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Enabling poor rural people  
to overcome poverty

## **President's memorandum**

### **Proposed supplementary grant to the Republic of Rwanda for the**

### **Support Project for the Strategic Plan for the Transformation of Agriculture**

Executive Board — Ninety-eighth Session  
Rome, 15-17 December 2009

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For: **Approval**

## **Note to Executive Board Directors**

This document is submitted for approval by the Executive Board.

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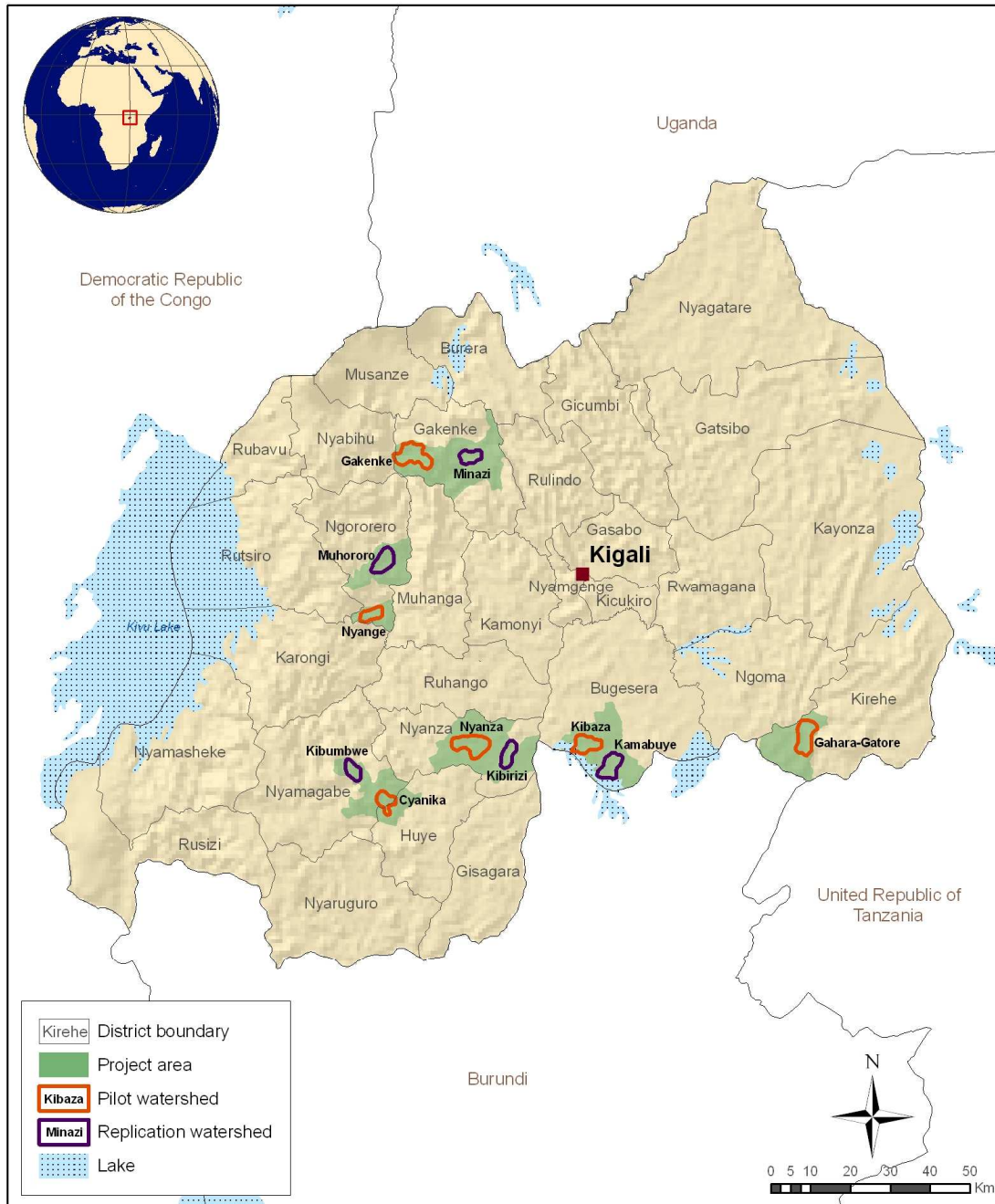
## **Recommendation for approval**


The Executive Board is invited to approve the recommendation for the proposed supplementary financing to the Republic of Rwanda for the Support Project for the Strategic Plan for the Transformation of Agriculture, as contained in paragraph 36.

