.

49. Procurement. Procurement will be carried out in accordance with government regulations, with the stipulation that it must comply with IFAD requirements to be specified in the letter to the borrower and the financing agreement. The IFAD SPIU will be responsible for procurement at the national level. Since IFAD considers the procurement capacity at the district level to be satisfactory, procurement will be delegated to the district's corporate division and will follow government procedures and processes.
50. Governance. With regard to government accountability, transparency and corruption factors, Rwanda scored 56 on the 1-100 scale in Transparency International's 2018 Corruption Perceptions Index, ranking 48<sup>th</sup> out of 180 countries assessed. The IFAD overall fiduciary risk has been assessed as low, and national public FM systems will be used. KIIWP's external audits will be performed by the Office of the Auditor General and publicly disclosed. KIIWP financial statements will be prepared in accordance with the International Public Sector Accounting Standards, with additional disclosures as required by IFAD. IFAD's Policy on Preventing Fraud and Corruption in its Activities and Operations will be disseminated at project start-up, along with measures to implement the policy.
- B. Planning, monitoring and evaluation, learning, knowledge management and communication**
51. Planning will be guided by the project's strategy, logical framework and broader results framework. A draft annual workplan and budget (AWP/B) will be drawn up in consultation with implementing partners, including beneficiaries, where relevant. AWP/Bs will be approved by the PSC and sent to IFAD for no objection.
52. The monitoring and evaluation system will be participatory, youth- and gender-sensitive, and results-oriented. It will permit the analysis of climate change vulnerability among the beneficiaries. The system will incorporate baseline and completion surveys and other thematic studies, as relevant. It will be aligned with MINAGRI's new management information system.
53. A knowledge management strategy for the target area will be developed. Quarterly review meetings with implementing partners will be organized to discuss progress.
- Innovation and scaling up**
54. KIIWP1 will investigate the potential for stand-alone solar-powered pumping stations for irrigation. If the technology is viable, it can be scaled up to other areas in Rwanda. Innovative models for the ownership, management and financing of solar power stations and water services for farmers will be analysed. In addition, small-scale solar pumps will be used for valley bottom tanks for livestock watering.
- C. Implementation plans**
- Implementation readiness and start-up plans**
55. IFAD and the Government of Rwanda will ensure implementation readiness at start-up as follows.

Table 5

	<i>Action</i>	<i>Responsible party/ person</i>	<i>Target date/covenants</i>
1	Finalize the project's AWP/B and Procurement Plan, approval by relevant authorities and IFAD	SPIU/RAB	Prior to disbursement
2	Establish an SPIU headed by a coordinator, with dedicated staff recruited under fixed-term performance-based contracts	Director General/RAB	Within the first six months
3	Update the project implementation manual, which should include a comprehensive FM manual and a project chart of accounts	SPIU/RAB	Within the first six months
4	Establish a PSC headed by the Permanent Secretary of MINAGRI	PS/MINAGRI	Within the first six months
5	Map the account codes and configure the chart field to meet project accounting and reporting requirements	SPIU/RAB/IFMIS team – MINECOFIN	Part of start-up activities and continuous

#### Supervision, midterm review and completion plans

56. The SPIU will submit biannual progress reports, using a format acceptable to IFAD. These reports will include physical and financial progress updates.
57. One supervision mission and follow-up mission per year are proposed. Once FSs and ESIA's are finalized during implementation, a thorough review of project results will be conducted to assess whether conditions have been met to move to the next phase and update the design of KIIWP2. Additional FM implementation support will be provided.
58. The IFAD Country Office will play a key role in supervising the project by continually assessing bottlenecks and implementation and sustainability risks and by monitoring changes in implementation circumstances.

### V. Legal instruments and authority

59. A project financing agreement between the Republic of Rwanda and IFAD will constitute the legal instrument for extending the proposed financing to the borrower for the implementation of KIIWP1. A copy of the negotiated financing agreement is attached in appendix I.
60. The Republic of Rwanda is empowered under its laws to receive financing from IFAD.
61. I am satisfied that the proposed financing will comply with the Agreement Establishing IFAD and the Policies and Criteria for IFAD Financing.

### VI. Recommendation

62. 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 twelve million eight hundred and fifty thousand special drawing rights (SDR 12,850,000), and upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented herein.

