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REPORT AND RECOMMENDATION OF THE PRESIDENT

TO THE EXECUTIVE BOARD ON A PROPOSED LOAN TO THE

RWANDESE REPUBLIC

FOR THE

SMALLHOLDER CASH AND EXPORT CROPS DEVELOPMENT PROJECT



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CURRENCY EQUIVALENTS

Currency Unit	=	Rwandan franc (RWF)
USD 1.00	=	RWF 445
RWF 1.00	=	USD 0.00022

WEIGHTS AND MEASURES

1 kilogram (kg)	=	2.204 pounds (lb)
1 000 kg	=	1 metric tonne (t)
1 kilometre (km)	=	0.62 miles (mi)
1 metre (m)	=	1.09 yards (yd)
1 square metre (m ²)	=	10.76 square feet (ft ²)
1 acre (ac)	=	0.405 ha
1 hectare (ha)	=	2.47 acres

ABBREVIATIONS AND ACRONYMS

AfDB	African Development Bank
BADEA	Arab Bank for the Economic Development of Africa
COSOP	Country Strategic Opportunities Paper
EU	European Union
FT	Fair Trade
GDP	Gross Domestic Product
M&E	Monitoring and Evaluation
MINAGRI	Ministry of Agriculture, Animal Resources and Forestry
NGO	Non-Government Organization
PCU	Project Coordination Unit
PRSP	Poverty Reduction Strategy Paper
RDB	Rwanda Development Bank
SME	Small and Medium Enterprises
SOE	Statement of Expenditure
TWIN	Twin Trading Ltd.
UNOPS	United Nations Office for Project Services

GOVERNMENT OF THE RWANDESE REPUBLIC

Fiscal Year

1 January to 31 December

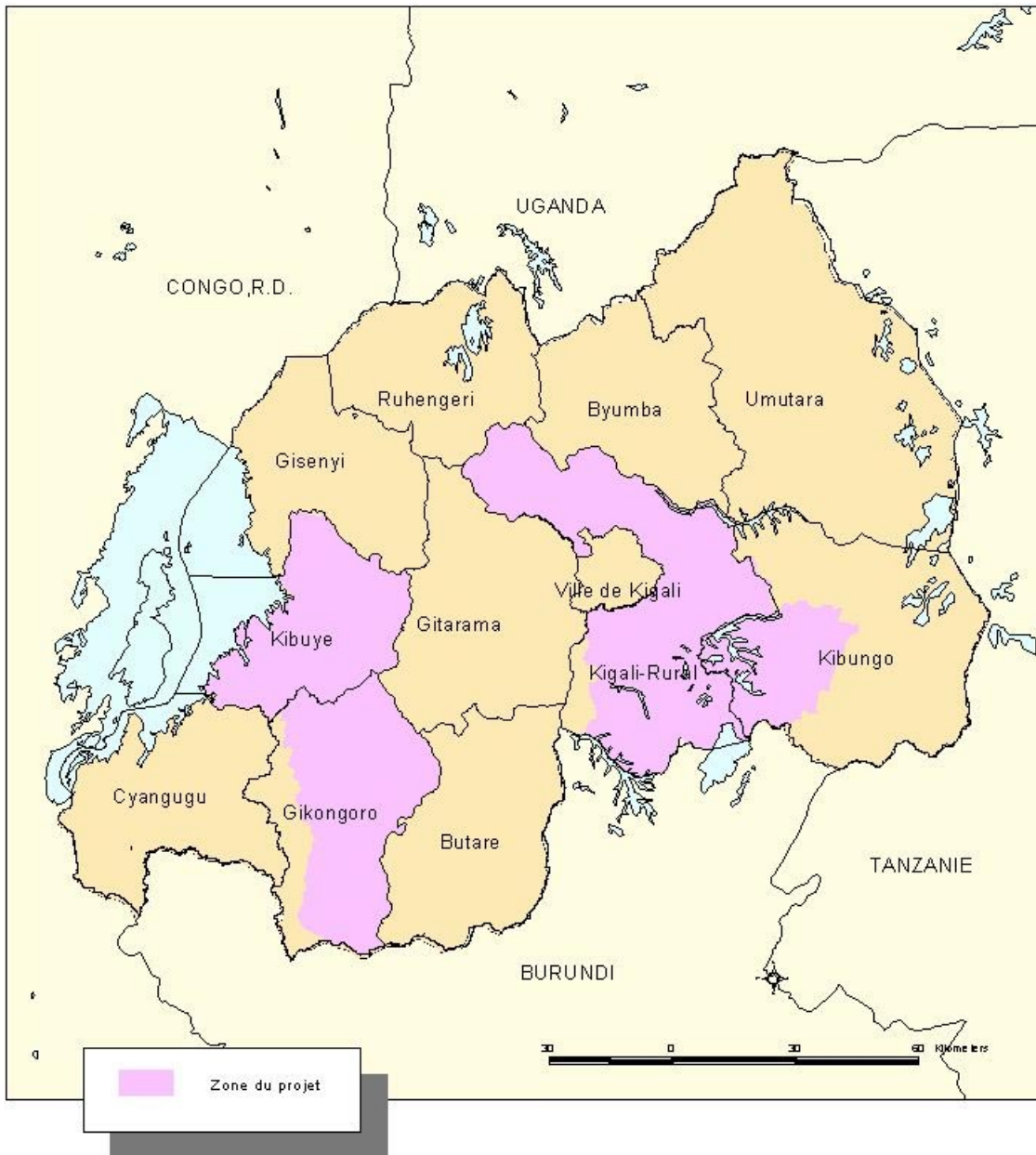


RWANDA

SMALLHOLDER CASH AND EXPORT CROP DEVELOPMENT PROJECT

Appraisal Report

Project Area



Source: IFAD

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



RWANDESE REPUBLIC

SMALLHOLDER CASH AND EXPORT CROPS DEVELOPMENT PROJECT

LOAN SUMMARY

INITIATING INSTITUTION:	IFAD
BORROWER:	Rwandese Republic
EXECUTING AGENCY:	Ministry of Agriculture
TOTAL PROJECT COST:	USD 25.09 million
AMOUNT OF IFAD LOAN:	SDR 12.3 million (equivalent to approximately USD 16.26 million)
TERMS OF IFAD LOAN:	40 years, including a grace period of ten years, with a service charge of three fourths of one per cent (0.75%) per annum
COFINANCIERS:	Arab Bank for the Economic Development of Africa (BADEA) Local Banks
AMOUNT OF COFINANCING:	BADEA - USD 5.66 million Local Banks - USD 637 500
TERMS OF COFINANCING:	BADEA - loan Local Banks - credit
CONTRIBUTION OF BORROWER:	USD 1.89 million
CONTRIBUTION OF BENEFICIARIES:	USD 637 900
APPRAISING INSTITUTION:	IFAD
COOPERATING INSTITUTION:	United Nations Office for Project Services (UNOPS)



PROJECT BRIEF

Who are the beneficiaries? The intended beneficiaries of the Smallholder Cash and Export Crops Development Project are about 28 000 cash crop producer families in selected rural districts of four Rwanda provinces. They are all very poor people who live below the poverty line and work small plots or produce cash crops to supplement staple production and thus achieve basic food security.

Why are they poor? Cash crops make a significant contribution to smallholder households in Rwanda inasmuch as they are often their major source of cash income. However, the smallholder coffee growers receive extremely poor returns on their production owing to inadequate processing facilities, which makes it difficult to control the quality of their output, and very low prices on the international coffee market. Remunerative prices can be obtained only in the event the quality of the coffee improves significantly and innovative marketing strategies are adopted. Smallholder tea producers receive only a fraction of the price paid in neighbouring countries, despite the fact that the quality of the green tea leaves produced in Rwanda is among the best in world.

What will the project do for them? The project will assist smallholder coffee growers to establish primary cooperative societies and produce high-quality arabica coffee. It will also support the development of modern coffee processing facilities by cooperative companies, which, over time, will be taken over by primary cooperative societies of poor smallholder growers. With respect to tea, the project will help to privatize a large government industrial estate by sharing it out among 4 000 poor smallholders, of whom about 2 000 will be women heads of households; establish and train primary cooperative societies formed by beneficiaries of the land distribution; and finance the construction of a factory to process the tea produced by them. Here again, in the course of time, the new tea factory will be taken over by primary societies of smallholder tea producers. The involvement of the Fair Trade (FT) organization, Twin Trading Ltd. (TWIN) in project implementation will provide the cooperative companies with training, information, management support and access to special FT market niches that reward production of high-quality arabica coffee and tea at remunerative prices. TWIN assistance will continue after project completion to ensure the sustainability of production and marketing activities funded by it. It is estimated that the processing cooperative companies will be in a position to increase the prices paid to growers for raw crops by 100% for tea and 30% for coffee, once the companies have fully reimbursed the resources received under the project to finance the industrial facilities.

How will the beneficiaries participate in the project? Individual beneficiaries of the distribution of the tea estate will be entitled to use plots of public land planted to tea, subject to sustained good management of the plots received. All members of the coffee and tea growers' primary cooperatives holding shares in the processing enterprises will participate in managing them. Membership in primary societies will be voluntary but subject to conditions regarding the democratic nature of the societies and commitment to producing top-quality crops for processing. The introduction of new cash crop initiatives will depend on the demand of farmer group cooperatives or small and medium enterprises.



**REPORT AND RECOMMENDATION OF THE PRESIDENT OF IFAD
TO THE EXECUTIVE BOARD ON A PROPOSED LOAN TO THE
RWANDESE REPUBLIC
FOR THE
SMALLHOLDER CASH AND EXPORT CROPS DEVELOPMENT PROJECT**

I submit the following Report and Recommendation on a proposed loan to the Rwandese Republic for SDR 12.3 million (equivalent to approximately USD 16.26 million) on highly concessional terms to help finance the Smallholder Cash and Export Crops Development Project. The loan will have a term of 40 years, including a grace period of ten years, with a service charge of three fourths of one per cent (0.75%) per annum. It will be administered by the United Nations Office for Project Services (UNOPS) as IFAD's cooperating institution.

PART I - THE ECONOMY, SECTORAL CONTEXT AND IFAD STRATEGY

A. The Economy and the Agricultural Sector

1. Rwanda is a resource-poor, overpopulated country. Its population of about 8 million people is predominantly rural (90%) and growing at approximately 3% per year. The genocide of 1994 resulted in the destruction of much of the country's social and economic infrastructure, human resource base and institutional capacity. The situation returned to normal with the restoration of peace and the return of refugees in 1995/96. The gross domestic product (GDP) in 1996 stood at only 72% of the 1990 level. Per capita income, which was USD 250 in 1993, fell to only USD 180 in 1996 but recovered to USD 250 by 2000. Following the Government's policy reforms to stimulate economic recovery, growth has continued on a sustained basis. Fiscal balances improved substantially as a result of tax reform, prudent fiscal policies, recovery of exports and massive inflows of external grants and loans on highly concessional terms. The external value of the Rwandese franc remained relatively stable through mid-2000 but has since lost 25% of its value vis-à-vis the United States dollar as a result of the latter's strong appreciation. This trend, combined with low coffee prices and high petroleum prices, has generated strong pressure on the balance of trade.

