Document of

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REPUBLIC OF RWANDA

PROJECT FOR RURAL INCOME THROUGH EXPORTS (PRICE)

PROJECT DESIGN REPORT

Volume I

Africa II Division
Programme Management Department

Confidential

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CURRENCY EQUIVALENTS

Currency Unit	=	Rwandan Franc (RWF)
USD 1.00	=	600.00

WEIGHTS AND MEASURES

International metric system

FISCAL YEAR

1 July to 30 June

ABBREVIATIONS AND ACRONYMS

AfDB	African Development Bank
AFR	Access to Finance Rwanda
APWB	Annual Programme of Work and Budget
BTC	Belgian Technical Cooperation
BRD	Development Bank of Rwanda
BDF	BRD Development Fund
BDS	Business Development Services
C.A.F.E	Coffee and Farmer Equity
CIDA	Canadian International Development Agency
CIR	Committee for Implementation Readiness (for PRICE)
COMESA	Common Market for Eastern and Southern Africa
COSOP	Country Strategic Opportunities Programme
CWS	Coffee Washing Station
DFID	Department for International Development (of the UK)
EAFCA	Eastern African Fine Coffees Association
EU	European Union
FAO	Food and Agriculture Organisation of the UN
FFS	Farmers Field School
FLO	Fairtrade Labelling Organisation
FERWACOTHE	Rwanda Federation of Tea Cooperatives
GDP	Gross Domestic Product
GIS	Geographic Information System
GOR	Government of Rwanda
ICA	International Coffee Agreement
ICO	International Coffee Organisation
ICT	Information and Telecommunications Technologies
IFAD	International Fund for Agriculture Development
IFC	International Finance Corporation
IPM	Integrated Pest Management
ISAR	Institute of Agriculture Research of Rwanda
JICA	Japan International Cooperation Agency
KM	Knowledge Management
M&E	Monitoring and Evaluation
MINAGRI	Ministry of Agriculture and Animal Resources
MINECOFIN	Ministry of Finance and Economic Planning
MOU	Memorandum of Understanding
NAEB	National Agriculture Export Development Board
NGO	Non Governmental Organisation
NSC	National Sericulture Centre
OCIR Café	Rwanda Coffee Authority
OCIR Thé	Rwanda Tea Authority
PAGOR	*Programme d'appui à la gouvernance locale en milieu rural au Rwanda*
PDCRE	Smallholder Cash and Export Crops Development Project
PEARL	Partnership for Enhancing Agriculture in Rwanda through Linkages
PIU	Programme Implementation Unit
PLS	Project Learning System
PRICE	Project for Rural Income through Exports
SSCBS	Public Sector Capacity Building Secretariat
PSTA	Strategic Plan for the Transformation of Agriculture
RAB	Rwanda Agriculture Board
RADA	Rwanda Agricultural Development Authority
RCA	Rwanda Cooperative Agency

RCCF	Rwandan Coffee Cooperatives Federation
RDB	Rwanda Development Board
RHIO	Rwanda Horticultural Inter-professional Organization
RHODA	Rwanda Horticulture Development Agency
RIMS	Results and Impact Management System (of IFAD)
RSFF	Rwanda Silk Farmers Federation
RWF	Rwandan Franc
SACCO	Savings and Credit Cooperative
SME	Small and Medium Entreprise
SNV	Netherlands Development Organisation
SPREAD	Sustaining Partnerships to Enhance Rural Enterprise and Agribusiness Development
SSC	Sericulture Support Centre
STABEX	Stabilisation of Export Earnings
SWAp	Sector-Wide Approach
TP	Turnaround Programme
TS	*Technicien spécialisé*
USAID	United States Agency for International Development
USD	United States Dollar
WFP	World Food Programme
WFT	Wood Family Trust

MAPS

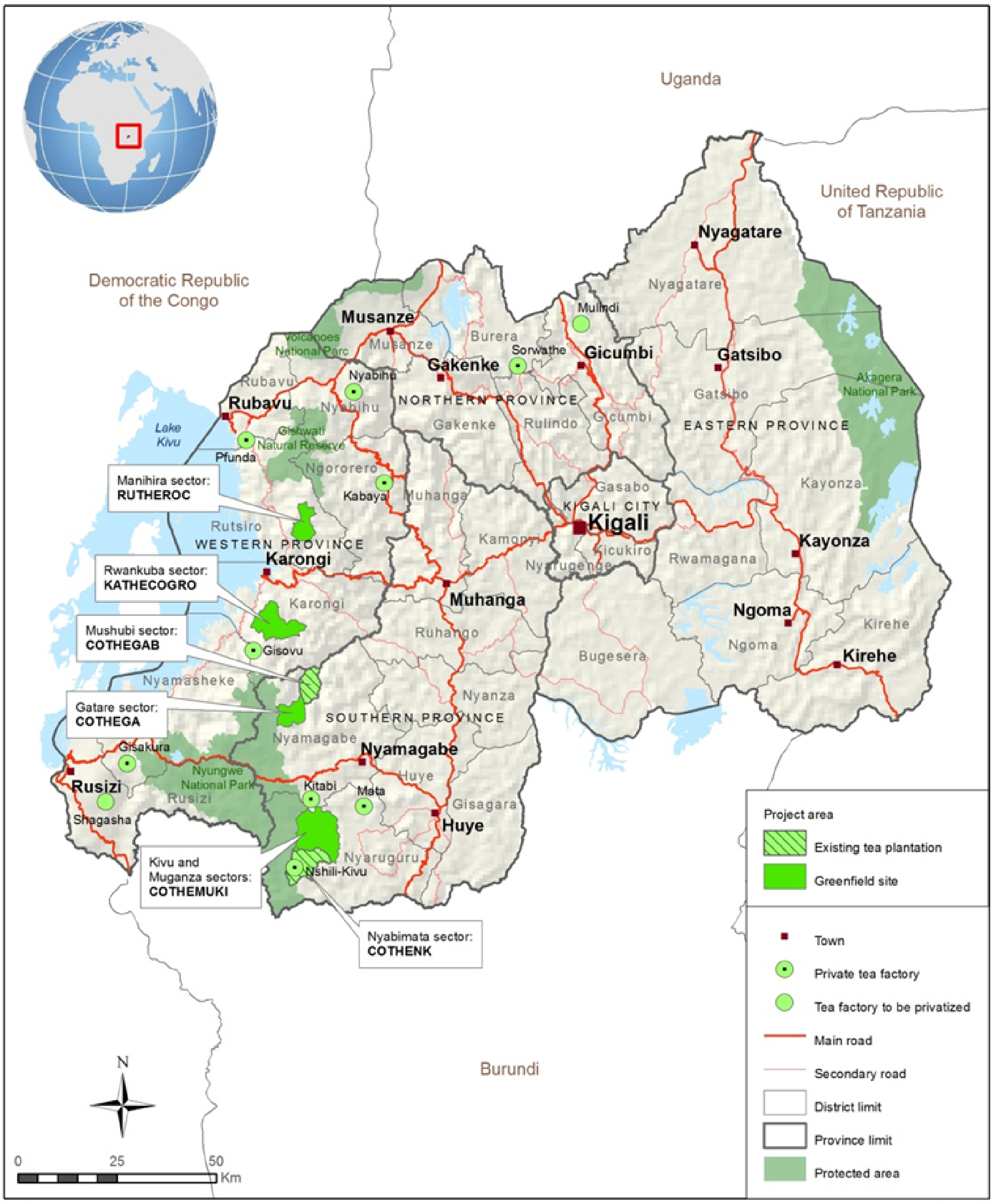
Map 1: Priority Coffee Expansion Zone

Map 2: Tea cooperatives localisation

Rwanda

Project for Rural Income through Exports

Tea cooperatives localisation



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.

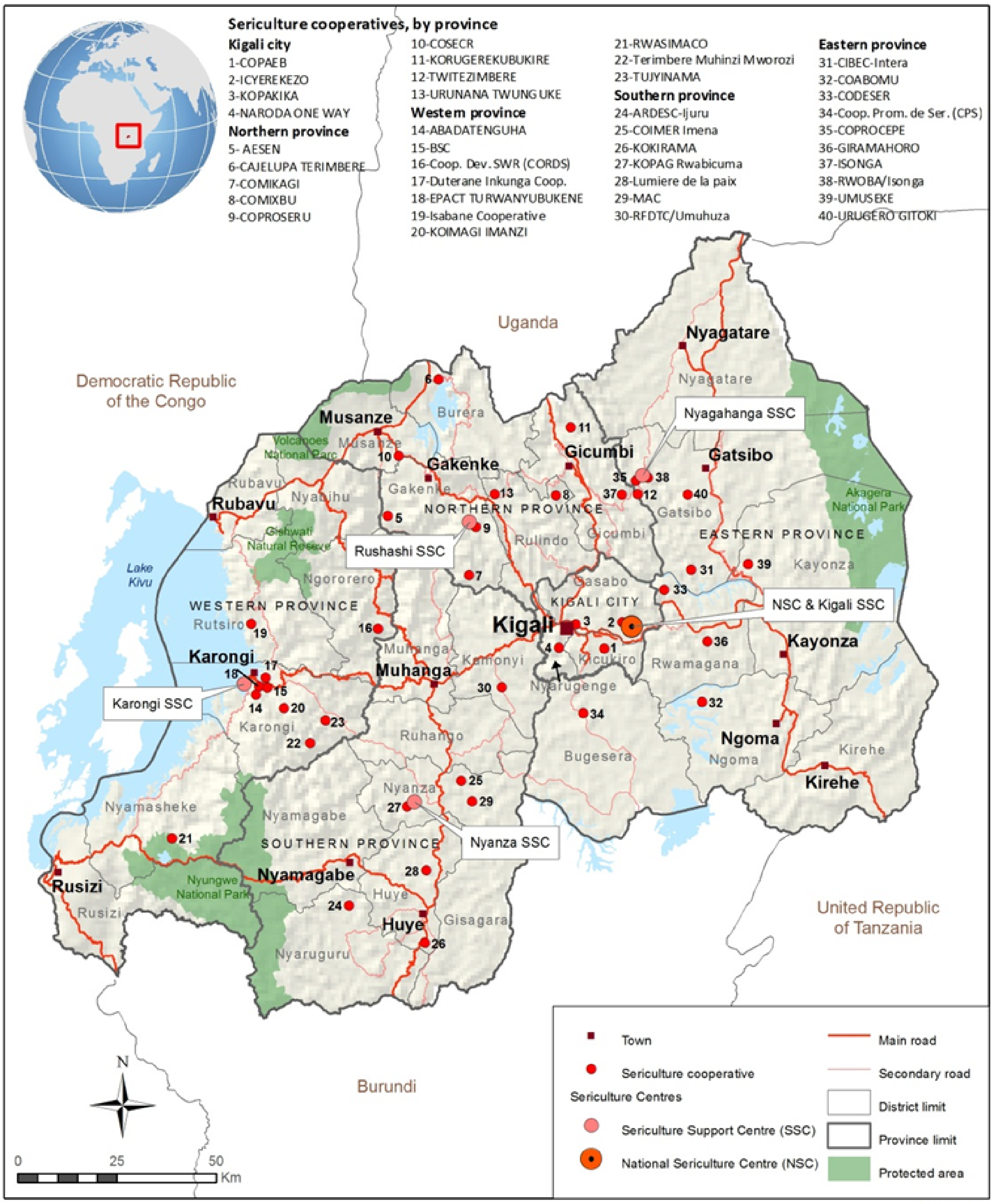
IFAD *Map compiled by IFAD*

Map 3: Sericulture cooperatives localisation

Rwanda

Project for Rural Income through Exports

Sericulture cooperatives localisation



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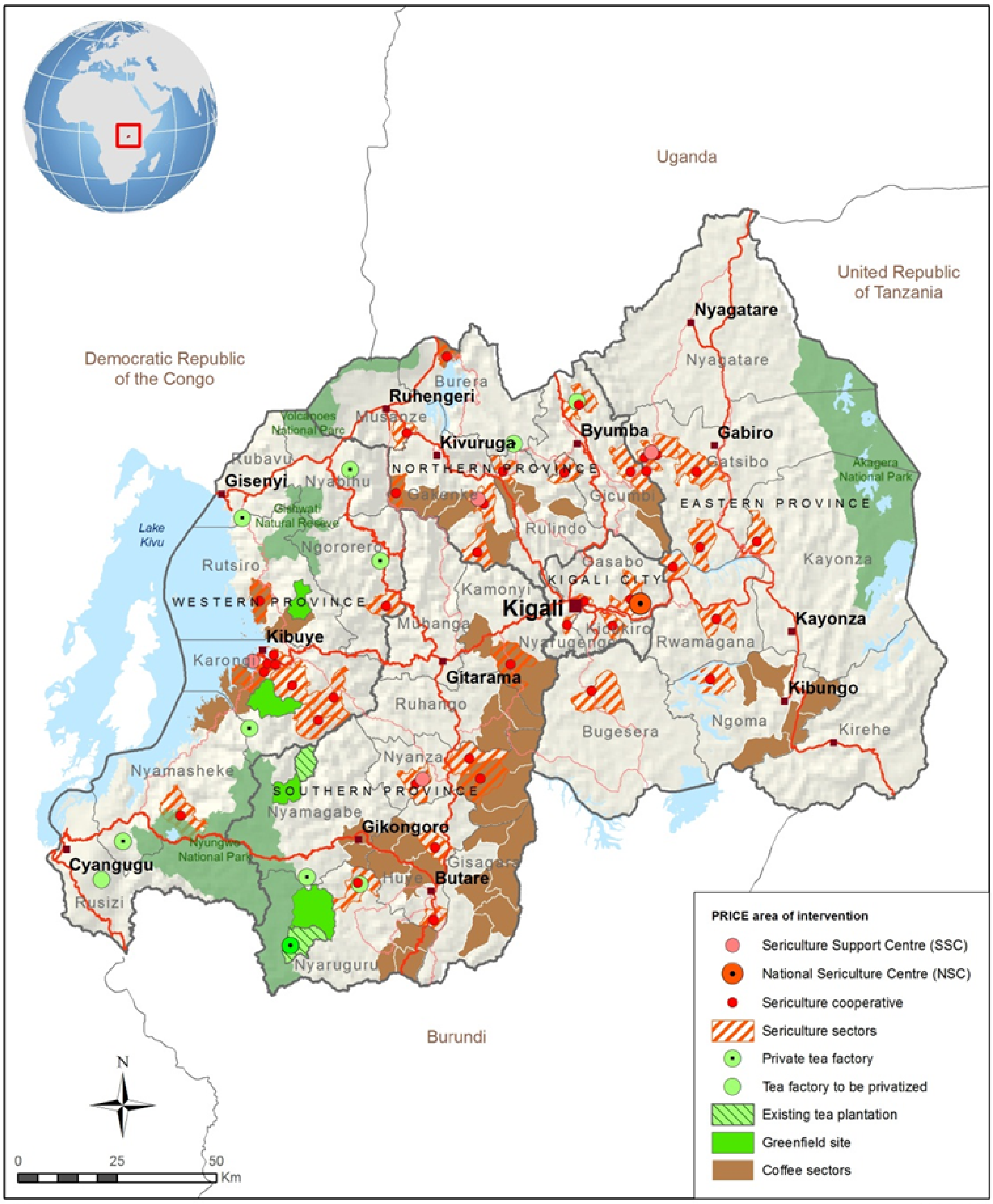
IFAD *Map compiled by IFAD*

Map 4: overall map

Rwanda

Project for Rural Income through Exports

Sericulture and tea cooperatives, and priority coffee expansion zone localisation



29-9-2011

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IFAD *Map compiled by IFAD*

Logframe

Narrative summary	Key Indicators and Targets by June 2018 (except where other dates are specified)	Means of Verification	Assumptions
GOAL AND DEVELOPMENT OBJECTIVE			
GOAL: Raised smallholder income.	Increased assets for participating households (HH) (RIMS) Reduced child malnutrition (RIMS)	Project baseline & impact surveys National statistics (EICV)	Favorable economic environment Continued government committed to improve returns to farmers in export value chains
DEVELOPMENT OBJECTIVE: Sustainable increased returns to farmers from key export-driven agricultural value chains through increased volumes and quality of production, improved marketing and effective farmer organisations.	Increased volume and value of annual produce marketed from target areas % of value added in value chains supported by project accruing to producers 118 500 households (37% women) receiving project services (RIMS 1.2.5) 160 cooperatives (= community groups) formed/ strengthened (RIMS 1.6.4) 82 700 farmers (37% women) adopt the recommended technologies (input for RIMS 2.2.2)	Project surveys/ cooperative reports NAEB statistics Project surveys/ cooperative reports Cooperative reports Project surveys/ cooperative reports	
OUTCOMES			
OUTCOME 1: Increased volume and quality of coffee production reaching high value markets and generating increased share of market end prices to coffee growers.	95 400 coffee growers (38% women) accessing facilitated advisory services (RIMS 1.2.5) 115 coffee cooperatives formed/ strengthened (RIMS 1.6.4) 66 800 coffee growers (38% women) adopt recommended technologies (input for RIMS 2.2.2) Yield per tree in targeted existing plantations increases by at least 30% (from 1.35 kg/tree in 2008) 3 100 ha of first phase new plantation producing at least 2.5 kg of cherries per tree Average total cherry price received by PRICE clients is above that of other producers	Project surveys/ cooperative reports Cooperative reports Project surveys/ cooperative reports Project surveys Project surveys Cooperative reports	Industry stakeholders willing to adopt quality standards allowing to reach high value market The differential between prices for fully-washed (FW)coffee and semi-washed (SW) coffee is sufficient to motivate farmers' steady switch from SW to FW
OUTCOME 2: Increased volume and quality of tea production earning tea growers a higher share of increased market-end prices.	14 300 tea growers (30% women) accessing facilitated advisory services (RIMS 1.2.5) 6 tea cooperatives formed/ strengthened (RIMS 1.6.4) 9 800 tea growers (30% women) adopt the recommended technologies (input for RIMS 2.2.2) PPP developed on 4 new greenfield sites by June 2013	Project surveys/ cooperative reports Cooperative reports Project surveys/ cooperative reports Project data	Private investors interested in cost sharing with IFAD along proposed conditions Tea processing companies share the objective of targeting direct, more profitable markets