Gilbert F. Hougbo  
President



# Negotiated financing agreement: "Kayonza Irrigation and Integrated Watershed Management Project"

(Negotiations concluded on 17 April 2019)

Loan No: \_\_\_\_\_

Project name: Kayonza Irrigation and Integrated Watershed Management Project ("the Project" or "KIIWP")

The Republic of Rwanda (the "Borrower")

and

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

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

WHEREAS the Borrower has requested financing from the Fund for the purpose of financing the KIIWP;

WHEREAS, the Project shall be implemented in two phases;

WHEREAS, the Fund has agreed to provide a loan for the Project to finance the activities described in Schedule 1 to this Agreement ("Phase I" of the Project or "KIIWP1");

NOW THEREFORE, 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), the Allocation Table (Schedule 2), the Special Covenants (Schedule 3) and the General Conditions for Agricultural Development Financing dated 29 April 2009, as amended on December 2018, and as may be amended hereafter from time to time (the "General Conditions"). In the event of a conflict between this document and any of the Schedules, the provisions of this document shall take precedence.

2. All provisions of the General Conditions 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, unless the Parties otherwise agree in this Agreement.

3. The Fund shall provide a Loan (the "Financing") to the Borrower which the Borrower shall use to implement the KIIWP1 in accordance with the terms and conditions of this Agreement.

4. For the purpose of this Agreement:

"Phase I" or "KIIWP1" means the first phase of the Project, which corresponds to the period commencing on the date of entry into force of this Agreement and ending approximately 30 months later or on the Project completion date;

"Project completion date" means the date for completion of activities financed under KIIWP1;

"Phase II" or "KIIWP2" means the second phase of the Project as will be approved by the IFAD Executive Board;

"Phase Review" means the Phase Review described in Section C.4;

"Trigger Indicators" means the set of indicators directly linked to the results of the KIIWP1 which shall be the basis of review and shall need to be fulfilled to seek approval of Loan funds to implement the KIIWP2, as described in Section III paragraph 12 of Schedule 1.

## Section B

1. The amount of the Loan is twelve million eight hundred fifty thousand Special Drawing Rights (SDR 12 850 000).
2. The Loan is granted on Highly Concessional Terms, and shall be free of interest but bear a service charge of three fourths of one per cent (0.75%) per annum payable semi-annually in the Loan Service Payment Currency, and shall have a maturity period of forty (40) years, including a grace period of ten (10) years starting from the date of approval of the Loan by the Fund's Executive Board. The principal is to be repaid at 4.5 per cent of the total principal per annum for years eleven (11) to thirty (30), and 1 per cent of the total principal per annum for years thirty first (31) to forty (40).
3. The Loan Service Payment Currency shall be the US Dollar.
4. The first day of the applicable Fiscal Year shall be 1 July.
5. Payments of principal and service charge shall be payable on each 1 April and 1 October.
6. There shall be one Designated Account in USD, for the exclusive use of the Project opened in the National Bank of Rwanda. The Borrower shall inform the Fund of the officials authorized to operate the Designated Account.
7. There shall be one Project Operations Account in Rwandan francs (RWF) opened by the Lead Project Agency in the National Bank of Rwanda.
8. The Borrower shall provide counterpart financing for the Project in an amount equivalent to approximately five million, four hundred and sixteen thousand US Dollars (USD 5 416 000) to cover taxes for the Project and feasibility studies for the Ndego Pumping Irrigation scheme.

## Section C

1. The Lead Project Agency shall be the Rwanda Agriculture and Animal Resources Development Board (RAB) under the Ministry of Agriculture and Animal Resources (MINAGRI) of the Borrower.

2. The following are designated as additional Project Parties: Local Administrative Entities Development Agencies (LODA), Rwanda Youth in Agribusiness Forum (RYAF) and any other parties deemed necessary by the Lead Project Agency.

3. The Project Completion Date shall be approximately thirty (30) months after the date of entry into force of this Agreement or such other date as the Fund may designate by notice to the Borrower and the Financing Closing Date will be established as specified in the General Conditions. The Agreement shall enter into force on the date of receipt by the Fund of the instrument of ratification.

4. Phase Review. The Fund shall carry out a review of KIIWP1 implementation once the feasibility studies and Environmental and Social Impact Assessments (ESIAs) will be finalized. Among other things, the Phase Review shall consider the successful achievement of Trigger Indicators indicated in Schedule 1 Section III paragraph 12, and make recommendations for moving to Phase 2. The findings of the Phase Review shall be the basis upon which the Fund shall decide whether to submit Phase 2 for approval of the IFAD Executive Board. The Borrower shall ensure that, should the Fund decide that the Project shall continue to the Phase II, the recommendations resulting from the Phase Review are implemented within the specified time therefor and to the satisfaction of the Fund.

