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President's report

Proposed loan

Republic of Rwanda

Kayonza Irrigation and Integrated Watershed Management Project – Phase II (KIIWP2)

Project ID: 2000002350

Note to Executive Board representatives

Focal points:

Technical questions:

Sara Mbago-Bhunu
Regional Director
East and Southern Africa Division
Tel.: +39 06 5459 2838
e-mail: s.mbago-bhunu@ifad.org

Francesco Rispoli
Country Director
Tel.: +39 36 6661 9239
e-mail: f.rispoli@ifad.org

Dispatch of documentation:

Deirdre Mc Grenra
Chief
Institutional Governance and
Member Relations
Tel.: +39 06 5459 2374
e-mail: gb@ifad.org

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Project delivery team

Regional Director:	Sara Mbago-Bhunu
Country Director:	Francesco Rispoli
Technical Lead:	Tarek Kotb
Finance Officer:	Virginia Cameron
Climate and Environment Specialist:	Paxina Chileshe
Legal Officer:	Aspasia Tsekeri

Abbreviations and acronyms

ESIA	environmental and social impact assessment
FFS	farmer field school
FS	feasibility study
Cordaid	Catholic Organization for Relief and Development Aid
IWUO	irrigation water user organization
KIIWP	Kayonza Irrigation and Integrated Watershed Management Project
KM	knowledge management
KWAMP	Kirehe Community-based Watershed Management Project
RAP	resettlement action plan
SDG	Sustainable Development Goal
SPIU	single project implementation unit

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 | 29-04-2021

Financing summary

Initiating institution:	IFAD
Borrower/recipient:	Republic of Rwanda, represented by the Ministry of Finance and Economic Planning
Executing agency:	Ministry of Agriculture and Animal Resources
Total project cost:	US\$61.0 million
Amount of IFAD loan:	SDR 15.3 million (equivalent to US\$21.8 million)
Terms of IFAD loan:	Highly concessional
Cofinanciers:	Government of Spain, Catholic Organization for Relief and Development Aid (Cordaid) and private sector
Amount of cofinancing:	Government of Spain: US\$28.0 million Cordaid: US\$0.650 million Private sector: US\$0.372 million
Terms of cofinancing:	Loan (Government of Spain), grant (Cordaid), loans to beneficiaries (private sector)
Contribution of borrower/recipient:	US\$8.1 million
Contribution of beneficiaries:	US\$1.6 million (cash); US\$0.497 million (in-kind)
Amount of IFAD climate finance:	US\$4.7 million
Cooperating institution:	IFAD

Recommendation for approval

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

I. Context

A. National context and rationale for IFAD involvement

National context

1. **Socio-economic context.** Between 2000 and 2016, the Republic of Rwanda's economy grew by an average of 7.9 per cent per annum and GDP per capita increased from US\$242 to US\$729. Following the COVID-19 outbreak in 2020, GDP growth declined to -0.2 per cent. Although the outlook remains uncertain, the International Monetary Fund projects that GDP growth will rebound to 5.7 per cent in 2021, supported by continued diversification of the export base and public investment.
2. Rwanda remains, however, a low-income country, with a highly dense population of 12.7 million people in an area of 26,338 km². Its population is expected to grow to 22 million by 2050. Rwanda ranked 160th out of 189 countries in the 2020 Human Development Index, placing it in the lower human development category. About 83 per cent of the population lives in rural areas, adding pressure on limited availability of farmlands.
3. **COVID-19 response.** Since the occurrence of the earliest confirmed COVID-19 cases in Rwanda, the Government has taken decisive measures to contain the spread of the disease, including total/partial lockdowns and restriction of movements and gatherings. Although these measures reduced the impact of the health crisis, they also caused significant economic disruptions, increasing food insecurity and poverty particularly for already vulnerable households. In response, the Government set up the Economic Recovery Fund, which has been in operation since June 2020, to support the recovery of the businesses hardest hit by the pandemic and also established special guidelines to allow certain activities, including agriculture, to proceed.
4. **Political and business environment.** Rwanda continues to boast political stability, with an enabling policy and business environment. Financial inclusion increased from 48 per cent in 2008 to 89 per cent in 2016, while mobile phone ownership rose from 6 per cent in 2006 to 71 per cent in 2017. The Government is strongly committed to the Sustainable Development Goals (SDGs) and has made significant strides towards their achievement: in 2020 Rwanda was ranked 16th among 52 African countries in its progress.
5. **Rural poverty.** Rwanda has also made significant progress in poverty reduction. The poverty rate dropped from 60 per cent of the population in 2000 to 38 per cent in 2017, while the extreme poverty rate decreased from 36 per cent to 16 per cent. The rural poverty rate is 43.1 per cent, compared with 15.8 per cent in urban areas; the extreme poverty rate is 18.1 per cent in rural areas, but only 5.9 per cent in urban areas.
6. **Agriculture sector.** The Rwandan economy relies heavily on agriculture, which contributes 37.2 per cent to GDP and 70 per cent to export revenues, employs 70 per cent of the economically active population and supplies 91 per cent of the country's food. Eighty per cent of rural households are smallholders, who cultivate, on average, on 0.33 ha of land in rainfed farming systems. The opportunities for the sector, which are reflected in the design of the Kayonza Irrigation and Integrated Watershed Management Project (KIIWP), lie primarily in the intensification of land and water use, efficient mobilization and use of agriculture water and value addition.

7. **National development strategies.** Rwanda's Vision 2050 aims to transform the country from a low-income agriculture-based economy into a knowledge-based, service-oriented middle-income society. The National Strategy for Transformation integrates Rwanda's commitments to the SDGs, the African Union's Agenda 2063 and East African Community's Vision 2050. Rwanda's fourth Strategic Plan for Agriculture Transformation 2018–2024 identifies priority areas for investment and sets out a policy agenda, with the private sector, including farmers and cooperatives, being the drivers of change.
- Special aspects relating to IFAD's corporate mainstreaming priorities**
8. In line with Eleventh Replenishment of IFAD's Resources mainstreaming commitments, the project has been classified as:
- Including climate finance;
 - Nutrition-sensitive;
 - Youth-sensitive.
9. **Gender.** Rwanda was ranked 9th out of 157 countries in 2020 in progress in reducing the gender gap. The Constitution, as amended in 2015, enshrines gender equality and women's rights and sets a 30 per cent quota for women in all decision-making positions. However, gender disparities persist, especially in rural areas. Ninety per cent of rural women rely on agriculture as their only source of income, practising subsistence farming and marketing only small volumes of food crops. Rural women have lower levels of schooling and less access to finance and assets than rural men.
10. **Youth.** Youth (aged 16 to 30 years) make up 26.6 per cent of the population. About 80 per cent of the country's youth live in rural areas and more than 60 per cent work in agriculture. Rural youth entrepreneurship is constrained by low earnings and precarious working conditions, low education and technical skill levels and limited access to land and business development services. Lack of opportunities has led to a rural exodus of youth. Eastern Province accounts for 21 per cent of youth migration.
11. **Food security and nutrition.** Nineteen per cent of Rwandan households are food-insecure, with 17 per cent moderately food-insecure and 2 per cent severely food-insecure. In Kayonza, 33 per cent of the population is food-insecure, and food insecurity increased by 21 per cent from 2015 to 2018, mainly as a consequence of successive droughts and decreased household resilience. While chronic malnutrition has decreased significantly over the last decade, stunting remains a public health concern. In Kayonza, the prevalence of stunting among children under 5 years of age was 42.4 per cent in 2018, compared with 35 per cent nationally.
12. **Climate change.** Climate change has brought recurrent mid-season droughts and shorter and more erratic rainy seasons of higher intensity. Droughts have caused agricultural production to decrease, especially in Eastern Province. In Kayonza, meteorological data for the period between 1980 and 2017 at Lake Ihema show an increase in the frequency of extreme events, with higher peaks of precipitation during the wet season and longer drought periods. Given the flat topography, with few or no wind breaks, this district is exposed to heavy windstorms.
- Rationale for IFAD involvement**
13. Eastern Province was hit by a severe drought in 2016, which was followed by two years of scant rainfall. The Government of Rwanda and IFAD started preparing the KIIWP in late 2018 with a view to restoring the livelihoods of local communities and boosting their economies. As the proposed project envisages environmental category A interventions, it was agreed to design and implement KIIWP in two phases. Phase one (KIIWP1) was approved by IFAD's Executive Board on 2 May 2019 and became effective on 10 December 2019.

14. While KIIWP1 presented the overall rationale and objective of the project, approval was requested only for the first phase. Specific triggers were identified as conditions for proceeding to the second phase, namely: (i) preparation of feasibility studies (FSs) and environmental and social impact assessments (ESIAs) for irrigation schemes; (ii) satisfactory third-party review of the FSs, ESIAs and resettlement action plans (RAPs); (iii) disclosure of ESIAs and RAPs at local and national levels and on the IFAD website for a minimum of 120 days; (iv) provision of a budget and commitment by the Government to implement the RAPs; and (v) revision of the project design report and its relevant annexes to incorporate the findings of KIIWP1.
15. The design process for KIIWP2 has confirmed that all the trigger conditions have been successfully met. The ESIA report was published on the IFAD website in November 2020, following a national validation workshop held in Kigali. The design of KIIWP2 builds on the results of KIIWP1, and its content is informed by the findings of the ESIAs and the FSs, together with additional analysis, fieldwork and interactions with partners and cofinanciers. Some activities initiated under KIIWP1 will be continued and further strengthened under KIIWP2.

B. Lessons learned

16. **Geographical targeting.** The focus on a single district under the IFAD-financed Kirehe Community-based Watershed Management Project (KWAMP) enabled strong local ownership of local government at the cell, sector and district levels and helped to ensure the sustainability of interventions. KIIWP also focuses on a single district, namely Kayonza.
17. **Irrigation water user organizations (IWUOs).** Early formation, capacity-building and empowerment of IWUOs under KWAMP allowed them to take responsibility for operation and maintenance of irrigation schemes, which was formalized in an innovative infrastructure management transfer agreement between farmers and authorities. This innovative approach was integrated into the KIIWP design.
18. **Technical design of hillside irrigation schemes** by competent service providers is essential. KWAMP experienced high cost variations for hillside irrigation infrastructure and inadequate water availability as result of poor estimates at the design stage. The technical design and cost of the irrigation schemes were carefully reviewed and adjusted for KIIWP.

II. Project description

A. Objectives, geographical area of intervention and target groups

19. The overarching goal of KIIWP is to contribute to poverty reduction in the drought-prone Eastern Province of Rwanda. The project development objective is to sustainably improve the food security and incomes of at least 40,000 rural households and boost their climate resilience.
20. The KIIWP intervention area comprises nine drought-prone sectors in Kayonza District. This area has been selected on the basis of its high vulnerability to drought and its high poverty and food insecurity levels. The area has untapped potential water resources, which if fully utilized would significantly improve crop production, climate resilience, food security and nutrition.
21. **Target groups and outreach.** KIIWP2 is expected to reach 40,000 rural households (with 180,000 members) in Kayonza District, of which 7,100 households will participate in irrigation schemes and 11,800 households in protection of catchment areas. KIIWP2 will focus on poor and food-insecure rural households with economic potential. In line with the national wealth-ranking system (*Ubudehe*), KIIWP will target three categories of beneficiaries in the area, from extremely vulnerable households (category 1) to market-oriented producers (category 3).