	Yield of pre-2012 plantations by COTHENK (Nshili) reaches 9.0 t/ha Average yield of *thé villageois*, early production, reaches 2.4 t/ha Tea growers' share of final market price reaches at least 40%	COTHENK reports Cooperative reports FERWACOTHE reports	
OUTCOME 3: Increased volumes of high quality silk cocoons produced profitably by smallholders and their cooperatives.	1 600 farmers (54% women) accessing facilitated advisory services by June 2015 (RIMS 1.2.5) 40 sericulture cooperatives strengthened (RIMS 1.6.4) 1 100 farmers (54% women) adopt recommended technologies by June 2015 (input for RIMS 2.2.2) Participating farmers and cooperatives produce 13 200 t of wet cocoon in 2014/15 40 participating cooperatives report profits by June 2015	Project surveys/ cooperative reports Cooperative reports Project surveys/ cooperative reports Cooperative reports Cooperative reports	World market prices for raw silk remain above USD 30/kg
OUTCOME 4: Viable smallholder-oriented business models developed for selected horticulture value chains.	7 200 farmers (40% women) accessing facilitated advisory services (RIMS 1.2.5) 5 000 farmers (40% women) adopt recommended technologies (input for RIMS 2.2.2) 800 ha of perennial smallholder crops are contractually linked to large-scale private traders 10 horticulture cooperatives formed/ strengthened (RIMS 1.6.4)	Project surveys/ cooperative reports Project surveys Project surveys Cooperative reports	
OUTCOME 5: Selected value chain stakeholders have timely and adequate access to a range of diversified financial products, including risk-mitigating products.	At least 75% of participating farmers (31% women) accesses financial services (by type of client and of service, gender, by province, by financial institution – including SACCOs) At least 40 000 voluntary savers (31% women) in participating SACCOs (RIMS 1.3.6) At least 60 000 active borrowers (31% women): 20 000 from participating SACCOs, 40 000 from other RFIs (RIMS 1.3.8) Average SACCO portfolio-at-risk < 5% (main element contributing to assessment of RIMS 2.3.3) Tea factory equity share owned by 3 tea cooperatives above 10% 32 000 participating farmers included in insurance schemes	Project surveys SACCO reports SACCO and MFI reports SACCO reports Tea cooperative reports MIS of participating financial institutions	Government remains interested in raising tea cooperatives' share of tea companies' equity. Sufficient weather-related data available for weather-index insurance.

EXECUTIVE SUMMARY

Summary and Objectives

1. The project involves the establishment of pro-poor cash crop value chains involving smallholder production and early transformation in partnership with private operators. It will mainly on the proven export crops of coffee and tea, the upcoming export crop of silk, and horticultural crops principally for local and regional markets. It will aim at working with some 118 500 farming households, including some 95 400 coffee farmers, 14 300 tea farmers, 1 600 farmers producing raw silk and about 7 200 horticultural producers. The project builds on the Smallholder Cash and Export Crops Development Project (PDCRE) closing in September 2011.

2. PRICE's goal is to raise smallholder farmers' income. To achieve this, the project's development objective is to promote sustainable increased returns to farmers from key export-driven agricultural value chains through increased volumes and quality of production, improved marketing and effective farmer organisations.

Components

3. **Component 1 (Coffee Development)** aims at securing better returns to coffee growers through higher marketed volumes and quality. Its three main thrusts are: (i) i*ncreasing the production and quality of fully-washed coffee* through research, input supply systems and raising farmers' technical and management competences with farmer field schools (FFS) for improving on-farm practices, and the Turnaround Programme for cooperative management; (ii) *targeting markets that reward higher quality and ensure equitable returns to farmers*, by supporting coffee washing stations in quality and management, promoting the marketing and branding of Rwandan coffees, and strengthening the farmers' negotiating position; and (iii) *developing capacities to orient and monitor value chain development* by strengthening unions of cooperatives and their federation.

4. **Component 2 (Tea Development)** builds on the tea expansion model developed by PDCRE in partnership with private investors. It aims at increasing farmer revenues by: (i) building their capacities to produce more and better green leaves; (ii) supporting tea factories in reaching high-value markets; and (iii) promoting better relations between tea cooperatives and private factories enabling farmers to earn a higher share of the end market price. These objectives will be supported at existing sites supported by PDCRE and new greenfield sites to be launched for public tender in 2011. All 6 participating cooperatives will be supported in their management capacities. However, the productive investments at existing sites will be based on thorough assessments and commitments by the cooperative and private partners, while at the greenfield sites the investment engagement will follow a competitive bidding process to ensure that the partnerships offering the highest green leaf prices to the farmers win the largest support, consisting of equity of the factory on behalf of smallholders, planting and maintenance of new plantations of *thé villageois*, FFS on these plantations, infrastructure and marketing support. The lowest bidder will receive the lowest production support. The project will also build the capacities of cooperative unions and the national federation, and finance tea research.

5. **Component 3 (Silk Development)** aims at the progressive set-up of a cost-effective business model for sericulture and basic processing in Rwanda, allowing cooperative members to gain sustainable income. For the 40 cooperatives that started limited production under PDCRE, the project will assist farmers in starting household-based production, and set up decentralised support services to provide inputs and advisory services to farmers and their cooperatives. Moreover, technical assistance will support the National Sericulture Centre and the Rwanda Silk Farmers Federation, and also assess the progress of silk development after an initial 3-year period.

6. **Component 4 (Horticulture)** seeks to assist in the establishment of a sound basis for horticulture development in Rwanda by supporting NAEB in demonstrating the potential of new business models benefiting smallholder farmers in carefully selected value chains. It will support business partnerships involving private and smallholder partners, and distil functioning partnerships

models for replication and up-scaling. The activities will include: (i) assistance in developing joint business plans and matching grants for their implementation, close monitoring to identify successful models, (ii) business development services to facilitate access to financial and non-financial services and the promotion of rural service providers, and to promote commercial business interests in perennial crops; (iii) support to an enabling environment including research, expert advice, market promotion and multi-stakeholder engagement; and lastly (iv) support to Essential oils as a value chain that already shows clear strengths and marketing potential.

7. **Component 5 (Financial services)** has the objective of providing stakeholders in the supported value chains with adequate and sustainable financial services. To avoid distorting the financial sector and to promote sustainability, it will partner with existing financial institutions. Under the Access to Financial Services sub-component, it will promote credit guarantee and insurance instruments allowing commercial banks and microfinance institutions to decrease the risk of lending, provide equity financing in the tea value chain, and conditional debt write-off for overburdened coffee cooperatives. The Capacity Building sub-component will build the financial capacities of producer cooperatives, banks, SACCOs and other microfinance institutions.

8. **Component 6 (Project management and institutional support)** aims at strengthening government agencies for delivering project outputs and for supporting sustainable value chain development support along viable business models beyond project completion. Project management will thus be embedded in the section of the Single Project Implementation Unit (SPIU) of MINAGRI for IFAD-supported projects (PAPSTA/KWAMP/PRICE) called "Land Husbandry, Watershed Management & Value Chain Development". A PRICE Operational Manager, specialised value chain officers, a cooperative development officer and a Planning and Monitoring and Evaluation Officer will be located in the National Agricultural Export Development Board (NAEB). These two institutions will be in turn strengthened to fulfil their implementation and general responsibilities. Moreover, complementing the efforts of the Public Sector Capacity Building Secretariat, the project will support NAEB and MINAGRI in establishing and implementing their annual plans for capacity development, including sector information systems, gender mainstreaming and national strategy development.

9. The project **gender approach** will be based on MINAGRI's Strategic Framework for Promoting Gender Equality in the Agriculture Sector, thus aiming at maximising the participation of women beneficiaries, extension agents and decision makers. Given the high prevalence of female-headed households and their higher poverty incidence, this also increases the project's poverty reduction effects. Progress in this regard will be tracked by a gender-differentiated M&E system operated by NAEB.

Background and rationale

10. Government's Vision 2020 aims at rural economic transformation, with the modernisation of the agriculture sector as one of the key priority areas, including the development of export production. Programme 3 of the revised Strategic Plan for the Transformation of Agriculture (PSTA II) aims at promoting exports of high value traditional and non-traditional crops. With the experience gained with PDCRE, IFAD is well placed to support this thrust. Moreover, the project matches well the three *strategic objectives* of the 2007 COSOP for Rwanda: (i) increasing economic opportunities for the rural poor; (ii) strengthening their institutions; and (iii) the inclusion of vulnerable groups.

Rural context, geographic area of intervention and target groups

11. There has been significant economic growth in Rwanda since 2001, however because of high population growth, the percentage of poor households has remained fairly constant: poverty fell between 2001 and 2006 from 60.4% to 56.9%. Poverty remains overwhelmingly rural (92% of the poor live in rural areas), and overall the southern and western parts of the Northern Province are the poorest in the country. female-headed households make up close to a third of the agricultural

households, and their incidence of poverty is 7% higher than the average. Currently, some 400 000 and 80 000 households produce coffee and tea, respectively.

12. PRICE will be national in scope. However, coffee development support will focus on the areas in which high production potential and high food vulnerability overlap, thus in the western part of the country, especially along the Crete of the Nile. Tea interventions will be limited to six sites suitable for tea development, also located in the Western part of the country. Sericulture and horticulture activities will be widely dispersed, following the location of the existing silk cooperatives and the business partnership opportunities for fruits, vegetables and essential oils.

13. The project will work directly with a population of around 118,500 farming households, totalling about 583 000 persons. In the coffee sector, it will reach 95 400 households, including 60 000 current coffee farmers and 12 400 households participating in coffee expansion. In the tea sector, support will go to about 14 300 households. In the sericulture sector, PRICE will give support to the 1 600 members of the 40 existing cooperatives. Moreover, some 7 200 households will participate in the horticulture development component, including some 2 000 farmers producing essential oils. Some 37% of the participating farmers will be women.

Benefits

14. It is expected that about 70% of the project participants, equal to some 82 700 households, will be successful adopters and realise the expected project benefits. For these households, the main benefits will include:

- coffee yield per tree in targeted existing plantations increased by at least 30%;
- an additional 6 000 ha of productive smallholder coffee;
- higher coffee cherry prices received by PRICE clients;
- higher tea yield (up to 9.0 t/ha)
- an additional 2 645 ha of productive smallholder tea;
- tea growers' share of final market price reaches at least 40%;
- increase production of silk cocoons; and
- increased income from sericulture and horticulture.

Implementation arrangements

15. The SPIU in MINAGRI will bear the overall responsibility for project implementation with regular departments carrying out the planning, implementation, financial management and monitoring of project activities. In this SPIU, one Project Coordinator assisted by a Programme Manager, Value Chain Development, and a Value Chain Coordination Officer will be responsible for overall project coordination and implementation. They will be assisted by a PRICE Operational Manager in NAEB where specific responsibilities for implementing components 1 to 4 will be exerted by specialised departments within NAEB. The Value Chain Development Department of the SPIU of MINAGRI will implement Component 5 with the collaboration of an Access to Finances Officer.

Costs and financing

16. In accordance with MINAGRI's request, most project investments are programmed over five years. Some activities, especially the capacity building of new coffee or tea cooperatives, will however require more time, thus the overall project has been designed for a 7-year period.

17. The total project cost is estimated at USD 56.1 million, with coffee and tea development taking up two thirds of the base costs. Sericulture development, horticulture development and Financial Services account for 7%, 6% and 13% of base costs, respectively. Funds for project management total USD 3.0 million or about 8% of project base costs.

18. IFAD will finance about USD 37.4 million in the form of 50% grant and 50% highly concessional loan to the government of Rwanda. The government will finance a total contribution of around USD 5.1 million, or 9% of project costs to cover duties and taxes and part of the salaries and operating costs of the silk development component . The government will also finance the related road investments, which are not included in the project cost estimates. Farmers will contribute for 0.9% of total cost for cooperative audits and silkworm rearing houses, while the private sector invests 5.0% of total cost for equity in tea factories. Financial institutions will use their own resources for lending. Still unidentified financiers will contribute USD 10.3 million or 18.4% of the total costs.

Risks

19. Two key institutional risks relate to the creation of NAEB and the management capacities of the cooperatives. The former entails potential inefficiencies and delays, which will be mitigated by ensuring the availability of sufficient staffing and technical assistance, and the use of service providers. The latter is addressed by the inclusion of each participating cooperative in the Turnaround Programme and the development of M&E systems to support the internal management of the cooperatives.

20. Other risks include the market volatility, some households' lack of income during the early phase of cash crop establishment, the new sericulture model, poor maintenance, environmental risks of tea and coffee processing, and the uncertain outcome of the producer price negotiations. These will be addressed though a range of measures integrated in the project design.

Environment

21. Project activities are by design environment-friendly and aligned with national policies and strategies related to environmental protection, soil erosion control, soil fertility improvement and increased carbon sequestration. The key environmental risk relates to organic effluents from coffee washing stations, which will be mitigated by installing fully subsidised water treatment facilities and supporting their operation. Therefore, the project is classified as "Category B".

Knowledge management, innovation and scaling up

22. A project learning system (PLS) integrating planning, M&E and knowledge management (KM) will be developed in the early project implementation. It will be a MINAGRI SPIU tool to: (i) measure project achievements; (ii) assess the relevance of the project strategy, methodologies and implementation processes; (iii) assess the performance of implementing agents and service providers; (iv) assess project outcomes and impact on the livelihoods of participating farmers, and specifically on vulnerable households, women and young people; (v) identify successes and good practices; and (vi) share knowledge with project stakeholders. Key data will be collected by the participating cooperatives as part of their internal management systems, as supported by the Turnaround

23. With technical assistance support, the project will assist NAEB in the development of a KM strategy and a management information system (MIS) covering project-specific and sector-wide information, to be set up by a service provider and accessible to project stakeholders.

I. STRATEGIC CONTEXT AND RATIONALE

A. Country and rural development

Agricultural production and rural livelihoods

1. **Agriculture.** Agriculture is the main source of income for 80% of the population and contributes 40% to GDP. Agricultural output has been following an upward trend, with a 7% growth rate in 2009, which is attributed to an improvement in accessing fertilisers and extension services as well as in expanding land protection against soil erosion. General constraints still affecting the sector remain however linked to the low access to modern inputs, modern technologies, finance and other support services, land fragmentation deriving from a 2.5% demographic growth and lack of economic infrastructure.

2. **Exports.** Favourable climate, altitude and rich volcanic soils, long-established practice of growing traditional commodities such as tea and coffee, developing demand for Rwandese specialty coffee and tea, and the emergence of a new range of products with high-value market opportunities all point to considerable potential for developing a vibrant agro-export sector. Since its introduction in the 1960s, tea has been one of Rwanda‘s strongest export sectors, growing from USD 22 million in 2003 to USD 56 million in 2009 with close to 13,000 ha under plantation. Existing tea estates and factories are gradually being privatised and the government is promoting public-private arrangements to develop five new greenfield sites and tea factories. While the process allows tea growers to gain a share of the factory's equity, the distribution of the end market price is very unfavourable to farmers, unlike what happens in neighbouring countries such as Kenya and Tanzania. In the coffee sector, export receipts over the last decade have averaged USD 58 million. Whereas in the 1990s, drastic price falls had led farmers to neglecting coffee plantations, coordinated efforts of value chain stakeholders, have prompted dramatic growth since 2002, with receipts growing at an average of 30% per year and a total coffee area of 30,000 ha. Despite the still limited quantity of fully-washed coffee (20%), Rwanda's coffee industry has gained a positive profile and has brought about increasing demand for its high quality Bourbon Arabica coffee with higher and more stable prices. Together tea and coffee account for about 45% of export earnings. While a recent IFC study identified it as the most promising among a set of 32 agricultural and non-agricultural sectors, the horticulture sector is just emerging and is characterised by low levels of investments, largely unorganised farmers and a very incipient private sector. Yet exports of fruit and vegetables rose rapidly from nearly zero in 2001 to USD 6 million in 2009, making horticulture an already important export category. The estimated market potential for horticultural products over the next decade is USD 50 million, with market opportunities on the rapidly expanding local market, as well as in the COMESA region, in the Middle East, and in the EU market. Sericulture has been introduced with IFAD support as a way to promote diversification and is still in an infancy stage. Although there are market opportunities, farmers' cooperatives have as yet been able to make a profitable business out of sericulture, because of low capacities, lack of quality silk eggs, insufficient support services and inappropriate organisation of the value chain. Main challenges facing all the export value chains are primarily related to developing production volume and quality, increasing value addition (quality orthodox tea and fully-washed coffee), strengthening the efficiency and profitability of farmers' cooperatives, and targeting higher value markets.

3. **Rural livelihoods.** While poverty has been slowly but steadily decreasing since 1994, some 60% of the rural population (which constitutes 85% of the total country's population) are still below the poverty line according to the latest household survey (2006). Agricultural activities constitute the main source of food and income for about 80% of the total population of 10.4 million. Production systems are largely constituted by small family farms that cultivate an average of 0.76 ha, with 26% having less than 0.2ha. Households apply complex, mostly rainfed farming systems. Food crops cover around 67% of cultivated area, and whereas two-thirds are consumed by the family, an increasing proportion of households is involved in marketing staple crops (up to 20%). Cash crops are grown over much smaller surfaces (4% in total, mainly for coffee and tea) but offer a significant

complementary source of income for around 450,000 households engaged in coffee growing and another 80,000 in cultivating tea. More than half of the Rwandese households are also involved in the fast developing production of fruits and vegetables. Wage labour is an increasingly important source of income, which reflects raising difficulties to find land. In both tea and coffee fields, casual labour is widely employed during the plucking/harvesting seasons and consists in a majority of women.