#### 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 the right of the Borrower to request disbursements:

- (a) The Project Implementation Manual (PIM) and/or any provision thereof, has been waived, suspended, terminated, amended or modified without the prior agreement of IFAD and IFAD, after consultation with the Borrower, has determined that it has had, or is likely to have, a material adverse effect on the Project; and
- (b) The Project Manager or other key Project staff (Heads of Financial Management, Procurement and M&E officer) have been removed from the Project without the prior consultation with the Fund.

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

- (a) The IFAD no objection to the final version of the PIM shall have been obtained;
- (b) The Project steering committee (PSC) shall have been established; and
- (c) The KIIWP1 Project Manager and key Project staff shall have been appointed as per Schedule 1 of this Agreement.

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 Borrower:

Ministry of Finance and Economic Planning

The Minister of Finance and Economic Planning  
P.O. Box 158 Kigali  
The Republic of Rwanda

For the Fund:

[click and type Title]  
International Fund for Agricultural Development  
Via Paolo di Dono 44  
00142 Rome, Italy

This Agreement, dated \_\_\_\_\_, has been prepared in the English language in two (2) original copies, one (1) for the Fund and one (1) for the Borrower and shall enter into force as provided for in Section 13.01 of the General Conditions.

REPUBLIC OF RWANDA

\_\_\_\_\_  
[insert NAME of the Authorised Representative]  
[insert his title]

INTERNATIONAL FUND FOR  
AGRICULTURAL DEVELOPMENT

\_\_\_\_\_  
Gilbert F. Houngbo  
President

## Schedule 1

### Project Description and Implementation Arrangements

#### I. Project Description

1. Target population. KIIWP's direct target groups will comprise about 50,000 poor and food insecure rural households (HH) representing 225,000 persons who belong to the poorest Ubudehe categories 1, 2 and 3.

2. Project area. The Project area comprises the eight drought-prone sectors of the District of Kayonza in the Eastern Province of Rwanda. These sectors, namely Gahini, Kabare, Kabarando, Murama, Murundi, Mwiri, Ndego and Rwinkwavu are relatively hot, with limited rainfalls - averaging 900 mm per year - compared to the rest of the country, but have good potential for irrigation.

3. Goal. KIIWP's Development Goal is to 'Contribute to poverty reduction in the drought prone Eastern Province of Rwanda'. The Development Objective is to 'Improve food security and incomes of 50,000 rural households on a sustainable basis' and build their climate resilience. KIIWP will improve the resilience of smallholder farmers to droughts and effects of climate change through increased levels of production and productivity of selected food and cash crops, livestock and improved market access and business development.

4. Objectives. The main expected outcomes and outputs of the Project include (i) improved access to land, forests, water and water bodies for production purposes; (ii) increased acreage of farmland under water-related infrastructure; (iii) increased acreage of farmland under climate resilient management and practices; (iv) increased capacity of smallholder farmers and local government to sustainably manage natural resources and climate-related risks; (v) enhanced use by farmers, including youth, of technologies, equipment and infrastructure adapted to smallholder agriculture; and (vi) increased farmers' economic benefits from market participation and increased sales.

5. Components of KIIWP1. KIIWP1 will revolve around (i) the catchment rehabilitation and protection of areas where rainfed agriculture is practised; (ii) the provision of water for livestock and domestic purpose in the most drought-prone sectors of Kayonza; (iii) the preparation of the feasibility studies and Environmental and Social Impact Assessments (ESIAs) for large irrigation schemes; and (iv) the formation and capacity building of sub-catchment committees, Water for Livestock User Organizations (WLUOs), district and scheme committees.

KIIWP1 will consist of two components: A) strengthening resilience to droughts, and B) institutional development and project coordination.

#### Component A: Strengthening resilience to droughts

For KIIWP1, this component will cover the catchment rehabilitation and protection in rainfed areas; all preparatory activities for the irrigation development; the urgently required infrastructure for livestock and domestic purposes; and to be done under KIIWP2.

Sub-component A.1: Catchment Rehabilitation and Protection. This sub-component will support investments in catchment rehabilitation through the following investments: (a) sub-catchment planning; (b) land husbandry in rainfed areas; and (c) construction of boreholes and valley tanks to supply water for livestock and domestic use. Specific ESIAs and Environmental and Social Management Plans (ESMPs) will be developed for each interventions under this subcomponent.