2. Farming is the principal economic activity of the Rwandan people and agriculture is practised on all land types, including land of marginal quality, and on steep slopes. Thirteen per cent of the arable land is under perennial export crops, mostly coffee, tea and some pyrethrum. Crops marketed by smallholders include bananas, which are a widely grown staple food and a major source of cash income for rural households. Other crops marketed for cash include sorghum, beans, peas, maize, fruit and vegetables. Examples of the emerging diversification of the cash and export crop sub-sector include: maracuja (passion fruit), which has been developed by private enterprises that process the fruit into juices; horticultural products such as tomatoes and vegetables that supply an increasing urban demand; cut flowers; and Cape gooseberries, produced by smallholder women for export to Europe and Uganda.

3. Rwanda's agricultural growth of 0.5% per annum in the 1980s dropped to minus 3.9% in the 1990s. While the figure for the 1990s was affected by the genocide, the poor economic performance of the 1980s was mainly due to slow agricultural growth and poor productivity. While production of the main crops has increased, yields have often fallen. Much of the production increases have been



achieved through expanding the cultivated area rather than increased productivity. The slow economic growth in the agricultural sector reflected a tight resource base, declining soil fertility and little use of modern inputs.

4. Development of agriculture in Rwanda is critical to sustaining economic recovery, creating employment and reducing poverty. The national strategy for agriculture identifies constraints on agricultural productivity and the action needed to address them. The strategy includes the rehabilitation of support infrastructure and extension services and promotion of agricultural intensification aimed at increasing rural incomes, enhancing food security and encouraging private investment and market-orientated farming. The strategy lines involve: developing markets for both inputs and crops; improving soil conservation and management; developing swamplands in an environmentally sustainable framework; improving farming methods through research, extension and information services; increasing the use of inputs on a financially sustainable basis; supporting farmers' groups and professional associations; providing rural credit and other financial mechanisms for rural-based activities; and improving storage and farm-to market roads.

B. Lessons Learned from Previous IFAD Experience

5. The main lessons learned in Rwanda since the reactivation of IFAD operations in 1996 are summarized as follows:

- Special attention should be paid to building up the capacity of local communities to ensure that they are capable of operating and maintaining the facilities built under projects.
- Participation by project beneficiaries requires that they be effectively empowered to plan and ;'own' development activities based on their identified needs and priorities.
- The Government's decentralization endeavours are progressing rapidly, providing new opportunities for the lower echelons of local government and civil-society organizations at the community level, and for associating non-governmental organizations (NGOs) and private enterprise in the development process through the outsourcing of contracts.
- This in turn raises the issue of credit and adequate linkages to market opportunities.
- A new approach is needed in terms of technology generation and transfer based on participatory diagnosis of problems, identification of farmer innovators, close working relations among provincial and district-level technicians and research officers from the Ministry of Agriculture, Animal Resources and Forestry (MINAGRI), and further demand-driven research.
- IFAD will need to provide strong support to projects during the first one-to-two years of operations to ensure that they start up as efficiently and effectively as possible.
- Finally, the selection process for the recruitment of national NGOs as service providers will need to be improved to ensure that the most suitable organizations are appointed in a timely and effective manner.

C. IFAD's Strategy for Collaboration with Rwanda

6. **Rwanda's policy for poverty eradication.** In 2001, the Government issued its Poverty Reduction Strategy Paper (PRSP), which recognizes that any successful poverty reduction policy must be based on a high rate of economic growth rate. The major challenges in the medium term are: increased export earnings and agricultural production, support to non-farming activities in rural areas, and diversification of the economy – the latter to include the development of services, including information and communications technology-related services. Major emphasis is placed on market-oriented training to create a highly-skilled and competitive labour force to fully exploit the advantages of national bilingualism.

7. IFAD's strategic thrusts geared to improving the well-being of poor rural people and reducing rural poverty include: securing land tenure; developing microfinance institutions based on savings



mobilization; improving natural resource management and thereby combating land degradation; investing in rural transport and market infrastructure; participatory agricultural technology generation and transfer; demand-driven agricultural research; measures to reduce rural food insecurity; and promoting off-farm income-generating activities and employment. Rwanda's institutional reform aimed at strengthening rural community representation among the lower echelons of local-level public administrations by means of a democratic election process designed to increase representation and empower the poor to participate in the development planning and implementation process. The reconciliation process is being carried forward through dialogue and careful balancing of public interventions so as to avoid conflict and discrimination.

D. The Poverty Eradication Activities of Other Major Donors

8. The principal donors supporting development in Rwanda for the period 2001-2003 have pledged a total of USD 421 million in development assistance. In order of magnitude, these donors are: the European Union (EU) (USD 118 million); World Bank (USD 108 million); African Development Bank (AfDB) (USD 53 million); IFAD (USD 46 million) and the United Nations Development Programme (USD 18 million), followed by the Governments of Belgium, People's Republic of China, Germany and the United States (each providing USD 11-14 million) of amount pledged. The rural sector will receive little more than USD 100 million.

9. There are good prospects for collaboration between the Smallholder Cash and Export Crops Development Project and the interventions of other donors. Of projects engaged in similar or complementary activities in Rwanda, the Butare-based Coffee Development Project of the United States Agency for International Development is of particular interest. Other relevant projects include the World Bank's ongoing National Agricultural Services Project, which has allocated USD 49 million for crop support activities, and an EU intervention under which up to USD 9 million has been allocated to the coffee sector under the terms of a general agreement with the Government. The EU project includes the development of a unit for *in vitro* reproduction of agricultural planting material, which could supply nurseries under the cash crop planting programme of the Smallholder Cash and Export Crops Development Project. The EU project also includes rehabilitation of the Nshili-Mata road, which is essential for the transportation of tea produced in South Gikongoro province.

10. **IFAD's strategy in Rwanda**, which aims at enabling the poor to overcome their poverty, is guided by the Regional Strategy and the Country Strategic Opportunities Paper (COSOP) approved in July 2001, and reflects three basic strategic thrusts, namely: (i) emphasis on institutional development to empower the target group's rural grass-roots organizations; (ii) exploitation of all means to increase the income of the rural poor via, *inter alia*, food and cash crops, livestock, non-farm income-generating activities, farmer-demand-driven research and development, and measures to attenuate the impact of market imperfections and improve the incentives system; and (iii) greater focus on potential synergies among ongoing IFAD projects in the country. The strategic guidelines of the COSOP and IFAD's strategy in Rwanda constitute the foundation for the design of the Smallholder Cash and Export Crops Development Project and are integral to its success.

E. Project Rationale and Strategy

11. The choice of a crop-focused project responds to the challenge of assisting the Government to develop agricultural sub-sectors of key importance for the growth of the national economy, and, at the same time, to seize emerging opportunities for combining such economic development objectives with poverty reduction objectives. Support of subsistence agriculture is not sufficient to reduce poverty. Effective poverty reduction requires market-oriented interventions, effective links with market opportunities, and initiatives that generate multiplier effects in the economy. In Rwanda, the rehabilitation and development of the export crops sub-sector, and the maximization of related foreign



exchange earnings, are key factors for sustainable economic growth and balance-of-payments equilibrium. Rwanda has good potential for significantly increasing the volume and value of its traditional export crops and for diversifying cash-crop production to meet both export and local market demand.

12. Due to poor international market prices, Rwanda's present coffee production is half the level reached in the 1980s. Moreover, due to inadequate processing facilities, the coffee is of poor quality. However, excellent arabica coffee is produced at the farm level in several areas of Rwanda. Production in these areas could be expanded and modern processing methods used to produce coffee for marketing at much higher prices than those obtained hitherto. Several areas of Rwanda produce valuable tea crops for which current export prospects are still favourable, and there is scope to increase tea production, expand processing facilities, and improve marketing. Diversification of cash crop production is possible wherever local and export market demand exists, as in the case of selected tropical fruits, spices and silk. These new sectors would provide employment for many poor women.

13. New market opportunities are emerging for coffee and tea producers in developing countries thanks to activities of private enterprises of the FT network in markets of high-income countries. The FT network has developed special market niches for labelled quality products and offers very remunerative prices to smallholder producer cooperatives able to supply them. The participation of FT network members in the present project will: ensure that smallholder cooperatives are organized and trained for processing/marketing their crops so that they meet the quality standards required; lead to the development of innovative marketing strategies; and secure access to remunerative markets. As part of their mandate, FT network organizations provide continuous support to cooperatives, well beyond the completion of projects, thus enhancing sustainability. To this effect, the project has secured the participation of TWIN as the main FT technical partner (inasmuch as it is the FT network organization with the most experience in working with poor smallholder cooperatives in Eastern Africa and Latin America) of the project.

14. The overall strategy of the project is based on the following strategic thrusts: (i) producing top-quality products; (ii) associating with FT network partners to obtain access to remunerative markets; (iii) empowering poor smallholder producers to take full control of processing and marketing operations in tea and coffee; (iv) supporting farmer associations and small and medium enterprises (SMEs) to produce and market new export crops; and (v) ensuring the provision of sustainable credit services for growers and processing/marketing enterprises.

PART II - THE PROJECT

A. Project Area and Target Group

15. **Project area.** The project will operate in the provinces of Gikongoro, Kibuye, Kibungo and Kigali-Ngali. About 65% of the territory involved lies in the higher-altitude, higher-rainfall agro-ecological zones of the Congo-Nil crest and the Central Plateau, including the higher part of the hill chain that runs parallel to Lake Kivu in a north-south direction at over 2 000 m and the central plateau running east of the crest at an average altitude of about 1 700 m. The entire area comprises a series of hills of between 1 500 m and 2 200 m. Most hills have steep slopes and are separated from one another by narrow valleys that often have poorly drained peat soils. Intact soils are organically fertile and of volcanic origin across most of the area, but substantial natural fertility has been lost due to over-exploitation, deforestation and erosion. Rainfall is bimodal, ranging from 1 250 mm in the lower and drier areas to 1 700 mm at higher altitudes.

16. Almost all farmers in the project area are poor smallholders, and the majority have 0.5-1 ha of land. Land is seldom left fallow because the land available for cropping is barely enough for farmers to make out a living from it. Two crops a year are normal, but a third crop may be grown in the



valleys. The farming system includes a variety of food crops, depending on the altitude. Maize, beans, sweet potatoes and bananas are grown at lower altitudes; maize, wheat, peas, and potatoes are more common as altitude increases. Coffee growing is widespread. Tea is more common at the higher altitudes and is grown by farmers located close to the factories. Fruit and vegetable farming is more common in areas well connected to larger urban centres. There is some horticultural production in the valleys where drainage and irrigation facilities have been installed.