4. **Rural women.** With large numbers of men that were killed during the genocide or are absent because they fled the country or are in jail, women represent 52% of the population, head close to a third of the agricultural households and provide almost two thirds of the labour on family farms. However, the incidence of poverty is 7% higher in female-headed households. Women spend more time in farming activities then men, but they have a lesser access to extension services because of lack of time or lack of permission, but also because extension services are little familiarised with gender issues. They have lesser access to credit, and are even more affected than men by the lack of collaterals. Women also own smaller land plots, have fewer assets than men and, while they play a major role both in coffee and tea production as a source of labour, they own fewer trees. Women are mostly involved in very small scale marketing of subsistence crops. They usually have little control over the sale of their cash crops, and, even when they are responsible for the sale, over the income. A third of cooperative members are women and they make up for 34% of cooperative management board members, above the legal ratio of 30%.

5. **Rural youth.** The concern with young people is not their current but their future level of poverty, given the shortage of land to start new livelihoods, the difficulties in formally dividing plots less than 1 ha (see paragraph 12 below) and the absence of alternative non-land based income earning opportunities. Currently 58% of young men and 73% of young women work as agricultural wage workers. Casual labour on tea plantations and in coffee washing stations includes large numbers of young people, both male and female.

Rural institutions

6. **Cooperatives.** The cooperative is the single legal status available to farmer groups wanting to develop profit-making activities. The Rwanda Cooperative Agency was created in January 2009 to support the implementation of the national policy on cooperatives and to regulate the cooperative sector. *In the coffee sector*, only 21% of growers are members of the 167 coffee cooperatives, because of widespread cooperative mismanagement, poor governance and high indebtedness, which result in little returns to members. The government-supported Turnaround Programme, launched in March 2010, aims at assisting unprofitable cooperative-owned coffee washing stations to become profitable within two years. The programme, which is supported by various donors including IFAD, has started with a batch of 15 cooperatives that have achieved profitability, with lower costs and higher shares of the export price returning to farmers. Coffee cooperative unions are developing and a national federation, the Rwandan Coffee Cooperatives Federation (RCCF), was created in 2009. *In the tea sector*, 18 cooperatives gather about 35,000 members and are grouped into five unions and one national federation, FERWACOTHE. Tea cooperatives reach much lower levels of productivity than private-run tea plantations and suffer from governance and management problems similarly to cooperatives in the coffee sector. In accordance with the privatisation policy, tea cooperatives are co-owners of private tea factories, albeit with still very limited shares (10-15%).

7. **Agriculture support services.** Extension services are available to less than 15% of rural households. Public extension services lack resources, are neither demand-driven nor gender-sensitive, and focus mostly on agricultural techniques, leaving out critical elements such as marketing and management. In the coffee and tea sectors, cooperative unions and federations have started providing support services to their members (such as extension, grouping orders for inputs or marketing), for which they hire specialised staff, mostly agronomists and managers. There are also positive examples of private processors providing technical extension to farmers. The National Extension Strategy (2008) promotes a new demand-driven approach aiming at developing professional cooperatives and building on the diversity of public, private and associative service providers in the rural areas. With regard to research, the national system is going through a reform process aimed at providing

responsive services to farmers and developing improved technologies (see 15).

8. **Financial services. N**o more than 3% of farmers have access to adequate financial services. Only two commercial banks have a rural network, they charge high interest rate (18%) to mitigate perceived high risks in the agricultural sector, and have cumbersome procedures resulting in excessive delays in releasing loans. Microfinance institutions have limited outreach in rural areas and charge much higher interest rates to farmers (2-2.5% per month). To improve access to credit in the rural areas, the government promotes the creation of 416 Savings and Credit Cooperative (SACCO), one per sector. SACCOs are not yet operational. Due to their recent creation (2009), they operate with their members' contributions and provide micro-loans mostly for social needs. However, *Banque Populaire du Rwanda* (PBR) is planning to develop SACCOs capacities so that they can be used to channel bank funds to and from rural clients and, in a later stage, to receive on-lending resources. Insurance companies have limited specific products for the agricultural sector, but upon an MINAGRI initiative, pilot experiments of weather index-based insurance are being developed.

National strategies and institutions for rural growth

9. **Growth and poverty reduction.** The overall policy framework for promoting growth and poverty reduction gives agricultural development a central role. Overarching long-term goals are described in *Vision 2020*, which sets out ambitious objectives: by 2020, GDP per capita should have grown from USD 250 to 900 (it has increased to USD 520 since 2000) and only 30% of the population should still live under the poverty line. Rural economic transformation through the modernisation of the agriculture sector is one of the key priority areas. By 2020, agricultural production should have tripled, exports should have been multiplied by five and the population living on agriculture should have been reduced to 50%.

10. **Strategic Plan for the Transformation of Agriculture (PSTA II) and SWAp.** PSTA II (2009-2012), translates overall policy goals into a comprehensive roadmap for the sector, which aims at transforming Rwanda's current subsistence farming into market-oriented agriculture, while ensuring food security and preserving natural resources. This is to be achieved by improving cultivation practices and developing soil and water management for enhanced soil fertility (Programme 1); promoting farmers' organisations as well as research and proximity services for producers (Programme 2); promoting a favourable environment for farmers and agro-entrepreneurs to develop high value products and access markets, especially traditional and non-traditional export markets (Programme 3); and strengthening public institutions supporting agricultural development (Programme 4). PSTA II also lays the foundations for the agriculture SWAp, which is further defined in the Memorandum of Understanding (MOU) signed in 2008 by the government and key development partners. The document sets out a number of principles to shape an agriculture SWAp, including alignment and harmonisation of planning and resource allocation; harmonisation of external financing modalities; harmonisation of performance monitoring and review; and stakeholder dialogue and coordination through Joint Agriculture Sector Reviews.

11. **Development of agricultural exports.** The **National Export Strategy** under finalisation will provide an overall framework for promoting Rwanda's competitiveness in a range of key export sectors, with coffee, tea and horticulture among the five top priority sectors. Key strategic objectives applying to agriculture are to increase productivity, to diversify exports, to innovate, to serve higher margin niche markets and to move up the value chain, closer to final markets, to capture larger shares of the added value. In addition, sector strategies orient the development of specific value chains. The **National Coffee Strategy** (2009-12) targets a 24% increase in production, a six-fold increase of fully-washed coffee processing, and improved marketing to achieve higher prices. This is to be achieved mainly by improving the use of good farming practices and integrated pest management systems; providing a voluntary turnaround support program for coffee washing stations that have the potential to become profitable; improving marketing and revenue through capacity building of private exporters; developing infrastructure, including new coffee washing stations; and improving research and development. The **National Tea Strategy** (2008-12) aims at moving the industry from producing almost solely bulk black tea, the majority of which is sold at auction, to producing better quality and

diversified teas and selling them directly to buyers. It targets an expansion of the planted area by 4 500 ha, a 50% increase in yields, an improvement in quality (to avoid bulk market price decline) and in factories' processing capacities, a 50% increase of direct sales and the development of value added products.

12. **Land use consolidation.** To stop further land fragmentation, the Land Law does not allow the division of holdings smaller than 1 ha. In addition, the government is promoting voluntary land use consolidation, which aims at devoting large surfaces to cash crops (mainly coffee and tea, but also fruits and vegetables) by encouraging farmers to switch part of their farms from food to cash crops and to group plots into large surfaces of single-crop cultivation.

Ubudehe is a classification of poverty based on the community-based assessment of poverty carried out in 2007 and again in 2009. It includes six wealth categories as shown in Table 1.

Table 1 – Ubudehe participatory poverty mapping

***Ubudehe* Poverty Category**	**Main characteristics**
Category 1: *Umutindi nyakujya* (those in abject poverty) – 26% of the population	Those who need to beg to survive. They have no land or livestock and lack shelter, adequate clothing and food, medical care and access to school.
Category 2: *Umutindi* (the very poor) – 10% of the total population	The main difference with the first category is that this group is physically capable of working on land owned by others, although the households have no or very small landholdings, and no livestock.
Category 3: *Umukene* (the poor)	They have some land and housing, live on their own labour and produce, and though they have no savings, they can eat, even if the food is not very nutritious. However, they have no surplus to sell in the market and poor access to medical care and education.
Category 4: *Umukene wifashije* (the resourceful poor) – categories 3 and 4 account for 58% of the total population	This group shares many of the characteristics of the *umukene,* but they have small ruminants and their children go to primary school.
Category 5: Umukungu (the food rich)	They have larger landholdings with fertile soil and enough to eat. They have livestock, often have paid jobs, and can access health care. They hire labour to cultivate their land.
Category 6: Umukire (the money rich) - categories 5 and 6 account for 16% of the total population	They have land and livestock, often have salaried jobs, and hire labour on their land. They have good housing, often own a vehicle, and have enough money to lend and to get credit from the bank. Many migrate to urban centres.

Source: Community Development Fund, Ubudehe Survey, February 2010

13. **Gender strategy.** MINAGRI has recently approved a Strategic Framework for Promoting Gender Equality in the Agriculture Sector to redress disparities. With regard to the development of export crops, it plans for a revision of PSTA Programme 3 to ensure that women do not lag behind in agri-business ventures, especially in the coffee and tea value chains. Capacity building programmes for cooperatives will cover equal access to services and to decision making positions. Equal access to support services supplied by private service providers and public agencies will also be fostered, particularly for what regards access to inputs, credit, extension services and research outputs.

14. **MINAGRI.** The ministry is responsible for national agricultural policy formulation, coordination and monitoring. Three 'Single Programme Implementation Units' (one per main donor: IFAD, World Bank and AfDB) are being created within MINAGRI to oversee and gradually absorb the activities of projects that are not already integrated into departments and boards. The IFAD-related SPIU includes an SPIU coordinator with specialised Programme Managers and department headsplaced under the authority of MINAGRI's Permanent Secretary. While the fundamentals are in place, systems and procedures remain to be developed to operationalise the SWAp, particularly to harmonise the implementation of development projects.

15. Under the authority of MINAGRI, four specialised boards provided support and guidance to develop export value chains. OCIR Café and OCIR Thé were long established institutions, whereas

the Rwanda Horticultural Development Authority (RHODA) and the National Sericulture Centre (NSC) were younger structures, the latter having been created with the support of IFAD-financed PDCRE. Main weaknesses to address to strengthen them included building the capacities of extension agents, improving coordination with research and promoting alternative sources for the provision of support services; improving data collection and monitoring systems; reinforcing regulation functions and improving coordination with value chain stakeholders.

16. Two new boards, the National Agricultural Export Development Board (NAEB) and the Rwandan Agriculture Board (RAB), were created by law on 24 January 2011 and are in the process of installation. The laws state that both institutions must be fully operational within six months of the date of creation. NAEB is responsible for promoting policies and strategies for developing agricultural exports; the definition of quality standards; the promotion and coordination of private operators and cooperatives; and marketing promotion. It integrates OCIR-Café, OCIR-Thé, RHODA and NSC. RAB merges institutions that were responsible for research (ISAR) and general extension services (RADA and RARDA).

B. Donor support

17. **PDCRE.** The Smallholder Cash and Export Crops Development Project (PDCRE) constitutes IFAD's first intervention in Rwanda in the sector of export crops. Financed over 2003-2011 for some USD 20 million, PDCRE aims at increasing and diversifying the income of poor smallholder cash crop growers by supporting the development of production, processing and marketing of coffee, tea and, to a lesser extent, silk. In the three sectors, PDCRE follows a similar approach, focusing its support at farmer level and financing productive investments (plantations, construction silk worm rearing houses), the creation and capacity building of cooperatives, their unions and national federation, the technical training of farmers and some research. Furthermore, in the coffee sector, PDCRE interventions extend to processing and marketing by supporting the construction and management of cooperative-owned coffee washing stations (CWS), assisting 8 cooperatives in creating a marketing company, MISOZI and in getting fair trade certification. In the tea sector, it developed an innovative mechanism allowing tea growers to participate in the management of the tea factory by having the project purchasing 15% of equity shares on their behalf. In addition, the project finances different credit lines and supports the establishment and strengthening of 16 SACCOs.

18. An interim evaluation of PDCRE was carried out in June 2010. Main conclusions were that significant and relevant investments had been made, especially in human capital, but that the overall sustainability of the project was still uncertain because of a number of unresolved issues, including: poor management and governance of farmers' cooperatives; low yields, partly due to the young age of plants but also to poor cultivation techniques; difficulties for cooperatives in accessing credit for working capital; lack of profitability of all of the 40 sericulture cooperatives. The evaluation recommended that a follow-up project be financed by IFAD with a view to consolidate progress and to scale up lessons learned, with particular attention to building cooperative capacities, expanding the capacity for processing fully-washed coffee and developing SACCOs.

19. **Other projects**. USAID has been supporting the coffee and tea sectors since 2001 with three projects -- ADAR (*Assistance à la Dynamisation de l'Agribusiness au Rwanda*), PEARL (Partnership for Enhancing Agriculture in Rwanda through Linkages) and SPREAD (Sustaining Partnerships to Enhance Rural Enterprise) -- which all adopted a value chain approach supporting production and cooperative development, infrastructure (introducing smaller, cheaper, environmental friendly coffee washing stations), processing and quality control (including the development of specialty coffee), and marketing. Based on an impact assessment, USAID is interested in continuing its work in the specialty coffee sector in a way similar to SPREAD. The European Union-financed STABEX project, now completed, provided support mainly to the coffee and tea sectors, mostly financing production (plantations, soil conservation through terracing, research, extension, capacity building of cooperatives, post-harvest facilities), the construction of coffee washing stations as well as institutional support to the two OCIRs. In the horticulture sector, BTC is financing a project to reduce poverty through developing horticultural production for local and external markets, due to terminate

in 2011. In addition to supporting capacity building, the project finances postharvest equipment and infrastructure. Additionally, ITC financed a limited series of investments to promote essential oils, which have demonstrated large potential.

C. Lessons learnt

20. PRICE builds on lessons learnt over the past ten years out of the experience of PDCRE and of projects supporting agri-business value chains. Main lessons can be summarised as follows:

- *Cooperatives:* although some cooperatives, particularly in the coffee sector, have demonstrated that they can be successful by raising production, quality and prices earned by their members, many of them are still unprofitable or very weak. Ensuring that they can manage their affairs in a sustainable and profitable way and build autonomy at the very first stages of project implementation are key conditions for success. Capacity building strategies should build on proven approaches such as the Turnaround Programme in the coffee sector, which is based on the provision of tailor-made support based on demonstrated cooperative commitment, and can easily be adapted to other sectors;
- *Return to farmers:* farmers need to be supported not only to develop higher yields and better quality, but also to reap a larger share of value chains added value, including through increasing: the production of fully washed coffee, ensuring a more equitable and remunerative share of the end price between tea cooperatives and tea factories, or introducing silk rearing in the sericulture value chain. This implies adopting a value chain approach, whereby, on the one hand, cooperatives will be supported to climb up the value chain and, on the other hand, project support will be provided to other value chain stakeholders where this could bring higher returns to farmers;
- *Credit:* cooperatives have difficulties, on the one hand, to access credit for working capital because of their lack of collateral and of untimely disbursement, and, on the other hand, to use credit productively because of excessive debt burden resulting from accumulated arrears, including from loans provided for the construction of oversized coffee washing stations. Mechanisms are needed to mitigate the risk of lending institutions, to facilitate loan disbursements at cooperative level and to establish a climate of confidence with commercial banks;
- *Marketing:* effective marketing initiatives promoting specialty coffee/tea can create significant added value. Today, as Rwanda is known for its capacity to produce exceptional coffees and teas, there is less need for open-ended promotion campaigns, but rather for carefully planned marketing operations targeting high end buyers. Such efforts need to rely on a critical mass of produce, with clearly established quality and recognised potential to meet buyers' expectations;
- *Targeting:* PDCRE's Impact Study has demonstrated that there is a clear scope for farmers to engage in the production of export crops that can significantly improve their livelihoods. However to promote the development of skilled professionals, the target group should meet basic requirements for participating in cash/export crops development, i.e. owning minimal assets allowing interaction with markets without putting at risk their families' livelihoods, as well meeting the requirements for joining a cooperative. Nevertheless poorer farmers also benefited from the project either directly (for example by joining SACCOs) or indirectly, by accessing jobs created by the development of coffee washing stations and tea factories.
- *Monitoring and evaluation:* the financing of international experts to support M&E, financial management and procurement in the first two years paid off during project implementation. Although the costs were substantial, these functions, which often are problematic in other projects, were satisfactorily carried out under PDCRE. Reporting was extensive and regular; however data interpretation and use of M&E as a management tool need to be particularly strengthened.

21. Project design builds on successful approaches carried out by the government, IFAD and other

development partners, including: the Turnaround Programme in the coffee sector; various extension approaches such as FFS and Farmer to Farmer; multi-stakeholders platforms initiated by SNV; and finally the Rural Investment Facility, and various guarantee funds, which are now being transferred to the BRD Development Fund (BDF).

D. Rationale

22. **PSTA II.** Developing export production is a key policy priority for Rwanda to meet the Millennium Development Goals. Programme 3 of PSTA II aims at promoting exports of high value traditional and non-traditional crops, with a view to contribute to rural incomes and to develop a modern agriculture sector of professional, business-minded farmers. Small growers, who make up for most of the productive forces in the agricultural sector, require extensive support to achieve such an objective. With the experience gained with PDCRE, IFAD is well placed to support the government in implementing Programme 3. At a time when all other projects supporting the development of Programme 3 are coming to an end, IFAD is committed to further assist the government in implementing the programme in close coordination and harmonisation with government agencies' programmes.