Sub-component A.2: Irrigation Development. Feasibility Studies (FS) and ESIA for Irrigation Schemes will be undertaken for four potential irrigation schemes in Kayonza District, namely:

- (a) Ndego Sector Irrigation Scheme Kibare (400 hectares), Humure (600 hectares) and Byimana (400 hectares).
- (b) Kabare Sector Irrigation Scheme, with a potential net area of 600 hectares to be irrigated at Gakoma.
- (c) Kanyeganyenge Dam and Irrigation Scheme with a potential command area of 150 hectares at Kabarondo.
- (d) Gishanda Dam and Irrigation Scheme with a potential command area of 125 hectares at Kabare, to benefit over 400 households.

The results of the ESIA's and the FS will determine the exact location of the interventions which may include areas outside the above identified sectors and District boundaries.

Irrigation schemes that are identified to be environmentally, socially, technically and financially viable will be developed under KIIWP2. Specific ESMPs for activities under KIIWP1 will be prepared during implementation as part of the feasibility studies and ESIA's, as the location of the sites are identified and prepared.

Sub-component A.3: Infrastructure management institutions. Formation and strengthening management committees: In order to ensure long-term sustainability, KIIWP1 will support the institutional development of management committees that will be responsible for coordinating the planning and implementation of activities in the catchment plans.

Capacity building will take place, covering three key areas: (i) governance; (ii) technical water management (operation and maintenance); and (iii) monitoring and exchange of experiences. The capacity building will be based on a participatory Farmer Field School approach. Some key features of the institutions are:

- Scheme and District Steering Committees. As per Ministerial Instructions the project will support the establishment and strengthening of Scheme and District-level Steering Committees to support and oversee the functioning of the Water User Organizations (WUOs) and ensure optimal use of developed land at irrigation scheme and District level.
- Sub-Catchment management committees. In line with the national policy, KIIWP1 will support the setting-up and strengthening of sub-catchment management committees in each watershed. These committees will put in place regulations on use, conservation, protection and management of water resources.

KIIWP1 will start with establishing the exact boundaries of the different catchments and sub-catchments in Kayonza District through Geographic Information System (GIS) mapping.

KIIWP1 will support the preparation of sub-catchment management plans, involving the sub-catchment committees in order to ensure water resources protection and conservation by all in an integrated approach.

- Water for Livestock Users Organisations will be established, and existing ones strengthened, to ensure the management and sustainability of boreholes and valley tanks.

Sub-component A.4: Implementation of Environmental and Social Management Plans. Under this subcomponent, environmental and social management plans as identified by the ESIA's will be implemented.

#### Component B: Institutional development and Project coordination

This component is designed to strengthen government agencies to deliver Project outputs and to support policy dialogue and institutional development that will sustain Project interventions beyond Project completion of both phases.

Sub-component B.1: Support to policy dialogue and enabling institutional environmentKIIWP1 will strengthen institutions that can directly or indirectly support the implementation and provide policy supports that are needed for the effective implementation of the Project. Key activities and interventions foreseen under this sub-component include the below activities:

- Capacity building interventions will be identified for KIIWP staff under the Single Project Implementation Unit (SPIU).
- Gender and youth mainstreaming. Poverty and gender and youth studies will be conducted at baseline and in the third year. Initial studies will be used by RAB in connection with the SPIU to strengthen the targeting strategy and prepare a brief gender and youth action plan for KIIWP1.
- Support for policy dialogue will be provided through an evaluation of implementation and impact of new or existing policies related to the Project activities with relevant national, and district level stakeholders. Support for water management policies will be through the implementation of the recently enacted policies and legislation including Ministerial Instructions on Land Development, Conservation and Exploitation of Developed Land for the formation and registration of WLUOs and district and steering committees. In addition, KIIWP1 will strive to raise specific policy discussion points meant to address identified bottlenecks in Rwanda's agricultural sector, such as:
  - (a) Support to national policy on contract farming, making use of the tools developed through the implementation of the Legal Guide on Contract Farming developed by UNIDROIT, FAO and IFAD;
  - (b) Analyze the factors affecting rice value chain that makes Rwandan rice less competitive with regional products;
  - (c) Current issues of availability and quality of seeds, including multiplication.

Sub-component B.2: Project management and coordination. The objective of this sub-component is to provide the coordination arrangements, including the financial and human resources that are needed for the implementation of the Project.