22. **Targeting and social inclusion strategy.** KIIWP2 will combine self-targeting and direct targeting mechanisms. KIIWP2 will directly target the priority groups through tailored support. The project will deploy this inclusive strategy to tackle the multiple barriers that traditionally prevent women, youth and vulnerable households from improving their livelihoods and to enable them to gradually improve their production and their capacity to engage in other project-supported interventions. Quotas will be established for all project activities to ensure inclusion of target groups. A dedicated officer will be responsible for implementing the strategy.
23. **Priority value chains** include those for rice, maize, horticulture, soybeans, Irish potato and beans. Other value chains in the rainfed catchment areas include those for cassava and sorghum.

B. Components, outcomes and activities

24. KIIWP2 will have the following components: (i) strengthening resilience to droughts; (ii) support for farm business development; and (iii) institutional development and project coordination.
25. **Component A: Strengthening resilience to droughts.** Under subcomponent A1, 1,950 ha of catchment areas will be protected and developed, and 2,000 ha will be reforested with trees. In addition, the environmental and social management plans identified in the ESIA's will be implemented.
26. Under subcomponent A2, KIIWP2 aims to implement 2,285 ha of irrigation command area, based on development costs and feasibility assessments of irrigation schemes conducted under KIIWP1. Infrastructure management institutions will be strengthened, including sector steering committees, hydrographic basin committees and IWUOs.
27. Under subcomponent A3, climate-smart agriculture practices and technologies will be promoted in irrigated and catchment areas, using the farmer field school (FFS) approach. KIIWP2 will also support farmer promoters and promote adapted farm mechanization and climate- and nutrition-smart technologies.
28. **Component B: Support for farm business development.** Expected outputs of subcomponent B1 include: (i) 8,000 smallholder farmers in FFS will have received training in farming as a business; and (ii) 500 FFS members and 50 agriculture cooperatives will have received business development coaching and have bankable business plans. Based on these business plans, KIIWP2 will cofinance privately owned and managed investments of individual smallholders, cooperatives and/or private sector companies through a performance-based matching grant scheme. Specifically, innovative linkages with markets, financial services and agricultural insurance providers will be promoted to ensure post-project sustainability and the commercial orientation of the investments.
29. Subcomponent B2 will link farmers and cooperatives to markets through agribusiness linkages and public-private partnerships. Expected outputs include: (i) 8,000 smallholders will have improved access to markets; (ii) 10,000 smallholders will have improved access to financial services, with support from the Catholic Organization for Relief and Development Aid (Cordaid)¹ and other partners; and (iii) 2,500 smallholders will be using agricultural insurance products. In addition, smallholders will receive support to enable them to access agriculture insurance products offered under the National Agriculture Insurance Scheme.
30. **Component C: Institutional development and project coordination.** Subcomponent C1 will support the formulation of relevant policies, laws and regulations, relating to contract farming, leasing of agricultural equipment and quality local seed production, among other matters. Subcomponent C2 will finance

¹ Cordaid and the Interchurch Organization for Development Cooperation (ICCO) have decided to join forces as of 1 January 2021, under the name of Cordaid.

project coordination, monitoring and evaluation (M&E), knowledge management (KM) and communication. Subcomponent C3, with a zero budget, is designed to provide swift response in the event of an eligible emergency event, such as new outbreaks of COVID-19.

C. Theory of change

31. KIIWP's theory of change is based on the premise that investments in irrigation infrastructure and integrated management of water and land resources, combined with a market-driven approach to climate-smart farm business development, will help smallholders, including women and youth, in Kayonza to sustainably improve their food security and incomes. Vulnerable groups, including women and youth, will be supported through (i) capacity-building in financial literacy and management; (ii) reduction of the labour burden (especially on women), by promoting small-scale mechanization and climate-smart practices; and (iii) increased access to assets and resources through a dedicated special matching grant category and the development of tailored financial products.
32. KIIWP2 will tackle food insecurity and nutrition issues through the production pathway, identifying key climate-smart and nutrient-rich crop varieties for both consumption and sale. KIIWP's nutrition strategy will aim to increase and diversify the production and consumption of nutritious foods, with a particular focus on the most food-insecure households and women. Combined with the focus on youth and women's empowerment, the focus on improving nutrition through production will increase incomes and enhance food and nutrition security.

D. Alignment, ownership and partnerships

33. KIIWP2 will contribute to the attainment of several SDGs, notably SDG 1 (no poverty); SDG 2 (zero hunger); SDG 5 (gender equality); SDG 8 (decent work and economic growth); SDG 9 (industry, innovation and infrastructure); SDG 13 (climate action) and SDG 15 (life on land). KIIWP2 is aligned with the second United Nations Development Assistance Plan for Rwanda 2018–2023, supporting its first pillar on economic transformation.
34. KIIWP2 is also fully aligned with Rwanda's fourth Strategic Plan for Agriculture Transformation 2018–2024, particularly priority area 2.2.1: water resource development, through development and promotion of climate-smart practices. In addition, KIIWP2 is aligned with the National Cooperative Policy in Rwanda, the Irrigation Master Plan and the National Post-harvest Staple Crop Strategy, among other national policy initiatives.
35. KIIWP2 is well aligned with IFAD policies, in particular those relating to youth, gender, climate/environment, the private sector, rural finance and nutrition. KIIWP2 will also contribute to Rwanda's country strategic opportunities programme (2019–2024), which aims to reduce poverty by empowering poor rural men, women and youth to participate in the transformation of the agriculture sector and to enhance their resilience.

E. Costs, benefits and financing

36. Project components A (strengthening resilience to droughts) and B (support for farm business development) are partially counted as climate finance. As per the multilateral development banks' methodologies for tracking climate change adaptation and mitigation finance, the total amount of IFAD climate finance for this project is preliminarily calculated at US\$4,718,000.

Project costs

37. The total cost of KIIWP2 is estimated at US\$61.0 million. The details are shown in the summary tables below.

Table 1

Project costs by component and financier

(Thousands of United States dollars)

Component	IFAD loan		Government of Spain loan		Private sector		Cordaid		Beneficiaries			Borrower/recipient		Total Amount
	Amount	%	Amount	%	Amount	%	Amount	%	Cash	In-kind	%	In-kind	%	
A. Strengthening resilience to droughts	15 557	36.7	18 638	44.0	-	-	-	-	-	497	1.2	7 666	18.1	42 357
B. Support for farm business development	2 111	22.2	4 428	46.7	372	3.9	650	6.9	1 646	-	17.3	282	3.0	9 489
C. Institutional development and project coordination	4 108	44.8	4 934	53.8	-	-	-	-	-	-	-	136	1.5	9 178
Total	21 776	35.7	28 000	45.9	372	0.6	650	1.1	1 646	497	3.5	8 084	13.2	61 024

Table 2

Project costs by expenditure category and financier

(Thousands of United States dollars)

Expenditure category	IFAD loan		Government of Spain loan		Private sector		Cordaid		Beneficiaries			Borrower/recipient		Total Amount
	Amount	%	Amount	%	Amount	%	Amount	%	Cash	In-kind	%	In-kind	%	
Investment costs														
1. Technical assistance and consultancies	1 620	34.9	2 459	52.9	-	-	566	12.2	-	-	-	-	-	4 646
2. Grants and subsidies	737	17.0	1 575	36.4	372	8.6	-	-	1 646	-	38.0	-	-	4 330
3. Goods, services and inputs	191	7.9	1 434	59.1	-	-	-	-	-	65	2.7	736	30.3	2 425
4. Training, workshops and meetings	1 137	39.6	1 132	39.5	-	-	84	2.9	-	-	-	517	18.0	2 870
5. Civil works	14 263	37.0	17 005	44.2	-	-	-	-	-	432	1.1	6 806	17.7	38 505
6. Unallocated	1 403	47.4	1 558	52.6	-	-	-	-	-	-	-	-	-	2 960
Total investment costs	19 351	34.7	25 162	45.1	372	0.7	650	1.2	1 646	497	3.9	8 058	14.5	55 736
Recurrent costs														
1. Salaries and allowances	2 255	45.3	2 720	54.7	-	-	-	-	-	-	-	-	-	4 974
2. Operating costs	170	54.2	118	37.6	-	-	-	-	-	-	-	26	8.3	314
Total recurrent costs	2 425	45.9	2 838	53.7	-	-	-	-	-	-	-	26	0.5	5 288
Total	21 776	35.7	28 000	45.9	372	0.6	650	1.1	1 646	497	3.5	8 084	13.2	61 024

Table 3

Project costs by component and project year (PY)

(Thousands of United States dollars)

Component	PY1		PY2		PY3		PY4		PY5		PY6		Total Amount
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	
A. Strengthening resilience to droughts	1 590	3.8	10 545	24.9	11 534	27.2	9 111	21.5	7 903	18.7	1 675	4.0	42 357
B. Support for farm business development	692	7.3	1 947	20.5	2 889	30.4	2 624	27.7	1 330	14.0	7	0.1	9 489
C. Institutional development and project coordination	4 118	44.9	1 079	11.8	1 131	12.3	1 042	11.4	831	9.1	977	10.6	9 178
Total	6 400	10.5	13 571	22.2	15 554	25.5	12 777	20.9	10 064	16.5	2 658	4.4	61 024

Financing and cofinancing strategy and plan

38. IFAD will contribute an amount equivalent to US\$21.8 million and the Government of Spain is expected to provide US\$28.0 million in cofinancing. IFAD and the Government of Spain are currently negotiating a project cofinancing agreement whereby it is expected that IFAD will act as a supervising entity for the Spanish funds and, as such, will supervise the project and manage the Spanish funding on behalf of the Government of Spain under a fee arrangement. The Government of Rwanda will contribute an amount equivalent to US\$8.1 million, mainly in the form of tax exemptions. The beneficiary contributions, in-kind and in-cash, are estimated at US\$2.1 million. Cordaid will contribute US\$650,000, mainly for component B, while its partners are organized to support small and medium-sized enterprises and microfinance institutions through loans for an estimated US\$372,000.