23. **PDCRE** has demonstrated that the high export potential for Rwandan high-quality tea and coffee can also generate substantial income for smallholders. This is, however, contingent upon developing cooperatives' capacity to increase production, reach high levels of product quality and profitably manage their affairs. PDCRE's achievements in this respect need further consolidation, building on the development of successful intervention packages by PDCRE itself and other stakeholders in the sector.

24. **Increasing returns to farmers.** There is also ample scope for supporting farmers in reaping a larger share of the end market price, by raising quality, targeting more remunerative markets but also improving value chain governance. IFAD is particularly well placed to assist farmers so that they can become reliable business partners and better negotiate with private investors, with buyers, and with government structures to defend their interests and secure higher and fairer prices. This requires moving from PDCRE's exclusive farmers-centred approach to one that, building on a value chain perspective, includes actions aimed at other value chain stakeholders, provided they can bring additional returns to farmers.

25. **Diversification.** To secure broad-based growth in the agriculture sector, the government intends to develop alternative productions to traditional coffee and tea crops. PDCRE introduced sericulture, which lends itself well to cultivation by very small farmers and offers valuable opportunities for generation of fast cash returns over the whole year. Further support is however needed to develop and implement a more cost-effective model allowing the 40 cooperatives created with PDCRE's assistance to become profitable and generate substantial returns for their members.

26. Furthermore, first attempts to develop a smallholder-based horticulture sector for supplying domestic, regional and international markets have proved successful, as attested by recent spectacular increases in exports and by preliminary market assessment. There is therefore a pressing need to capitalise on such positive results and to fend off the risk of losing the benefits of Belgium and ITC financed investments in the sector. Similarly to sericulture, the scope is not to support sector-wide efforts across the country, but rather to build on existing achievements to develop and document viable business models that could be further available for replication at a larger scale.

II. PROJECT DESCRIPTION

A. Approach

27. The project will build on PDCRE experience, and scale up the scope and coverage of its interventions. It will, however, depart from the PDCRE approach through the promotion of cooperative autonomy as of project inception, and the mainstreaming of implementation mechanisms into government structures. The project will therefore not just be a second phase of PDCRE bearing a new name. The strategy for PRICE will be based on the following elements.

28. **Value chain approach.** In selected value chains, PRICE will address key production, processing and marketing constraints, with a view to improve farmers' ability to deliver the qualities and quantities required to respond to market opportunities, maximise their profit and strengthen their position in the value chain governance. PRICE will support: coffee and tea, which are Rwanda's main export crops and already provide income to many rural households; sericulture, an emerging value chain supported by PDCRE, which is however facing a number of constraints preventing its development; and new export value chains in the horticulture sector, based on an analytical selection process to be carried out at project inception. This will include essential oils, which was initiated with ITC support and, aside from bringing substantial income, has the advantage that it avoids competition with other crops for land as it can be profitable even with very small volumes of production. In each value chain, PRICE will provide support to developing farmer-owned business models that can ensure high and sustainable returns to farmers, either by consolidating existing models (coffee), or by innovating and empowering farmers in developing new ones.

29. **Increase returns to farmers.** PRICE will support farmers and their cooperatives so that they can reap a higher and fairer share of the final market price. This will require, in each of the selected value chains and building on preliminary work carried out during project design, a close monitoring of export prices, of the profit and loss accounts of cooperatives and farmers, and of the margin distribution between the various value chain stakeholders. It will also require identifying appropriate strategies to maximise returns to farmers, including through: increasing yields; reducing production costs; improving production and processing quality; increasing added value through certification, grading or preserving origin; targeting more remunerative markets; strengthening farmers' ability to negotiate with value chain stakeholders and, in the tea sector, leveraging IFAD financing to secure better prices and a higher share in factories' equity to tea growers. Providing strategic guidance to increase the share of the value chain margin accruing to farmers will be one of the main tasks to be carried out by specialised technical assistance to be assigned to each of the value chain components.

30. **Mitigating risks**. Engaging in crop production can increase farmers' income, but it can also generate new, increased risks in case of crop loss and/or price fall. PRICE will deploy several mechanisms to minimise farmers' risks and avoid negative impact on their families' livelihoods, including: (i) *defining eligibility criteria* ensuring that participating farmers wanting to engage into the cultivation of export crops keep sufficient surface to meet their families basic food requirements; (ii) *providing alternative income* to farmers converting part of their existing farm into new coffee or tea plantations to compensate for income loss until new plants start producing; (iii) *promoting weather-index based insurance* to cover weather-related risks; (iv) *developing life insurance* in conjunction with credit; and (v) *supporting the creation of a reserve for compensating price volatility*¸ using part of annual profits, by cooperative-owned coffee washing stations and tea factories co-financed by PRICE.

31. **Promoting institutional sustainability.** Strengthened cooperatives are pivotal for farmers to have sustainable access to adequate support services and to market their production at good prices. Cooperatives will thus be supported to become viable business partners, to increase their technical, managerial, organisational and negotiation skills, and to achieve profitability and financial autonomy. Building on successful experiences in Rwanda and in neighbouring countries, the project will provide tailor-made support to cooperatives at all levels. Capacity assessments, audits and cooperative

business plans will help in determining farmers' objectives and strategic functions to be secured by cooperatives at the various levels, from first tier cooperatives to unions and federations. For unions and federations, specific capacity building support is included along the cooperatives' expressed desire of which services the apexes should provide, backed by their willingness to support the apexes operating costs progressively. Should this willingness not be manifested after project year 2, PRICE support to the unions and federations will also cease.

32. In accordance with Rwanda's extension strategy, the project will ensure that cooperatives gain autonomous and sustainable access to support services, building on a range of service providers. This will also entail helping cooperatives in determining the services that should be best rendered by various institutions. Although cooperatives will be the privileged structure to channel project assistance, measures will be taken to ensure that farmers who have not yet joined cooperatives can also access project support and are encouraged to become cooperative members.

33. **Food security.** The primary objective of PRICE is to increase farmer revenues from the production, processing and marketing of export crops. While the project does not directly promote food security, it will enhance it by: (i) *generating additional income*, particularly in poor areas where steep slopes and poor soils lend themselves better to tea or coffee growing than food crops; (ii) *creating new jobs* for labour in new plantations and in processing facilities, thereby offering a source of income to poorer and landless categories; (iii) *promoting intercropping* with food crops whenever possible, and at any rate during the first years of plant maturation in coffee and tea new plantations and in association with mulberry trees in the sericulture value chain; and (iv) *mitigating risks* as described above.

34. **Mainstreaming and autonomy.** Project support will be conceived as a source of temporary assistance and build the capacities of project stakeholders so that they can continue performing their activities in an autonomous and sustainable way beyond project completion. In addition to the approach developed above with regard to farmers' organisations, this also implies that the project implementation structure will be mainstreamed into government institutions, and that these will receive project support to strengthen their capacities in accordance with their mandates. Similarly, rather than using project structures to support access to financial services, PRICE interventions will be channelled through existing banking and microfinance facilities, which will be supported to become more responsive to farmer and cooperative requirements.

B. Project area and target group

35. **Project area.** PRICE will have a national coverage, supporting interventions in selected areas across the country along specific criteria for each value chain (see maps above):

- *Coffee activities* will primarily be implemented in the Southern, Western, Northern and Eastern Provinces. Project intervention areas for coffee were selected jointly with OCIR-café based on three main criteria: (i) agro-ecological potential, (ii) poverty mapping and (iii) geographical concentration to facilitate logistics and to maximise impact. In these areas, the entry point for project activities will be coffee washing stations and their supply area, where the project will support coffee growers on existing plantations and contribute to their expansion, covering a total of 7,900 ha. In addition, PRICE will support all cooperative-owned coffee washing stations throughout the country, regardless of their location. Activities to improve value chain governance will benefit coffee growers throughout the country;
- *Tea:* project activities will be organised around six greenfield tea sites in the Southern and Western provinces. Two sites (Nshili and Mushubi, Southern Province) have already smallholder plantations, where PDCRE supported investments that will be consolidated and further developed by PRICE. The other four are new greenfield sites where PRICE will be supporting the four tea cooperatives and expand smallholder plantations in all four sites. They are located in Gatare and Muganza Kivu in Southern Province, and in Karongi and Rutsiro in Western Province;

- *Sericulture:* activities will focus on the 40 cooperatives supported by PDCRE, based in different agro-ecological zones spread over the country to allow comparing results;
- *Horticulture:* activities will be developed based on business partnerships connecting private investors with groups of farmers to target identified markets. Project areas will thus derive from the selection of such partnerships, which will primarily be based on criteria such as market and competitiveness, returns to smallholders and potential to attain quick impact.

36. **Main target group**. The PRICE target group will consist of smallholders in the respective project areas producing or interested in producing the key export crops of coffee and tea, and smallholder producers of emerging crops of silk, fruit, vegetables and essential oils. It will be largely made up of low-income households cultivating up to 0.5 ha, who depend predominantly on agriculture to sustain their livelihood with an average yearly income of RWF 45,000 (about USD 75), and households who depend both on labour and agriculture with an average annual income of RWF 130,000 (about USD 217). The target group will also include medium and high income farmers, who can be important drivers of change and of value chain development, have more diversified livelihoods and an average yearly income of RWF 220,000 (about USD 366). However, measures will be taken to offset the risk that wealthier participants in the project end up dominating poor participants. Poorer households will also benefit from project support to SACCOs, which are open to anybody who can pay (low) membership fees. The project will use the *Ubudehe* participatory approach and social mapping both to target poorer households eligible to specific support packages and to monitor the extent to which they access project benefits. Furthermore, it will develop special measures to target women farmers, especially women heads of households, and resource-poor farmers with little land for cultivation to ensure their inclusion.

37. In the **coffee value chain**, the target group will consist of:

- *Coffee growers* cultivating existing plantations. The majority of this group belongs to categories 3 and 4 of the Ubudehe classification, i.e. the poor and the resourceful poor;
- Coffee growers involved in coffee expansion, involving both existing coffee growers expanding their coffee plots, and new ones. They will be from Ubudehe categories 3 and 4 but also, since land use consolidation schemes are developed on land owned by farmers, from categories 1 and 2.
- Members of cooperatives running coffee washing stations outside the prioritised administrative sectors, belonging mostly to Ubudehe categories 3 and 4. Non-members selling their coffee cherries to these cooperatives will also stand to benefit, but are not specifically targeted. Landless households selling their labour will also benefit by gaining employment in the coffee washing stations and in women-run roasting facilities.

38. In the **tea value chain**, the target group will be made up of:

- *Tea* growers cultivating existing plantations, mostly of Ubudehe categories 3 and 4;
- Tea growers involved in the expansion of tea plantations, mainly households from Ubudehe categories 1 to 4;
- Labourers hired by participating tea factories.

39. In the **silk value chain**, the target group will consist of the members of the 40 cooperatives supported by PDCRE, who belong to *Ubudehe* categories 2 to 4.

40. In the **horticulture sector**, the target group will consist of smallholders with small landholdings (with an area allocated to horticultural crops of around 0.1 to 0.3 ha per farmer), mostly belonging to *Ubudehe* categories 2 to 4, women entrepreneurs setting up individual or group planting material production units, and youth developing enterprises in input supply and business services.

41. **Other beneficiaries.** Farmers in the value chains supported by PRICE that do not belong to the main target group will also benefit from improvements deriving from PRICE-supported activities, including: increased capacities of public extension services, of cooperative unions and federations and of financial institutions; dissemination of research outcomes and implementation through extension

programmes; availability of new insurance products; processors' and exporters' linkages with higher value markets; development of new business models in the tea, sericulture and horticulture sectors for further upscaling throughout the country. Exporters and processors in the four value chains will benefit from improved production quantities and qualities and from support to processing and marketing activities.

42. **Inclusive approach.** PRICE will promote the integration of poorer smallholders in the selected value chains. To this effect, it will carry out detailed, gender-based baseline studies for each value chain, building on the *Ubudehe* participatory social mapping approach, to: (i) identify various categories of farmers within the selected target groups; (ii) provide support packages adapted to the most vulnerable categories of participants (*Ubudehe* categories 1 and 2); and (iii) monitor project effects on the various categories and prevent elite capture. In all the value chains, capacity building provided to cooperatives will have a strong focus on governance and transparency, which will not only ensure that leaders are responsive to members requirements and that members of all social origins do participate in governance structures, but will also benefit cooperative profitability altogether. To facilitate the participation of poorer smallholders in cooperatives, the project will support the latter in revising the share prices to ensure that they do not exclude poorer households while excluding non-residents. The possibility of creating a scale of share prices aligned to *Ubudehe* categories could be explored. Additionally, the project will offer several opportunities to landless and agricultural labourers, which will derive from the highly labour-intensive features of the selected value chains. They will include: (i) giving them priority in any training related to non-farm skill development, including apprenticeship; and (ii) promoting SACCOs, which are open to anybody who can pay (low) membership fees and will help in promoting savings and access to credit.

43. In the **coffee and tea value chain**, most vulnerable farmers are those owning one small single plot of land that will be used for the expansion of coffee and tea plantations. To offset vulnerability until new trees become productive, PRICE will finance an alternative income scheme and provide free fertilisers during the first years. In addition, it will promote intercropping with food crops during the first years of coffee trees growing and with banana trees thereafter, to provide smallholders with complementary food intake and/or revenues, thereby offsetting their vulnerability due to mono-cropping. **Horticulture and sericulture** are both suited to poorest households and especially women and youth, as both sectors require fairly small plots and a lot of care and domestic labour.

44. **Gender mainstreaming.** PRICE will promote women's participation in value chain development on an equal foot as men, assisting them to move out of low input-low output activities to gain equal access to agricultural support and financial services, and to play an active role in cooperatives and cooperative-owned structures. Specific measures will include: establishing minimum participant quotas for women in capacity building activities; developing the capacities of extensionists to include women, and, where appropriate, organising special sessions for women; ensuring that both male and female family members have access to FFS and other technical training, with a target of 50% women; including gender audits in cooperative capacity assessments and supporting co-operatives to increase the number of women members, including in leadership, and to ensure that they have equal access to cooperative services; by training women in specific activities (for example cupping for quality assurance, coffee roasting, tree nurseries); carrying out gender-based baseline studies; and disaggregating M&E data by gender. More generally, a gender action plan based on gender-sensitive value chain analysis will be prepared at project inception and, through close monitoring, will be regularly updated based on implementation results. Furthermore, linkages will be established with the upcoming IFAD-financed regional grant 'Gender and Value Chain Development' to OXFAM NOVIB, to explore the possibilities of up-scaling the Gender Action Learning System (GALS) that will be advanced by the grant at community level, with a special focus on coffee and horticulture value chains.

45. **Youth mainstreaming.** Since land availability is an absolute constraint and there are no opportunities for accessing new land in the project, young people will be targeted by: (i) providing cultivation options suitable for small land plots; (ii) ensuring that the poorer young households have access to labour generated by the project; and (iii) prioritise young people for training related to the

development of skills and capacities in off-farm income generation, including linkages to PPPMER II for the establishment of apprenticeship training posts with cooperatives. The project will profile young people as part of the baseline survey and locate those that are household heads in the *Ubudehe* categorisation to have a better understanding of their poverty levels.

C. Project goal and development objective

46. PRICE's goal is to raise smallholder farmers' income. To achieve this, the project's development objective is to promote sustainable increased returns to farmers from key export-driven agricultural value chains through increased volumes and quality of production, improved marketing and effective farmer organisations.

D. Components and Outcomes

Component 1 – Coffee Development

47. **Objectives and approach.** The component will aim at securing better returns to coffee growers through higher marketed volumes and better prices for higher quality, by increasing the production and improving the quality of fully-washed coffee. To this purpose, PRICE will support three main strategic thrusts, in line with the National Coffee Strategy.

- *Increase production and quality of fully-washed coffee*. PRICE will support the development of a category of professional coffee growers around high productivity and quality production clusters in target administrative sectors. The entry point for project activities will be the coffee washing station and its supply area, where the project will support both existing plantations and their expansion by proposing a comprehensive assistance package of: (i) research activities; (ii) improving the availability of quality inputs and developing channels building on private investors, cooperatives and financial institutions to ensure timely and affordable delivery to cooperatives; (iii) raising farmers' technical and management competences through regular and sustainable access to support services from existing service providers (cooperatives and their unions, public extension services, private service providers) and by building on past successful experiences in Rwanda, including the Turnaround Programme and FFS. This approach is expected to prompt fast returns on production, which should also induce farmers to extend coffee areas, in line with the National Coffee Strategy. Furthermore, PRICE will also shape a pro-active investment model for expanding coffee plantations, which will give poor farmers access to coffee growing, by converting either uncultivated land or part of existing farms into coffee. Selection criteria will ensure that small farmers can benefit from the new scheme in support of food security, and alternative sources of income will be provided during the time coffee trees are unproductive;
- *Target more remunerative markets that can reward higher quality and ensure equitable returns to farmers*. This will result from: (i) increasing the production of high-grade fully-washed coffee from the current 20% to 40% of total production, by turning existing washing stations profitable; by increasing the number of well managed eco-friendly mini-washing stations; and by enhancing processing techniques for improved coffee washing, cupping, milling and presentation through training, the development of standards and norms and the expansion of quality testing laboratories; (ii) promoting the marketing and branding of Rwandan coffees, including for regional specialty coffees; and (iii) increasing the ability of farmers and their organisations to retain a larger part of the coffee marketing added value by supporting them in becoming effective and financially-sustainable market agents able to respond to market signals and to take advantage of market opportunities.
- *Develop capacities to orient and monitor value chain development.* PRICE will promote value chain governance and support its development towards meeting the above objectives. To this effect, it will support the creation of a national multi-stakeholder platform to gather value chain stakeholders and provide concerted solutions to bottlenecks

affecting value chain development. It will build the capacities of the RCCF and of its union members, so that they can participate in policy dialogue and provide services to member cooperatives. Additionally, the activities will be supported by institutional and capacity building support to NAEB under Component 6 – Project Management and Institutional Development.