## II. Implementation Arrangements

6. Lead Project Agency. The Lead Project Agency will be the RAB, under the auspices of MINAGRI. RAB Director General (DG) will consequently become the Chief Budget Manager (CBM) of the Project, together with Rwanda Dairy Development Project (RDDP) and Climate Resilient Post-Harvest and Agribusiness Support Project (PASP) that were transferred under it.

7. Single Project Implementation Units (SPIU). The SPIU will be responsible for overall Project implementation in consultation with other relevant national agencies and ministries to ensure consistency with national policies. The SPIU established at national

level will be composed of Project staff either seconded or recruited, and will be headed by the SPIU Coordinator. The SPIU will be accountable to the RAB Director General who will be the executive level head responsible for the strategic direction of the Project. The SPIU will be responsible for Project coordination and management of fiduciary issues in conformity with the standards and requirements agreed upon between Borrower and IFAD.

The SPIU coordinator in place will also oversee and coordinate KIIWP activities that will be implemented at both the central and district level. In addition to the existing SPIU staff performing cross-cutting functions of finance/accounting, monitoring and evaluation (M&E), procurement and administration, KIIWP staff will be recruited to support its implementation. The proposed KIIWP staff positions include: a Project Manager, an accountant, an M&E officer in charge also of gender and youth, an irrigation specialist, an electromechanical engineer, a civil engineer, an environmental and climate specialist, a safeguards compliance specialist, and a procurement officer.

8. Project Steering Committee. A Project Steering Committee will be established, chaired by the Permanent Secretary (PS), MINAGRI, or his/her nominee, and co-chaired by RAB DG, RAB Head of Corporate Services and representatives from ministries and institutions with direct relevancy to the achievement of KIIWP's goal and development objective including Ministry of Finance and Economic Planning (MINECOFIN).

The PSC will provide strategic guidance towards the achievement of Project objectives and contribute to the higher level sector policy and strategic goals. The PSC will also be responsible for review and approval of Annual Work Plan and Budgets (AWPBs) and annual reports.

9. District-level Project Coordination Unit (PCU). At the District level, day to day management of KIIWP1 will be implemented by a District-level Project Coordination Unit (PCU) within the District of Kayonza. The PCU will be the main executing agency of KIIWP1 at the district level. The following additional staff are proposed to supplement district capacity to provide public services: an accountant for initiating KIIWP transactions at district, a WUO/WLUO specialist, a land husbandry (soil and water conservation) engineer, a cooperative development officer, a horticulture specialist and an irrigation technician.

The Parties shall agree at Project start –up on the modalities and scope of District level activities and these will be reflected in the AWPB and in the PIM.

10. Project Implementation Manual. The Borrower will finalize the development of the Project Implementation Manual (PIM) for the Fund's consideration and approval. The PIM will include, inter alia, a comprehensive financial management section, will provide more details on roles and responsibilities of Project and implementing parties, the establishment of a grievance redress mechanism and include internal audit requirements. As KIIWP will be implemented in two phases, the revision of PIM is set as one of the conditions to proceed to the second phase. The PIM will be amended to incorporate the findings of KIIWP1, subject to approval by the Fund.

### III. Project Phasing

11. Phases. The Project shall be implemented in two phases over a six years period. Phase I is estimated to have a duration of 2.5 years and Phase II a duration of 3.5 years. A Phase Review shall analyse the specific minimum indicators that shall be used as triggers for the confirmation, by the Fund, of funding for, and the subsequent detailed design of, the Phase 2 of the Project.



KIIWP1 will be devoted to the necessary preparatory works, ahead of the large irrigation infrastructure activities and farm business development support that will take place during KIIWP2 once the FS and ESIA are completed and the irrigation schemes validated. Feasibilities studies and ESIA are expected to be ready by December 2020. Some activities initiated in KIIWP1, like the capacity building of district & scheme committees, sub-catchment committees and WLUOs might be continued based on their status and strength assessed towards the end of KIIWP1.

The activities expected to take place in KIIWP2 will be fine-tuned according to the results of the FS and ESIA to be produced and disclosed in accordance with the national environmental regulations and Social, Environmental and Climate Assessment Procedures (SECAP) guidelines.

12. Trigger Indicators. During the Phase Review, the following specific minimum indicators (“Trigger Indicators”) shall be reviewed and shall be the basis upon which the Fund shall decide whether to submit Phase 2 for approval of the IFAD Executive Board:

- (a) FSs identify irrigation schemes that are financially, economically, environmentally and socially viable and sustainable.
- (b) Third party satisfactory review of FSs, ESIA and Resettlement Action Plans (RAPs).
- (c) ESIA and RAPs are disclosed at local community level, national and IFAD website for a minimum 120 days.
- (d) Provision of a budget and commitment by the Government of Rwanda to implement the RAP and other ESMP activities identified by the ESIA.
- (e) Revision of the Project Design Report (PDR) and PIM to incorporate the findings of KIIWP1.