Disbursement

39. **Project eligible expenditure.** KIIWP2 expenditure categories have been assigned in accordance with the standard expenditure categories, including: (i) technical assistance and consultancies; (ii) grants and subsidies; (iii) goods, services and inputs; (iv) training, workshops and meetings; (v) civil works; (vi) unallocated; and (vii) recurrent costs including salaries and allowances, and operating costs. The largest proportion of KIIWP2 resources will be disbursed for civil works, followed by resources for technical assistance and training.
40. **Disbursement arrangements.** It is envisaged that undisbursed resources from the loan allocated to phase I (KIIWP1) may be cancelled and then reallocated to the loan for phase II (KIIWP2), following the provisions of IFAD's Policy on Project Restructuring and project implementation guidelines. A cofinancing agreement, which will include specified cofinancing modalities, will be signed between IFAD and the Kingdom of Spain upon approval of the financing for KIIWP2 by each party in accordance with their respective procedures. The IFAD and Spanish financing will be disbursed on a parallel basis. Two separate designated accounts denominated in United States dollars, one to receive the loan from IFAD and another to receive the Spanish financing, will be opened at the National Bank of Rwanda. The same operational bank accounts will be used for KIIWP2 as for KIIWP1 at the single project implementation unit (SPIU) and district levels. The funds from the various cofinanciers will flow through the SPIU under uniform terms and conditions, criteria and mechanisms put in place for KIIWP2. Transfers to implementing partners will be done through the project operating account.

Summary of benefits and economic analysis

41. KIIWP2 is a technically and economically viable investment. The economic net present value of the net benefit stream over the 20-year time frame, discounted at 8 per cent, is US\$12.5 million. This value yields an economic internal rate of return of 14 per cent and a benefit-cost ratio of 1.19 for the base-case scenario, and it results in a payback period of nine years. Profitability results were tested in the sensitivity analysis.

Exit strategy and sustainability

42. **Institutional sustainability** will be ensured by: (i) working directly with administrative structures and community leaders at local levels; (ii) empowering infrastructure management institutions for planning and implementation of watershed interventions and infrastructure operation and maintenance; and (iii) strengthening FFSs and cooperatives.
43. **Environmental sustainability.** The subcatchment management approach, including participatory preparation of catchment management plans, will lead to longer-term environmental rejuvenation and will yield returns in terms of improved soil fertility and sustainable access to water, climate-smart agricultural technologies, enhanced resilience and reduced carbon emissions. The

environmental and social management plan will also be implemented in a participatory manner through institutional strengthening.

III. Risks

A. Risks and mitigation measures

44. The tables below highlight the few significant risks identified in the integrated project risk matrix (appendix III).

Table 4

Risks and mitigation measures

<i>Risks</i>	<i>Inherent risk rating</i>	<i>Residual risk rating</i>	<i>Mitigation measures</i>
Project scope / technical soundness	High	Moderate	Infrastructure management institutions will be established and supported throughout project implementation.
Environment, social and climate impact vulnerability of target populations and ecosystems to climate variability and hazards	Substantial	Moderate	Watershed and catchment management will be done through a participatory approach, which will lead to sustainable use of natural resources. KIIWP2 will promote climate-smart practices and technologies and agricultural insurance.
Environment, social and climate impact Biodiversity conservation	Substantial	Moderate	A rapid site diversity survey will be conducted for each irrigation scheme, coupled with satellite imagery in order to establish a baseline for biodiversity and ecosystem status.

Table 5

Overall risk summary

<i>Risk areas</i>	<i>Inherent risk rating</i>	<i>Residual risk rating</i>
Country context	Moderate	Low
Sector strategies and policies	Low	Low
Environment and climate context	Substantial	Moderate
Project scope	High	Moderate
Institutional capacity for implementation and sustainability	Substantial	Moderate
Financial management	Moderate	Moderate
Project procurement	Low	Low
Environment, social and climate impact	Moderate	Low
Stakeholders	Substantial	Moderate
Overall	Moderate	Moderate

B. Environment and social category

45. The project is classified as environmental and social category A due to its focus on irrigation schemes with command areas of more than 100 ha each. During KIIWP1, ESIA's and FSs were prepared for the Ndego and Kabare sectors and were disclosed on IFAD's website. These studies identified no physical involuntary resettlements, and an abbreviated RAP was included in the ESIA's. The remaining FSs and ESIA's for the Kanyeganyege and Gishanda schemes, hydro-geological surveys for boreholes drilling and valley ponds, and water permit requests will be finalized by the end of 2021. The additional ESIA's will be shared with IFAD for no objection and disclosed 120 days prior to the construction of the irrigation infrastructure.

C. Climate risk classification

46. The climate risk classification is high because of recent droughts and the Eastern Province's vulnerability to extreme weather events. KIIWP2 will promote adaptation and mitigation measures including: (i) enhancement of agricultural productivity using climate-smart agriculture practices promoted through FFSS; (ii) restoration and management of pasture land; and (iii) afforestation,

reforestation and forest conservation through synergies and coordination with the Rwanda Water and Forestry Authority; and (iv) promotion of appropriate climate-smart technologies.

D. Debt sustainability

47. Rwanda's risk of external and overall public debt distress was considered moderate as of December 2020, which is a change from the previous low risk. The COVID-19 pandemic has had a negative impact on Rwanda's growth, exports and revenues, and it is expected to result in a faster pace of accumulation of public and publicly guaranteed debt. While Rwanda is more susceptible to external shocks than was the case in the pre-pandemic period, its debt-carrying capacity remains strong.

IV. Implementation

A. Organizational framework

Project management and coordination

48. A national project steering committee established for KIIWP1 will continue for KIIWP2. The lead project agency will be the Rwanda Agriculture and Animal Resources Development Board, an implementing agency of the Ministry of Agriculture and Animal Resources, which will have overall responsibility for project coordination and execution. The SPIU will coordinate implementation, and most of the already existing staff under KIIWP1 will continue in KIIWP2, with some additional recruitment expected.

Financial management

49. Financial management arrangements have been designed on the basis of KIIWP1. These have been found to be satisfactory to date based on the reporting by the Auditor General in 2020. Financial management staff for the project at the SPIU and Kayonza District level are already in place, which should contribute to quick start-up of KIIWP2. The KIIWP2 legal covenants will include customization of the integrated financial management information systems and required adjustments to the project implementation manual. KIIWP2 financial statements will be prepared in accordance with the International Public Sector Accounting Standards, with additional disclosures as required by IFAD.

50. **Procurement.** A procurement risk matrix has been prepared. It identifies weaknesses in the current legal and regulatory framework and recommended mitigating actions. Pursuant to paragraph 42 of the IFAD Project Procurement Guidelines, procurement will be carried out according to the borrower's/recipient's procurement regulations to the extent that they are consistent with the IFAD Project Procurement Guidelines.

51. **Governance.** Rwanda ranks 49th out of 180 countries in Transparency International's 2020 Corruption Perceptions Index. The IFAD Policy on Preventing Fraud and Corruption in its Activities and Operations will be disseminated at project start-up, along with measures for implementing the policy. External audits will be carried out by the Office of the Auditor General and will be publicly disclosed.

Project target group engagement and feedback and grievance redress²

52. Regular target group engagement and feedback will be promoted throughout the KIIWP lifecycle. Activities under KIIWP1 have included preparation of community-based subcatchment management plans and establishment of IWUOs. Activities under KIIWP2 will include establishment and/or strengthening of cooperatives and FFSs, community competitions, participatory M&E workshops and further strengthening of IWUOs.

² See the Framework for Operational Feedback from Stakeholders (<https://webapps.ifad.org/members/eb/128/docs/EB-2019-128-R-13.pdf?attach=1>) and the project implementation manual for further details.

Grievance redress

53. An adequate grievance redress mechanism will be established to ensure that beneficiaries can voice their concerns related to KIIWP interventions. The SPIU will have overall responsibility for grievance redress, and a focal point will be appointed to follow up on any complaints submitted. The mechanism will be publicized at the local level in Kinyarwanda. Complaints received will be recorded, documented and included in progress reports, with information on the number and type of complaints and the outcomes.

B. Planning, monitoring and evaluation, learning, knowledge management and communications

54. The M&E system is already in place under KIIWP1 and is in accordance with the new management information system of the Ministry of Agriculture and Animal Resources and IFAD's Operational Results Management System. It is coordinated by the M&E specialist at the SPIU and other staff who work closely with subject matter specialists to strengthen learning and KM. A detailed operational results framework and an M&E plan will be developed for KIIWP2 to guide M&E processes, define roles and responsibilities and set out a plan for the realization of established targets throughout the project life cycle.
55. The KM strategy is included in the project implementation manual and will be further refined during implementation. The project M&E system will form the foundation for KM and for the learning system and will thus be a primary instrument for information capture and storage, based on the indicators detailed in the results framework. In addition, a stakeholder communication strategy will be developed to detail how community expectations will be managed and to specify the roles and responsibilities of the district authority and SPIU teams with regard to communication.

Innovation and scaling up

56. The project's agricultural insurance activities represent innovative approaches to delivering insurance education and products. The effort to increase bundling of insurance with credit and potentially with grants also represents an innovation. In addition, the partnerships with Cordaid and other organizations will promote the digitalization of financial services for smallholders and cooperatives, which will help to reduce transaction costs and increase efficiency and sustainable access to financial services.

C. Implementation plans**Implementation readiness and start-up plans**

57. The implementation readiness of KIIWP2 will be ensured through KIIWP1, which (i) has recruited staff at national and district levels, including for the coordination, financial management and M&E units; (ii) will establish and build the capacity of infrastructure management institutions; and (iii) will prepare the required FSs, ESAs and subcatchment management plans. In addition, a baseline study on existing climate-smart agriculture practices in Rwanda will be conducted during KIIWP1.

Supervision, midterm review and completion plans

58. Supervision and implementation support will be organized jointly by IFAD and the Government of Rwanda. The composition of supervision and implementation support missions will be determined largely by prevailing needs. Midterm review will be undertaken midway through project implementation and will evaluate whether the project is on course to achieve its goal. A project completion review will be carried out at the end of the project. As part of the completion process, a beneficiary impact assessment will be conducted and the findings will inform the review.

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/recipient. A copy of the negotiated financing agreement is attached as 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 fifteen million three hundred thousand special drawing rights (SDR 15,300,000), or approximately twenty-one million eight hundred thousand United States dollars (US\$21.8 million), 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: "Phase 2 of the Kayonza Irrigation and Integrated Watershed Management (the "KIIWP2" or the "Project")

(Negotiations concluded on 14 July 2021)

Loan No: 2000002350

Project name: Phase 2 of the Kayonza Irrigation and Integrated Watershed Management (the "KIIWP2" or the "Project")

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:

A. The Parties agreed to design and implement the overall Kayonza Irrigation and Integrated Watershed Management (the "KIIWP") in two phases;

B. On 2 May 2019, IFAD's Executive Board (the "EB") approved Phase one of the KIIWP (the "KIIWP1"); the relevant financing agreement for the KIIWP1 between IFAD and the Borrower was concluded on 22 June 2019 and became effective on 10 December 2019;

C. Following a successful Phase Review, as further defined in the financing agreement for KIIWP1, it was confirmed that all Trigger Indicators as indicated in Schedule 1 Section III paragraph 12 of the KIIWP1 financing agreement were met. In light of this a recommendation was made to move to the approval of Phase 2 of the KIIWP (the "KIIWP2");

D. Upon that recommendation, on September 2021, the Fund's EB approved a loan to the Borrower that shall be used solely in order to finance the KIIWP2, with the activities described in Schedule 1 to this present financing agreement (the "Agreement"); and

E. It is envisaged the Kingdom of Spain (the "Donor"), will provide parallel co-financing for the implementation of the KIIWP2.