48. **Expected outcome.** The expected outcome of the Coffee Development component is increased volume and quality of coffee production, reaching reliable, high-value markets and generating increased shares of market end prices to coffee growers. Yields for existing coffee will increases by at least 30%, and the area under coffee will grow by 3 100 ha.

49. **Sub-component 1 - Production and quality (Base costs: USD 12.0 million).** Investments in this sub-component will aim at setting up an environment that is conducive to enhancing productivity, increasing production volumes and improve the quality of both semi-washed and fully-washed coffee:

- *Research* will be carried out by the Rwanda Agriculture Board (RAB), along the following priority areas: (i) production of in vitro plantlets; (ii) increasing the number of high quality clones to enhance productivity and reduce dependence on a few varieties; (iii) development of Integrated Pest Management (IPM) packages to eliminate major pests. In addition, PRICE will finance two national Soil and Leaf Analyses (2012 and 2015), which will enable defining fertiliser requirements for the different coffee growing areas. Prior to embarking on a PRICE-financed research programme, a capacity assessment of RAB's research capacities (encompassing the four PRICE-supported value chains/sectors) will be undertaken, based on which the research programme scope and content will be adapted to suit RAB's capacities and needs, and modalities for disseminating research outcomes will be defined.
- Access to clean planting material. PRICE will improve nursery management and train farmers on adequate tree planting techniques to reduce the loss of seedlings. This will be done in conjunction with the production of 9.25 million coffee seedlings, of which 3 million will be for rejuvenating existing plantations by replanting about 25% of the trees owned by the target group, and the rest for new plantations (see below).
- Access to fertilisers. PRICE will address main constraints leading to low use of fertilisers, i.e. farmers' lack of technical knowledge/experience and inadequate supply, by: (i) building farmers' capacity to use fertilisers through Farmers Field Schools (see below); (ii) organising a system for disseminating and supporting the implementation of the Soil and Leaf Analysis, in conjunction with RAB, NAEB and the RCCF, including the building of capacities of extension service personnel; (iii) linking cooperatives to private suppliers, and assist them in placing adequate and timely orders through the Turnaround Programme (see below); (iv) develop a cooperative-based voucher system for purchasing fertilisers; and (v) facilitating cooperatives' timely access to credit (see Component 5).
- Access to training and advisory services. PRICE will provide farmers with a good basis of technical knowledge and management capacities, by financing: (i) FFS for 60 000 coffee growers on existing plantations and 12 000 on new ones, corresponding to some 20% of the total population of coffee growers. FFS will cover both cultivation and post-harvest techniques, including pruning, innovative crop husbandry techniques (alternatives to mulching, IPM, intercropping), fertiliser application etc.; and (ii) the Turnaround Programme (or equivalent for new cooperatives/coffee washing stations). Furthermore, PRICE will build a system giving cooperatives sustainable access to advisory services beyond the initial training by: (i) training NAEB and districts; (ii) developing cooperatives' and unions' capacities to provide services for which they have a comparative advantage; (iii) promoting the use of radio and cell phones to provide access to technical messages and information; (iv) improving linkages between cooperatives and exporters. PRICE will support the organisation of an annual national ranking of coffee cooperatives, based on the price obtained for coffee, the price paid to the farmers during the coffee season and the volume and quality of coffee processed at each CWS.

- *Expansion of plantations.* PRICE will support a first phase of 3,100 ha of new plantations, of which 600 ha were started by PDCRE (only 1st year of plantation) and 2,500 ha will be newly planted, and a second phase of up to 2,900 ha. Feasibility studies will be carried out to support careful selection of eligible beneficiaries. The project will provide a comprehensive support package including planting, maintenance and free fertilizer with eligibility conditions, development of cooperatives, and FFS, support to land registration and rehabilitation of feeder roads. It will also set up a scheme to provide alternative income to farmers in *Ubudehe* categories 1 and 2. The scheme will be implemented in collaboration with districts (public works in district development plan, and other support) and SACCOs (as conduits for payments). Support to SACCOs (see component 5) will complement the activities. An assessment of the first phase expansion programme will be carried out early in the 4th year. Conditional upon positive results and lessons learnt, the second phase with a new plantation development scheme will be included in the project as of the 4th year, for which additional resources could be mobilised by IFAD.

50. **Sub-component 2 – Processing and marketing (USD 8.6 million).** Investments in this sub-component are designed to assist coffee growers in generating added value by increasing the volumes of fully-washed coffee, and in targeting high-value markets:

- *Support to cooperative-owned coffee washing stations.* Subject to a preliminary audit, PRICE will extend the Turnaround Programme to about 67 additional cooperative owned coffee washing stations, with a view to improve their management and to generate higher profits for members. With tailor-made support from a business advisor, each supported cooperative will develop a business plan, strengthen organisation and governance, develop linkages with buyers and financial institutions, receive training in processing techniques and quality control, set up a coffee traceability system and strengthen management skills. By the end of the Turnaround Programme, the cooperative will be able to operate successfully under its own management. PRICE will also finance the installation of water recycling systems, and improve CWS accessibility by financing the rehabilitation of 150 km of roads linking CWS to the main road, in partnership with districts.
- New coffee washing stations. PRICE will support the installation of 50 CWS in carefully targeted areas combining need (insufficient installed capacity also taking into account production increase) and production and marketing potential. This will be financed through a grant channelled by the BDF, amounting to 33% of the total investment cost, the rest being financed by the cooperative through a loan (see Component 5). Cooperatives building new CWS will have access to the same range of support as those that already have one, i.e. business development, road rehabilitation/construction, and national performance award.
- Quality enhancement. PRICE will include cupping training workshops, to be organised by OCIR-Café in conjunction with international buyers. It will also assist 50 cooperatives in accessing certification programmes, based on a preliminary study to assess which programmes (Fairtrade, organic, Rainforest Alliance, Utz Kapeh) will have the highest impact on farmers' income, and collaborate with the regional programme for building capacity for coffee certification and verification of the Eastern African Fine Coffees Association (EAFCA), a regional multi-stakeholder association of the coffee industries of 10 member countries, including Rwanda.
- Branding and promotion. PRICE will support the development of a Rwanda coffee branding strategy to promote both national and regional origins, also building on certification. New origins will be advertised through the dissemination of promotional material and marketing tours to visit international buyers or participate in trade fairs.
- *MISOZI.* A capacity assessment of MISOZI (a cooperative-owned export and marketing company set up with PDCRE's support) will be carried out to identify areas where capacity building is required to improve the company's performance and attain financial sustainability. A business plan will be prepared and PRICE will provide support to facilitate its implementation.

- *Roasting.* Building on prior successful experience in Rwanda, PRICE will support women in selected cooperatives to develop coffee roasting and to sell roasted coffee on the domestic market.

51. **Sub-component 3 – Value chain governance (USD 0.6 million).** Investments in this sub-component aim at promoting value chain governance by developing related structures and structures. Where appropriate, they will be developed with EAFCA. Investments will include:

- *Support to coffee multi-stakeholder platforms.* Building on the 2008 National Coffee Conference, PRICE will support the creation of a national coffee multi-stakeholder platform gathering value chain stakeholders (including RCCF, processors, exporters, financial institutions and government institutions). The platform will collectively identify value chain bottlenecks and prospects for development, and make decisions for improvements to be implemented by participants. It will also strengthen the links between cooperatives/farmer-owned coffee washing stations and other, national-level stakeholders in the value chain. Multi-stakeholder Coffee Task Forces will also be developed at district level with similar objectives, building on past positive experience developed by OCIR-Café.
- Support to the RCCF and its unions. PRICE will develop the capacities and resources of RCCF and unions so that they can provide effective services to their members. To this effect, it will assist them with: (i) capacity assessments; (ii) the revision of RCCF strategy and the establishment of annual business plans; (iii) training and other capacity building support, including visits to NUCAFE in Uganda and OROMIA in Ethiopia, to be facilitated by EAFCA; and (iv) support to make RCCF and unions financially autonomous and sustainable;
- Technical assistance for innovation and value chain development. Short-term missions will be carried out by a service provider with proven experience in supporting the coffee industry, with the overall objective of ensuring innovation and strategic thinking to support value chain development, professional cooperative development and increased returns to smallholders. This will include the provision of strategic guidance, problem identification and solving, and support to coordination of the various activities/service providers. Marketing issues will constitute a special area of focus.
- Setting up a Coffee Information System. An information system coupled with online accessibility will be developed to support value chain stakeholders in making better planning and investment decisions, interacting in the multi-stakeholder platform and building an operational community of practice around shared interests in producing and moving high-quality coffee into the marketplace. Information could include coffee sales transactions; coffee policies, regulatory requirements, quality control issues and procedures; outcomes of research; improved technologies, tools and good practices.

52. **Implementation arrangements.** NAEB will bear the overall responsibility for coordinating and implementing the component, with the assistance of a project-financed dedicated staff (Coffee Value Chain Officer), for providing extension services through its specialised technicians and for developing new plantations. It will sub-contract all other activities to service providers. These will be hired for implementing the Turnaround Programme, FFS, research (RAB), marketing activities, support to RCCF and unions, and specialised advice by the service provider.

Component 2 – Tea Development

53. **Objectives and approach.** Building on the tea expansion model developed by PDCRE in partnership with private investors, PRICE will aim at increasing farmer revenues by: (i) building their capacities to deliver higher volumes and quality of green leaves to processing factories; (ii) supporting tea factories in reaching high value markets and forging links with buyers for direct sales, thereby lessening dependence on the Mombasa auction and avoiding bulk market price decline; and (iii) promoting better relations between tea cooperatives and private factories enabling farmers to earn a higher share of the end market price. These objectives will be supported both at existing and new sites

as follows.

- *Existing sites.* Investments initiated by PDCRE in Nshili require consolidation to make sure that the tea cooperative becomes a profitable venture, able to deliver larger volumes of good quality green leaves and to play an active role in the partnership with the private investor, with whom it shares the factory's ownership (15%). To this effect, PRICE will support a more sustainable business model than the current one, with the cooperative taking the leadership in promoting production and ensuring that farmers can rely on adequate support services, in a close relationship with the private investor, Nshili Kivu Tea Factory (NKTF). PRICE will also finance the expansion of the plantation by an additional 445 ha and will support the factory's marketing efforts. These latter investments, coupled with the development of the new business model, are expected to increase production, quality and end market price significantly. PRICE will therefore negotiate their release against the establishment of an agreed pricing formula leaving a higher share of the end price to tea growers. In Mushubi, PRICE will build on PDCRE's earlier investments and finance the planting of additional 400 ha and the maintenance of up to 1,100 ha along similar lines as the package planned for Nshili.
- *New greenfield sites.* PRICE will support government efforts to attract private investors by financing 'greenfield site packages' to support the development of four new sites (Gatare, Rutsiro, Karongi and Muganza Kivu) along a model that will ensure profitability to both investors and farmers. This will entail, on the one hand, providing institutional support to the recently created tea cooperatives (one per site) and assist them in making the best use of the loans that they have taken for starting plantations of *thé villageois.* On the other hand, PRICE will finance an investment package for the further development of all four new greenfield sites, consisting of the purchase of up to 40% of factory's *equity* on behalf of smallholders, planting and maintenance of new plantations of *thé villageois*, FFS on these plantations, infrastructure and marketing support. As such package will notably improve the factory's profitability and hence the revenues not only of the smallholders but also of the private investor, it has been agreed that PRICE will make the largest packages available to those private investors offering the best conditions to smallholders, possibly by participating in the tender organised by RDB to sell the new greenfield sites.

54. In addition, PRICE will promote the creation of a favourable environment to support farmers' integration in the value chain. To this effect, it will: (i) build the capacities of cooperative unions and of the national federation, FERWACOTHE; (ii) finance research activities on key priorities identified jointly with NAEB. It will also provide institutional support to NAEB (included in Component 6 – Project Management and Institutional Development).

55. **Expected outcome.** The expected outcome of the Tea Development Component is that tea growers will produce increased volume and quality of tea, of which at least 10% will reach high value markets, and which altogether will earn tea growers at least 20% share of market end prices.

56. **Sub-component 1 – Consolidation at Nshili and Mushubi sites (USD 5.6 million).** Investments under this sub-component are designed to consolidate PDCRE's achievements at Nshili and Mushubi, and to ensure overall profitability of the partnership between the cooperative and then private investor.

57. **Nshili.** A number of new developments in Nshili require clarification of the financial situation of the three partners in the tea factory, that is, NKTF, Nshili Kivu Tea Plantation (NKTP) and COTHENK. To this effect a comprehensive audit of the three entities will be financed by PDCRE before PRICE starts, covering: (i) the financial situation of each of the three entities with projections based on expected increases in productivity and quality, and possible gains in selling part of the production to direct buyers at a higher price than the Mombasa auction; (ii) a capacity assessment of the cooperative and identification of conditions to be met by the cooperative, in terms of volumes and quality of production, to ensure profitability; (iii) the preparation of a business plan for NKTF, based on which it will recover the capacity to distribute dividends, pre-finance fertilisers including for *thé*

villageois under production, increase the price of green leaves to farmers and eventually invest in an additional production line, which is a requirement in case of an extension of current plantations; (iv) terms for renegotiating NKTF debt. Once the business plan is approved by NKTF's Board and an agreement for loan restructuring is signed by NKTF, then PRICE will finance the following:

- *Development of a new business model.* Based on the audit outcomes, PRICE will assist the cooperative and NKTF to negotiate and sign a compact defining their respective responsibilities in reaching the profitability objective. The cooperative will be mainly responsible for meeting agreed quantities and quality of green leaves, which will also include the primary responsibility for planning and executing new planting; for ensuring proper maintenance of the tree bushes; and for applying state-of-the-art practices to production. NKTF will be responsible for purchasing green leaves against a formula enabling a higher and more equitable remuneration than the current minimum price set by the National Tea Working Group. This could also include the provision of advisory services to the cooperative, to ensure that production meets market requirements, and supplying fertilisers to the cooperative under a credit arrangement. PRICE will provide legal assistance to the cooperative in the process;
- *Support to cooperative:* based on such agreement, PRICE will assist COTHENK in becoming a productive and profitable venture by financing: (i) FFS (which will be applied for the first time to the tea sector in Rwanda) in existing plantations, with FFS facilitators being agricultural officers of the tea cooperative, the tea factory and NAEB; (ii) support to improve operational management and financial management along an adapted coffee Turnaround Programme methodology; (iii) cooperative technical staff (agronomists and field technicians) to be hired by COTHENK to promote sustained productivity and entirely financed by the cooperative after two years; (iv) a NAEB team to support and help in organising cooperative technical staff in the first year; (v) legal assistance to help in negotiating with NKTF and to improve COTHENK's ability to exercise the responsibilities of an equity shareholder; and (vi) decreasing contribution to the costs of annual audits of COTHENK.
- *New plantations.* PRICE will finance the planting of an additional 445 ha of *thé villageois*, which will cover: (i) a baseline study that will allow monitoring project impact on different socio-economic categories of tea growers; (ii) the provision of seedlings by NAEB, fertiliser applications over three years and labour; (iii) FFS; (iv) cooperative technical staff along the same model as Nshili's; and (v) 15 leaf collection points, to be owned by the cooperative, and 20 km of farm roads running through the tea plantation. The project will also secure alternative income for farmers converting part of their existing cultivated land to tea (for up to 0.3 ha per grower) through a credit to farmers to be reimbursed using dividends from equity shares. Finally, it will provide marketing support to assist NKTF in reaching high value markets with direct buyers, thereby generating higher profit than through the Mombasa auction.

58. However, if the compact would not be agreed, if not all of the three entities would accept to undergo the audit, if they would not agree to the resulting factory's financing plan, or if NKTF would not agree to restructuring the loan and to purchasing an additional production line, then the project will not finance any new plantation. The matching amount will be redistributed either to increase greenfield site packages, or will be kept to face unexpected financing needs in this or another component. Such decisions will have to be made jointly by MINAGRI and IFAD, such as during an Implementation Support mission. Activities in support of COTHENK will however be maintained, in proportion to what is required by the current surface under production.

59. In **Mushubi,** PRICE will support the cooperative in becoming profitable and well managed, in ensuring proper maintenance of 1,100 ha already planted for another 2 years, and in planting and maintaining an additional 400 ha. This will entail: (i) baseline study as above; (ii) planting and maintenance (including seedlings, fertilisers for three years, planting equipment and labour); (ii) FFS; (iii) support to the cooperative COTHEGAB along the same lines as in Nshili (thus for cooperative

technical staff, NAEB team, management support, legal assistance and audit).