13. Phase II - KIIWP2. The anticipated components and activities in KIIWP2 comprise:

- (a) Strengthening resilience to droughts: this component will promote climate smart agriculture for irrigated and rain-fed lands through Farmer Field Schools. It will include investment on water harvesting and storage, irrigation infrastructure development and marshland development. This component will also include the promotion of good nutritional practices and the Gender Action Learning System.
- (b) Support to farm business development: this component will assist farmers to take advantage of the investments made under the component on strengthening resilience to droughts by strengthening their organizational and entrepreneurial skills and improving their backward and forward linkages to access input, service and output markets.
- (c) Institutional development and project coordination: this component will continue supporting the project as described under KIIWP1.

Building up on KIIWP1, KIIWP2 will continue to focus on strengthening resilience to droughts as the first component (Component A). Potential irrigation development will comprise the Ndego Irrigation Scheme (net 1,400 hectares), Kibare Irrigation Scheme (net 600 hectares), Kanyeganyege Irrigation Scheme (net 150 hectares + dam), and Gishynda Irrigation Scheme (net 125 hectares + dam). Depending on the findings from KIIWP1 FS, other irrigation schemes will be developed in place of the above, if they are found to be unviable.

## Schedule 2

## Allocation Table

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

Category	Loan Amount Allocated (expressed in SDR )	Allocation net of tax and other financiers' contribution, including Government
I. Goods	1 750 000	100%
II. Works	2 970 000	100%
III. Consultancies & non-consulting services	5 120 000	100%
IV. Training & Workshops	560 000	100%
V. Salaries & Allowances	1 030 000	-
VI. Operating Costs	140 000	100%
Unallocated	1 280 000	
<b>TOTAL</b>	<b>12 850 000</b>	

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

- (i) "Goods" includes Equipment, Materials and Vehicles
- (ii) "Works" includes land husbandry and related materials and inputs
- (iii) "Consultancies" includes non-consulting services

2. Disbursement arrangements.

- (a) Start-up Advance. 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 USD 150 000, limited to categories I (excluding Vehicles) and III. Activities to be financed by Start-up Advance will require the no objection from IFAD to be considered eligible.
- (b) Procurement arrangements: The procurement of goods, works and services under the Project shall be conducted in accordance with the provisions of IFAD's Project Procurement Guidelines and Procurement Handbook as well as with the operational procedures and any other measures identified by IFAD.

## 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 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. Within 6 months of entry into force of the Financing Agreement, the Parties shall carry out an assessment of the alignment of the Integrated Financial Management Information System (IFMIS) to IFAD's financing reporting requirements and the Borrower shall commit to carrying out any necessary customization as required.

2. Planning, Monitoring and Evaluation. The monitoring and evaluation of environmental indicators will be further refined on the basis of the finding of the ESIA's and Feasibility Studies. The ESIA's shall include feasible and cost-effective measures to maximise opportunities and prevent or reduce significant negative impacts.

The following will be the key elements of the M&E system for KIIWP1: (i) an M&E manual detailing scope, organisation and contents of the M&E system; roles and responsibilities; how data (sex- and age-disaggregated where appropriate) will be collected, analysed, reported, used and otherwise managed; timeline for M&E-related activities; staffing and capacity building plan; budget; etc.; (ii) annual M&E plans; (iii) project results chain, results framework and log frame; (iv) management information system; (v) baseline and completion surveys; (vi) mid-term review; (vii) annual outcome surveys; (viii) continuous progress monitoring of activities and outputs; (ix) risk assessment; (x) thematic studies, e.g. on targeting, gender, youth, formation of WLUOs, etc.; (xi) IFAD ORMS reporting; and (xii) field visits and joint implementation reviews.

3. Gender. A Gender, Targeting and Community Mobilisation Officer has been appointed in the MINAGRI SPIU to coordinate the implementation of the gender and targeting strategies.