17. Livestock has always been an important source of manuring for smallholders and a means of accumulating capital and insuring households against risk. Both cattle and small livestock were decimated during the genocide. Most farmers keep some livestock, the less poor having one or two cows, and women keep one or two small ruminants, some poultry and pigs.

18. **Target group.** From the four project provinces and from areas with good potential for cash crop production, the target group will include all the poor and very poor households that are willing to commit to maintaining an acceptable standard of quality for their products. The identification of the target group will be based on the convergence of three social strata, and will depend on: the number of households living below the poverty line; the number of households willing and able to meet the conditions for participating financially in sustainable development activities in the sub-sectors; and the number of households that it will be possible to accommodate, taking account of the suitability of natural conditions for quality production and existing market constraints and opportunities. Finally, gender targeting issues will be addressed: inasmuch as women heads of household will be given the greatest possible opportunity to participate in project activities.

B. Objectives and Scope

19. The project has been conceived within the framework of the COSOP-recommended strategy for Rwanda, the Government's PRSP of 2001 and the National Strategy for Agriculture, which recognize that the sustainable development of agricultural sectors, access to export markets, support for farmers' groups and professional associations, and credit and other financial mechanisms for rural-based activities are critical to sustaining the country's economic recovery.

20. The specific goal of the project is to maximize and diversify the income of poor smallholder cash crop growers by developing financially sustainable commercial processing and marketing activities to do with coffee, tea, and new cash and export crops. The project design is simple and focused, and aims at:

- introducing mechanisms to secure the greatest possible price increases for growers, in line with financially sound processing and marketing;
- maximizing the quality and value of coffee and tea products sold on the international market;
- developing efficient, democratically managed and spontaneously formed primary cooperative societies of coffee and tea growers, and securing their full participation and empowerment in the processing and marketing enterprise;
- facilitating the participation of poor women heads of household in coffee and tea development activities;
- developing efficient, cost-effective and financially sustainable processing and marketing enterprises in the private sector, to be ultimately run by the primary cooperative societies;
- promoting diversification of the cash and export crops produced by SMEs and smallholder cooperatives, with particular attention to women and very poor households.

C. Components

21. The project will be implemented over a period of seven years, and structured around five components: coffee diversification; tea development in Gikongoro; guaranteed credit scheme for



smallholder tea and coffee growers; development of new cash and export crops; and project coordination.

Coffee Diversification

22. The project will support: (i) in selected locations of the project area, the rehabilitation and replanting of poor smallholder coffee plots to produce 8 000-10 000 t of cherries of top-quality arabica coffee; (ii) agricultural research aimed at improving and maintaining the quality of the coffee produced and introduction of viable, environment-friendly agricultural practices, with special emphasis on integrated pest management and the production of organic coffee; (iii) construction of coffee-washing stations and hulling plants by private cooperative enterprises established under the project; (iv) provision of services by TWIN and national organizations to identify, train and monitor the performance of primary cooperative societies of smallholder coffee growers; coordinate the technical and administrative management of cooperative enterprises for an initial period of five years; assist cooperative leaders to acquire the experience necessary to take over, control and certify the quality of the coffee produced so as to promote an image of high-quality Rwandan coffee on the world market, and help them gain access to FT speciality and organic coffee markets; and (v) a feasibility study on the conversion of two coffee growing areas into organic coffee production areas.

Tea Development in Gikongoro

23. This component will have two sub-components: integrated smallholder tea production and processing in Nshili district; and development of new smallholder tea plantations in Mushubi district.

24. **Integrated smallholder tea production and processing in Nshili district.** The project will support: (i) privatization of the tea plantation in Nshili district, Gikongoro province. The plantation will be divided up among 4 000 poor smallholders living in the surrounding area, of which about 30-50% will be women heads of household, and 200 ha of new smallholder tea plots will be established for about 800 additional beneficiaries; (ii) formation and training of primary cooperative societies from among the beneficiaries; (iii) establishment of a smallholder cooperative-owned tea company to build and operate the new Nshili tea processing factory; (iv) connection of the new factory to the national electric grid; (v) provision of necessary services to manage the tea company for an initial five years and to help leaders of the primary societies acquire sufficient experience to take over the company; (vi) provision of TWIN services for cooperative formation and training, certification of tea quality, and for facilitating tea marketing in the most remunerative markets; and (vii) support to agricultural research on new tea production technology.

25. **Development of new smallholder tea plantations in Mushubi district.** The project will provide for: (i) adequate technical, logistic and financial support for the planting of 1 200 ha of smallholder tea plots in Mushumbi district; (ii) establishment of 500 ha of woodlot plantation, of which 200 ha will be on district land and 300 ha on individual plots in accordance with farmer demand, to supply wood to generate power to the future tea processing factory in the district; and (iii) a study on the feasibility of introducing organic tea production on the new plantations.

Guaranteed Credit Scheme for Smallholder Tea and Coffee Growers

26. A national financial institution will provide credit to tea and coffee producer cooperatives to enable them to provide loans to their members. All members of the primary societies will be eligible for loans that fall within the limits of their repayment capacity, as guaranteed by the delivery of borrowers' crops for processing by the companies. Loan recovery will be the responsibility of the tea and coffee processing and marketing companies. The primary societies will be trained to operate the credit scheme.



Development of New Cash and Export Crops

27. The project will support research on new market outlets and, creation of market links for SMEs and farmer associations, and secure the services of an international consulting firm with access to information and specialists on a worldwide basis; assist in the formation and training of farmers' groups (women-only, mixed or men-only groups) that wish to develop new cash and export crops; and provide a line of credit to Rwandan financial institutions for the purpose of financing SMEs and farmer-association projects aimed at developing new cash and export crops.

Project Coordination

28. The project will establish a project coordination unit (PCU) made up of a small, Kigali-based central unit and three decentralized provincial units. The PCU will consolidate the plans of the different service providers involved in implementing the components, and will have three core tasks: manage the project fund; issue contracts to service providers for the implementation of project components; and monitor the performance of service providers and evaluate the outcome of activities. The project will finance the salaries of PCU staff, the services of an international senior adviser for one year, transport, equipment and related costs, staff training and project-related reviews and evaluation workshops.

D. Costs and Financing

29 Total project costs are estimated at USD 25.09 million, including price and physical contingencies. Foreign exchange costs account for about 35% (USD 8.90 million), and duties and taxes make for (USD 1.89 million). The project will be financed by an IFAD loan of USD 16.26 million, and a loan from BADEA of USD 5.66 million. The Government will contribute USD 1.89 million, local banks USD 637 500 and the beneficiaries USD 637 900.

TABLE 1: SUMMARY OF PROJECT COSTS ^a
(USD '000)

Components	Local	Foreign	Total	% Foreign Exchange	% Total Base Costs
A. Coffee Diversification	3 165.3	2 714.8	5 880.2	46	26
B. Tea Development in Gikongoro					
NSHILI district	5 426.3	5 009.3	10 435.6	48	46
Mushubi district	1 379.4	89.9	1 469.3	6	6
Subtotal	6 805.6	5 099.2	11 904.8	43	52
C. Guaranteed Scheme for Smallholder Tea and Coffee Growers	661.5	12.5	674.0	2	3
D. Development of New Cash and Export Crops	1 585.0	-	1 585.0	-	7
E. Project Management Unit	2 203.1	447.6	2 650.7	17	12
Total Baseline Costs	14 420.5	8 274.2	22 694.7	36	100
Physical Contingencies	480.2	467.9	948.1	49	4
Price Contingencies	1 282.3	163.1	1 445.4	11	6
Total Project Costs	16 183.0	8 905.2	25 088.2	35	111

^a Discrepancies in totals are due to rounding up.

TABLE 2: FINANCING PLAN^a
(USD '000)

Components	IFAD		BADEA		Beneficiaries		Local Banks		Government		Total		For. Exch.	Local (Excl. Taxes)	Duties and Taxes
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%			
A. Coffee Diversification	5 530.1	86.0	-	-	197.8	3.1	200.0	3.1	500.4	7.8	6 428.3	25.6	2 936.5	2 991.4	500.4
B. Tea Development in Gikongoro															
NSHILI district	4 490.6	39.6	5 663.8	49.9	58.6	0.5	312.5	2.8	819.5	7.2	11 345.1	45.2	5 405.0	5 120.6	819.5
Mushubi district	1 320.2	75.4	-	-	267.5	15.3	-	-	164.2	9.4	1 751.9	7.0	92.8	1 494.8	164.2
Subtotal	5 810.8	44.4	5 663.8	43.2	326.1	2.5	312.5	2.4	983.8	7.5	13 097.0	52.2	5 497.8	6 615.4	983.8
C. Guaranteed Scheme for Smallholder Tea and Coffee Growers	431.0	63.4	-	-	114.0	16.8	125.0	18.4	10.1	1.5	680.1	2.7	13.9	656.1	10.1
D. Development of New Cash and Export Crops	1 755.0	98.1	-	-	-	-	-	-	34.6	1.9	1 789.6	7.1	-	1 755.0	34.6
E. Project Management Unit	2 735.7	88.4	-	-	-	-	-	-	357.5	11.6	3 093.2	12.3	457.1	2 278.6	357.5
Total Disbursement	16 262.6	64.8	5 663.8	22.6	637.9	2.5	637.5	2.5	1 886.4	7.5	25 088.2	100.0	8 905.2	14 296.6	1 886.4

^a Discrepancies in total are due to rounding up.



E. Procurement, Disbursement, Accounts and Audit

30. **Procurement.** The procurement of goods and services and recruitment of consultants to be financed under the loan will be in accordance with conditions set out in the loan agreement. To the extent possible, vehicles and equipment will be procured in lots in order to obtain the best possible prices. International competitive bidding will be used for the supply of goods and services estimated to cost more than USD 100 000; local competitive bidding for goods and services costing between USD 7 000 and USD 100 000; and local shopping for items costing less than USD 7 000.

31. Contracts with MINAGRI, the state agencies in charge of the tea and coffee sectors and TWIN (as the main FT technical partner of the project) will be negotiated by the PCU and approved by IFAD and UNOPS. Invitations to bid for contracts to private service providers (other than TWIN) will be limited to a shortlist of national NGOs or other national private enterprise, preselected by the PCU on the basis of experience, performance record and capacity for delivering the services requested. With a view to avoiding the long delays and misunderstandings experienced by other IFAD projects, proforma contracts for each activity will be prepared under Special Operations Facility financing, with technical assistance provided by IFAD. All contracts will be reviewed by IFAD and UNOPS.