# Map of the project area

## Rwanda

Support Project for the Strategic Plan for the Transformation of Agriculture



 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.  
IFAD Map compiled by IFAD

## Republic of Rwanda

### Supplementary grant for the Support Project for the Strategic Plan for the Transformation of Agriculture

#### Supplementary financing summary

<b>Initiating institution:</b>	IFAD
<b>Recipient:</b>	Republic of Rwanda
<b>Executing agency:</b>	Ministry of Agriculture and Animal Resources
<b>Total project cost:</b>	US\$33.05 million
<b>Amount of IFAD supplementary grant:</b>	SDR 1.87 million (equivalent to approximately US\$3.00 million) in additional resources resulting from an increased allocation in the Performance-Based Allocation System
<b>Terms of IFAD loan:</b>	40 years, including a grace period of 10 years, with a service charge of three fourths of one per cent (0.75 per cent) per annum
<b>IFAD's original contribution:</b>	US\$8.58 million loan US\$0.22 million grant
<b>Cofinancier(s):</b>	World Food Programme (WFP) Department for International Development of the United Kingdom (DFID) Government of Belgium Private sector partners German Development Service (DED)
<b>Amount of cofinancing:</b>	WFP: US\$2.66 million DFID: US\$5.41 million Government of Belgium: US\$4.96 million DED: US\$0.06 million
<b>Terms of cofinancing:</b>	Grants
<b>Contribution of recipient:</b>	US\$2.76 million
<b>Contribution of beneficiaries:</b>	US\$3.67 million
<b>Appraising institution:</b>	IFAD
<b>Cooperating institution:</b>	Directly supervised by IFAD

## President's memorandum

### Proposed supplementary grant to the Republic of Rwanda for the Support Project for the Strategic Plan for the Transformation of Agriculture

#### I. The project

##### A. Main development opportunity addressed by the project

1. In the project area, a propitious agroecological environment exists for the intensification of agriculture in an environmentally sustainable integrated production system. In addition, supportive public policies and the emergence of private-sector interests in agricultural trade allow the market-led development of this intensification process through decentralized support structures. The project responds well to the needs of poor people living in this densely populated area threatened by serious soil erosion.

##### B. Proposed financing

###### Terms and conditions

2. It is proposed that IFAD provide a supplementary grant to the Republic of Rwanda in the amount of SDR 1.87 million (equivalent to approximately US\$3.0 million) to help finance the Support Project for the Strategic Plan for the Transformation of Agriculture (PAPSTA). This grant will finance part of the still unfinanced project activities on the same terms as the existing financing approved in September 2005 (EB 2005/85/R.20/Rev.1).

###### Relationship to the IFAD performance-based allocation system (PBAS)

3. The allocation defined for Rwanda under the PBAS is US\$29.77 million over the 2007-2009 allocation cycle. In December 2008, IFAD committed the equivalent of US\$20.45 million to finance the Kirehe Community-based Watershed Management Project. The balance is intended to cover the entire financing gap of the Kirehe Project and part of the financing gap of PAPSTA.

###### Relationship to national sector-wide approaches or other joint funding instruments

4. The activities to be financed under the proposed supplementary funding are fully aligned with Rwanda's sectoral priorities. Furthermore, Rwanda aims to establish an agricultural sector-wide approach (SWAp) to harmonize and link its public interventions in the sector. This process is advancing towards the establishment of joint implementation systems. If consistent with the IFAD Policy on Sector-wide Approaches for Agriculture and Rural Development, it is envisaged that this project will become part of the SWAp initiative once adequate fiduciary arrangements for financial management are in place.

###### Country debt burden and absorptive capacity of the State

5. As a heavily indebted country, Rwanda became a major beneficiary of the Heavily Indebted Poor Countries Debt Initiative. Nonetheless, its nominal debt stock remained unsustainable. The World Bank, the African Development Bank and IFAD now provide financial assistance in the form of grants under the Debt Sustainability Framework.