NOW THEREFORE, the Parties hereby agree as follows:

Section A

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

2. The Fund's General Conditions for Agricultural Development Financing dated 29 April 2009, amended as of December 2020, 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, except for the provisions identified in Section E paragraph 4 below, if applicable. For the purposes of this Agreement the terms defined in the General Conditions shall have the meanings set forth therein, unless the Parties shall otherwise agree in this Agreement.

3. The Fund shall provide a loan (the "Loan" or the "Financing") to the Borrower, which the Borrower shall use to implement the KIIWP2 in accordance with the terms and conditions as set out in this Agreement.

Section B

1. The amount of the Loan is fifteen million and three hundred thousand Special Drawing Rights (SDR 15 300 000).

2. The Loan is granted on highly concessional terms, and shall be free of interest but shall bear a fixed service charge as determined by the Fund at the date of approval of the Loan by the Fund's Executive Board, payable semi-annually in the Loan Service Payment Currency. The Loan 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.

3. The principal of the Loan will be repaid at four and half per cent (4.5%) of the total principal per annum for years eleven (11) to thirty (30), and one per cent (1%) of the total principal per annum for years thirty-first (31) to forty (40).

4. The Loan Service Payment Currency shall be in United States Dollars.

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

6. Payments of principal and service charge shall be payable on each 1 April and 1 October.

7. There shall be a Designated Account in US Dollars, 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.

8. The Borrower shall provide counterpart financing in kind and in cash for the Project in an approximate amount equivalent to eight million one hundred thousand US Dollars (USD 8 100 000), principally in the form of taxes and duties and compensation for resettlement under the Resettlement Action Plan.

Section C

1. The Lead Project Agency shall be the Ministry of Agriculture and Animal Resources (the "MINAGRI"), via the Rwanda Agriculture and Animal Resources Development Board, an implementing agency of, which will have the overall responsibility for the coordination and execution of the Project, as further detailed in Schedule 1 (Description of the Project) to this present Agreement.

2. The National Project Steering Committee, established for KIIWP1, shall continue its full function for KIIWP2, as further described in Schedule 1 (Description of the Project) to this present Agreement.

3. 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.

4. A Mid-Term Review will be conducted as specified in Section 8.03 (b) and (c) of the General Conditions; however, the Parties may agree on a different date for the Mid-Term Review of the implementation of the Project.

5. The Project Completion Date shall be the sixth (6th) anniversary of the date of entry into force of this Agreement and the Financing Closing Date shall be 6 months later, or such other date as the Fund may designate by notice to the Borrower.

6. Procurement of goods, works and services financed by the Financing shall be carried out in accordance with the provisions of the Borrower's procurement regulations, to the extent such are consistent with the IFAD Procurement Guidelines.

Section D

1. The Fund will administer the Financing and supervise the Project.

Section E

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

- (a) The Project Implementation Manual (the "PIM") and/or any provision thereof, has been waived, suspended, terminated, amended or modified without the prior agreement of the Fund and the Fund, after consultation with the Borrower, has determined that it has had, or is likely to have, a material adverse effect on the Project.
- (b) The contractual arrangement between the Borrower and the Donor for the KIIWP2 has failed to enter into full force and effect within 180 days of the date of the entry into force of this present Agreement, and substitute funds are not available to the Borrower on terms and conditions acceptable to the Fund.
- (c) The Project Manager or other key Project staff (Heads of Finance and Fiduciary Aspects, Procurement and MIS) 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 PIM shall have been obtained;
- (b) The Project steering committee (the "PSC") established for KIIWP1 is fully functional and will be used for the duration of the Project; and
- (c) The KIIWP2 Project Manager and key Project staff shall have been competitively 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:

[click and type title of the representative]

[click and type the name and address of the ministry]

For the Fund:

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

[Copy to:]

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.

THE REPUBLIC OF RWANDWA

"[Authorised Representative Name]"
"[Authorised Representative title]"

Date: _____

INTERNATIONAL FUND FOR
AGRICULTURAL DEVELOPMENT

Gilbert F. Houngbo
President

Date: _____

Schedule 1

Project Description and Implementation Arrangements

I. Project Description

1. *Target Population.* The Project shall benefit 40,000 households (180,000 members) in Kayonza District, of which 7,100 households will participate in irrigation schemes and 11,800 households in protection of catchment areas. Kayonza Irrigation and Integrated Watershed Management Project (KIIWP) will focus on poor and food-insecure rural households with economic potential. In line with the *Ubudehe*³ wealth-ranking system, the Project will target three categories of beneficiaries⁴ in the area including: (Category 1) Near landless and extremely vulnerable households; (Category 2) Subsistence and vulnerable poor; and (Category 3) Market-oriented producers. Women will account for 50 per cent of the beneficiaries and youth and young adults for 30 per cent.

2. *Project area.* The Project will be implemented in nine drought-prone sectors out of the 12 sectors in Kayonza district, namely Gahini, Kabare, Kabarondo, Murama, Murundi, Mwiri, Ndego, Ruramira and Rwinkwavu. The area has been selected on the basis of its high vulnerability to drought and high poverty and food insecurity levels. The National Strategic Food Reserve supported its population during past droughts. However, the area has a high untapped potential of water resources that, if fully mobilized, would significantly improve crop production, climate resilience, food security and nutrition.

3. *Goal.* The goal of the Project is to “Contribute to poverty reduction in the drought-prone Eastern Province of Rwanda”.

4. *Objectives.* The objective of the Project is to “Improve food security and incomes of at least 40,000 rural households on a sustainable basis and build their climate resilience”.

5. *Components.* The Project shall consist of the following Components:

5.1 *Component A: Strengthening Resilience to Droughts.* The expected outcome of Component A is to strengthen farmers’ drought resilience through catchment rehabilitation and protection, irrigation development and promotion of climate smart agricultural practices and technologies.

5.1.1 *Sub-Component A1: Catchment rehabilitation and protection.* The component will invest in integrated land and water resources management in order to enable stakeholders of upstream (rainfed areas) and downstream areas (irrigation schemes) to work together for the better utilization and management of their land and water resources. The interventions will also include catchment rehabilitation and protection measures such as afforestation, reforestation and agro-forestry in order to increase tree covers in the area for better habitat conservation. A total of 1,950 ha of catchment areas will be protected and developed, in addition to the reforestation of 2,000 ha with trees. In addition, the Environmental and Social Management Plans identified in the Environmental and Social Impact Assessments will be implemented.

5.1.2 *Sub-Component A2: Irrigation Development and Management.* This sub-component will equip farmers with 2,285 ha of irrigation schemes on the basis of development costs and feasibility assessment of irrigation schemes conducted under KIIWP1. The infrastructure management institutions including the Sector Steering Committees,

³Since 2015, the *Ubudehe* categorization classifies Rwandans under four socio-economic wealth categories. In 2020, MINALOC revised this categorization unveiling five categories (A, B, C, D & E). The new system was not yet disclosed by MINALOC at the time of KIIWP2 design.

⁴ KIIWP ESIA study in Ndego and Kabare sector. 2020

Hydrographic Basin Committees and Irrigation Water User Organizations will be established during KIIWP1 and they will be strengthened through capacity building in KIIWP2.

5.1.3 Sub-component A3: Enhancing Climate Smart Agriculture Practices and Technologies. Climate smart agriculture practices and technologies will be promoted in the irrigated and catchment areas, using the Farmer Field School (FFS) approach. KIIWP2 will also promote adapted farm mechanisation as well as climate and nutrition smart technologies.

5.2 Component B: Support to Farm Business Development. The expected outcome of Component B will be: "Farm business development with increased sales and linkages of farmers and cooperatives to services and markets". The cooperatives and FFS in the irrigation schemes and catchment areas under Component A will be entry points to provide Component B services.

5.2.1 Sub-component B1: Developing Farming-as-a-Business. Expected outputs of are: (i) 8,000 smallholder farmers in FFS received farming as a business training, (ii) 500 FFS members and 50 Agriculture Cooperatives received business development coaching and have bankable business plans. Based on these business plans, KWIIP2 will co-finance privately-owned and managed investments of individual smallholders, cooperatives and/or private sector companies, through a Performance-based Matching Grant Scheme.

5.2.2 Sub-component B2: Supporting Backward and Forward Market Linkages. This sub-component will link farmers and cooperatives to markets through agribusiness linkages and public-private partnerships. Expected outputs include: (i) 8,000 smallholders have improved access to markets, (ii) 10,000 smallholders have improved access to financial services with support from Cordaid and other partners, and (iii) 2,500 smallholders use agricultural insurance products. In addition, smallholders will be supported to access agriculture insurance products offered under the National Agricultural Insurance Scheme.

5.3 Component C: Institutional Development and Project Coordination. Activities under this component will include: support to policy and institutional development, project coordination, monitoring and evaluation (M&E), knowledge management (KM) and communication, and emergency response.

5.3.1 Sub-component C1: Policy and Institutional Development. Support for policy dialogue will be provided by KIIWP2 through an evaluation of implementation and impact of new or existing policies related to the project activities with relevant national, and district level stakeholders. Areas of possible focus may include but will not be limited to: (i) contract farming; (ii) financing for lease for agricultural equipment and insurance; (iii) competitiveness of agricultural commodities and agricultural supply chain and (iv) high quality local seed production. Capacity building interventions will be identified for KIIWP2 staff under the SPIU, including RAB and district personnel engaged in KIIWP2 implementation.

5.3.2 Sub-component C2: Project Coordination. The institutional arrangements for KIIWP2 will remain aligned to the current implementation framework of IFAD-funded projects in Rwanda. The details are included in the section II. Implementation Arrangements. This sub-component will also finance M&E, KM and communication.

5.3.3 Sub-component C3: Emergency Recovery and Resilience. This sub-component is designed to provide swift response in the event of unforeseen crisis or emergency events such as the COVID-19 pandemic and climate extreme events. Through this sub-component, KIIWP2 may provide support for immediate response to an eligible crisis or emergency, as needed, in coordination with the Ministry of Agriculture and Animal Resources (MINAGRI) and IFAD. It will allow the Government of Rwanda to request a reallocation of project funds to partially cover emergency response and recovery costs. This sub-component will be triggered if IFAD and the Government have jointly determined that an eligible crisis or emergency has occurred and the Government of Rwanda has made a request to IFAD for emergency response.

II. Implementation Arrangements

6. *Lead Project Agency.* The Lead Project Agency will be the Rwanda Agriculture and Animal Resources Development Board (RAB), an implementing agency of MINAGRI, which will have the overall responsibility for the coordination and execution of the Project.

7. *Project Oversight Committee.* The Project Steering Committee (SC) at District level established for KIIWP1 shall continue for KIIWP2. The SC will be made up of representatives of MINAGRI and other relevant ministries, and representatives of the District Council, the farmers' organizations, local institutions and private sector participating in the Project. The SC will be responsible for the technical oversight of the review and implementation of the AWPB and the Project's integration into the District.