32. **Disbursement.** The PCU will open and operate a Special Account denominated in United States dollars at the Central Bank of Rwanda and – in accordance with the loan agreement – with an Authorized Allocation of USD 1 million. Withdrawals from the loan account may be made against statements of expenditure (SOEs) for expenditure categories to be jointly determined by the Government, IFAD and UNOPS. The Government will open a Project Account at the Central Bank of Rwanda into which it will deposit annually an amount in Rwandan francs equivalent to its average annual contribution for project implementation, according to national procedures, for a total project contribution of USD 1 886 000.

33. **Accounts and audit.** The PCU will be responsible for keeping project accounts in accordance with established practices approved by IFAD, and for producing biannual and annual financial reports. Project accounts will be subject to an independent annual audit. The external auditors, contracted by the PCU, will certify the accounts and be expected to include in their reports a separate opinion on the SOEs and on the use of the Special and Project Accounts.

34. The production and financial performance of the cooperative societies funded by the project will be monitored by the Rwanda Development Bank (RDB), in accordance with standard procedures applied to all bank clients. Quarterly and annual reports on production, purchases of raw materials, sales, prices, stocks, employment, etc., as well as financial statements, will be regularly produced by the companies and submitted to the RDB. After review, such reports will be transmitted to the PCU for further analysis and to IFAD. Annual audits of the companies' accounts will be contracted out by the RDB to approved external auditors, and their reports transmitted to the PCU and IFAD.

35. With respect to SMEs and farmer associations engaged in developing new cash crops, the monitoring and evaluation (M&E) office of the PCU will recruit consultants to review production and financial performance on a regular basis. The survey should be designed to capture the problems encountered by the enterprises, their chances of success and causes of setbacks, their genuine need for project support, requests for support, and the effectiveness of MINAGRI, Ministry of Commerce, RDB, and research institutes in providing the requested support.

36. All documents submitted by service providers for payment will be examined and verified by the PCU financial controller before submission to IFAD and the cooperating institution. Within three months following the close of the project's financial year, the project coordinator will submit to the



auditors an annual statement of sources and application of funds in respect of project expenditures. Within six months following the close of the financial year, the project coordinator will submit the auditors' report to the Ministry of Finance and Economic Planning and to IFAD and the cooperating institution.

F. Organization and Management

37. The structure of project coordination involves four levels. MINAGRI is the executing agency of the project and, through the Project Steering Committee, will be ultimately responsible for overall project supervision and ensuring consistency between implementation and project objectives, strategies and policy. The second level is concerned with the operational management of the project, including financial management and control of resources allocated to the provincial level, contracting and monitoring service providers, and project impact evaluation. This level will be managed by the PCU. The third level of project coordination concerns the provision of services to poor smallholders, primary cooperative societies, cooperative coffee and tea processing and marketing enterprises, farmer associations and SMEs. These services will be outsourced by the PCU. The fourth level concerns the production and marketing activities. It will be managed by private enterprises, which may include those established through the project.

G. Economic Justification

38. **Benefits and beneficiaries.** It is expected that between 15 000 and 20 000 poor smallholder farmers will participate in the coffee diversification component, including a significant number of women heads of household. The tea development component will involve about 9 600 households. In the Nshili district, the number of smallholder beneficiary households will be about 4 800, at least one third of which should be women heads of household. Similar numbers will be targeted in Mushubi. In total, project support to the traditional export crop sub-sector will benefit some 125 000-150 000 people. It is not possible at this stage to estimate the number of households that will be involved in the development of new cash and export crops component, but it is likely that women will especially benefit from developments in this area.

39. The major tangible benefit of higher farm incomes will be the ultimate outcome of capacity building and empowering farmer associations to manage the processing and marketing of their products, implementation of quality control and certification systems, and association with TWIN-thereby facilitating access to new markets and optimum prices. The average farm income could potentially increase by about 20% for coffee growers and 60-70% for tea growers. This could be achieved through intensification of cropping (at no expense to food crops), and improved quality and targeted marketing. Furthermore, the coffee and tea processing cooperative companies will be in a position to increase the price of the raw crops paid to growers by 30% and 100%, respectively, when the companies have completely reimbursed the resources received by the project to finance the industrial facilities. TWIN assistance will continue indefinitely after the completion of the project to ensure the sustainability of project-funded commercial activities.

40. Participating households will also benefit from the guaranteed credit scheme. Coffee growers, for example, will be in a position to borrow up to an average of USD 30 each year against coffee delivery, which will allow them to buy some fertilizer on credit – not only for coffee but also for other crops – or to provide for urgent necessities. This will help households to further enhance productivity, diversify crops, employ farm labour at peak times such as harvesting, and purchase livestock.

41. Higher disposable income will also translate into social benefits, which are extremely important for sustaining poverty reduction. Such benefits will include an increase in the number of children attending school because labour can be bought, and improved access to health and education services. Other outcomes of the project that will benefit all Rwandans in the project area, and not just the target



group, include upgraded roads and increased community cohesion, which is particularly important in terms of encouraging social and political stability.

H. Risks

42. The risk of sub-optimal performance will depend on: (i) the willingness of smallholder growers to form cooperatives and to make commitments to actively participate in the operation of their sub-sector enterprises; (ii) the effectiveness of institutional arrangements in terms of distributing the tea plantation; (iii) the Government's effectiveness in granting the primary cooperative societies the legal personality (legal status) that will allow them to own shares; (iv) farmers' response to adopting agricultural practices that will increase the quality and quantity of their crops and also maintain or improve the environmental condition of their land; and (v) the ability of the PCU to run the project effectively in the early years, and the commitment of cooperatives to sustainably manage the infrastructure turned over to them.

43. The project design considers these risks and, as far as possible, attempts to incorporate attenuation measures.

I. Environmental Impact

44. The project is not expected to have a significant negative impact on the environment and has accordingly been classified as Category A. On the contrary, it is likely to have a very positive environmental impact, especially in relation to soil conservation. Coffee and tea are both perennial bushes and as such develop permanent and extensive root systems that bind the soil and thereby improve soil stability. The production of organic coffee, if it is found to be financially viable, will further improve environmental management. Other crops such as passion fruit, mulberry and fruit trees will provide the same benefits as tea and coffee in terms of controlling soil erosion. Once growers begin to receive higher and more stable prices for their produce, they will be in a stronger position to provide the necessary inputs (e.g. mulch, labour) to manage their land for maximum production and environmental protection.

45. Project-induced environmental hazards are limited to the impact of the effluent of the new coffee washing stations. The cost estimate of the washing stations includes the equipment required to avoid releasing any polluting material from the stations. Consultants employed by the PCU will ensure that the coffee processing companies comply with the project's policy in this respect.

J. Innovative Features

46. The major innovation of the project is the set of measures aimed at introducing the Rwandan poor smallholder growers of cash and export crops to the arena of modern industrial business, marketing and finance. The institutional and financial arrangements proposed provide the bridge between local small farmer associations and the type of organizations that have the legal and financial power to do business on the global international market.

47. A key innovation of project design is the association of a non-profit organization specialized in promoting links between producer cooperatives in developing countries and FT organizations that have access to the retail gourmet market in high-income countries. In view of the limited experience of both IFAD and the Government in dealing with FT organizations, IFAD has secured the participation of TWIN as FT project technical partner. These features of the project respond to IFAD's strategy aimed at increasing participation and empowerment of the poor in the full cycle of production, processing and marketing of their produce, and of securing effective cooperation with the private sector.



PART III - LEGAL INSTRUMENTS AND AUTHORITY

48. A loan agreement between the Rwandese Republic and IFAD constitutes the legal instrument for extending the proposed loan to the borrower. A summary of the important supplementary assurances included in the negotiated loan agreement is attached as an annex.
49. The Rwandese Republic is empowered under its laws to borrow from IFAD.
50. I am satisfied that the proposed loan will comply with the Agreement Establishing IFAD.

PART IV - RECOMMENDATION

51. I recommend that the Executive Board approve the proposed loan in terms of the following resolution:

RESOLVED: that the Fund shall make a loan to the Rwandese Republic in various currencies in an amount equivalent to twelve million three hundred thousand Special Drawing Rights (SDR 12 300 000) to mature on and prior to 1 October 2042 and to bear a service charge of three fourths of one per cent (0.75%) per annum, and to be upon such other terms and conditions as shall be substantially in accordance with the terms and conditions presented to the Executive Board in this Report and Recommendation of the President.

Lennart Båge
President

SUMMARY OF IMPORTANT SUPPLEMENTARY ASSURANCES INCLUDED IN THE NEGOTIATED LOAN AGREEMENT

(Loan negotiations concluded on 31 October 2002)

1. For the purpose of executing the project, the Government of the Rwandese Republic (hereafter “the Government”) shall make the proceeds of the loan available to the PCU in accordance with the annual workplans and budgets (AWP/Bs) and the lead subsidiary agreement, and customary national procedures for development assistance.
2. The Government shall make available to the PCU during the project implementation period counterpart funds from its own resources in an aggregate amount of USD 1 886 000 in accordance with the lead subsidiary agreement and customary national procedures for development assistance. Based on the AWP/Bs and as requested by the PCU, the Government will make three-monthly deposits in advance, representing its counterpart contribution, into the project account of amounts corresponding to all taxes, duties and levies on goods and services procured locally and on goods imported free of customs duty. The counterpart funds will be registered under the Public Investments Programme. Furthermore, the Government will transfer funds to the National Bank of Rwanda (BNR), in accordance with the provisions of the AWP/Bs and the subsidiary agreement to be concluded between the Government and BNR.
3. As part of maintaining sound environmental practices, the Government shall maintain appropriate pest management practices under the project. To that end, the Government shall ensure that pesticides procured under the project do not include any pesticide that is either proscribed by the International Code of Conduct on the Distribution and Use of Pesticides of the Food and Agriculture Organization of the United Nations, as amended from time to time, or listed in Tables 1 (Extremely Hazardous) and 2 (Highly Hazardous) of the World Health Organization Recommended Classification of Pesticides by Hazard and Classification 1996-1997, as amended from time to time.
4. The PCU will be responsible for the M&E of project performance, based on the following:
 - (a) production levels achieved and financial performance of enterprises funded by the project;
 - (b) the monitoring of any changes in the situation of project beneficiaries, particularly in terms of women’s participation, especially women heads of household living below the poverty line;
 - (c) incremental revenue obtained by farmers engaged in the production of cash crops and the impact of such additional income on the living conditions of households; and
 - (d) an evaluation of institutional development at the farmer level.

With regard to SMEs, farmer associations and service providers (including TWIN), the PCU will if necessary recruit the services of consultants to review production and financial performance on a regular basis. RDB will assess the output and financial performance of companies engaged in the production, processing and marketing of tea and coffee and of the Nshili Tea Company, and report its findings to the PCU. As of the second year of the project, the PCU will organize participatory workshops to review project performance.