###### Flow of funds

6. IFAD will open a second grant account for the project. The flow of funds will follow the same channels and procedures as those established with the existing project.

**Supervision arrangements**

7. The project is supervised directly by IFAD.

**Exceptions to IFAD General Conditions for Agricultural Development Financing and operational policies**

8. No exceptions are foreseen.

**Governance**

9. The following measures are intended to enhance the governance aspects of the supplementary IFAD grant: (i) contracting in accordance with the Procurement Guidelines; (ii) performance-based contract management; and (iii) strengthening central and district-level capacities for financial management and accountability.

**C. Target group and participation****Target group**

10. In accordance with the IFAD Policy on Targeting, the first component has national coverage, while the second component is geographically targeted. The main project beneficiaries are: (i) the rural poor; (ii) farmers' groups and associations; (iii) provincial and district structures dealing with agriculture; and (iv) central government institutions (Ministry of Agriculture and Animal Resources (MINAGRI)). The total direct target group consists of about 40,000 households.

**Targeting approach**

11. Within 6 districts, geographical targeting has identified 11 participating watersheds based on agroecological and social conditions. Within these watersheds, vulnerability targeting methods are employed in a community-based watershed planning process. The watershed-based local management committees will ensure that benefits reach the main target groups and apply special targeting arrangements for woman-headed households and households affected by HIV/AIDS.

**Participation**

12. Farmers' organizations and the participating communities will be at the centre of project implementation as they will have the main responsibility for planning and implementing technical innovations. The project will focus on knowledge-sharing and dissemination, and will complement the ongoing decentralization process.

**D. Development objectives****Key project objectives**

13. The overall objective of the project is to contribute to the poverty reduction process in Rwanda by providing concentrated and collaborative implementation support to the Strategic Plan for the Transformation of Agriculture (PSTA), which aims to transform the current practice of subsistence farming into market-oriented agriculture, thus increasing opportunities for growing cash crops, while ensuring food security and preserving and improving the existing natural resource base.

**Policy and institutional objectives**

14. The project aims at strengthening the technical, managerial and institutional capacity of farmers' organizations, central and local government, civil society organizations, the private sector and NGOs associated with the implementation of the PSTA, to upgrade their performance in delivering priority services to the target group. The implementing ministry's management information and communication systems will also be improved.
15. In addition, the Government is in the process of developing a strategic framework for carbon credits, and in the likely event of reforestation falling within this framework, the environmental stabilization supported under this project could count as a contribution towards the achievement of climate protection objectives.



### **IFAD policy and strategy alignment**

16. The project is harmonized with the IFAD Strategic Framework 2007-2010 by prioritizing access of the rural poor to land and water; agricultural technologies; functioning agricultural input and produce markets; and local and national policy and programming processes. It is also fully coherent with the agreed principles of engagement by: (i) focusing on rural economic development; (ii) comprising specific pro-poor targeting mechanisms; (iii) empowering local organizations through participation in decision making and innovative mechanisms for managing project resources; (iv) integrating effective local learning mechanisms; (v) forging partnerships with local government, community-based institutions, development partners and the private sector; and (vi) promoting sustainability through sound environmental practices.

## **E. Harmonization and alignment**

### **Alignment with national priorities**

17. The project is fully consistent with and responds well to both the PSTA and the Economic Development and Poverty Reduction Strategy. As confirmed through the participatory preparation of the IFAD country strategic opportunities programme with local stakeholders and the project's mid-term review, the project is also closely aligned with the country-specific strategic direction agreed between the Government and IFAD. Agricultural intensification, particularly through irrigation and integrated livestock development, is a key overall and sectoral priority for the Government.

### **Harmonization with development partners**

18. Through the Country Programme Management Team in Rwanda, the project was drawn up in partnership with the development partners active in rural development. In this framework, substantial cofinancing arrangements are in place with the World Food Programme (WFP), the Department for International Development (DFID) of the United Kingdom, the Belgian Government and the German Development Service (DED). A regular exchange with country-level representatives of the cofinanciers is ongoing within the framework of the project supervision process.