4. Compliance with the Social Environmental and Climate Assessment Procedures (SECAP). The Borrower shall ensure that the Project will be implemented in compliance with IFAD's SECAP and more specifically that the following measures shall be taken: (a) all Project activities are implemented in strict conformity with the Borrower relevant laws/regulations; (b) proposals for civil works include confirmation that no involuntary land acquisition or resettlement is required under the Project. In the event of unforeseen land acquisition or involuntary resettlement under the Project, the Borrower shall immediately inform the Fund and prepare the necessary planning documents; (c) women and men shall be paid equal remuneration for work of equal value under the Project; (d) recourse to child labour is not made under the Project; (e) the measures included in the Gender Action Plan prepared for the Project are undertaken, and the resources needed for their implementation are made available, in a timely manner; and (f) all necessary and appropriate measures to implement the Gender Action Plan to ensure that women can participate and benefit equitably under the Project are duly taken.

The Project will be coordinated through an Environmental and Social Management Framework (ESMF) to examine the risks and impacts of the proposed activities including potential environmental and social vulnerabilities. The ESMF summarizes a grievance redress mechanism to receive and facilitate resolutions of complaints from Project affected parties. The ESMF specifies the environmental and social management

requirements (including labour and working conditions, grievance redress system, health and safety).

To mitigate any adverse environmental and social impacts of the project, all watershed management schemes with a command area exceeding 100 ha will be subjected to an ESIA before funds are released for the specific investments.

5. Anticorruption Measures. The Borrower shall comply with IFAD Policy on Preventing Fraud and Corruption in its Activities and Operations, taking appropriate action to prevent, mitigate and combat Prohibited Practices.

6. Use of Project Vehicles and Other Equipment. The Borrower shall ensure that:

- (a) all vehicles and other equipment procured under the Component A of KIIWP1 are allocated to the SPIU and other Implementing Agencies for Project implementation;
- (b) The types of vehicles and other equipment procured under the Project are appropriate to the needs of the Project; and
- (c) All vehicles and other equipment transferred to or procured under the Project are dedicated solely to Project use.

# Logical framework

Results Hierarchy	Indicators			Means of Verification			Assumptions (A) / Risks (R)
	Name	Baseline	KIIWP1	KIIWP1 + KIIWP2	Source	Frequency	
<b>Outreach</b>	<b>Persons receiving services promoted or supported by the project</b>						
	Total number of persons receiving services*	0	32,250	225,000			
	<b>Corresponding number of households reached</b>						
	Households - Number	-	7,167	50,000			
<b>Project Goal</b> Contribute to poverty reduction in the drought prone Eastern province of Rwanda	<b>Number of female- and male-headed households that experience an increase in household assets</b>			National statistics, household surveys incl. poverty & gender studies	Baseline and completion	SPIU	Increased income will be used on household improvements
	Households - Number	0	5,734	40,000			
	<b>Number of children 0-5 years suffering from malnutrition</b>			National statistics	Baseline, mid-term, completion	SPIU	Increased income accompanied by nutrition education and behaviour change will lead to greater availability of and access to a diversified diet and nutrient-rich crops/ food items.
	Stunting (children 0-5 years) - Percentage (%)	42.4%		30%			
<b>Development Objective</b> Improve food security and incomes of 50,000 households on a sustainable basis	<b>Households with improved food security and income</b>			National statistics, household surveys incl. poverty & gender studies	Baseline and completion	SPIU	Food security and incomes increase through a combined effect of increased crop and livestock production and improved market access. Government agriculture and SME policies remain in place over the project life (A)
	Total Number Households*	0		50,000			
<b>Outcome 1</b> Farmers drought resilience strengthened	<b>Number of persons reporting increase in production (CI 1.2.4)</b>			Impact assessment report, Project reports	Baseline, mid-term, completion	SPIU/RAB /MINAGRI	The combined investments in infrastructure construction, organizational strengthening and support on agricultural practices lead to higher yields for crops and livestock (A).
	Total Number *	0		225,000			
	<b>Number of persons reporting improved access to land, forests, water or water bodies for production purposes (CI 1.2.1)</b>			Service provider report	Quarterly MTR Completion Report	SPIU/RAB	The planned project activities lead to improved access to water or water bodies.(A)
	Total Number *	0	11,250	225,000			
<b>Output 1.1</b> Catchment rehabilitation and protection	<b>Number of hectares of land brought under climate resilient management (CI 3.1.4)</b>			Service provider report	Quarterly MTR Completion Report	SPIU/RAB	Climate-resilient management, including terracing and agro/forestry will be complemented by reforestation programmes under RWFA (A).
	Hectares (ha)	0	1,400	5,350			
	<b>Number of valley tanks and boreholes constructed</b>			Service provider report	MTR & Completion Report	SPIU/RAB	Assessment studies will find adequate sites suitable for borehole drilling
	Infrastructure - Number		35				