5. The Government will insure project staff against health and accident risks, in accordance with regulations in force within the country.



6. The project aims to promote women's advancement by means of specific actions including, *inter alia*, the distribution of land from OCIR-Thé in Nshili and by assisting them to participate in production, processing and marketing cooperatives. The integration of women into economic processes will be strongly supported by the project and should result in strong women's representation on various committees and in their having equal access to the same facilities as men with regard to employment within the framework of project investments.
7. Project staff will be recruited on yearly contracts renewable subject to satisfactory performance, by means of a competitive selection process at the national level. Arrangements will be made for regular evaluations of staff performance. Decisions on the recruitment of key project staff (senior coordinator, three provincial coordinators, technical advisor, administrative and financial director, M&E officer and four accountants) and, as the case may be, the termination of contracts, will be taken in collaboration with IFAD.
8. The following are specified as conditions to disbursements from the proceeds of the loan:
- (a) No disbursements will be made from the project account until such time as the lead project agency has provided office accommodation for the main PCU at Kigali and the three provincial PCUs at Gikongoro, Kibuye and Kigali-Ngali.
 - (b) No disbursements will be made in respect of expenses for civil works until such time as:
 - (i) the Government has prepared the necessary documentation for distributing the CIR-Thé plantation at Nshili to the cooperative tea company, once the latter has been set up;
 - (ii) the Government has informed IFAD of its new strategy for the coffee sector, including *inter alia* its policy regarding the sites of the new coffee-washing stations, in order to avoid any overlapping of functions.
 - (c) No disbursements will be made in respect of equity funds and overdraft facilities until such time as the Government has approved the one-year appointment of an international advisor to the senior project coordinator to assist in negotiating contracts with service providers.
 - (d) No disbursements will be made in respect of the service provider category until such time as:
 - (i) individual parcels of land have been distributed to all beneficiaries, at least 30% of whom will be women heads of household;
 - (ii) usufruct rights have been granted to all beneficiaries;
 - (iii) the beneficiary cooperatives have been legally constituted; and
 - (iv) a contract has been signed with TWIN.



9. The following are specified as additional conditions to the effectiveness of the loan:
- (a) Under the supervision of the lead project agency, communities in Nshili District will have identified and drawn up lists of beneficiaries to receive land from the OCIR-Thé plantation, and the land will have been distributed in accordance with these lists.
 - (b) The senior project coordinator and the administrative and financial director will have been appointed on the basis of competitive, national-level selection procedures.
 - (c) The national tender for recruitment of provincial coordinators will have been prepared.
 - (d) The international tender for recruitment of the advisor to the senior project coordinator will have been prepared.
 - (e) The Government and BADEA will have signed the BADEA loan agreement.
 - (f) A draft contract with TWIN will have been submitted to the Government and IFAD for comment.
 - (g) A favourable legal opinion, delivered by the Ministry of Justice or any other authority legally vested with this power and acceptable both in form and substance, will have been delivered by the Government to IFAD.

COUNTRY DATA

RWANDA

Land area (km² thousand), 2000 1/	25	GNI per capita (USD), 2000 1/	230
Total population (million), 2000 1/	8.5	GNP per capita growth (annual %), 2000 1/	4.0
Population density (people per km²), 2000 1/	345	Inflation, consumer prices (annual %), 2000 1/	4.3
Local currency	Rwandan Franc (RWF)	Exchange rate: USD 1 = RWF 445	
Social Indicators		Economic Indicators	
Population (average annual population growth rate), 1980-99 2/	2.5	GDP (USD million), 2000 1/	1 762
Crude birth rate (per thousand people), 2000 1/	45 a/	Average annual rate of growth of GDP 2/	
Crude death rate (per thousand people), 2000 1/	22 a/	1980-90	2.2
Infant mortality rate (per thousand live births), 2000 1/	123 a/	1990-99	-1.5
Life expectancy at birth (years), 2000 1/	40 a/	Sectoral distribution of GDP, 2000 1/	
Number of rural poor (million) (approximate) 1/	n.a.	% agriculture	46 a/
Poor as % of total rural population 2/	n.a.	% industry	20 a/
Total labour force (million), 2000 1/	4.6	% manufacturing	12 a/
Female labour force as % of total, 2000 1/	49	% services	34 a/
Education		Consumption, 2000 1/	
School enrolment, primary (% gross), 2000 1/	n.a.	General government final consumption expenditure (as % of GDP)	13 a/
Adult illiteracy rate (% age 15 and above), 2000 1/	33	Household final consumption expenditure, etc. (as % of GDP)	89 a/
Nutrition		Gross domestic savings (as % of GDP)	-1 a/
Daily calorie supply per capita, 1997 3/	2 056	Balance of Payments (USD million)	
Malnutrition prevalence, height for age (% of children under 5), 2000 1/	42 a/	Merchandise exports, 2000 1/	58
Malnutrition prevalence, weight for age (% of children under 5), 2000 1/	27 a/	Merchandise imports, 2000 1/	215
Health		Balance of merchandise trade	-157
Health expenditure, total (as % of GDP), 2000 1/	4.1	Current account balances (USD million)	
Physicians (per thousand people), 1999 1/	n.a.	before official transfers, 1999 1/	-210
Population using improved water sources (%), 1999 4/	41	after official transfers, 1999 1/	-2
Population with access to essential drugs (%), 1999 4/	44	Foreign direct investment, net 1999 1/	2
Population using adequate sanitation facilities (%), 1999 4/	8	Government Finance	
Agriculture and Food		Overall budget deficit (including grants) (as % of GDP), 1999 1/	n.a.
Food imports (% of merchandise imports), 1999 1/	n.a.	Total expenditure (% of GDP), 1999 1/	n.a.
Fertilizer consumption (hundreds of grams per ha of arable land), 1998 1/	4	Total external debt (USD million), 1999 1/	1 292
Food production index (1989-91=100), 2000 1/	99.0	Present value of debt (as % of GNI), 1999 1/	36
Cereal yield (kg per ha), 2000 1/	993	Total debt service (% of exports of goods and services), 1999 1/	29.6
Land Use		Lending interest rate (%), 2000 1/	n.a.
Arable land as % of land area, 1998 1/	33.2	Deposit interest rate (%), 2000 1/	8.9
Forest area (km ² thousand), 2000 2/	3		
Forest area as % of total land area, 2000 2/	12.4		
Irrigated land as % of cropland, 1998 1/	0.4		

a/ Data are for years or periods other than those specified.

1/ World Bank, *World Development Indicators* database

2/ World Bank, *World Development Indicators*, 2001

3/ United Nations Development Programme (UNDP), *Human Development Report*, 2000

4/ UNDP, *Human Development Report*, 2001

RWANDA PREVIOUS IFAD FINANCING

Project	Initiating Institution	Cooperating Institution	Lending Terms	Board Approval	Loan Effectiveness	Current Closing Date	Loan/Grant Acronym	Denominated Currency	Approved Loan/Grant Amount	Disbursement (as % of approved amount)		
79	Byumba Rural Development Project	IFAD	AfDB	HC	17 Dec 81	1 Apr 83	30 Jun 90	G-I-86-RW L-I-79-RW	SDR SDR	920 000 9 080 000	100% 99%	
150	Birunga Maize Project	IFAD	World Bank: IDA	HC	11 Sep 84	9 Oct 85	31 Dec 98	L-I-150-RW	SDR	3 750 000	87%	
232	Gikongoro Agricultural Development Project	IFAD	World Bank: IDA	HC	30 Nov 88	22 Dec 89	30 Jun 01	G-I-528-RW L-I-232-RW	USD SDR	22 000 8 350 000	64% 100%	
264	Byumba Agricultural Development Project-Phase II	IFAD	AfDB	HC	01 Oct 90	5 Nov 91	30 Dec 01	G-I-528-RW L-I-264-RW	USD SDR	22 000 6 350 000	50% 76%	
314	Intensified Land Use Management Project in the Buberuka Highlands	IFAD	UNOPS	HC	02 Dec 92	23 Jul 96	30 Jun 04	L-I-314-RW	SDR	6 750 000	73%	
500	Rural Small and Micro-enterprise Promotion Project	IFAD	UNOPS	HC	17 Apr 96	2 Mar 98	31 Dec 03	L-I-411-RW	SDR	3 750 000	69%	
1059	Rwanda Returnees Rahabilitation Programme	IFAD	UNOPS	G	11 Sep 97	24 Oct 97	30 Jun 01	G-I-377-RW G-I-528-RW	SDR USD	2 100 000 22 000	100% 64%	
1149	Umutara Community Resource and Infrastructure Development Project	IFAD	UNOPS	HC	04 May 00	5 Dec 00	30 Jun 11	G-I-45-RW G-I-96-RW L-I-537-RW	USD USD SDR	100 000 100 000 11 850 000	97% 91% 11%	
1222	Umutara Community Resource and Infrastructure Development Twin Project	IFAD	UNOPS	HC	06 Dec 01	26 Sep 02		L-I-573-RW G-I-135-RW	SDR USD	9 400 000 100 000		17%