## **F. Components and expenditure categories**

### **Main components**

19. Minor changes would be made to the existing three components, as agreed with the Government during the mid-term review: (i) Institutional strengthening (24 per cent of project base costs), building the central and local-level institutional basis and required systems and capacities for the implementation of the PSTA through four subcomponents: 1.1 – Strategic-level support to MINAGRI and the agricultural sector; 1.2 – Central-level capacity-building; 1.3 – Local-level capacity-building; and 1.4 – Market support. (ii) Piloting and replication (61 per cent), building on the successful project pilots to promote their replication through four subcomponents: 2.1 – Watershed protection, which would henceforth include reforestation; 2.2 – Agriculture and livestock integration and intensification; 2.3 – Marshland development and crop intensification; and 2.4 – Research in support of agricultural intensification. (iii) Project coordination and management (15 per cent) by the existing joint project coordination unit.

### **Expenditure categories**

20. No changes will be made to the existing six categories of expenditure.

## **G. Management, implementation responsibilities and partnerships**

### **Key implementing partners**

21. The key implementing partners will be (i) MINAGRI; (ii) farmers' organizations; (iii) the communities; and (iv) contracted service providers, including government agencies, NGOs, private firms and specialized United Nations agencies.

**Implementation responsibilities**

22. Project oversight is exercised by the existing National Steering Committee. While the overall project coordination responsibilities rest with the joint project coordination unit, the activities of subcomponents 1.1 and 1.2 will be managed by the manager of programme 4 in the SWAp secretariat. This change constitutes a gradual integration of implementation responsibilities into the lead ministry's emerging sector-wide approach.

**Role of technical assistance**

23. The project provides technical assistance to MINAGRI in designing and implementing sector strategies and building capacities at the central and local levels. It also uses technical assistance to boost the capacities of communities to plan and manage local development processes, to strengthen farmers' organizations, and to support the value chain development and irrigation activities. Furthermore, technical assistance will be required to set up the carbon finance arrangements.

**Key financing partners and amounts committed**

24. The total project cost over seven years was revised by the mid-term review to US\$33.05 million. This revision reflects the additional support needs for institutional development and the possibility of the project being scaled up in the participating watersheds. It is also the result of some cofinancing not materializing, the DFID contribution increasing to GBP 2.85 million and additional financiers filling some of the gap: the Belgian Government committed EUR 4.00 million, WFP contributes in kind and DED cofinanced technical assistance. Contributions from the beneficiaries and the Government increased to 11 per cent and 8 per cent respectively. A financing gap of US\$1.7 million remains.

**H. Benefits and economic and financial justification****Main categories of benefits generated**

25. The main benefits include: strengthened capacities of local and central institutions and improved capability to meet their objective of increased production and income within the context of the PSTA; enhanced community participation in agricultural development and in the planning and sustainability of local programmes; improved and stabilized soil fertility, increased carbon sequestration; and raised productive capacity and incomes that will lead to improved socio-economic conditions for the participating communities.

**Economic and financial viability**

26. The internal rate of return for the whole project has been estimated at 15 per cent, whereas the rate of return for the pilot activities is much higher, estimated at 26 per cent.

**I. Knowledge management, innovation and scaling up****Knowledge management arrangements**

27. The project will install local management structures, including entities for watershed planning, shared agricultural water use, and community innovation centres. These initiatives are meant both to establish and to reinforce permanent institutions. During the project mid-term review, it was agreed with Government that a knowledge management function should be added to the unit developing and operationalizing the project monitoring and evaluation (M&E) system. This function would ensure that the lessons emerging from the piloting and innovative activities are captured and disseminated.

**Development innovations that the project will promote**

28. The key innovations include: (i) the establishment of an enabling institutional strategy and structure for the implementation of mutually supportive public interventions in the domain of the lead ministry; (ii) local planning arrangements driven by the participating communities; (iii) the integration of commercialized and intensified agriculture within an approach based on sustainable resource

management; (iv) the piloting of technical packages that integrate agriculture, animal husbandry and resource stabilization in a context of land scarcity; and (v) the integration of carbon finance arrangements with an environmental purpose contributing towards the project's poverty alleviation objective.