Results Hierarchy	Indicators			Means of Verification			Assumptions (A) / Risks (R)
<b>Output 1.2</b> Irrigation development	<b>Gross area of land covered by feasibility studies and ESIA's</b>			Feasibility studies and ESIA's	MTR	SPIU/RAB	Assessment studies are implemented on time
	Hectares (ha)	0	7275				
	<b>Number of hectares of farmland under water-related infrastructure constructed/rehabilitated (CI 1.1.2)</b>			Service provider report	Quarterly MTR Completion Report	SPIU/RAB	Assessment studies will find adequate sites suitable for rainwater harvesting
Hectares (ha)	0	0	2,275				
<b>Output 1.3</b> Infrastructure management institutions	<b>Number of groups supported to sustainably manage natural resources and climate-related risks (CI 3.1.1)</b>			SPIU	Quarterly	SPIU/RAB	Local leadership is supportive, and all needs from different water users can be reconciled (A).
	Total number Groups**	0	49				
<b>Output 1.4</b> Enhanced CSA and AH practices and technologies	<b>Number of rural producers trained in production practices and/or technologies (CI 1.1.4)</b>			Service provider report	Quarterly	SPIU/RAB	FFS training is provided to 800 groups under close supervision by RAB and District/Sector Agronomists (A)
	Total Number*	0					
	<b>Number of persons provided with targeted support to improve their nutrition (CI 1.1.8)</b>			Service provider report	Quarterly	SPIU/RAB	Increased production combined with targeted capacity building will lead to improved domestic diets and consequently nutrition
Total Number *	0		25,000				
<b>Outcome 2</b> Farm business development; Increased, sales and linkage of producers to services and markets	<b>Number of rural producers' organizations reporting an increase in sales (CI 2.2.5)</b>			Service provider report	Quarterly	SPIU/RAB	Cooperatives remain the focus for GoR support to development of SMEs and agricultural value addition (A) Favourable economic environment with attractive domestic/export prices (A)
	Total Number Groups***						
	<b>Number of rural producers' organizations engaged in formal partnerships/agreements or contracts with public or private entities (CI 2.2.3)</b>			Service provider report	Quarterly	SPIU/RAB	Cooperatives will want to engage in formal agreements (A). Public or private entities are willing to engage with project (A).
Total Number groups***			20				
<b>Output 2.1</b> Development Farming as a Business Skills	<b>Number of persons trained in Farming as a Business skills</b>			Service provider report	Quarterly	SPIU/RAB	Farmers are interested in developing their operational and business development skills (A)
	Total Number *	0					
<b>Output 2.2</b> Promotion of mechanization, PH storage and irrigation technologies adapted to smallholder agriculture	<b>Number of persons provided with climate information services (CI 3.1.2)</b>			Service provider report	Quarterly	SPIU/RAB	Detailed local climate information is accurate and available.
	Total Number***	0					
<b>Output 2.3</b> Supporting backward and forward market linkages	<b>Number of target households reporting using rural financial services</b>			Service provider report	Quarterly	SPIU/RAB	System of subsidies does not distort the financial services market (R)
	Total Number ****	0					
	<b>Number of financial service providers supported in delivering outreach strategies, financial products and services to rural areas (CI 1.1.6)</b>			Service provider report	Quarterly	SPIU/RAB	Financial institutions are ready to invest in irrigated agriculture and livestock keeping (A)
	Total Number						
<b>Number of formal supply contracts signed between cooperatives and traders/processors</b>			Service provider report	Quarterly	SPIU/RAB	Cooperatives and traders/processors are interested in developing mutually	

Results Hierarchy	Indicators			Means of Verification			Assumptions (A) / Risks (R)
	Total Number	0		20			beneficial business relationships (A)
<b>Outcome 3</b>	<b>Number of national policies operationalized at local level</b>			Rwanda Standards Board records	Bi-annually	SPIU	Budget for policy implementation is availed by GoR and capacity exists for operationalization at local level (A).
Policy dialogue and institutional environment	Total Number	0	2	6			

**Notes**

Average household size in Eastern province is 4,5 - Project goal: an estimated 80% of beneficiaries increase their assets

\* 50% women, 50% men and 30% youth

\*\* 40% women, 60% men and 25% youth (in KIIWP1) and 30% youth (in KIIWP2)

\*\*\* % women and % men to be determined and 30% youth

\*\*\*\* 30% female-headed households and 30% youth-headed households