DYNAMIC LOGICAL FRAMEWORK

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
<p>Development Goal: To maximize and diversify the income of poor smallholder cash and export crops producers, subject to developing financially sustainable commercial processing and marketing activities</p> <p>Specific Objectives:</p> <ul style="list-style-type: none"> Maximize the value of products sold on international markets Identify new markets and opportunities in existing markets Fully exploit favourable conditions in the country Develop efficient and cost-effective processing Introduce mechanisms that secure maximum grower prices compatible with financially sound processing and marketing Promote diversification of cash and export crops produced by smallholders <p>Strategies:</p> <ul style="list-style-type: none"> Securing production of top-quality products demanded by remunerative international markets (speciality, organic, etc.) Associating with TWIN (FT organization) to provide training, support to cooperative development among smallholder tea and coffee planters, marketing information and access to remunerative markets Empowering poor smallholder producer cooperatives to fully control processing and marketing facilities Supporting farmer associations and SMEs to produce and market new cash and export crops Ensuring sustainable credit for cash crop growers and for processing and marketing enterprises. <p>Policies</p> <p>Strengthening primary societies of poor smallholder tea and coffee growers to the point that they can acquire ownership and control of processing and marketing facilities</p> <p>Creating modern coffee and tea processing facilities in which rigorous quality control of produce can be exercised</p> <p>Establishing private cooperative companies to own and operate the coffee and tea processing facilities, such companies to be owned by the primary societies of tea and coffee growers</p> <p>Pre-financing the share of primary societies in the equity capital of processing and marketing companies</p>	<p>Grower prices paid to smallholder planters; and incremental net income obtained from coffee, tea and new cash crops by participating smallholder planter households.</p> <p>Share of incremental household income generated by the project under control of women</p> <p>F.o.b. and f.o.t. prices of coffee and tea products sold by processing companies</p> <p>Quantity sold to FT organizations and under labels with certificates of origin</p> <p>Grower prices paid by project-supported cooperative companies compared with prices paid by traders</p> <p>Time required for dividends paid by processing companies to pay for shares of cooperatives</p> <p>Quantity and type of new crops produced and marketed</p> <p>Incremental smallholder income from new cash crop production</p> <p>Number of households assisted by the project that continue to be effective producers</p> <p>Project intervention coffee sites selected, varieties grown, seedlings distributed for re-planting</p> <p>Coffee factories established and their capacity</p> <p>Number and quality of coffee and tea cooperatives participating in the project</p> <p>Number and details of coffee processing and marketing cooperative companies established with growers' shareholding</p> <p>Details of the Nshili cooperative tea company</p> <p>Numbers and socio-economic features of beneficiaries of the distribution of the OCIR The plantation at Nshili</p> <p>Quantity of tea and coffee products certified and sold to FT organizations</p> <p>Production, sales, financial position of each coffee and tea processing company funded under the project,</p> <p>Results of filling operation at Nshili tea plantation</p> <p>New smallholder tea-growing area planted at Nshili; number of participating households, of which women heads of household</p> <p>New smallholder tea-growing area planted at Mushubi; number of participating households, of which women heads of household</p> <p>Area planted to woodlots in Mushubi, by Gikongoro district and by smallholders</p> <p>Number and type of new cash crops: markets identified,</p>	<p>Reports of PCU M&E officer</p> <p>Annual reports of processing companies</p> <p>Annual audits of tea and coffee processing companies</p> <p>TWIN progress reports</p> <p>Annual audit of TWIN accounts</p> <p>Financial statements of processing companies</p> <p>Progress reports of service providers (OCIR-Thé, OCIR-Café, Provincial DAEF)</p> <p>RDB quarterly and annual reports</p> <p>Quarterly and annual reports of national financial institutions involved in guaranteed cooperative credit component</p> <p>Quarterly and annual reports of national financial institutions involved in funding new cash and export crops, SMEs and farmer group projects</p> <p>Reports of the preparation unit in MINAGRI for the new cash and export crops development component</p> <p>Reports of ISAR and other research</p>	<p>Political stability</p> <p>Non-interference with distribution of Nshili estate</p> <p>Primary societies of tea and coffee growers quickly established</p> <p>Legal personality quickly granted to cooperatives of coffee and tea growers</p> <p>Suitable cooperative leaders are identified and trained to take over management of the processing companies</p> <p>Absence of political interference with management of cooperatives and processing companies</p> <p>Rigorous quality control at all stages of crop production and processing for tea and coffee</p> <p>Farmers manage to improve quality of crops produced, particularly coffee</p> <p>Effective monitoring and audit of accounts of processing and marketing companies</p> <p>Effective monitoring of agricultural research and of methods to decide on research agendas</p>





NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
Ensuring that no interest that might be in conflict with that of the primary societies has access to the equity capital of processing and marketing companies	amounts produced and sold Returns to smallholder farmers participating in the new cash crop projects	Institutes	TWIN will manage to sell 30% of the coffee produced to FT organizations at FT prices, and to market the balance at good prices, converting at least two of the selected coffee-growing areas to organic coffee production
Distributing the Government's Nshili tea plantation to poor smallholder farmers resident in the area, 33-50% of beneficiaries being women heads of household	Amounts of loans extended by primary societies to members under the cooperative guaranteed credit scheme Failures in accounting by the cooperatives and loan delinquencies		
Funding crop processing and marketing and primary society companies on a sound financial basis, with adequate resources to ensure the smooth development of profitable operations on international market	Qualitative assessment of agricultural research work on tea, coffee and new crops, with particular attention to integrated pest management (IPM) and relationship of research themes and farmers' production problems		
Associating with the FT organization, TWIN, as FT technical partner of the project, with responsibility for cooperative training, control of product quality, provision of market information and access to FT markets, and of initial management of coffee cooperative companies			
Providing credit to smallholder coffee and tea growers guaranteed by the sale of their crops to the processing and marketing companies			
Providing market information and market development support to SMEs and farmer associations for cash and export crop diversification			
Funding SMEs, private individuals, and farmer associations in new cash and export crops projects			
Supporting national and/or regional and international agronomic research required to solve technical problems of producers in the cash crop sub-sector, with particular attention to integrated pest management			
Expected Outcome by Components			
Coffee diversification:			
Production of 8 000-10 000 tons/year of fresh cherries of good quality	Cherries purchased by coffee processing companies	PCU annual reports	
Many poor coffee growers rehabilitate their plots and increase the plot size to 200-250 bushes	Number of bushes per member of primary societies		
Sale of 300-350 tons/year of FT quality fully washed coffee Sale of 900-1 000 tons/year of other coffee grades at remunerative prices	Quantity sold, by grade, quality and market	Annual reports and accounts of coffee processing companies	
Half the production of organic coffee proves to be technically and financially feasible	Areas converted to organic coffee; quantity produced	Beneficiary tracking studies	

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
Several cooperatives of smallholder producers organized in the selected areas, with significant membership of women heads of household	Number and membership of primary societies of coffee growers Quality of primary society management and operations Dividends and income tax paid by coffee companies	Ad hoc survey by M&E office of PCU Annual reports and audited accounts of coffee cooperative companies	
Cooperative coffee processing companies operate at a profit and pay dividends as planned			
Over time, the primary societies acquire full ownership of coffee processing companies Coffee cherry prices increased by 30% when this happens	Total income of primary society members; index of poverty		
Coffee growers income raised near or above poverty line	Tons produced, by quality, markets supplied, prices		
Tea Development in Gikongoro			
<ul style="list-style-type: none"> Nshili Integrated Smallholder Tea Development: 	Number, membership and quality of primary societies	PCU annual reports	
Production of 8 000 ton of green leaves by smallholders Production of 1 800 tons of tea by Nshili Tea (cooperative) Company Top quality tea made: 66% of total output	Dividends and income tax paid by Nshili Tea Company Shares of primary societies fully paid for; fund-in-trust liquidated	Annual reports and audited Accounts of Nshili Tea Co	
Several primary cooperative societies of smallholder producers organized in the ex-OCIR-Thé plantation; 33-50% of members are women heads of household.	Amount paid by Nshili Tea Company to growers as % of total value of sales	Beneficiary tracking studies	
Nshili Tea (cooperative) operates profitably and pays dividends as planned Over time, primary societies acquire ownership of Nshili Tea (cooperative) Company	Total income of primary society members; index of poverty		
Green leaf prices increased by up to 100%, when that happens.	Tons of green leaves purchased by tea factories	Ad hoc survey by M&E office of PCU	
The majority of Nshili tea growers have incomes above poverty line	Total income of new tea planters; index of poverty		
<ul style="list-style-type: none"> Smallholder Tea Planting in Mushubi District 			
Production of 8 000 tons of green leaves by smallholders	Number and size of loans made Agricultural inputs purchased on credit		
New tea planters increase their household income to near the poverty threshold	Inputs used on coffee/tea vs. inputs used on foodcrops Other uses of loan money by borrowers	Records of primary societies Records of cooperative companies Ad hoc survey by M&E office of PCU	
Guaranteed Credit Scheme for Smallholder Tea and Coffee Growers			
Coffee and tea primary society members benefit from loans through the scheme; improve their livelihood as a result	Type, quantity and sales of new cash crop produced Incremental foreign exchange earned through new cash crop exports; income of farmers from new cash crop production	Ad hoc survey by M&E office of PCU	
Development of new cash and export crops			