#### **Scaling-up approach**

29. The project is generating experience in practical approaches that can be replicated and scaled up within the project and elsewhere. These include watershed-based planning and implementation; the promotion of land tenure security; marshland irrigation; animal solidarity chains; and the soil and water conservation approach of *embocagement* (hedging). Furthermore, the envisaged modular carbon finance arrangements hold potential for being scaled up in other parts of Rwanda.

### **J. Main risks**

#### **Main risks and mitigation measures**

30. The following residual risks could compromise the performance of the project: (i) achieving the effective involvement of the beneficiaries in the planned development works may be problematic. This will be addressed by empowering the groups to give them a sense of ownership of the project activities; (ii) limited coordination between central administrative structures and the districts may be a constraint, but will be mitigated by promoting the active involvement of districts in the development and implementation of the respective sections of the annual workplans and budgets; and (iii) the carbon finance programme may not be approved by the United Nations Framework Convention on Climate Change, which would lead to non-implementation of the reforestation activities and would be addressed by sound preparation of the project and its documentation.

#### **Environmental classification**

31. Pursuant to IFAD's environmental assessment procedures, the project has been classified as a Category B operation in that is not likely to have any significant negative environmental impact.

### **K. Sustainability**

32. The project would lead to sustainable central and local institutions, intensified sustainable agricultural practices and ongoing commercial relationships with rural producers.

## **II. Legal instruments and authority**

33. An amendment of the project financing agreement between the Republic of Rwanda and IFAD will constitute the legal instrument for extending the proposed supplementary financing to the recipient.
34. The Republic of Rwanda is empowered under its laws to receive financing from IFAD.
35. I am satisfied that the proposed supplementary grant will comply with the Agreement Establishing IFAD.

## **III. Recommendation**

36. I recommend that the Executive Board approve the proposed financing in terms of the following resolution:

RESOLVED: that the Fund shall provide a supplementary grant to the Republic of Rwanda in various currencies in an amount equivalent to one million eight hundred seventy thousand special drawing rights (SDR 1,870,000) and upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented herein.

Kanayo F. Nwanze  
President



## **Key reference documents**

### **Country reference documents**

Economic Development and Poverty Reduction Strategy, 2008-2012 (The Republic of Rwanda, September 2007)

Strategic Plan for the Transformation of Agriculture in Rwanda – Phase II (Ministry of Agriculture and Animal Resources, December 2008)

### **IFAD reference documents**

Rwanda Country Programme Evaluation Report (July 2006)

Support Project for the Strategic Plan for the Transformation of Agriculture (PAPSTA) - Project Appraisal Report (July 2005)

Support Project for the Strategic Plan for the Transformation of Agriculture (PAPSTA) - Mid-term Review Report (May 2009)

Rwanda Country Strategic Opportunities Programme (October 2007)

Carbon Finance Document – Hilltop Reforestation Rwanda (draft, October 2009)