8. *Programme Management Unit.* KIIWP2 will be integrated within the Single Project Implementation Unit (SPIU) of IFAD-funded projects under RAB. The SPIU Coordinator will oversee and coordinate KIIWP implementation at both the central and district level. The personnel from KIIWP1 will continue to be part of the implementation of KIIWP2 while additional staff at central and at district unit level will be recruited. The SPIU will determine modalities of allocation of staff at central or district unit levels. International technical assistance will be mobilized to support the SPIU in areas such as irrigation, agribusiness, climate smart agriculture and good agricultural practices. The Chief Finance Officer of RAB will become the Chief Budget Holder for the Project as for other IFAD-funded projects under the SPIU.

9. *Implementing partners.* The Borrower will conclude the relevant contractual arrangements with Cordaid and other implementing partners, for the implementation of the activities as described in this Schedule.

10. *Monitoring and Evaluation.* In accordance with the requirements of IFAD and the Government of Rwanda, M&E is conducted under KIIWP1 and coordinated by the SPIU with support from additional professional staff already recruited under KIIWP1. The M&E System (MES) is being put in place in accordance of MINAGRI's new management information system (MIS) and IFAD's new Operational Results Management System (ORMS). The MES will be under the supervision of the Project Coordinator and will be managed by an M&E Specialist. To supplement the Project ORMS Logical Framework, a detailed operational results framework and an M&E plan will be developed to guide M&E processes, define roles and responsibilities as well as set a plan for realisation of project targets. An M&E Manual will be developed by the SPIU describing how the MES/MIS system works, the tools and processes for its smooth operation.

11. *Knowledge Management.* Knowledge management will be an integral part of KIIWP to ensure that Project implementation is a continuous learning process and based on the Knowledge Management and Communication Strategy. The Project MES will form the foundation of KM and learning system and will thus be a primary instrument of information capture and storage, based on the indicators detailed in the results framework. In addition, a stakeholder Communication Strategy will be developed to detail how community expectations will be managed and the roles and responsibilities of the District Authority and SPIU teams in communication.

12. *Project Implementation Manual.* The Borrower will finalize the development of Project Implementation Manual (PIM) for the Fund's consideration and approval. The PIM will provide details on roles and responsibilities of the Project and implementing parties to ensure full coordination among all partners involved in implementation, financial management requirements including bank accounts and audit arrangements, establishment of a grievance redress mechanism, and M&E and reporting mechanisms. The PIM will reflect IFAD's no tolerance for Sexual Harassment / Sexual Exploitation and Abuse in the Project.

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)	Per centage net of tax
I. Works	10 010 000	100%
II. Grants	520 000	100%
III. Non-consulting services and consultancies	2 070 000	100%
IV. Recurrent costs	1 700 000	100%
Unallocated	1 000 000	
TOTAL	15 300 000	

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

- Category III. "Non-consulting services and consultancies" may include but is not limited to goods, inputs and upgrading small-holder farmers' skills on agricultural value-chain development.
- Category IV. "Recurrent costs" includes salaries and operating costs.

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 three (3) months of entry into force of the Agreement, the Project financial reporting will be fully implemented through the IFMIS, customised to meet IFAD's requirements.

2. Within six (6) months of entry into force of this present Agreement, the Project will conclude any relevant contractual arrangements with the Implementing Partners, as further defined in para 9 of Section II of Schedule 1 (Project Description) of this present Agreement that will structure the collaboration, define roles, responsibilities and duties with regards to implementation, financial management, accounting and reporting.

3. *Planning, Monitoring and Evaluation.* The Borrower shall ensure that the Planning, Monitoring and Evaluation (PM&E) system established in the first phase (KIIWP1) continues to meet the requirements of IFAD and the Government of Rwanda, and it is coordinated by the SPIU with support from additional professional staff recruited under KIIWP1. The PM&E system shall be updated in accordance with MINAGRI's new management information system (MIS) as well as IFAD's new Operational Results Management System (ORMS). In order to supplement the Project ORMS Logical Framework, a detailed operational results framework and a monitoring and evaluation (M&E) plan shall be developed to guide M&E processes, define roles and responsibilities. An M&E Manual shall be developed by the SPIU describing how the PM&E/MIS works, the tools and processes for its smooth operation.

4. *Gender.* The Borrower shall ensure that the Gender, Targeting and Community Mobilisation Officer appointed in the MINAGRI SPIU, overseeing KIIWP1, will continue to coordinate the gender related activities in KIIWP2. The SPIU shall assess its needs and assign dedicated staff, under the guidance of the SPIU.

5. *Land tenure security.* The Borrower shall ensure that the land acquisition process has already been completed and that compensation processes were consistent with international best practice and free prior and informed consent principles.

6. *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:

Environment and Social Safeguards. The Borrower shall ensure that: (a) all Project activities are implemented in strict conformity with the Borrower's relevant laws/regulations; (b) all Project activities give special consideration to the participation and practices of ethnic minority population in compliance with IFAD's *Policy on Indigenous Peoples* (2009), as appropriate; (c) 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; (d) women and men shall be paid equal remuneration for work of equal value under the Project; (e) recourse to child labour is not made under the Project; (f) 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

(g) 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.

7. *Anticorruption Measures.* The Borrower shall comply with IFAD Policy on Preventing Fraud and Corruption in its Activities and Operations.

8. *Sexual Harassment, Sexual Exploitation and Abuse.* The Borrower and the Project Parties shall ensure that the Project is carried out in accordance with the provisions of the IFAD Policy on Preventing and Responding to Sexual Harassment, Sexual Exploitation and Abuse, as may be amended from time to time.

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

- (a) all vehicles and other equipment procured for the Project are allocated to the SPIU 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.

10. *IFAD Client Portal (ICP) Contract Monitoring Tool.* The Borrower shall ensure that a request is sent to IFAD to access the project procurement Contract Monitoring Tool in the IFAD Client Portal (ICP). The Borrower shall ensure that all contracts, memoranda of understanding, purchase orders and related payments are registered in the Project Procurement Contract Monitoring Tool in the IFAD Client Portal (ICP) in relation to the procurement of goods, works, services, consultancy, non-consulting services, community contracts, grants and financing contracts. The Borrower shall ensure that the contract data is updated on a quarterly basis during the implementation of the Project.

Logical framework

Results Hierarchy	Result Indicator ⁵	Baseline	Mid-term	End Target	Source	Frequency	Responsibility	Assumptions
Outreach	Estimated corresponding number of household members	0	90,000	180,000 ⁶		Annual	SPIU	
	Persons receiving services supported by the Project (by gender, age)	0	20,000	40,000				
	Males - Number	0	10,000	20,000				
	Females - Number	0	10,000	20,000				
	Youth – per centage (30%)	0	6,000	12,000				
	Corresponding number of households reached	0	20,000	40,000				
Project Goal Contribute to poverty reduction in the drought-prone Eastern province of Rwanda	Reduction in poverty levels in eastern province of Rwanda	0		5%	National statistics, poverty & gender studies	Baseline, Completion	NISR	Increased income will be used on household improvements and that stable political, macro-economic environment is maintained in the country.
Development Objective Improve food security and incomes of 40,000 households on a sustainable basis	Households with improved food security	N/A	N/A	75%	National statistics, poverty & gender studies, CFSVA	Baseline, Completion	SPIU, NISR	Food security and incomes increase through a combined effect of increased crop production and improved market access
	Households with improved incomes	N/A	N/A	60%		Baseline, Completion	SPIU, NISR	
Outcome 1: Farmers increase resilience to drought and productivity	Per centage of households reporting an increase in production (CI 1.2.4)	N/A	40%	75%	COI Surveys	Baseline, Midterm, Completion	SPIU/RAB	
	Per centage HH reporting adoption of environmentally sustainable and climate-resilient technologies and practices (CI 3.2.2)	TBD	40%	75% ⁷	COI Surveys	Baseline, Midterm, Completion	SPIU/RAB	
	Per centage of women reporting minimum dietary diversity- MDD-W ⁸ (CI 1.2.8)	0	20%	70% ⁹	COI Surveys	Baseline, Midterm, Completion	SPIU/RAB	
	Households (%)	0	5%	30%				
	Households (number)	0	2,000	12,100 ¹⁰				
Output 1.1 Catchment rehabilitation and protection systems	Number of hectares of land brought under climate resilient management (CI 3.1.4)	0	2000	5,350 ¹¹	Project reports	Annually	SPIU/RAB	Climate-resilient management will be complemented by RWFA reforestation (A)
Output 1.2 Infrastructure development	Number of hectares of farmland under water-related infrastructure constructed/rehabilitated (CI 1.1.2)	0	1,230	2,285	Project reports	Annually	SPIU/RAB	

⁵ Indicators will be disaggregated by gender and age where possible.

⁶ Average household size in Rwanda is 4.5 members per household

⁷ Includes households (number): 30,000 and household members: 135,000

⁸ Minimum Dietary Diversity for Women (MDD-W) to assesses if women 15–49 years of age have consumed at least five out of ten food groups the previous day or night.

⁹ Of those provided with targeted support to improve their nutrition (CI 1.1.8); Includes women (number): 4,235

¹⁰ Corresponding household members' number is 54,450.

¹¹ Includes 5,350 ha catchment rehabilitation and protection of which 2,000 are targeted for afforestation and reforestation

Output 1.3 Infrastructure management institutions	Number of groups supported to sustainably manage natural resources and climate-related risks (CI 3.1.1)	0	20	55 ¹²	Project reports	Annually	SPIU/RAB	
	Total size of groups:	0	200	496 ¹³				
Output 1.4 Enhanced CSA and AH practices and technologies	Number of rural producers trained in production practices and/or technologies (CI 1.1.4) by gender and age	0	8,800	12,100 ¹⁴	Project reports	Annually	SPIU/RAB	Increased production combined with targeted capacity building will lead to improved diets and nutrition
	Number of persons provided with targeted support to improve their nutrition (CI 1.1.8) by gender and age	0	8,800	12,100 ¹⁵				
	Households	0	8,800	12,100				
	Household members benefited	0	39,600	54,450				
Outcome 2: Increased sales and linkage of producers to services and markets	Number of rural producers' organizations reporting an increase in sales (CI 2.2.5)	0	30	64	COI Surveys	Baseline, Midterm, Completion	SPIU/RAB	Favourable economic environment (A) Public or private entities are willing to engage with project (A).
	Rural producers' organizations engaged in formal partnerships/agreements or contracts with public or private entities (CI 2.2.3)	0	20	40 ¹⁶	COI Surveys	Baseline, Midterm and Completion	SPIU/RAB	
	Number of households reporting using rural financial services. (CI 1.2.5)			12,500 ¹⁷	COI Surveys	Baseline, Midterm, Completion	SPIU/RAB	
	Households (%)		TBD	31%				
	Household members		TBD	56,250				
Output 2.1 Development of Farming as a Business Skills	Number of persons trained in income-generating activities or business management(CI 2.1.2) by gender and age	0	0	8,000 ¹⁸	Project reports	Annually	SPIU/RAB	Farmers interested in business skills(A)
Output 2.2 Promotion of Farm Mechanization and Post-harvest Facilities	Number of market, processing or storage facilities constructed or rehabilitated (CI 2.1.6)	0	TBD	TBD	Project reports	Annually	SPIU/RAB	
	Number of persons supported to access equipment to improve production and productivity by gender and age	0	900	1,800 ¹⁹	Project reports	Annually	SPIU/RAB	
Output 2.3 Supporting backward and forward market linkages	Persons in rural areas trained in financial literacy and/or use of financial products and services [by training topic] (CI 1.1.7) by gender and age	0	6,000	12,500 ²⁰	Project reports	Annually	SPIU/RAB	Beneficiaries are able to access the services by FSPs
	Number of persons in rural areas accessing financial services (savings, credit, insurance, remittances, etc.) (CI 1.1.5), by gender and age	0	6,000	12,500 ²¹	Project reports	Annually	SPIU/Corda id	
Outcome 3 Enabling institutional environment	Number of revised/new laws, regulations, or strategies proposed to policy makers for approval, ratification or amendment (CI Policy 3)	0	0	6	COI Surveys	Baseline, Midterm, Completion	SPIU/RAB	
	Households satisfied with project-supported services (SF 2.1)	0	0	75%	COI Surveys		SPIU/RAB	