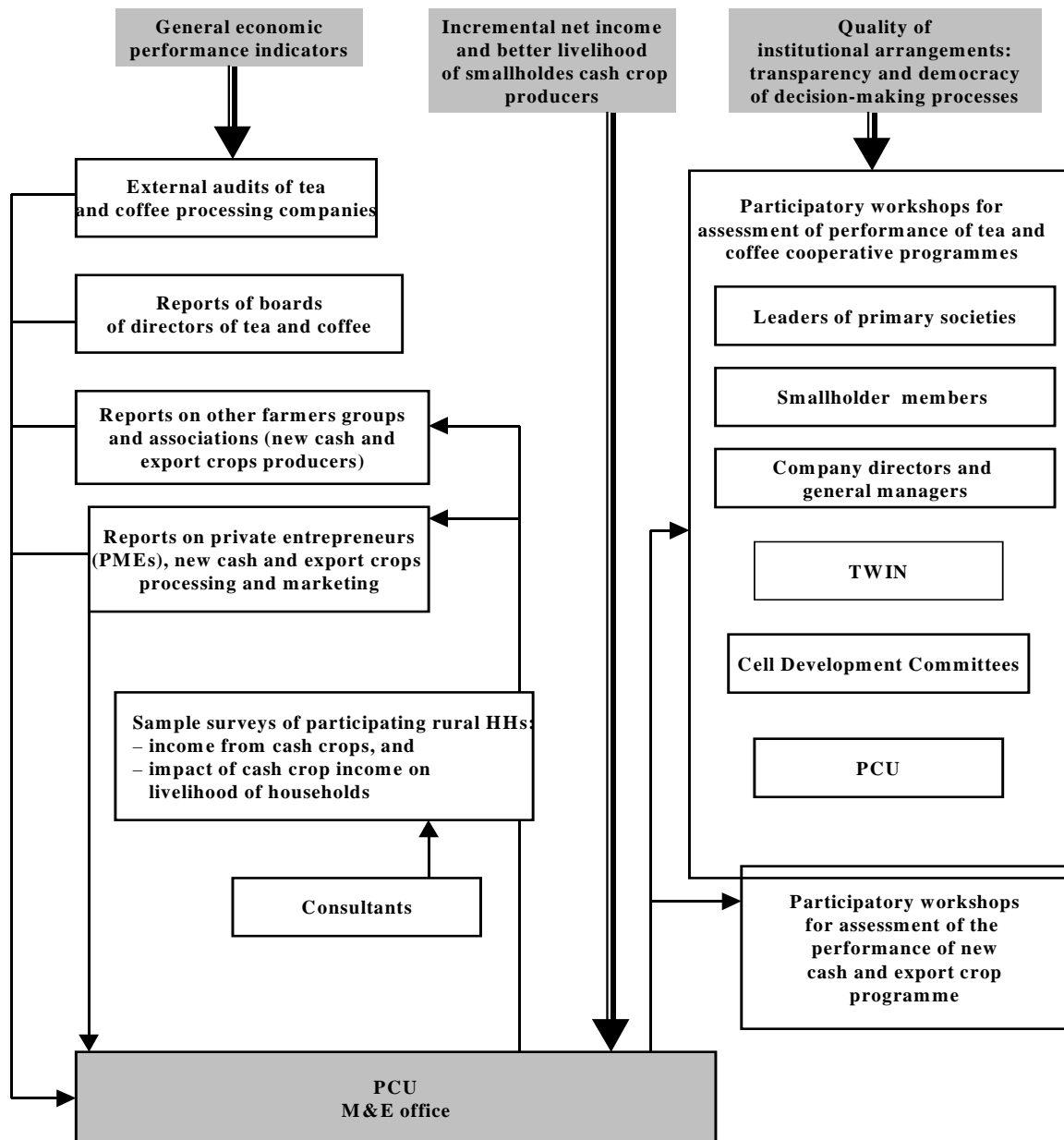
NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
<p>Outcomes will depend on project success in developing a variety of different new crops</p>			
<p>Project Coordination</p>			
<p>Coffee diversification:</p>			
<p>Improvement, rehabilitation or replanting on 2 000 ha of smallholder coffee plots</p>	<p>Hectares rehabilitated and old coffee bushes replanted Area converted to organic coffee production</p>	<ul style="list-style-type: none"> • PCU progress reports • Progress reports of service providers • Reports of PCU evaluation officer • Reports of UNOPS supervision missions • Reports of IFAD supervision missions • Mid-term review and project completion reports 	<ul style="list-style-type: none"> • Project Policy Steering Committee meets regularly with sufficient time for discussion of project implementation problems; adequately takes account of views of all service providers, and recommendations of participatory performance evaluation workshops
<p>Coffee processing units with washing stations and hulling plants for a combined capacity of 1 400 t of quality-controlled fully washed coffee</p>	<p>Processing companies established; all shares subscribed Facilities constructed; plant and equipment installed and tested</p>		
<p>Formation and training of primary societies of coffee growers to produce high-quality arabica coffee</p>	<p>Number of primary societies formed, trained, granted legal personality</p>		
<p>Cooperative companies owned by primary societies process and market coffee produced by members of primary societies</p>	<p>Quantity of coffee tested and certified for quality and origin, and sold through FT and other channels</p>		
<p>TWIN controls quality of coffee produced and arranges for FLO and organic certification of coffee produced, provides access to specialty markets sales, and manages coffee processing enterprises for five years</p>			
<p>Tea Development in Gikongoro:</p>			
<ul style="list-style-type: none"> • Integrated Smallholder Tea Production at Nshili 			<ul style="list-style-type: none"> • TWIN is granted adequate flexibility in implementing its annual work Programme and budget (AWP/B) • PCU takes effective remedial action in case of inadequate delivery of project output by service providers
<p>OCIT-Thé plantation distributed to smallholders About 1 250 ha of tea in full production by smallholders, including about 200 ha of new planting Support for distribution of OCIR estate to poor smallholder households and women Formation training and management support for primary societies Establishment of Nshili Tea (cooperative) New tea factory with capacity of 1 800 t year of black tea built at Nshili Connection of Nshili tea factory site to national electricity network TWIN control of product quality; arrangement for FLO certification of FT sales; and access to specialty markets Tea factory private-sector general management provided by the Nshili Tea Company.</p>	<p>Hectares distributed Hectares in full production, condition and yields Number of beneficiaries, number of women heads of household who received a tea plot Number of primary societies formed; quality of organization and management Legal personality of primary societies granted Nshili tea Co established; all shares subscribed; long-term credit and overdraft facilities made available by banks Quantity of tea certified by grade Assessment of performance of tea factory management Association of primary society leaders to day-to-day management practices Factory constructed to specifications and tested Connection to national electric grid in operation</p>		
<ul style="list-style-type: none"> • New Smallholder tea planting at Mushubi: 			<ul style="list-style-type: none"> • Nshili Tea Company hires experienced and effective private-sector general manager, recruited internationally
<p>New planting of 1 200 ha of smallholder tea plots 200 ha of new district woodlot plantations 300 ha of new smallholder woodlot plantations</p>	<p>Hectares of tea planted Production and yield of green leaves Number of smallholder planters; total and women heads of household</p>		

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
<p>Guaranteed Credit Scheme for Smallholder Tea and Coffee Growers: Arrangements with local banks to provide loans to primary societies</p>	<p>Hectares of district woodlots established Hectares of smallholder woodlots established Maintenance, yields, condition of above</p>		<ul style="list-style-type: none"> M&E officer organizes regular participatory project performance evaluation workshops with growers, entrepreneurs and service providers, and undertakes beneficiary tracking surveys on a regular basis
<p>Development of new cash and export crops:</p>	<p>Amount of loans made; interest charged; repayment records</p>		<ul style="list-style-type: none"> Report of local banks; certified accounts of primary societies.
<p>One market and marketing facilitation unit in MINICOM One PME cash crops project preparation unit in MINAGRI Several PMEs funded by RDB</p>	<p>Number and quality of market studies produced Number and impact of marketing facilitation activities undertaken Number of new cash crop projects prepared and approved for funding by RDB Loans made to new cash crop SMEs, individuals and farmer groups for new cash crop projects Assessment of performance of above</p>		
<p>Project Coordination</p>			
<p>Inputs</p>			
<p>Contracts with service providers:</p>			
<ul style="list-style-type: none"> OCIR-Thé OCIR-Café MINAGRI-DAEF TWIN, including sub-contracts with national NGOs and other external service providers RDB MINAGRI-PME project preparation unit ISAR and/or other agricultural research institute 	<p>PCU AWP/Bs</p>	<p>Contracts signed with service providers</p>	
<p>Funds for prefinancing subscription of shares of coffee and tea processing companies on behalf of primary societies of tea and coffee growers</p>	<p>Disbursement of funds under the Special Account</p>	<p>Purchase of shares on behalf of cooperatives; equity capital</p>	
<p>Funds for RDB to make long-term loans to tea and coffee processing companies</p>	<p>Loans by RDB to tea and coffee (cooperative) companies</p>	<p>Amount of overdraft facilities granted by Rwandan financial institutions to companies</p>	
<p>Funds to extend required overdraft facilities to same</p>	<p>Funds disbursed to Rwanda electricity company</p>		
<p>Funds to pay for detailed design and construction of connection to national electricity network</p>	<p>Amount of funds disbursed to local banks</p>		
<p>Funds to refinance loans made by local banks to coffee and tea primary societies under credit scheme guaranteed by processing and marketing companies</p>	<p>Loans made by RDB or other banks to farmer groups and/or SMEs investing in cash crop diversification</p>		
<p>Funds to finance SME projects for new cash crop diversification</p>			
<p>Funds to pay for PCU, including service providers and M&E activities</p>			





MONITORING AND EVALUATION ARRANGEMENTS: SOURCES OF INFORMATION



RURAL POVERTY, MAJOR ISSUES, GOVERNMENT AND IFAD PRIORITIES

Priority areas	Govt.	IFAD	Major Issues	Actions Needed
Decentralization	High	High	<p>Very recent experience, in practice</p> <ul style="list-style-type: none"> • Government and donors' attention concentrates at the province and district levels, much less attention to lower levels • Government and donor culture still induces excessive transfer dependency; peoples' priorities assessed by concept of "priority needs" impedes identification of effective demand and real stakeholder commitment • Limited technical and managerial capacity of decentralized units of line ministries • Inadequate training on operating in a more autonomous manner • Cultural resistance to bottom-up planning in certain circles • More progress on fiscal decentralization linked with improved expenditure control 	<ul style="list-style-type: none"> • Design projects to support strengthening of local government at the cell and sector levels, developing the emerging self-help culture, minimizing transfer dependency, turn 'beneficiaries' into 'local development partners' • Help cell and sector DCs to perform local government functions: mobilize peoples' initiatives; promote self-help; common interest group formation; plan, not implement, local projects of common interest groups; facilitate access to external resources from all sources, including technical assistance to design microprojects • Support provision of services requested by local communities • Train decentralized units of line ministry to understand and apply effective participatory approaches
Support to micro-finance institutions	moderate	high	<ul style="list-style-type: none"> • Government and donor attention still concentrated on the need for 'credit' leads to inadequate attention being paid to opportunities for rural savings mobilization by institutions that would invest in the areas where such savings are mobilized • Need to develop financially viable crop processing and marketing enterprises, closely linked with producers' associations to provide security of loans made by the associations to their members 	<ul style="list-style-type: none"> • Support schemes that establish sustainable rural financial intermediaries with people's full participation • Support commercially viable crop processing and marketing enterprises • Support producers' associations that can make loans to their members guaranteed by the crop purchased by the crop purchasing enterprises
Technology generation and transfer	high	high	<p>Cash and export crops are major Government priorities for general economic growth and poverty alleviation. In the sub-sectors:</p> <ul style="list-style-type: none"> • need to concentrate on what the market requires, and on what will effectively increase the net income of smallholder producers • need to keep abreast of development in both tea and coffee, including potential for integrated pest management • need to stress importance of sound marketing strategies and adequate marketing technologies • very little work done on new cash crops 	<ul style="list-style-type: none"> • Technicians and market practitioners to work closely together to ensure that crop-growing and crop-processing practices respond to specific and changing market requirements • Reactivate and expand research on traditional cash crops, support research on new cash crops with good domestic and export market prospects



Priority areas	Govt.	IFAD	Major Issues	Actions Needed
Promotion of small and medium-size rural enterprises engaged in non-farming income-generating activities	moderate	high	<ul style="list-style-type: none"> Weak crop processing and poor marketing predominates in the cash and export crops sub-sectors Smallholders are not involved at the processing and marketing stages; receive poor prices for their crops Importance of a modern processing industry (a) to survive on the international market, and (b) to secure constant product quality and hygienic production standards Need to introduce mechanism that empower smallholders to control modern processing and marketing facilities 	<ul style="list-style-type: none"> Establish industrial units of a size that combines efficient operations with the management capacity of smallholder cooperatives Provide market information, marketing skills and access to markets that are remunerative for smallholder producers Secure adequate and rigorous monitoring of produce quality at the farm and processing factory levels Introduce product quality certification Diversify fresh crop prices according to quality Introduce mechanism for smallholder cooperatives to acquire the ownership of crop processing facilities.
Women in-development	moderate	high	<p>For cash crop producers</p> <ul style="list-style-type: none"> Insufficient basic education of rural women; limited access of poor women to higher education Lack of attention to specific needs of women for training in technical skills Ineffective implementation of measures designed to increase women's participation and proactive role in development project activities Women have less opportunities for cash crops income 	<ul style="list-style-type: none"> Train officers in gender issues Build a 'really equal opportunities' environment, rather than reserve shares of posts to women irrespective of their interest, motivation and qualifications Devise measure to facilitate women heads of household to participate in new cash crop planting Accord priority to women heads of household in the privatization of public cash crop estates



TARGET GROUP PRIORITY NEEDS AND PROJECT PROPOSALS

Notice: as indicated in the text of the COSOP of 2001, IFAD's approach in Rwanda does not use the concept of 'priority needs' of project 'beneficiaries'. The approach aims at developing a culture of self-help, whereby projects intervene on the basis of peoples' 'effective demand', assessed by meeting cost-sharing conditions and arrangements for adequate operation and maintenance, as tangible indications of stakeholders' commitment that would turn 'beneficiaries' into 'partners in development'. The headings of Table 2 have been modified accordingly.