60. **Sub-component 2 – Greenfield site development (USD 11.0 million).** Investments implemented under this sub-component are designed to meet two objectives. Firstly, they should promote the development of the institutional capacities of the four cooperatives recently created on the greenfield sites and help them in becoming productive and profitable. Secondly, they should support the development of all four new sites along a model that will ensure profitability to both investors and farmers. Investments will therefore include:

- *New tea cooperatives.* PRICE assistance will include: (i) FFS; (ii) support to management capacity building along the Nshili model; (iii) legal assistance and services of an investment broker to negotiate equity participation and contractual agreements with investors to come; (iv) decreasing financing for cooperative staff, including a financial manager, agronomists and technicians; and (v) office construction and equipment. PRICE will also assist the cooperatives in renegotiating their loans.
- Greenfield site packages. The basic package will consist of six elements: (i) equity shares up to 40% of the new private factory equity shares on behalf of the tea cooperative (financed under Component 5 – Financial services); (ii) planting and maintenance (including seedlings, fertilisers for 42 months after which they can be purchased by the cooperative through a loan, planting equipment and labour); (iii) infrastructure by constructing farm roads and collection points, the latter to be owned by the tea cooperative; (iv) marketing support by activities aimed at assisting the factory in increasing the quality of production, in forging links with buyers for direct sales, and in raising added value (for example through certification); (v) FFS; and (vi) support to the cooperative, including a decreasing contribution to the cost of cooperative agronomists, field technicians, cooperative manager and accountant to be hired by the cooperative, management support, legal assistance and audit. This basic package was converted into a cost per ha, with a ceiling of USD 6,000 per ha, for a total amount of approximately USD 10 million. Packages will be made available to sites at which the private investors will have offered the best conditions to tea growers through a tender organised by RDB for the attribution of greenfield sites (highest purchase price to farmers relative to the end market price, expressed by way of a formula securing adaptation to evolving end market prices, amount of shares that could be acquired by farmers, and support services for farmer production). This will be done along a lottery system attributing a package worth the equivalent of 700 ha to the highest ranking bid, 500 ha to the next one, 400 ha to the next one and 200 ha to the last one. Some 284 ha of public land will be provided to poor households, and alternative income to farmers converting part of their existing cultivated land to tea (for up to 0.3 ha per grower) through credit to be reimbursed using dividends from equity shares.

61. **Sub-component 3 – Tea support services (USD 1.0 million).** Investments implemented under this sub-component are designed to promote the creation of a favourable environment to support farmers' responsibilities in the value chain. They will include:

- *Research* will be carried out by RAB. The following priority areas were identified: (i) development of high performing and high quality clones; (ii) support for experimental trials on fertiliser use; and (iii) soil and leaf analysis. Prior to embarking on its research programme, the project will finance a capacity assessment of RAB (encompassing the four value chains and included in Component 1), based on which the research programme scope and content will be adapted to suit RAB's capacities and needs, and modalities for disseminating research outcomes will be defined.
- Support to FERWACOTHE and unions. PRICE will provide capacity building support to FERWACOTHE and cooperative unions so that they can provide quality, cost-effective services to their members (cooperatives and unions, respectively), and, for FERWACOTHE, raise cooperative concerns and negotiate in representation of their interests with the other stakeholders in the value chain. To this effect, it will support: (i) a

capacity assessment; (ii) the establishment of annual business plans; (iii) training and other capacity building, including visits to the Kenya Tea Growers Association; (iv) support to make FERWACOTHE and unions financially autonomous and sustainable;

- *Land titling:* PRICE will finance the cost of land registration and titling for tea growers in the new plantations – for practical reasons all of the 16 administrative sectors are covered;
- Technical assistance for innovation and value chain development: short-term missions will be carried out by a service provider with proven experience in supporting the tea industry, with the overall objective of ensuring innovation and strategic thinking to support value chain development, professional cooperative development and increased returns to smallholders. This will include the provision of strategic guidance, problem identification and solving, and support to coordination of the various activities/service providers.

62. **Implementation arrangements.** NAEB will bear overall responsibility for coordinating and implementing the component, with the assistance of a project-financed dedicated staff and for developing new plantations through project-financed staff. Service providers will be hired to support cooperatives, to develop FFS, for research (through an MOU with RAB), for supporting FERWACOTHE and unions, as well as for selected marketing activities.

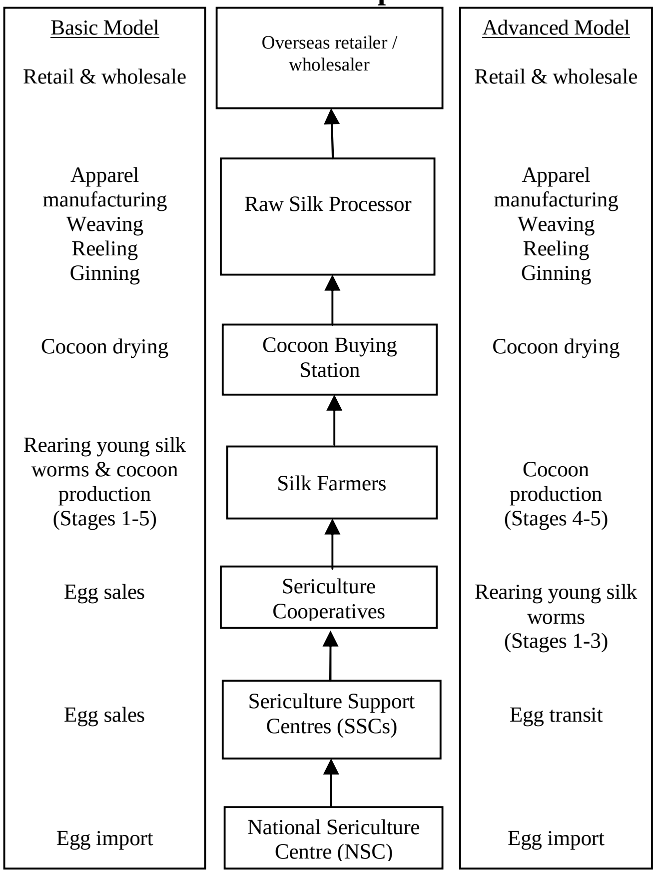
Component 3 – Silk development

63. **Objectives and approach.** PDCRE supported the installation of 40 sericulture cooperatives throughout the country and set up a system to develop the production and marketing of silk cocoons. However, production is still very low, the cooperatives are not yet profitable, and both NSC and its four provincial Training Centres are still dependent on project financing. Key constraints include insufficient and poor quality silk worm eggs, insufficient technical knowledge, poor cooperative management and high transportation costs.

64. The objective of the component is therefore the progressive set-up of a cost-effective business model for sericulture and basic processing in Rwanda, allowing cooperative members to gain sustainable income from sericulture.

65. The new model (see Figure 1) will introduce household-based cocoon production, where farmers will maintain individual mulberry plantations and rearing houses, instead of the current cooperative-based and underperforming production, which is unable to generate meaningful profit for cooperative members. In this new model, farmers will have access to appropriate support services, which will build on existing cooperatives and on decentralised centres managed by NSC, reorganising their role and functions to suit farmers' support needs. As producers and cooperatives get more proficient, the basic model will be replaced by an advanced model in which the cooperatives operate Young Silkworm Rearing Centres. Transportation costs will be reduced by setting up decentralised buying stations where farmers will sell their cocoons, instead of having to go to Kigali.

Figure 1- Sericulture value chain map for the new business model



66. Main responsibilities in the value chain along the new business model are as follows:

- *National Sericulture Centre (NSC)*: NSC will be responsible for importing quality silkworm eggs and for making them available to farmers through decentralised centres. In addition, NSC will bear the overall responsibility for promoting, orienting and monitoring sericulture development in Rwanda. This will also include providing technical support, backstopping and information to SSCs; and supervising, monitoring and evaluating the delivery of sericulture support services to farmers.
- *Sericulture Support Centres (SSCs):* these will build on the four existing provincial Training Centres, which will be reorganised so that they can evolve into multi-purpose structures, providing demonstration and extension services to cooperatives and giving them access to imported inputs. They will also supply them with quality silkworms until cooperatives are able to take over that function, by which time they will just channel eggs from NSC down to cooperatives. An additional SSC will be added in Kigali at the NSC premises;
- *Cooperatives:* cooperative capacities will be reorganised along two models. Cooperatives following the basic model will buy silkworm eggs from the SSC and sell them to cooperative members for rearing and cocoon production. In the advanced model, a Young Silkworm Rearing Centre will be operated by the cooperative at its rearing house. Skilled farmers selected by the cooperative and trained by the cooperative technician will raise young silkworms until the 3rd instar (stages 1 to 3). Then the young worms will be sold to cooperative members, who will rear them until cocoon harvest at household level (stages 4 to 5). All cooperatives will start with the basic model, and experienced successful cooperatives will be assisted to switch to the advanced model. It is expected that at the end of the project, 40% of the cooperatives will have successfully turned to the advanced model. In either model, cooperatives will continue producing silk cocoons (stages 1 to 5), albeit on a limited basis, to serve as demonstration centres and to support extension

activities. Cooperatives will also provide extension services to their members, through extensionists initially paid by the project and progressively taken over by the cooperatives.

- *Cooperative members:* farmers will have the primary responsibility for production, in line with the two models explained above.

67. **Expected outcome.** The expected outcome of the component is that farmers produce increased volumes of good quality silk based on a new, viable business model for smallholder sericulture, which will turn sericulture cooperatives profitable and allow farmers to increase their income significantly and sustainably. This outcome will be tested by an intermediate assessment of the sericulture sector.

68. **Sub-component 1 – Farmer-based production (USD 0.9 million).** Investments implemented under this sub-component are designed to support the evolution from cooperative-based to household-based production. Cooperatives will keep 1-2 ha of mulberry plantations, in line with their current rearing capacities. The rest of the existing mulberry plantations will be divided into small plots of around 0.3 ha and distributed to cooperative members, so that farmers can rear silkworms at household level. PRICE will assist individual farmers to build simple rearing houses of raw clay bricks. One brick moulding machine will be provided to each cooperative, which will rent it to farmers, and individual farmers will be supplied with roofing material and rearing equipment.

69. Furthermore, farmers will receive input packages for three consecutive cycles (mainly eggs and disinfectants, inputs received from PDCRE will not be provided again), beyond which they will be able to purchase them from their cooperative or the SSC. They will also be trained to carry out appropriate production techniques, both for mulberry trees cultivation and silkworm rearing, and will receive regular technical support from their cooperative and from the SSC (see below).

70. **Sub-component 2 – Decentralised support services (USD 1.7 million).** Investments implemented under this sub-component are aimed at securing access to inputs and advisory services to farmers and their cooperatives. They will promote the following:

- *Access to silkworm eggs:* to address one of the key constraints facing farmers, i.e. the lack of appropriate quantities and quality of silkworm eggs, the project will assist the NSC to initiate imports from China. Eggs purchased by NSC will be channelled to SSCs to sell on to cooperatives. Once egg imports reach 11 000 boxes per year, it is recommended that Rwanda starts a programme for producing good quality eggs. This prospect will be reviewed by the intermediate assessment, and in case of a positive recommendation, IFAD will consider increasing its contribution to PRICE to support related research activities.
- Access to young silkworms: farmers will raise young silkworms themselves (basic model) or purchase them from cooperatives (advanced model).
- Access to fertilisers: to support increased productivity and quality of mulberry leaves, the project will set up a revolving fund in every cooperative to purchase fertilizers and other critical inputs (lime, formalin, etc.) needed for maintenance of mulberry and for silkworm rearing. Farmers will be trained in the adequate use of fertilisers through FFS (see below).
- Access to management services: the project will support one management advisor in each of the five SSCs, under the supervision of the SSC Manager. They will support cooperatives in preparing and implementing their annual business plans and develop cooperative capacities to organise support services on a cost-effective basis. Government financing will be on an increasing basis, so that by end-PY4 all management advisors will be entirely financed by the government. A service provider will also provide management training for cooperatives.
- Access to technical services: access to technical services will be secured through a system associating public extension services and cooperatives. Initially the system will mainly be based on public extension. Each SSC will have three sericulture specialists (respectively for silkworm rearing and disease control, mulberry plantation and management, and sericulture extension), who will be trained and then orient and backstop a team of 4 extensionists providing technical assistance to cooperatives and their members. Technical assistance will combine direct advisory services, farmer-to-farmer extension based on

leading farmers' training, farmer field schools and exchange visits. It will cover sericulture techniques, mulberry tree maintenance and leave production, and intercropping techniques to grow food crops in the mulberry tree plantations. The salaries of sericulture specialists and extensionists will be financed by government on an increasing basis so that by end-PY4 their cost will entirely be borne by government**.** The Rwanda Silk Farmers Federation (RSFF – also see below) will initially have a role of complementing SSC efforts in mobilising and sensitising the cooperatives. As their capacities and profitability develop (also below), RSFF and cooperatives will earn a role in the extension system, providing services to members along their comparative advantage.

- *Access to markets:* to address the transportation constraint and the high costs involved for farmers, processing companies have shown concrete interest in building buying stations in the provinces. To facilitate such investment, PRICE will finance two drying chambers per buying station.

71. **Sub-component 3 – National value chain support (USD 1.8 million).** Investments in this sub-component are designed to support the national agencies NSC and RSFF in promoting value chain development:

- *Technical assistance to NSC.* International technical assistance from a country with established experience with sericulture development (such as China, India or Korea) will assist NSC in developing the new business model and in reorienting Training Centres and its own organisation. This will be provided for one year and then under the form of short-term consultancies. It will perform the following tasks: (i) train NSC and SSC technicians in appropriate sericulture technologies; (ii) support NSC and SSC in organising support services to cooperatives and farmers; (iii) support NSC in introducing the new concept of Young Sericulture Rearing Centres and in testing it over 8 to 10 cycles; (iv) support NSC and the SSCs in improving cultural techniques for maintaining mulberry plantations and increasing mulberry leaf yields; and (v) organise study tours to silk-producing countries for technicians and farmers.
- Institutional support to NSC. This will mainly consist of NSC operating costs, currently paid by PDCRE, including a sericulture technician, a financial manager and office assistant. Costs will be paid on a decreasing basis and will entirely be borne by government by end-PY4.
- Market study. A market study will explore possible market development opportunities, including for developing added value at farm level and for possible diversification of silk products manufactured in Rwanda;
- Intermediate assessment. An independent assessment will be carried out at the end of the third year to assess sector performance. Key indicators for positive performance will include: (i) at least 600 individual rearing houses built and successfully operated by farmers; (ii) annual fresh cocoon production by participating cooperatives is at least 78 t. In case the assessment concludes that sericulture is viable in Rwanda and that its development should be continued, it will make recommendations regarding possible additional financing needs. In such case, sericulture may be replicated beyond the 40 cooperatives and IFAD may mobilise additional resources (similarly to the plans for new coffee plantations (Component 1). At the end of the fifth year, a medium-term strategy for sericulture development will be prepared with value chain stakeholders. If the sector performance remains poor after the first three years, the financing of the component will be discontinued.
- Assistance to RSFF and unions. The project will support RSFF and its member unions in providing quality services to cooperatives and, for RSFF, in becoming an active player in the development of the sericulture value chain and in policy dialogue. To this effect, a service provider will be recruited to provide overall support to RSFF, including: (i) carrying out a capacity assessment of RSFF; (ii) supporting RSFF in designing a mid-term development strategy in line with the new business model, which will include an organisation model and a definition of RSFF responsibilities in terms of service provision,

policy dialogue, and aiming at making RSFF financially autonomous and sustainable; (iii) designing annual business plans for unions (also aiming at sustainability) and providing support to their implementation; and (iv) designing a capacity building plan for RFSS and supporting its implementation.

72. **Implementation arrangements.** NSC will be responsible for the overall implementation of the component, with the assistance of a Sericulture Advisor. Specifically, it will be responsible for: (i) preparing annual work plan and budgets; (ii) hiring SSC management advisors and technicians, in collaboration with SSC managers; (iii) organising egg imports from China and ensuring delivery down the chain; (iv) in collaboration with RSFF, recruiting a service provider to build the capacities of RSFF; and (v) setting up a gender-disaggregated M&E system, in close collaboration with PRICE M&E specialist, and ensuring regular monitoring of the component. A Component Steering Committee will be set up to provide orientations to implementation. It will be composed of the representatives of all of the value chain stakeholders, that is, silk cooperatives, RSFF, NAEB, and the processing companies. They will meet on a biannual basis to discuss issues affecting the development of the value chain and make recommendations for project implementation. If effective, this informal arrangement could give way to a formalised multi-stakeholder platform for silk.

Component 4 – Horticulture

73. **Objective and approach**. PRICE will contribute to developing the emergent horticulture sector by supporting NAEB in demonstrating what can be achieved with new business models benefiting smallholder farmers in carefully selected value chains. It will deliver a proof-of-concept for adapted business partnership models in a few selected horticultural crops, including essential oils, to the benefit of around farmers, who will participate through block farming schemes, outgrower schemes or other formats. Project-supported business partnerships will gradually target increasingly challenging markets, mainly from local over regional and, to a lesser extent, to international markets. The demonstrative effects of these models are expected to stimulate significant private investment in horticulture, which in turn will unlock the sub-sector's potential for increasing the incomes of large numbers of smallholders.

74. Selection criteria related mainly to market and competitiveness, potential returns to smallholders, and 'quick wins' (potential to attain quick impact) will be defined to select the value chains (in addition to essential oils) that will receive project support. NAEB will select project proposals and help applicants in developing and negotiating an agreeable partnership, with an equitable share of returns to farmers. PRICE will promote two types of partnerships. <u>Start-up projects</u> will be small projects, responding to recognised market opportunities but requiring that an appropriate business model be developed. <u>Scale-up projects</u> will be larger projects based on proven business model and on a full business plan.

75. **Expected outcome** of the component: the development of viable business models for selected horticultural value chains, including essential oils, allowing sustainable returns to farmers and setting the basis for a national horticulture development strategy. For essential oils, the project outcome will be the viability of expanded businesses partnership with smallholders.