¹² Includes 5 scheme committees, 35 WLUOs, 10 SCCs and 5 IWUOs

¹³ Assuming each group comprises 9 members; Includes disaggregated targets: females (248); males (248) and youth (150)

¹⁴ Includes beneficiaries of FFS, CSAs and mechanisation activities; Includes disaggregated targets: female (6,050); youth (3,630)

¹⁵ Includes beneficiaries of FFS, CSAs and mechanisation activities. Same number for HHs; Includes disaggregated targets: female (6,050); male (6,050); and youth (3,630)

¹⁶ 50 cooperatives and about 600 FFS will be capacity built. This translates to about 80 producer organizations. 50% of these are estimated to have engaged in formal arrangements by end of project.

¹⁷ Includes 2,500 estimated to use agricultural insurance through MGs and those that purchase it directly as a result of financial education

¹⁸ Includes beneficiaries of FAABs training and Members of 50 Cooperatives; Includes disaggregated targets: female (4,000); youth (2,400)

¹⁹ Includes 480 beneficiaries of farm equipment and tools and members of 25 cooperatives supported with access to post harvest handling facilities; Includes disaggregated targets: female (900); youth (540)

²⁰ Includes disaggregated targets: female (6,250); youth (3,750)

²¹ Includes disaggregated targets: female (3,000); youth (1,800)

	Households (number)	0	0	30,000 ²²		Baseline, Completion		Project interventions satisfactorily implemented
	Households reporting, they can influence decision-making of local authorities and project-supported service providers (SF 2.2)	0	0	75%	COI Surveys	Baseline, Completion	SPIU/RAB	
	Households (number)	0	0	30,000 ²³				

²² Corresponding household members' number is 135,000

²³ Corresponding household members' number is 135,000

Integrated Project Risk Matrix

Risk Categories and Subcategories	Inherent	Residual
Country Context		
Political Commitment	Low	Low
<p><u>Risk(s)</u>: Over the last 20 years, Rwanda has enjoyed political stability which, combined with good governance and policy consistency, has created an enabling policy environment ensuring successful delivery of development programs. The next legislative and presidential elections are due in 2023 and 2024 respectively. Counterpart funding in some previous IFAD-supported projects has materialized below the expected levels.</p>		
<p><u>Mitigations</u>: The Government of Rwanda has already demonstrated strong commitment in co-financing KIIWP1. Ndego and Kabare feasibility studies in KIIWP1 have been fully financed by the Government. Kayonza is one the priority districts for government investments, which is affected by recurrent drought that bring an additional burden to the systemic challenges faced by smallholder farmers. The Government of Rwanda committed to provide cash contribution for taxes on a timely basis and report promptly on any in-kind contributions including taxes waived whenever government agencies are used to implement activities. There will be a separate bank account for counterpart funds both at SPIU and at the district, managed by SPIU and district project staff respectively, just like the project operational account. The Government has assigned a staff to keep track and record district and national level government staff's in kind contributions. The Single Project Implementation Unit has already recruited a professional staff to count/value on the government's in-kind contribution.</p>		
Governance	Low	Low
<p><u>Risk(s)</u>: Over the last 20 years, Rwanda has enjoyed political stability which, combined with good governance and policy consistency. Transparency International's Country Corruption Perception Index score puts Rwanda at medium risk in terms of corruption (54 points in 2020). Guided by the Vision 2020 and the Economic Development and Poverty Reduction Strategy, since the year 2000, the Rwandan government has been implementing a comprehensive and ambitious decentralization reform, which materialized by the adoption of the National Decentralization Policy. The policy's objective were the promotion of good governance, the reduction of poverty as well as the promotion of efficient, effective, and accountable service delivery. While progress has been achieved through strengthening the capacities of districts and the territorial reorganization of decentralized state entities, some challenges still persist. In order to mitigate the infection spread of COVID-19, the Government imposed strict contingency measures including total or partial lockdowns, border closures, and restriction of movements. While these measures were necessary for public safety, they may pose risks on project implementation.</p>		
<p><u>Mitigations</u>: The Government of Rwanda has enhanced its efforts to prevent corruption by identifying and reducing vulnerability to corruption. A number of multi-stakeholder consultative bodies have been established, including the National Council to fight against Corruption and Injustice and Corruption Advisory Councils at national, district, sector, and cell levels. KIIWP2 will contribute to enhancing the quality of governance at the district level.</p> <p>Based on a needs assessment, KIIWP will strengthen institutional capacities at national and district levels:, the Project will provide support to RAB and the District authorities' staff in order to improve their capacity to monitor and support project activities. Relevant institutions will also be</p>		

supported, including the Rwanda Environmental Management Authority, Ministry of Environment, and Rwanda Water Boards. Stakeholder participation will be by: (i) participatory community-driven preparation of sub-catchment plans; (ii) strengthened FFS, cooperatives, Infrastructure Management Institutions; (iii) community competition grants; (iv) engagement in the selection of irrigation systems and technology. The project will ensure capacity development of farmers and farmers' organizations in areas including irrigation management (SC.A2), climate-smart agriculture and technologies (SC.A5), and business and marketing skills (SC.B1).		
In order to mitigate the COVID-19 related risks, MINAGRI has already put in place special guidelines allowing farmers to continue agricultural activities even during lockdowns, including access to agricultural inputs and facilitation of transporting the produce to local markets. Most importantly, all members of the SPIU and government staff involved in the IFAD-funded projects have already been vaccinated against COVID-19 so that they can continue their implementation tasks with limited risks. In addition, 3% of the total project cost (US\$1.8 million) has been earmarked under the "unallocated" category in order to quickly respond to emergencies and any other unforeseen circumstances. The emergency related sub-component is set up under Component C, and the Government and IFAD will discuss and agree on necessary restructuring in the project activities, if deemed necessary.		
Macroeconomic	Moderate	Low
Risk(s): COVID-19, combined with heavy rains in Q1 2020, as well as subsequent measures to contain the spread of the virus, deepened the country's economic slowdown such that real GDP growth was slightly negative at -0.2 per cent in 2020. Although the outlook remains highly uncertain, the IMF projects a rebound in real GDP growth to 5.7 per cent in 2021, albeit below potential.		
Mitigations: KIIWP will promote increased and diversified agricultural production to enhance farmers' resilience to a wide range of shocks. US\$1.8 million, which is about 3% of the total project cost, has been allocated for emergency under the "unallocated" category. This would allow a relatively quick adjustment of project activities in the face of any emergency situation such as a surge in COVID-19 infections. Finally, the RPSF that is currently being implemented in Rwanda focuses on expanding the capacity of National Strategic Food Reserve (NSFR). The NSFR has played a critical role during COVID-19 by purchasing produce from farmers' cooperatives and smallholders while providing food assistance to households in need. KIIWP2 beneficiaries in the event of a new crisis will benefit from the NSFR's enhanced purchasing capacity.		
Fragility and security	Substantial	Moderate
Risk(s): Kayonza District faces climate-induced fragility is a drought-prone area, which impacts on the livelihoods of the population while COVID-19 may continue to pose social, economic, and health risks.		
Mitigations: KIIWP2 will significantly reduce the climate-related fragility and drought problem in Kayonza District by several measures including (i) improving access to water for agriculture, livestock and rural population; (ii) promoting climate-smart agriculture (CSA) technologies and practices; (iii) training beneficiaries on climate risk and its management; and (iv) supporting and promoting understanding of agricultural insurance products offered by National Agricultural Insurances Scheme (NAIS). In addition, the project will promote increased and diversified agricultural production to mitigate shocks. These activities will enhance the resilience of households and have an impact on livelihoods, income and food security.		
Sector Strategies and Policies		

Policy alignment	Low	Low
<u>Risk(s)</u> : The policy environment surrounding KIIWP2 is relatively favorable as a series of new laws and policies coming into force that are fully supportive of the development of water infrastructure and cooperative development. Indeed, the sustainable development of irrigated agriculture as a key driver to boost agriculture production and productivity is fully acknowledged in most of Rwanda's flagship policy documents.		
<u>Mitigations</u> : Sub-component C2 will address policy issues. KIIWP2 will support policy dialogues through an evaluation of implementation and impact of new or existing policies related to the project activities. The dialogues will involve national and district level relevant stakeholders. KIIWP2 will focus on policy areas including: (i) national policy on contract farming; (ii) laws on financial lease for agricultural equipment (e.g. special registry requirement in the law that is yet to be effective); (iii) value added tax (VAT) in rice processing that makes Rwandan rice less competitive than regional products; and (iv) current issues of availability and quality of seeds including multiplication.		
Policy development & implementation	Low	Low
<u>Risk(s)</u> : Identified gaps in terms of operationalization of new policies, laws, regulations and institutional framework will be addressed with KIIWP support. To this end, KIIWP 1 will conduct an evaluation of implementation and impact of new or existing policies related to the project activities with relevant national, and district level stakeholders.		
<u>Mitigations</u> : Sub-component C2 will address policy issues. In addition to above mentioned four areas of policy support, KIIWP2 will be supporting and promoting in coordination with the World Bank (WB) agricultural insurance as offered by NAIS. This may provide valuable insights to enhancing policy dialogue on agricultural insurance and other risk mitigation strategies and instruments.		
Environment and Climate Context		
Project vulnerability to environmental conditions	Moderate	Low
<u>Risk(s)</u> : Growing population and associated pressure on agricultural lands and grazing areas. Because of the growing pressure on farm land, deforestation in Kayonza District has by far surpassed afforestation and grazing areas are shrinking.		
<u>Mitigations</u> : The watershed and catchment management approach, including participatory preparation of catchment management plans, will lead to longer term environmental rejuvenation and returns on improved soil and sustainable access to water. In addition, the Project will promote CSA technologies and these will increase soil fertility, enhance resilience and reduce carbon emissions.		
Project vulnerability to climate change impacts	High	Moderate
<u>Risk(s)</u> : Increased frequency of drought in Eastern province. The District is characterized by high frequency of rainfall deficit, late rainfall onsets, early rainfall cessations, and is prone to drought. Droughts are responsible for famine and food shortages, a reduction in plant and animal species and displacement of people in search of food and pasture. The Government of Rwanda had to provide household food relief and water for livestock to support the affected districts. Rwanda suffered from two consecutive years of droughts. In 2017, erratic and below-average rainfalls were recorded for the rainy season spreading from September to December (SOND).		
<u>Mitigations</u> : KIIWP2 will promote adaptation to climate change through provision of water in drought seasons and climate smart agricultural		