### **Other miscellaneous reference documents**

SWAp MOU and road map

# Logical framework

Summary	Performance questions and target indicators	Assumptions
<b>Goal</b>		
<b>To contribute to achieving the EDPRS objective of rural poverty reduction through implementation of the PSTA II.</b>	<ul style="list-style-type: none"> <li>- Evolution of RIMS basic socio-economic impact indicators (MDG)</li> <li>- Rate of reduction in the prevalence of extreme poverty (MDG).</li> <li>- Number of households with improved food security (RIMS).</li> <li>- 76 000 individuals receiving project services, by gender (RIMS).</li> </ul>	<ul style="list-style-type: none"> <li>- Economic and social stability.</li> <li>- MINAGRI's gender strategy approved.</li> <li>- Continued government determination to combat poverty.</li> </ul>
<b>Component purposes</b>		
<b>To increase agricultural revenues and improve nutrition of poor rural people, by implementing PSTA II priority programmes through an environmentally sustainable and market-based intensification of agricultural and livestock production.</b>	<ul style="list-style-type: none"> <li>- Increased level of marketed production of crops, livestock products.</li> <li>- Operation and maintenance of affordable irrigation facilities.</li> <li>- Steady improvement in the natural resource base in Watersheds</li> </ul>	<ul style="list-style-type: none"> <li>- MTEF allocates share to agriculture</li> <li>- Effective implementation of PSTA.</li> <li>- Implement the National Land policy.</li> </ul>
<b>Expected outputs</b>		
<b>1. Reinforced institutional, professional and technical capacities of MINAGRI and its Boards, participating district institutions, including farmer organisations, and strengthened coordination, efficiency and effectiveness in the implementation and delivery of PSTA II priority programmes.</b>		
Coherence of institutional architecture, strategic planning processes, policies and programmes, across the agricultural sector strengthened in support of the PSTA II.	<ul style="list-style-type: none"> <li>- Percentage of agricultural portfolio implemented through the SWAp Secretariat.</li> <li>- Number of MINAGRI district fora held.</li> <li>- M&amp;E/MIS and knowledge management systems are functional.</li> <li>- Coordination systems for the agricultural sector are functional.</li> </ul>	<ul style="list-style-type: none"> <li>- Continued consensus on the agricultural SWAp among government and development partners.</li> </ul>
Increased technical, managerial and institutional efficiency of MINAGRI, its Boards and farmers apex organizations in service delivery of PSTA II.	<ul style="list-style-type: none"> <li>- Reorganisation Action Plan for MINAGRI approved.</li> <li>- Number of capacity building projects implemented through the Capacity Building Facility.</li> <li>- Number of professional staff trained in MINAGRI and its Boards, as well as in apex organisations.</li> </ul>	<ul style="list-style-type: none"> <li>- Continued political support for MINAGRI reorganisation.</li> <li>- Attractive remuneration packages are able to retain performing staff.</li> </ul>
Farmer cooperatives strengthened and communities' access to required services enhanced within a new and rural poor oriented partnership	<ul style="list-style-type: none"> <li>- Percentage of farmers receiving direct services from cooperatives (technical advice, training and support on production and marketing).</li> <li>- 6 community innovation centres are functional.</li> <li>- Number of active cooperatives in the project area.</li> </ul>	<ul style="list-style-type: none"> <li>- Continued conducive environment for community participation.</li> </ul>
Effective marketing arrangements are in place	<ul style="list-style-type: none"> <li>- 11 market information bases are functional in the participating watersheds.</li> <li>- Number of value chain action plans approved by the PCU.</li> </ul>	<ul style="list-style-type: none"> <li>- Private sector responds well to rural business opportunities.</li> </ul>
<b>2. Increased efficiency in agricultural and livestock production with a positive effect on the natural resource base.</b>		
Watershed basins protected through erosion control and carbon sequestration.	<ul style="list-style-type: none"> <li>- 11 coherent Watershed Management Plans developed and implemented.</li> <li>- Effective Water Users' Associations operate without external assistance and mobilise fees for system maintenance and repairs.</li> <li>- 500 ha of degraded hilltops reforested</li> </ul>	<ul style="list-style-type: none"> <li>- Local government respects community identified priorities.</li> <li>- Carbon finance programme is approved by UNFCCC.</li> </ul>
Integrated crop and livestock production intensified.	<ul style="list-style-type: none"> <li>- Number of households receiving pass-on animals.</li> <li>- Number of farmers (by gender) trained in intensified crop production and commercialization.</li> <li>- Number of farmers (by gender) reporting yield increases of major production systems.</li> <li>- 6 milk collection centres are operational.</li> </ul>	<ul style="list-style-type: none"> <li>- Continued availability of WFP contributions for food-for-work.</li> <li>- No new outbreaks of major epidemic animal diseases in countries of the region.</li> </ul>
Intensified irrigated cultivation in marshlands and on hillsides.	<ul style="list-style-type: none"> <li>- Number of water user associations constituted and functional.</li> <li>- 10 000 rice growers trained in SRI, including at least 40% women.</li> <li>- Full utilization of the irrigated command area. (150 ha).</li> </ul>	
Applied and adaptive research supports the transformation of smallholder agricultural production.	<ul style="list-style-type: none"> <li>- Number of farmers participating in participatory research trials, by gender.</li> <li>- Number of FFS operational.</li> </ul>	<ul style="list-style-type: none"> <li>- Continued paradigm shift in Rwanda Agriculture Board/ ISAR towards participatory research</li> </ul>