Typology of Local Partners	Expected Effective Demand of Cash Crop Producers	Project Response
<p>Tea and coffee components</p> <p>poor and 'average' households (family income well below the poverty line)</p>	<ul style="list-style-type: none"> • Better and stable prices • Prompt payment for the crop delivered • Support to rehabilitate run-down plots • For coffee: no equipment for de-pulping; means to avoid having to de-pulp manually • Access to inputs, tools, spraying equipment <p>In exchange for labour input, application of adequate cropping practices, acceptance of quality control, and of payment for the future ownership of processing facilities from dividends of the enterprises that would process their crops</p>	<ul style="list-style-type: none"> • Higher prices initially paid but only for quality crop delivered to processing enterprises • In the longer term, possibility of substantial increase of those prices • Purchase of fresh coffee cherries of good quality, no parche • Inputs provided by processing enterprises, on credit if required • Crop insured credit scheme for cooperative members • Distribution of seedlings, spraying equipment, and inputs for plot rehabilitation and/or new planting • Agricultural research on tea and coffee
<p>Women heads of households</p>		<ul style="list-style-type: none"> • Distribution of the OCIR-Thé industrial estate to smallholders; includes about 2 000 women heads of households among the beneficiaries
<p>New cash and export crops</p> <p>Small rural enterprises, farmer groups, and medium-size rural entrepreneurs</p>	<ul style="list-style-type: none"> • market information • better access to markets • technologies and technical training • credit and other forms of start-up financial support 	<ul style="list-style-type: none"> • Free market information and marketing facilitation • Free project preparation assistance • Credit line to RDB to fund PME projects for new crop development • Support for research on new cash and export crops



INSTITUTIONAL MATRIX (SWOT ANALYSIS)

Institutions	Strengths	Weaknesses	Opportunities/Constrains	Remarks
Ministry of Finance & Planning	<ul style="list-style-type: none"> • Small, well-trained staff • Supports decentralization • Supports privatization 	<ul style="list-style-type: none"> • Must improve financial control of project accounts, particularly with respect to complex outsourcing contractual operations • Fiscal decentralization must progress further. 	<ul style="list-style-type: none"> • Government's wish to progress further with the privatization of public interests in the tea and coffee sectors opens the door for effective policy dialogue and for providing opportunities to poor smallholders 	<ul style="list-style-type: none"> • Government has agreed that MINECOFIN will be the executing agency of the cash crop project
Ministry of Agriculture	<ul style="list-style-type: none"> • Has decentralized operational units at the provincial and district levels • Controls OCIR-Thé and OCIR-Café, two agencies with considerable experience in processing and marketing 	<ul style="list-style-type: none"> • Insufficient attention to quality in formulating cash crop marketing strategies and development policies • Limited staff at all levels • Unclear directives about the new role of the two OCIRs • Little coordination with the research institutes • Poor understanding of the way agro-business projects are financed and of the cost and conditions of financial sustainability of such business 	<ul style="list-style-type: none"> • Official strategies emphasize economic potentialities, markets, rehabilitation of export crops, sound natural resource management • Willingness to outsource services but more due to imposed ceiling on staff recruitment than to acceptance that it is a more effective <i>modus operandi</i> 	<ul style="list-style-type: none"> • Government has accepted IFAD's views on importance of quality in coffee production and of access to specialty markets for smallholder growers • As a result of policy dialogue with Government, the top priority of a tea factory at Nshili is recognized • Also the distribution of the OCIR plantation to poor households and women heads of household has been accepted
Rwanda Institute for Agricultural Science, (ISAR)	<ul style="list-style-type: none"> • A limited nucleus of well-trained central headquarters staff • Management sensitive to the need to work on themes closely related to farmers' problems 	<ul style="list-style-type: none"> • Inadequate overall staffing • Needs a better focused overall programme • Insufficient resources and equipment 	<ul style="list-style-type: none"> • An open mind about re-orientation of field activities • Good potential for joint work with other donors • Can absorb more resources, but tends to overestimate its implementation capacity 	<ul style="list-style-type: none"> • Project may consider contracting other research institutes if ISAR has inadequate staff, insufficient specialization, or other priorities for specific themes • Project must ensure that research themes have short-term practical application by economic operators
OCIR-Café	<ul style="list-style-type: none"> • Several well-trained technicians with good field experience of Rwandan coffee conditions and problems • At top level, long experience of international coffee market 	<ul style="list-style-type: none"> • Less experience and knowledge on industrial coffee processing • Need to update staff on quality requirements of specialty markets to overcome past emphasis, mostly on quantities produced by growers 	<ul style="list-style-type: none"> • New approach of OCIR-Café supports promotion of farmers' associations, private-sector initiatives • For coffee, adapted high-quality varieties are well know for farmers to plant more land and replant very old plants 	<ul style="list-style-type: none"> • Project will associate with TWIN to ensure adequate know-how is transferred to ensure quality, to control and certify the quality of the coffee produced and to help with adequate market access



Institutions	Strengths	Weaknesses	Opportunities/Constrains	Remarks
OCIR-Thé	<ul style="list-style-type: none"> Has large number of experienced technicians and plant managers tea makers At top level, long experience of the international tea market 	<ul style="list-style-type: none"> Accounts not very transparent Doubts about some current practices in dealing with smallholder tea producers Marketing of top-quality tea has not been very efficient Pricing of green leaves does not incentivate quality 	<ul style="list-style-type: none"> Good plant managers and skilled workers available for employment by new private tea factories Experienced tea plantation technicians can be recruited to help new smallholder planting Commitment of top staff to privatization is not evident 	<ul style="list-style-type: none"> Project may use technical staff from OCIR-Thé for both industry and farmers' extension work Project must use new general management for tea factory to establish transparent and effective organization culture and fair dealings with smallholders TWIN will ensure tea quality certification and adequate market access
Rwanda Development Bank (CRDB)	<ul style="list-style-type: none"> Energetic, dedicated and competent management with good political backing Small competent staff Traditional supporter of most viable business in the country Applies rigorous procedures Determined to support micro-finance institutions 	<ul style="list-style-type: none"> Financial losses due to civil war not yet written off by Government Needs more technical staff and advice to undertaken new activities 	<ul style="list-style-type: none"> A development-minded institution with a sound banking culture Limited private equity capital to match loans on a sound financing basis 	<ul style="list-style-type: none"> RDB has agreed to be the major financing vehicle of the project Project has budgeted resources to strengthen RDB's capacity to provide required services
TWIN	<ul style="list-style-type: none"> Correct motivation, in line with IFAD policy objectives Good experience with cooperatives of cash crop producers in many developing countries Close links with trading organizations of FT network Small but competent and dedicated staff Strong interest in monitoring impact of won projects 	<ul style="list-style-type: none"> Limited resources due to charitable nature of TWIN Size of FT market controlled by TWIN-associated trading companies is still small 	<ul style="list-style-type: none"> A chance to get enterprises of Rwanda smallholder coffee and tea growers into the specialty markets of developed countries An unbiased controller of produce quality ready to certify product origin and quality if standards are maintained Response of Rwandan coffee and tea growers to the challenge of quality production 	<ul style="list-style-type: none"> The project must ensure that TWIN operates without political or other interference in the coffee sector and at Nshili TWIN will play a special role in training cooperative members and managers to establish the right business culture among leaders and members
Farmer Associations and Cooperatives	<ul style="list-style-type: none"> Rwandan farmers have a natural tendency to work together There are many farmers associations and farmer groups in the project area 	<ul style="list-style-type: none"> Many associations fail because of non-sustainability of common purpose Most coffee cooperatives are inactive due to very low crop prices Cooperative management is often weak 	<ul style="list-style-type: none"> Reactivate cash crop producer cooperatives; form new ones around financially sustainable common purposes Developing strong cooperative institutions takes time 	<ul style="list-style-type: none"> The project counts on TWIN, on national NGOs specialized in working with cooperatives along with TWIN, and on the scope for increasing cash crop producer prices to accelerate the process of strong cooperative establishment



STAKEHOLDER MATRIX OF PROJECT ACTORS AND ROLES

Components	Sub-components	Project Coverage	Perennial Institutions Involved	Potential Contractors	Other Partners in Execution
Tea development	<ul style="list-style-type: none"> Integrated smallholder tea production and processing in Nshili district 	<ul style="list-style-type: none"> Area-based: Nshili district in South Gikongoro 	<ul style="list-style-type: none"> Nshili Tea Company (cooperative) to be created Provincial, district and lower local government administrations Primary cooperative societies of coffee growers 	<ul style="list-style-type: none"> OCIR-Thé TWIN RDB Plant equipment suppliers and private construction company 	<ul style="list-style-type: none"> FT trading companies
	<ul style="list-style-type: none"> Development of new smallholder tea plantation in Mushubi district 	<ul style="list-style-type: none"> Area-based: Mushubi district of Northern Gikongoro 	<ul style="list-style-type: none"> Provincial, district and lower local government administrations 	<ul style="list-style-type: none"> OCIT-Thé MINAGRI-DALF 	<ul style="list-style-type: none"> Individual tea growers; groups of tea growers
Coffee diversification		<ul style="list-style-type: none"> Four selected areas in four provinces 	<ul style="list-style-type: none"> Four private ltd coffee processing companies to be created Provincial, district and lower local government administrations Primary cooperative societies of coffee growers 	<ul style="list-style-type: none"> OCIR-Café MINAGRI-DALF TWIN Private trading partner of the four ltd companies RDB Plant equipment suppliers and private construction company 	<ul style="list-style-type: none"> FT trading companies
New cash and export crops		<ul style="list-style-type: none"> Specific areas depending on PMEs and farmer groups' initiatives 		<ul style="list-style-type: none"> Commercial peoples' and development banks Specialized international and national NGOs 	<ul style="list-style-type: none"> Savings and loan associations Common interest groups Women's groups
Smallholder Credit Scheme		<ul style="list-style-type: none"> Links to tea and coffee processing enterprises 	<ul style="list-style-type: none"> RDB and local commercial banks 	<ul style="list-style-type: none"> RDB and local commercial banks 	<ul style="list-style-type: none"> TWIN and primary cooperative societies; processing and marketing cooperative companies