practices. Project beneficiaries will also be trained on climate risk and climate risk management and received climate information coupled with agricultural advisories. KIIWP2 will also support understanding and access of project beneficiaries to agricultural insurance products offered under Rwanda's National Agricultural Insurance Scheme (NAIS). The products insure against crop and livestock damage and losses due to climate change and other reasons. This is one way to protect some of the project's investments in improved productivity, including but not limited to provision of physical inputs, increased access to markets and agricultural financial services. It can also help create stability for retail lending institutions at risk of mass default in the event of a widespread climate-related shock.		
Project Scope		
Project relevance	High	Moderate
Risk(s): The Eastern Province of Rwanda was hit by a severe drought in 2016, followed by two years of poor rains. This severely impacted local communities, mainly in Kayonza District, with more than 47,000 households becoming food insecure and the Government of Rwanda, in partnership with WFP, providing food relief. Farmers in these drought-prone areas were also affected by pressure of farm land and loss of soil fertility due to unsustainable environmental management. KIIWP intervention area comprises nine drought-prone sectors of the twelve sectors in Kayonza District. The area has been selected on the basis of its high vulnerability to drought and high poverty and food insecurity levels..		
Mitigations: Kayonza District has a high untapped potential of water resources that, if fully mobilized, would significantly improve crop production, climate resilience, food security and nutrition. KIIWP2 aims to mobilize this potential Impact expected from the project's activities include: a) increased productivity and income with possibility of having more cropping seasons; b) temporary and permanent employment opportunity; c) 2,000 ha afforested and reforested as part of upstream catchment rehabilitation using endemic and fruit tree species and promotion of agro-biodiversity within the buffer zones; d) adaptation to climate change through provision of water in drought seasons and climate smart agricultural practices; e) crop diversification and increased value of production in hillside areas; f) enhanced food security; g) increased value of agricultural production; h) reduced post-harvest losses; i) increased sales in output markets; and j) improved access to water for livestock and humans.		
Technical soundness	High	Moderate
Risk(s): Kayonza, and building on the experience of KWAMP, the successful IFAD-supported Community-based Watershed Management Project, implemented in the neighboring Kirehe District, which completed in June 2016. There is risk of high cost of hillside irrigation in case the proposed technologies are not carefully adjusted to the constraints of the target areas and the capacity of the beneficiaries.		
Mitigations: Additional analyses was undertaken to mitigate the risk (high cost of hillside irrigation) of the initial design of the irrigation schemes and capacity to operate and maintain the same. This allowed to (a) reduce the unit cost of irrigation; (b) reduce the risk of the management of these schemes. The detailed design of the irrigation schemes will be optimised and recommend a suitable rationing based on further analysis, close consultation with concerned farmers and cooperatives, and prevailing conditions towards optimising profitability, making sure that the investments are suitable to the capacity of the target group. The Project will also establish and support Water Users Organizations and other relevant Infrastructure Management Institutions.		
Institutional Capacity for Implementation & Sustainability		

Implementation arrangements	Substantial	Moderate
Risk(s): Rwanda has an overall solid track record in project implementation and management, characterized by a recognized result-based approach and high level of financial management and procurement compliance, demonstrated by the performance of Single Project Implementation Unit (SPIU). However, limited technical capacity, governance and institutional capacities at the district level could lead to slow disbursement, lower project benefits as well as delays in implementation. Raising awareness and capacity building are key elements in KIIWP2, especially of FOs and District, Sector and Cell level staff. Adequate capacity to operate and maintain the irrigation infrastructure will be critical for their long term sustainability.		
Mitigations: The institutional arrangements for KIIWP2 will be fully aligned with the current implementation framework of IFAD-funded projects in Rwanda. In particular, the SPIU is already in place with core staff and is effective in guiding the process of designing and implementing projects together with IFAD (and the World Bank). Involvement of experienced technical staff from KWAMP will also speed up project implementation. The project will also provide support to RAB and the District staff in order to improve their skills on technical aspects. International technical assistance will be envisaged for some thematic areas. Relevant institutions will also be supported (e.g. Environmental Management Authority; Rwanda Water Board). In addition, three types of Infrastructure Management Institutions (Scheme Steering Committees, Hydrographic Basin Committees, and Irrigation Water Users Organizations) will be established during KIIWP1 in order to ensure (i) good governance, (ii) water management and maintenance and (iii) monitoring. These institutions will be further strengthened through capacity building in KIIWP2 to make sure that adequate capacity is in place at project closure.		
M&E arrangements	Moderate	Low
Risk(s): Insufficient human resources dedicated to M&E in the SPIU.		
Mitigations: An M&E plan will be developed to guide M&E processes, define roles and responsibilities as well as set a plan for realization of set targets through the project life. An M&E Manual will be developed by the SPIU describing how the MES/MIS system works, the tools and processes for its smooth operation. M&E activities will be coordinated by the SPIU M&E expert and supported by additional professional staff already hired as part of KIIWP1, who will work closely with subject-matter specialists to strengthen learning and knowledge management. The Project will partner with the Center of Excellence in Biodiversity and Natural Resource Management, which will provide technical backstopping to monitor the implementation of the community-based sub-catchment management plans and all mitigations measures listed under the ESMPs in order to ensure conservation, restoration and sustainable use of terrestrial and freshwater ecosystems and their services.		
Procurement²⁴	Low	Low
Legal and regulatory framework	Low	Low
Risk(s): No risk was detected with reference to the legal and regulatory framework. Rwanda shows a complete legal framework, which includes standard bidding documents. The recent introduction of a public e-procurement system greatly increased procurement monitoring and public access to procurement information. For IFAD-funded projects, the e-procurement system is used both at SPIU and District level.		
Mitigations: N/A		
Accountability and transparency	Low	Low

²⁴ For the full list of risks and mitigations related to both the country level and project institutional dimensions of public procurement, kindly refer to the KIIWP Procurement Risk Matrix, which was used to inform this section of the IPRM.

Risk(s): According to the country corruption perception index score of Transparency.org, Rwanda ranks 51st in the world with a score of 53.		
Mitigations: All procurement entities, as well as bidders, suppliers, contractors, consultants and service providers, shall observe the highest standard of ethics during the procurement and execution of contracts financed under IFAD funded Projects, in accordance with paragraph 69 of the IFAD Project Procurement Guidelines. The Revised IFAD Policy on Preventing Fraud and Corruption in its Activities and Operations shall apply to all projects, vendors and third parties, in addition to the relevant national anticorruption and fraud laws.		
Capability in public procurement	Low	Low
Risk(s): No risk was detected with reference to the capability of the procurement unit in public procurement. Procurement staff at SPIU and District level was found to be competent and the quality of documents produced was judged to be adequate.		
Mitigations: N/A		
Public procurement processes	Low	Low
Risk(s): The procurement risk assessment ascertained that procurement planning, methods, processes and contract administration and management are generally compliant with national procurement regulations, IFAD Project Procurement Guidelines and good procurement practice. The main challenge consists in the potential delays caused by the use of open tendering for low-value procurements, due to the SPIU following the national procurement thresholds instead of those mandated by IFAD in LtBs/LtRs. Other minor shortcomings involve: a. the application of domestic preferences to NCBs and the lack of mandatory references to IFAD's policies (the Revised IFAD Policy on Preventing Fraud and Corruption, the IFAD policy to preventing and responding to sexual harassment, sexual exploitation and abuse and the Anti-Money Laundering and Countering the Financing of Terrorism Policy) in the bidding documents used for NCB; b. The tender evaluation committee of KIIWP being suitably qualified, but not appointed <i>ad-hoc</i> ; and The lack of approval thresholds for contract amendments.		
Mitigations: In November 2020, IFAD brought the issue of low procurement thresholds to the attention of the Rwandan Ministry of Finance and proposed an increase. IFAD will follow up with the Ministry until positive feedback is received. The KIIWP Team was reminded that, according to the IFAD Project Procurement Guidelines, domestic preferences are only allowed for ICBS and that bidding documents shall always contain a mandatory reference to IFAD's policies. IFAD will ensure that procurement processes fully comply with its Project Procurement Guidelines by reviewing procurement documents on a prior and post review basis. IFAD can strongly encourage government through policy dialogue to nominate <i>ad-hoc</i> tender evaluation committees, and it is recommended that it do so through the COSOP consultations with the government.		

IFAD's No-Objection will be required for all prior-review contracts where the amendment increases the original value by more than 10 per cent or extends the original contract duration by 25 per cent or more.		
Financial Management		
Organization and staffing	Moderate	Low
<p>Risk(s): The reporting structure of the district (Accountant reporting to the district and SPIU and district data in IFMIS no accessible by SPIU) may cause significant delays in justification and consolidating financial information for withdrawal applications and financial reporting Newly recruited Accountant at Kayonza District not conversant with IFAD financial management requirements. SPIU staff share time with other IFAD projects, which limit the availability and dedication they can give to KIIWP1 and 2. This is a particular issue for the M&E officer that is doing gender at the same time. Moreover, a complex project needs different specialists to guide appropriate implementation of different activities</p>		
<p>Mitigations: The newly recruited staff (Accountant at the District), will be exposed in IFAD specific procedures at start up and during implementation. Roles and responsibilities of staff will be defined in the PIM. Generate certified monthly extracts of expenditure by project component, sub-component, and expenditure category to activity level will be done by the district and submitted to SPIU for purposes of generating withdrawal applications. KIIWP2 will propose new recruitments, particularly at district level, to ensure a sound and timely implementation of a complex project. The staff will include a Social inclusion Specialist that will ensure the inclusion of vulnerable groups, the focus on nutrition aspects as well as the overall social safeguards and participation of communities and project interventions. The recruited staff will work side by side with district permanent staff to complement existing functions.</p>		
Budgeting	Substantial	Moderate
<p>Risk(s): (1) Failure to meet budget deadline for submission of AWPBs and receipt of IFAD NO, which could cause ineligible expenditure; (2) Poor budget monitoring at activity and category level arising out of failure to customize IFMIS to facilitate posting of budgets by this requirement.</p>		
<p>Mitigations: Mitigations: KIIWP2 will use IFMIS for accounting and budget input. Should IFMIS not have been customized, the budget may be required to be monitored within a parallel software in parallel. Budgeting should involve the project financing team, technical staff, procurement officer and M&E officer to ensure the expenditures categories are well aligned and the logframe is considered at budgeting time.</p>		
Funds flow/disbursement arrangements	Substantial	Moderate
<p>Risk(s): MINECOFIN requires agencies including RAB (and projects) to operate under a single treasury account with a daily nil balance on its individual account with the Central bank. This would commingle IFAD resources and make traceability difficult. Delays in customization of IFMIS, presents a liquidity risk arising out of delays in submission of the withdrawal applications. This is because data from the current set up of IFMIS cannot support timely analysis of expenditure by category</p>		
<p>Mitigations: As in the case under KIIWP1, a designated account denominated in US\$ held at the Central Bank (National Bank of Rwanda) to receive funds from IFAD will be maintained. An additional designated account to receive</p>		