76. **Sub-component 1 - Business partnerships and business models (USD 0.4 million)**. Investments implemented under this sub-component are designed to support business partnerships between farmers and private investors and extract policy lessons from experience. Further to the selection of target value chains, NAEB - assisted by service providers - will select project proposals and help applicants in developing, negotiating and implementing an agreeable partnership along a five-step process:

(i) call for business partnership ideas and preliminary screening of project proposals aiming at developing a business based on a partnership between a private investor and a group of farmers targeting an identified market, or on a group of farmers with direct access to the market;
(ii) for each accepted proposal, detailed analysis leading to the development of a business partnership project;

(iii) approval of PRICE financing in support to the implementation of the business partnership and signature of an agreement between the investor and the farmers -- funding will be available for supporting not only smallholder farmers, but also larger farmers, agribusinesses and business service providers playing an essential role in the business model, contingent on a guaranteed delivery of significant economic benefits to smallholder farmers;

(iv) implementation; and

(v) knowledge management and development of up to 10 business models, also including the extraction of policy lessons to help shaping government's horticultural development strategy.

77. **Sub-component 2 –Business development services (USD 1.4 million)**. To make the horticulture sector more competitive in the market, NAEB will facilitate business partnerships' access to business development services using two modalities: (i) *access to non-financial services,* will directly financing the cost of some services, such as management capacity building, technical support services, market linkages and certification, including the establishment of smallholder plantations of 300 ha of avocado, 300 ha of mango and 200 ha of oranges to create a critical mass of perennial crops to attract interest from the private sector for commercial partnerships for marketing the produce; and (ii) *promotion of rural service providers,* promoting the development of new, rural service providers that can respond to business partnership needs. These will include nurseries for the production of planting material, which will primarily be run by women groups, as well as agri-business service providers, who will be young agriculture graduates providing services such as extension, business planning, access to inputs, market facilitation etc. They will benefit from 50% grants along the above, and will receive business nurturing and coaching support as well capacity building assistance. To complement these, capital investment for the business partnerships will be supported by the financial instruments of Component 5 (Financial Services).

78. **Sub-component 3 – Enabling environment for value chain development (USD 0.7 million).** Investments implemented under this sub-component are designed to further promote a business enabling environment in the selected value chains and will thereby benefit the whole value chain rather than just a specific partnership. Investments in this component will cover three major areas: (i) *support for applied research and technology transfer* carried out by institutions such as RAB or KIST, in areas such as developing disease-resistant planting material, developing IPM packages, developing adapted infrastructure and equipment for post-harvest handling and processing, and establishing input packages and agricultural practices maximising returns to farmers; (ii) *expert advice, market promotion and multi-stakeholder engagement,* including studies to analyse key constraints and solutions to the business environment (for example in the area of certification, transport, access to financing etc.), promotional activities such as tours and participation in commercial fairs, and support to develop value-chain based stakeholder organisations, including to the Rwanda Horticultural Inter-professional Organization (RHIO); and (iii) *Technical assistance for innovation and strategic development,* for which NAEB will hire a service provider with proven experience in supporting the horticulture industry, with the overall objective of ensuring innovation and strategic thinking to support value chain development, professional cooperative development and increased returns to smallholders. This will include strategic guidance, assistance in developing methodologies, problem identification and solving, and support to coordination of the various activities/service providers, in particular with regard to business planning and development; building commercial linkages; technical input to value chain selection; capacity building of NAEB staff; and technical support to targeting and monitoring processes.

79. **Sub-component 4 – Essential oils (USD 0.7 million)**. This sub-component will be implemented along the same lines as for the rest of the sector, thereby applying the same approach as described under sub-component 1 and using the same, common M&E system. The purpose of this sub-component is to ensure the development of an essential oils value chain based on the promising experience and market indications for essential oils from Rwanda. A number of indicative priorities for financing have been identified (including nursery management, production of clean planting

material, research, extension services, market linkages and institutional strengthening). However, these may be reviewed during implementation based on the recommendations of the biannual stakeholder meetings.

80. **Implementation arrangements**. NAEB will bear overall responsibility for coordinating the component, with the assistance of the two Value Chain Officers, one to support the development of business partnerships (including in the essential oil sector) and the other to support the development of business development services and of a suitable business environment. The service provider supplying technical assistance (see expert advice above) will participate in developing the overall component methodology.

Component 5 – Financial services

81. **Objective and approach.** The objective of this component is to provide stakeholders in the value chains supported by the project with adequate and sustainable financial services meeting their financial requirements. To avoid any distortion in the financial sector and to promote sustainability, the project will partner with existing financial institutions. As key constraints faced by farmers to access financial resources are their lack of collateral and high interest rates, PRICE will primarily promote instruments allowing commercial banks and microfinance institutions to decrease their risk and consequently to expand their client group and to lower their interest rates from 18% p.a. on average to about 10-13% p.a., both on investment and on working capital loans. Risk-mitigating instruments will include insurance products, building on pilot experiences initiated in Rwanda. Specifically for the tea value chain, the project will provide financial resources to purchase equity shares on behalf of tea growers in new tea factories, in exchange for a higher return of the made tea selling price to farmers. Another important constraint affecting producers and their cooperatives is the late delivery of working capital loans to buy inputs for production and raw material for processing (mainly coffee cherries). The project will improve the relationship between commercial banks and their clients to ensure timely delivery of credit by building their capacities and improving bank procedures. Finally, it will build on the existing network of SACCOs not only to strengthen their regular lending operations based on their own resources, but also to act as intermediaries for banks to channel resources to and from rural clients.

82. **Expected outcome.** The expected outcome of the component is the timely and adequate access to a range of diversified financial products (including investment and working capital loans, grants and equity shares) and risk-mitigating products (life insurance and weather index-based insurance), allowing them to develop profitable and sustainable activities in PRICE-supported value chains.

83. **Sub-component 1 - Access to financial services (USD 7.6 million).** Investments implemented under this sub-component are designed to facilitate access to bank and micro-finance institution loans. They will include the following:

- *Partnership with the BRD Development Fund (BDF).* The project will work with the BDF (a non-lending subsidiary of the Development Bank of Rwanda - BRD) in facilitating value chain stakeholders' access to loans from financial institutions. This will be achieved by promoting two mechanisms that will build on existing BDF procedures. Firstly, a *performance-based grant facility* for up to 33% of the cost of productive investments (50% for most of horticulture investments, see above) will be made accessible primarily to farmer cooperatives over all supported value chains as well as to private investors in the horticulture sector. Eligible investments will include production, processing, storage, transportation, packaging and marketing equipment. Grants will be channelled through participating commercial banks that will disburse to beneficiaries in two instalments: a first instalment (one third of the grant) will be used to decrease the loan amount of the corresponding amount. The second instalment (two thirds) will be released once the beneficiary will have paid back the total loan amount. PRICE will also supplement the Agricultural Guarantee Fund managed by the BDF so that the Project target group can access a *guarantee facility* to back both investment and working capital loans extended by commercial banks or micro-finance institutions, including SACCOs. For working capital loans, the project will provide technical assistance to BDF for developing an innovative mechanism of 'portfolio guarantee', whereby loans complying with a set of eligibility criteria will automatically benefit from an BDF guarantee, thus reducing approval procedures as well as transaction costs for the beneficiaries. An institutional assessment of BDF will be carried out at project start to assess capacities and possibly support needs, as well as to confirm its interest in partnering with PRICE;

- *Insurance products for risk mitigation.* Based on a preliminary feasibility study, insurance companies and commercial banks will be assisted to develop three new insurance products. They will promote these products, jointly with farmers' apex institutions in the selected value chains, private investors and relevant government agencies, and train their staff. Life insurance will provide affordable security to borrowing households and lenders alike by reducing the financial risks of credit. Weather index-based insurance will be developed in collaboration with the Agricultural Insurance Facility set up by Syngenta Foundation with support from the International Finance Corporation (IFC) and implemented by MicroEnsure. Furthermore, the project will build on existing experience to promote price risk management in the coffee value chain, by giving cooperatives access to coffee price insurance, based on put and call options in the NY-C market, applying either to forward contracting or to open market. Access to price insurance and related capacity building will be built into the Turnaround Programme of component 2.
- *Equity financing.* In the Tea Value Chain, the project will finance up to 40% of the share capital of new tea factories that will benefit from greenfield site packages (see Component 2) on behalf of the respective tea cooperatives. The amount of the equity share purchased will depend on the negotiation between the private investor and the government
- Conditional post-investment support. Some PDCRE-supported cooperatives took loans for 50% of the construction and equipment of oversized CWSs. Their development is severely hampered by the resulting financial burden, which prevents them from developing production, thus further contributing to a low utilisation of CWS capacity. To cut the debt spiral and to upgrade these cooperatives to profitable and bankable businesses, the project will cover 75% of the outstanding investment loan debt, conditional upon four conditions.

84. **Sub-component 2 – Capacity building (USD 0.4 million).** Investments implemented under this sub-component are designed to provide stakeholders involved in delivering and accessing improved financial services planned under sub-component 1 with the required capacities to ensure smooth implementation and reach expected outcomes. Sub-component 2 will build the capacities of four categories of target institutions:

- *Producer cooperatives.* To ensure timely access by cooperatives to working capital loans, a service provider will build the capacities of cooperatives to prepare business plans and loan applications meeting bank requirements, and to submit them in time. Training on credit management will also be provided. This assistance package will complement the capacity building programmes for coffee and tea cooperatives (see components 1 and 2), which include initial support for annual audits that will help offset risks of poor cooperative governance and misuse of funds.
- Commercial banks. The component will also provide technical assistance to commercial banks (and MFIs where appropriate) so that they gain a better knowledge of the cooperative sector, of value chain analysis and of financing requirements in the selected value chains, and to improve their procedures for disbursing working capital loans and for monitoring their repayment.
- *SACCOs.* Building on the current capacity building plan developed by BPR for each SACCO, service providers will support each SACCO established in the project area with technical assistance focusing on the financing of farmer-based activities related to project-supported value chains;
- *Other microfinance institutions.* The project will partner with financial sector support initiatives, including Access to Finance Rwanda (AFR), to promote alternative delivery

and collection mechanisms for loans, savings and remittances with a high potential for large scale development, such as mobile banking, mobile phone banking, third party financial intermediary such as agents or wholesalers or traders etc. PRICE will co-finance a feasibility study and a workshop to discuss conclusions, based on which NAEB and AFR will sign an MOU defining the extent of the pilot(s) as well as respective responsibilities with regard to financing, implementation and monitoring. The financing will be ensured mainly by AFR, with PRICE providing the opportunity of tailoring a pilot to the features and requirements of its interventions, and to benefit from the linkages to project activities and support.

85. **Implementation arrangements.** The component will mainly be implemented through service providers that will be contracted through renewable performance-based contracts. These service providers will fall under the responsibility of an Access to Finance Officer who will be assigned to the Value Chain Development Department of MINAGRI's SPIU , and include: (a) BDF for the grant financing and the guarantee mechanisms; (b) insurance companies for the development of life, credit and weather index-based insurance products; (c) audit firms for the audit of existing cooperatives; (d) specialized consulting firms for technical assistance to financial institutions, including SACCOs, and (e) local consultants for the assessment of the effectiveness of the supported programmes.

Component 6 – Project management and institutional support

86. **Objective and approach.** The objective of this component is to strengthen government agencies for delivering project outputs and for supporting sustainable value chain development support along viable business models beyond project completion. To this effect, PRICE will not be managed by a PCU, but its management will be embedded in government structures, which in turn will be strengthened to fulfil their implementation and general responsibilities. The planning, implementation, financial management and monitoring of project activities will be carried out as part of the SPIU’s and NAEB’s regular planning, budgeting, management and monitoring activities.

87. **Sub-component 1** – **Project management (USD 4.0 million).** Sub-component activities are designed to assist government agencies responsible for project implementation in integrating the planning, budgeting, contracting, implementation, management and monitoring of project activities into their regular programmes. The activities under this sub-component shall include :

(a) Project coordination. MINAGRI's SPIU shall be strengthened by professional staff in order to carry out its project coordination functions, including the Project Coordinator, the DAF, the Monitoring and Evaluation Officer and officers responsible for Procurement, Accounting, and Technical Oversight, as well as support staff as required.

(b) Project management. NAEB, a key implementing agency, shall be strengthened by professional staff in order to carry out the project management functions assigned to it, including the PRICE Operational Manager, four Value Chain Officers, one Cooperative Development Officer, one Planning and Monitoring and Evaluation Officer, and Officers responsible for Procurement and Accounting, as well as support staff as required.

88. **Sub-component 2 - Institutional support (USD 0.9 million).** The project will provide support to MINAGRI and NAEB to build their capacities for M&E, for analysing and anticipating value chain performance and for disseminating relevant information to value chain stakeholders. To this effect, a coordinated approach will be established with the Public Sector Capacity Building Secretariat (SSCBS), which coordinates capacity building interventions in the public sector and manages the Capacity Building Fund, with an earmarked funding of USD 4 million for the agriculture sector. The approach will also build on the study on capacity gaps in the agriculture public sector currently carried out by the World Bank. Complementing SSCBS efforts, NAEB and MINAGRI will establish their annual plans for capacity development in collaboration with SSCBS, including capacity assessments; setting up a NAEB information system supporting sector piloting and providing information to value chain stakeholders; developing NAEB’s organisation and procedures; and carrying out training and other capacity building activities. Two key areas are already identified:

- *Gender mainstreaming:* to ensure gender mainstreaming into project activities and outcomes, NAEB will prepare a gender action plan, building on work already done by MINAGRI and by PDCRE. Specific training will be organised to familiarise government and project staff with gender mainstreaming approaches, and special provisions will be made to ensure that gender equity concerns are adopted in the implementation of all project components. The M&E system will be gender-disaggregated to support gender assessments and analysis, and a peer learning group on gender will be established. The PRICE Operational Manager will be specifically responsible for ensuring and overseeing the implementation of the gender action plan;

- *National strategies for tea and coffee:* NAEB will revise the national strategies for tea and coffee, which are coming to an end in 2012.

89. In addition, PRICE will contribute to the construction of the new building/s to host MINAGRI and NAEB.

III. PROJECT IMPLEMENTATION

A. Organisational Framework

90. PRICE's organisational framework will build on PDCRE's, which was commended by the Interim Evaluation for being 'relatively simple', as it boils down to 'having three separate projects under the same project manager and monitoring and evaluation unit'[1].

Key implementing agencies

91. **The MINAGRI SPIU**, specifically its Land Husbandry, Watershed Management & Value Chain Development section, will bear the overall responsibility for implementing PRICE. The planning, implementation, financial management and monitoring of project activities will be carried out as part of MINAGRI's regular planning, budgeting, management and monitoring activities. Component 5 will be implemented under the responsibility of the Value Chain Department of the SPIU.

92. Specific responsibilities for implementing components 1 to 4 will be exerted by specialised departments within NAEB (Coffee, Tea and Horticulture Production Offices, – see Annex 1). Each of these departments will be responsible for managing the implementation of their respective component, which will include: (i) planning of component activities and the preparation of the related section in PRICE's Annual Workplan and Budget (AWPB); (ii) contracting and procurement of services and supplies involved in implementing the component; (iii) coordination of the activities of the various component partners; (iv) supervision, M&E and knowledge management in relation to the component activities, under the SPIU's supervision; and (v) preparation of progress reports for their components. For components 1 to 4, the Export Operation and Market Development Department will assist the specialised departments.

93. Initially, PRICE staff in NAEB will report directly to the PRICE Operational Manager to make sure that the project is not blocked by possible inefficiencies internal to NAEB when the new institution starts operating. However, PRICE staff will collaborate closely with their respective heads of units, who will agree on their annual work plan, which will be reflected in the unit work plan and budget. After one year, government together with an IFAD Implementation Support Mission will assess whether this *ad hoc* arrangement can be replaced by the direct reporting of PRICE staff to their head of units, which will better reflect PRICE mainstreaming into NAEB, however without harming

[1] IFAD, Issues Paper, Interim Evaluation, PDCRE, December 2010.

smooth project implementation.

94. **MINAGRI** is the institution responsible for overseeing NAEB**.** Through SPIUs, it is also responsible for overseeing the implementation of all development projects in the agriculture sector. The SPIU Coordinator will be in charge of the overall coordination of projects related to the IFAD funded projects, including PRICE. S/he will be responsible for technical and financial reporting to MINAGRI's Permanent Secretary and to IFAD. MINAGRI will establish a project implementation MOU with NAEB, effectively transferring the responsibility of managing the project activities of Component 1 to 4 from the SPIU to NAEB. This MOU will define the range of responsibilities to be given to NAEB for PRICE implementation, as well as lines of authority and accountability modalities between NAEB and MINAGRI.

95. **Rwanda Agriculture Board**. RAB will be responsible for providing general agricultural extension services, particularly for food crops, and agricultural research. For PRICE, NAEB will sign an MOU with RAB for the whole range of research activities financed by PRICE across the four value chains - this arrangement, rather than having a separate research MOU for each value chain, will secure coherence in the overall research programme and ensure that it matches RAB capacities. In addition, through its experience and programmes supporting FFS, RAB will provide general back-stopping for the FFS activities under PRICE.

96. **Cooperatives, unions and federations.** Cooperatives and their apex structures are central stakeholders in PRICE implementation, with regard not only to production development but also to marketing, provision of support services and participation in value chain governance. The PRICE strategy and programme of activities are geared towards ensuring that, by the end of the project, they have become professional players in their respective value chains, monitoring that their members reap a fair return of value chains' added value. Federations in particular will directly participate in project management and oversight by sitting on the Project Steering Committee (see below) and by participating in the planning of component activities and in the design and utilisation of the M&E/KM system. Other provisions to have cooperatives take part in project management include their participation in client panels to assess the service providers' performance.

97. **Service providers** are expected to play a key role in implementing project activities. A range of possible service providers, mostly national and international NGOs well established in Rwanda, has been identified during project design. They will be contracted by NAEB using competitive government procurement procedures and based on renewable performance-based contracts. In Component 4 (Horticulture), PRICE will promote the development of private-based business development services to support the implementation of business partnerships. For Component 5 (Financial Services), a panel of clients will be organised by the Access to Finance Officer every year, to assess the quality and pertinence of services provided. The result of the panels will be a key trigger factor for the renewal of each service provider contract.