<p>Spanish financing will also be opened. An operating account denominated RWF will also be opened in the National Bank of Rwanda bank in line with the government policy. These accounts will be managed by the IFAD Portfolio SPIU Coordinator, the SPIU Head of Finance and the SPIU chief accountant with thresholds that will be defined.</p> <p>SPIU will also open a Counterpart Fund account in the Central bank managed under the same arrangements.</p> <p>Funds to implementing partners, including Kayonza District will be on the basis of planned activities/activity-based advances supported by MOUs. No other accounts are anticipated to be opened under the direct management of the project. Subsequent transfers to partners will happen only after justification of previous advances</p> <p>The IFAD client Portal (ICP) will be implemented for KIIWP II.</p>		
Internal controls	Moderate	Low
<p>Risk(s): Lapses in internal controls and compliance may never be reported as it has not been a requirement to provide internal audit reports to IFAD. Project implemented in non-compliance with IFAD procedures and the government laws and regulations</p>		
<p>Mitigations: Internal audit reports/action plans be part of the semi-annual reports submitted by the project to IFAD Revise and update PIM when implementation starts to reflect implementation realities</p>		
Accounting and financial reporting	Substantial	Moderate
<p>Risk(s): IFMIS, cannot satisfy IFAD's reporting requirements as it is not set-up to address IFAD requirements. Use of the software would require separate use of MS Excel for data manipulation to report by category and component by financier is time consuming and prone to errors. Real time reports may not be produced within IFMIS for purposes of management decision making as the setup of the government IFMIS chart of accounts has not been configured to produce real time reports with the required parameters of components by Financier, and by category. The IFMIS data posted by the district cannot be accessed/viewed by SPIU within IFMIS. This will delay data consolidation for financial reporting and withdrawal applications IFMIS cannot capture information on beneficiary contribution as it is not cash based. Adjusting for it with journal vouchers at the end of the financial year (as payments made by financier) will also not be possible as the system will require beneficiary code, TIN number and bank account details that are not available for the kind of beneficiaries targeted by IFAD financed projects. Risk of incomplete disclosures in the financial reports Risk of delays in reporting due to multiple partners with different management and reporting structures</p>		
<p>Mitigations: IFAD and RAB/SPIU will continue to engage with IFMIS/MINECOFIN to speed up the process of configuring and mapping project reporting requirements so that IFMIS is coded to address the needs of the project and should be capable of capturing and reporting by category in addition to sub-component and financier. This will be used for KIIWP and will be expected to continue throughout project implementation. Specific guidelines will be included in the KIIWP PIM/Financial management manual. Financial reporting: The semi-annual report includes financial information regarding the current year's semester compared to the budget and its previous year's period. Quarterly reporting should be encouraged. This should ease access to reports and will form part of a more comprehensive interim financial</p>		

reporting as quarterly reports will be updated to produce semi-annual reports. RAB will also have to ensure that appropriate levels of reporting are established to manage possible conflict relating to internal/ traditional set of reporting set up within RAB where existence of a parallel structure may cause internal conflict. SPIU will report to the Director General and also provide the required reports to MINECOFIN and IFAD. Should Government of Rwanda significantly delay or fail to customize IFMIS to IFAD reporting requirements, use of a parallel accounting software may be considered to mitigate against manual accounting/use of MS Excel. Kayonza District will submit certified reports to SPIU on a monthly basis to facilitate report generation and submission of withdrawal applications. In kind contribution will be reported by disclosure rather than recognition as there will be no cash flowing into the project and yet the accounting will be on cash basis. In kind contribution will be reported by disclosure rather than recognition as there will be no cash flowing into the project and yet the accounting will be on cash basis.		
External audit	Low	Low
Risk(s): Audit reports may be submitted late. Audit quality may be compromised as a consequence of failure to follow audit guidelines and TOR.		
Mitigations: KIIWP 2 external audits will be carried out by the Auditor General. SPIU will ensure that the draft financial statements are approved by the end March and availed to the auditor well in time to facilitate early completion of the audit. Terms of Reference for audit to clearly specify IFAD audit requirements, including the timing for submission of audit reports. The audit report together with the management letter will be submitted to IFAD no later than 60 days from the end of the financial year.		
Environment, Social and Climate Impact		
Biodiversity conservation	Substantial	Moderate
Risk(s): KIIWP2 will be implemented in the vicinity of the Akagera National Park which hosts considerable biodiversity of both fauna and flora. The area is characterized by a network of lakes hydrologically connected with the Akagera River, either directly through surface flows or through swampy areas. The next phase of the Ndego detailed design should make sure there is no significant harm to the Akagera transboundary waters.		
Mitigations: The Project will conduct rapid site biodiversity survey and establish baseline on biodiversity and ecosystem status, which will be monitored annually. The IFAD SECAP guidelines on protection of biodiversity and will be used to guide the anticipated mitigation measures to protect the biodiversity.		
Resource efficiency and pollution prevention	Moderate	Low
Risk(s): Water and soil pollution due to increased use of agro-chemicals		
Mitigations: Implementation of Integrated Pest Management Plan (IPMP) and promotion of organic fertilizer and good agricultural practices. IPMP will be done for the entire project as part of the detailed design of each irrigation scheme, and efficient use of agrochemicals will be included in the FFS activities in addition to a strong emphasis on soil conservation and fertility, agroforestry and conservation agriculture.		
Cultural heritage	N/A	N/A
Risk(s): N/A		
Mitigations: N/A		
Indigenous Peoples	N/A	N/A

Risk(s): There are not Indigenous Peoples living in Project area, therefore no risk has been detected on this issue.		
Mitigations: N/A		
Community health and safety	Moderate	Low
Risk(s): Food security: the production of cash crops grown in preference to food crops on irrigated schemes might exacerbate food insecurity in already poor and food insecure households and affect community health		
Mitigations: Food security: food crops will be promoted in parallel with cash crops; nutrition sensitive value chains will be promoted in the frame of FFS. The project has set aside a specific budget line for the promotion of improved and nutrient rich seed varieties. The diversification of crops grown by the Project beneficiaries will also improve food security.		
Labour and working conditions	Moderate	Low
Risk(s): in-migration due to potential job opportunities and spin off employment activities. In addition, child labour in the irrigation schemes is a major issue. According to ILO, children perform dangerous tasks in agriculture such as street vending, construction (e.g. brick-laying) and production (e.g. applying fertilizer, carrying heavy loads).		
Mitigations: Awareness campaign on child labour and on employment preference to members of local communities Plan for population increase and consequent demand on public authorities.		
Physical and economic resettlement	Moderate	Low
Risk(s): During the construction of irrigation infrastructures (BS and canals networks) and post-harvest facilities, permanent land will be acquired, crops and trees be affected and a resettlement action Plan (RAP) will be prepared and implemented		
Mitigations: An abbreviated Resettlement Action Plan (RAP) was prepared and included in the ESIA and associated costs were integrated in the cost-table. The RAP will be implemented and all compensation measures provided prior to the construction works or land take.		
Greenhouse gas emissions	Moderate	Low
Risk(s): a) Excessive use of fertilizers where unabsorbed ammonia and nitrates may subsequently be released into the air. b) Tilling land releases carbon stored in soil.		
Mitigations: Under Sub-component A.3, the project will use the FFS approach as an entry point to introduce climate smart agriculture (CSA) practices and technologies. KIIWP1 will conduct a baseline study to identify existing CSA practices and technologies in Rwanda, and the findings from the study will be utilized in the CSA training in FFS under KIIWP2. Some of the promoted practices will include: adoption of zero tillage so that carbon is stored in soils, and less carbon released to the air; and implementation of Integrated Pest Management Plan (IPMP).		
Vulnerability of target populations and ecosystems to climate variability and hazards	High	Moderate
Risk(s): Population has suffered from extreme events (droughts) in 2016 and 2017. The risk of extreme weather event will continue to remain.		
Mitigations: KIIWP2 will apply the watershed and catchment management approach, including participatory preparation of catchment management plans, which will lead to sustainable use of natural resources. KIIWP2 will also support understanding and access of target populations to agricultural insurance products offered under Rwanda's National Agricultural		

<p>Insurance Scheme (NAIS). The products will insure against crop and livestock damage and losses due to climate change and other reasons (SC.B2). The beneficiaries will be trained on the Participatory Integrated Climate Services for Agriculture (PICSA) approach (SC.A5) which aims at facilitating farmers to make informed decisions based on accurate, location specific, climate and weather information; locally relevant crop, livestock and livelihood options during the process of planning their agricultural season and other livelihood activities. Furthermore, under the same Sub-component A5, the project will implement ESMPs (Annex 5, Appendix 1) and introduce various mitigation measures.</p>		
<p>Stakeholders</p>		
<p>Stakeholder engagement/coordination</p>	<p>Substantial</p>	<p>Moderate</p>
<p>Risk(s): (1) The poorest households are not fully engaged in consultation processes aimed at defining the development of project's activities, and water infrastructures benefit the wealthiest categories of target groups the most; (2) Limited technical capacity, governance and institutional capacity of beneficiaries (e.g. farmers' organizations) in managing irrigation schemes, growing high value crops and linking themselves to markets.</p>		
<p>Mitigations: KIIWP will employ participatory processes and methods in the development of sub-catchment plans, ensuring that the needs of all communities' representatives are taken into account including the poorest households. Community consultation, including community leaders and involving the most vulnerable households, will be undertaken at all stages of the development of project's activities, including the selection of siting of water infrastructure. The project will also ensure capacity development of farmers and farmers' organizations in areas including irrigation management (SC.A3), climate-smart agriculture and technologies (SC.A5), and business and marketing skills (SC.B1).</p>		
<p>Stakeholder grievances</p>	<p>Substantial</p>	<p>Moderate</p>
<p>Risk(s): Establishment of irrigation schemes may raise complaints among local communities mainly due to conflict among water users, resettlement, conflict between workers and local community, etc. In this situation, Grievance procedures are required to ensure that Project Affected Persons (PAPs) are able to lodge complaints or concerns, without cost, and with the assurance of a timely and satisfactory resolution of the issue. The procedures also ensure that the entitlements are effectively transferred to the intended beneficiaries.</p>		
<p>Mitigations: Stakeholders will be informed of the intention to implement the grievance mechanism, and the procedure will be communicated at the time that the RAPs are finalized. Grievances may arise from members of communities who are dissatisfied with eligibility criteria use, community planning and actual implementation or compensation. Specific procedures are detailed in the PIM.</p>		