Project oversight

98. **Project Steering Committee**. This committee of about 29 persons chaired by the PS will provide oversight and overall guidance. It will meet at least twice a year to review project progress against targets, assess management effectiveness, decide on corrective measures where appropriate, review lessons learned and good practices, approve AWPBs and review progress reports. As a temporary structure, it will disappear at project completion.

Strategic partnerships

99. In addition to the key institutions involved directly in project implementation, the project will establish strategic partnerships with the following institutions:

- The Rwanda Cooperative Agency (RCA) is responsible for promoting the promotion of and support to cooperatives, and for ensuring their compliance with the Cooperative Law. Cooperative audits and capacity building programmes will be developed in close coordination with RCA, using RCA's tools and approaches as appropriate, and building on RCA's experience and good practices.

- *Private investors:* private processing and exporting companies are key stakeholders in all of the value chains supported by PRICE. The project will promote the development of equitable relationships between cooperatives and private investors that will bring benefits to both parties by joining forces to target the most remunerative markets.
- MicroEnsure: PRICE support to the development of weather index-based insurance will be planned and implemented in partnership with MicroEnsure, a non-profit insurance intermediary that has been piloting weather index-based insurance for tomato, maize and rice producers in Rwanda, with IFC financing.

Integration within the IFAD Country Programme

100. PRICE will contribute to all three strategic objectives of IFAD's Country Strategic Opportunities Programme (COSOP) for Rwanda:

(i) increasing economic opportunities for the rural poor and raise their income sustainably, by securing access to support services, building on public-private partnerships (PPPs), developing market linkages based on commodity chains and improving access to sustainable rural financial systems;
(ii) strengthening organizations and institutions of the rural poor as well as decentralized entities, by developing cooperatives and their apex organisations to become viable partners in the PPPs; and
(iii) making vulnerable groups participate in the social and economic transformation, by promoting the integration of vulnerable households in the targeted value chains.

101. PRICE will benefit from and contribute to the experience of other IFAD-financed projects, applying common approaches developed for procurement and M&E. Its staff will join peer learning groups as well as the Project Management Group, which serves as a forum on management issues for all IFAD-financed project staff teams.

Project Preparatory Phase

102. To facilitate a quick project start-up, MINAGRI will set up a Committee for Implementation Readiness (CIR) to carry out preparatory activities before and after signature of the financing agreement, up to the project's disbursement. The preparatory activities will be coordinated and financed by PDCRE. This committee will include representatives of MINAGRI, NAEB, RAB, MINECOFIN and PSCBS. Activities envisaged will include recruitment, systems and procedures development, launching of early tenders, and studies. An international project expeditor will assist in the management of these activities.

103. **Conditions for disbursement.** The following conditions need to be met by MINAGRI for IFAD to make the first disbursement of project funds:

- The first Annual Workplan and Budget (AWPB) needs to have received IFAD's no-objection;
- MINAGRI needs to have opened the PRICE Designated Account in USD and the PRICE Operations Account in RWF in the National Bank of Rwanda (BNR);
- A first draft of the Project Implementation Manual needs to have been submitted to IFAD;
- The appointment or recruitment of the following key personnel needs to have been completed: the Project Coordinator, the PRICE Operational Manager and the DAF; and
- The Project Steering Committee needs to have been established.

B. Planning, monitoring and learning

104. **Objectives and approach.** A project learning system (PLS) integrating planning, M&E and knowledge management (KM) will be developed in the very early months of project implementation (including a detailed KM action plan), with the objective of: (i) providing stakeholders in the value

chains, in the various support structures (implementing boards, project staff and service providers), in MINAGRI and among financiers with information and analysis required to steer project implementation, i.e. to assess performance, detect difficulties and successes, identify lessons and support decision-making to improve project performance; (ii) providing MINAGRI, the value chain agencies and NAEB with information on progress, so as to measure project contribution to the implementation of PSTA II and to support coordination and synergies with other development projects; (iii) monitoring project effects on the various socio-economic categories, building on the *Ubudehe* participatory approach, to ensure full participation of the most vulnerable categories in the target group and to prevent elite capture; and (iv) providing the participating cooperatives with regular feed-back reports containing analysis and comparative data so as to provide them with a good basis for requesting adequate support services; and (v) informing the Country Programme on achievement of COSOP targets. The PLS will be managed by NAEB, with specialised sections outsourced to NAEB.

105. More specifically, the PLS will: (i) measure the achievement of the logical framework indicators (including RIMS); (ii) assess the relevance of the project strategy, methodologies and implementation processes; (iii) assess the performance of implementing agents and service providers; (iv) assess project outcomes and impact on the livelihoods of participating farmers, and specifically on vulnerable households, women and young people; (v) identify successes and good practices; and (vi) share knowledge under appropriate formats with project stakeholders to support dialogue and decision making. The system will therefore be <u>open</u>, i.e. its use will not be restricted to project or government agencies staff, but also provide information and learning for value chain stakeholders; <u>participatory</u>, i.e. associate project stakeholders, and specifically producers' organisations, in the definition of indicators, data collection, analysis and dissemination of results; <u>growing</u>, thus small initially and develop progressively as needs and capacities develop; <u>focused</u> on analysis and learning in support of decision making and policy dialogue, and not merely on data production; and <u>connected</u> to MINAGRI's and NAEB's information systems. While the M&E and KM officers will be key resources in conceiving and in implementing the system, the process will involve all project staff and main stakeholders, in particular those involved in the steering committees.

106. **Project planning**. The PLS cycle will start with the preparation of the AWPB, first at component level, then for the whole project. Planning will include an annual plan for M&E and KM, which will also identify specific areas in which project stakeholders intend identifying lessons and good practices. PRICE's AWPB will be part of the AWPB for MINAGRI's SPIU..

107. **Data management.** The PLS be developed with the assistance of a specialised consultant, who will support project staff and stakeholders in: (i) agreeing on a shared understanding of project objectives, approaches and planned activities; (ii) agreeing on a vision of the objectives and expected results of the PLS, as well as on a broad framework for M&E and KM and on priority actions to implement it; (iii) identifying quantitative and qualitative indicators to initiate the system, both at the global level (based on an updated logical framework) and within each component. Indicators will be developed with relevant stakeholders at each level; coherent with national information systems, easy to collect and gender-disaggregated. Key data will be collected by the participating cooperatives as part of their internal management systems, as supported by the Turnaround Programme. National poverty data from *ubudehe* assessments will also be used for measuring impact, at both cooperative and sector level. Based on the MINAGRI MIS and consultations with stakeholders and in collaboration the M&E and KM staff, the consultant will prepare a KM strategy for NAEB, covering both M&E and qualitative information. The strategy will include a detailed plan for the first year, together with an M&E and KM manual. (S)he will also provide orientations to design a NAEB management information system (MIS), to be set up by a service provider and accessible to project stakeholders.

108. The MIS will include project financial and technical data from the PLS, project and other NAEB documentation, lessons learnt, good practices, and other important sector information to analyse performance of the project and other initiatives (such as prices or export statistics). It will process information and present it along appropriate formats such as dashboards, charts and maps.

Regular updates will be carried out to incorporate new information requirements that will arise during project implementation. Training will be organised for project and NAEB managers and stakeholders to build capacities required to use the system.

109. **Knowledge sharing.** Tools and venues for knowledge sharing will be identified as part of the PLS and will be described in the M&E and KM manual. An M&E Stakeholder Team will be formed with a view to facilitate the participation of PRICE stakeholders in the conception and implementation of the PLS, and particularly its KM element. Every year, a Project Stakeholders' Annual Learning Workshop will be organised, whereby areas in which project stakeholders intend detecting good practice and developing exchange of knowledge will be identified. Proposed good practices will be gathered through participatory methods. They will be screened and those presenting the best potential and opportunities to be replicated at a larger scale will be retained and validated by the M&E Stakeholder Team. Extensive dissemination through appropriate supports and communication channels will then be carried out based on a communication plan, including also the creation and operation of peer learning groups.

110. **Progress reports.** In accordance with the IFAD approach adopted for project reporting in Rwanda, quarterly progress reports will be prepared by the SPIU along the MINECOFIN formats, so as to be fully harmonised with government procedures. These formats cover performance assessment, identification of successes and problems, lessons learnt and recommendations for improvement. Limited IFAD-specific attachments will be added to the half-yearly and annual reports. NAEB will prepare a project completion report following IFAD guidelines at the end of project implementation.

C. Financial management, procurement and governance

111. **Financial management.** In addition to a PRICE Counterpart Account in RWF, MINAGRI will open and maintain two bank accounts for IFAD project funds: the Designated Account in USD and the PRICE Operations Account in RWF. The Authorised Allocation for the Designated Account will be USD 4 million to allow the preferential use of project accounts for payments. Bank account reconciliation statements will identify each financing contribution separately, using a system successfully established for PAPSTA. Cash flow crises will be avoided by submitting regular withdrawal applications to IFAD. Project accounting systems will be consistent with international accounting standards and principles as well as with government requirements, and internal financial controls will regularly be applied. SPIU MINAGRI will be accountable to the government and financiers for the proper use of funds in line with legal agreements, and prepare quarterly financial reports as well as annual financial statements within three months of the end of each fiscal year.

112. **Procurement.** The procurement of goods and services will be carried out in accordance with government regulations, with the addition of two specific IFAD requirements: (i) IFAD's prior-review procedure requiring an IFAD no-objection for large contracts; (ii) the procurement of vehicles may be done through a specialised UN agency. The procurement of goods, works and services of components 1 to 4 will be the responsibility of NAEB, with the assistance of the project-financed Procurement Officer. Service providers will be hired through renewable performance-based contracts. Annual client panels will be organised by project management to assess the quality and relevance of services provided. The result of such panels will be one of the trigger factors for contract renewal.

113. **Audit.** The project will be audited annually by Rwanda's Auditor General. Assurances were obtained at negotiations that these audits be completed timely to comply with IFAD's submission deadline 6 months after the end of the financial year. Regular government anti-corruption procedures will be applied to project procurement and other relevant management processes. The efficiency of these procedures is shown by Transparency International's 2010 Corruption Perceptions Index, where Rwanda advanced to the 66th position of 178, from 89th in 2009. IFAD's direct supervision process includes modules on fiduciary compliance and the responsibility and accountability framework.

D. Supervision

114. The project will be supervised directly by IFAD. Annual implementation support missions, followed initially by short follow-up missions six months later, will be organised with the participation of government (MINAGRI, NAEB, MINECOFIN) and of participating farmer federations (RCCF, FERWACOTHE and RSFF). Supervision will not be conducted as a general inspection or evaluation, but rather as an opportunity to assess achievements and lessons jointly, and to reflect on improvement measures. Missions will therefore be an integral part of the KM cycle, with mission members playing a supportive and coaching role. To ensure continuity in this process, missions will be carried out by a core team of resource persons returning regularly, joined by specialists to address specific needs of a given year. Additionally, an in-depth joint mid-term review will be organised by government and IFAD in early 2015, in close collaboration with the above-mentioned agencies. It will be carried out by consultants not involved in supervision missions so as to bring a fresh look at three years of project achievements and learning.

Risk identification and mitigation

115. Table 2 identifies main risks and mitigation measures.

Table 2 – Main risks and mitigation measures

Main risks	Mitigation measures
Delays and inefficiency generated by NAEB's creation and merging of OCIR Café, OCIR Thé and RHODA into the new organisation	- PRICE disbursement to start conditioning on the appointment of key NAEB positions - Technical assistance at project start to ensure compliance of NAEB management procedures with government and IFAD requirements - PRICE finance staff to support NAEB in key management areas to prevent blocking and ensuring smooth functioning - Key priority activities for starting interventions in coffee, tea and horticulture value chains are to be implemented by service providers
Weak management capacities of cooperatives	- Turnaround programme/capacity development programmes to foster governance and management capacities - Annual cooperative audits - Incentives to reward performance (annual awards)
Price volatility	- Developing price insurance for coffee and reserves to compensate for price decrease with tea processing companies - Project support provided to target high value coffee and tea markets where price volatility is minimised
Loss of income through land consolidation in coffee and tea sectors	- Selection criteria for farmers entering land consolidation programme to ensure that new farm system would generate sufficient income/food to sustain family - Schemes to provide alternative income to farmers converting part of their existing farm into new coffee or tea plantations to compensate for income loss until new plants start producing - Baseline study and tight monitoring of new plantations
NSC unable to change current business model for sericulture or farmers not responding	- Project intervention designed as a pilot, with assessment by end of the third year to assess success and identify whether conditions to continue and upscale are met
Lack of maintenance of infrastructure/machinery	- Road construction programmes developed with districts and maintenance costs included in district budgets - Turnaround programme to help cooperatives in securing annual maintenance of CWS through appropriate arrangements with maintenance technicians

Environmental risks linked to intensification and expansion of tea and coffee plantations	- Anti-erosion schemes in new plantations, development of IPM packages and promotion of proper use of fertilisers in FFS - Developing innovative, eco-friendly practices for mulching and for using coffee pulps as fertilisers in coffee plantations - Introduction of effluent treatment facilities for CWS. - Promote inclusion of forest planting and management in negotiations with tea investors, OCIR Thé and RDB
Lack of capacities of smallholders to negotiate fair deals with private investors and to exert shareholder responsibilities in tea factories	- Provision of legal assistance and services of investment broker to tea cooperatives

IV. PROJECT COSTS, FINANCING AND BENEFITS

A. Project costs

116. **Project duration.** In accordance with MINAGRI's request, most project investments are programmed over five years. Some actions may however to be distributed over a longer duration (6 to 7 years): this is particularly the case for capacity building of new coffee or tea cooperatives, which will actually start developing production only after 3 to 4 years.

117. Phasing of interventions with regard to new plantations in the coffee and tea sector was considered but not retained due to the lead time needed to reach production and also given the fact that in both sectors, the expansion of plantations is part of the strategy to ensure faster profitability of processing facilities. However, in the coffee sector, the proposed model for expanding plantations will be developed with the purpose of devising a suitable, well documented approach for further replication beyond PY 4 in a second phase for which additional financing will be sought. Phasing is built into the coffee expansion activities, the Silk Development Component (if the intermediate assessment planned after PY 3 is positive, activities will continue over another two years), and the Horticulture Component, which supports start-up business partnerships and scaling up based on the development of effective business models.

118. **Project cost.** Total project cost, including physical and price contingencies, is estimated at around USD 56.1 million (for summary and detailed cost tables see Working Paper 9). Physical and price contingencies make up 3%, and foreign exchange about 44% of the total costs. Taxes amount to approximately USD 6.8 million. Funds allocated to project management total USD 3.0 million or about 8% of project base costs.

Table 2: Project costs by component

Component	Amount (RWF '000)	Amount (USD)	% of Base Costs
1. Coffee Development	10 294 200	17 157 000	31
2. Tea Development	10 308 600	17 181 000	31
3. Sericulture	2 580 714	4 301 190	8
4. Horticulture	1 972 500	3 287 500	6
5. Financial Services	4 769 100	7 948 500	14
6. Project Management	2 975 100	4 958 500	9
Total BASELINE COSTS	32 900 214	54 833 690	100
Physical Contingencies	142 860	238 100	0
Price Contingencies	614 146	1 023 577	2
Total PROJECT COSTS	33 657 220	56 095 367	102

B. Project Financing

119. IFAD will finance 66.7% of project costs (approximately USD 37.4 million) in the form of 50% grant and 50% highly concessional loan to the government of Rwanda. The government will finance a total contribution of around USD 5.1 million, or 9.0 % of project costs to cover taxes and some local costs. The government will also finance the related road investments, which are not included in the project cost estimates. Farmers will contribute USD 0.5 million (0.9% of total costs) for cooperative audits and silkworm rearing houses, while the private sector invests USD 2.8 million (5.0%) of equity in tea factories. Financial institutions will use their own resources for lending. Still unidentified financiers will contribute to USD 10.3 million (18.4 % of the total costs). Table 3 shows current contributions of the various financiers per project component.

Table 3: Project financing

Financier	Amount (USD)	% of Total Costs
IFAD Loan & Grant	37 400 884	66.7
Unidentified financiers	10 304 916	18.4
Farmers	512 871	0.9
Private Sector	2 802 520	5.0
The Government of Rwanda	5 074 176	9.0
Total	**56 095 367**	**100.0**

C. Summary benefit analysis

120. **Beneficiaries**. PRICE will work directly with a population of around 118,500 farming households, totalling about 537,000 persons. In the coffee sector, the PRICE target group of 60,000 current coffee farmers corresponds to 15% of the total population of coffee growers, plus 12,400 households that will participate in initial coffee expansion and 23,000 additional households that are members of new and existing coffee washing stations (without double counting). In the tea sector, PRICE will provide support to about 14,300 tea growers at six of the 16 tea sites of the country, of which the three planned new greenfield sites. In the sericulture sector, PRICE will give support to 40 sericulture cooperatives and 1,600 of their members. Moreover, some 7,200 households will participate in the horticulture development component, including some 2,000 farmers producing essential oils. About 70% of these project participants, equal to some 82,700 households, will be successful adopters and realise the expected project benefits.

121. **Benefits.** Main benefits expected from the various components include:

- *Coffee:* improved productivity of existing coffee trees; expansion of the total planted area by 12% with an additional 3 100 ha in the first phase (and an additional 2 900 ha in the second phase); increased share of cherries fully washed; increased farm gate prices, producers linked to the export market; research packages available in key production areas; cooperatives of producers profitable and autonomously managed.
- *Tea*: improved productivity of Nshili plantation; 5 345 ha of expanded or consolidated plantations over six sites; increased share of the final market price for farmers; increased share of tea sold through direct buying; research packages available in key production areas.
- *Sericulture*: improved productivity of 40 existing cooperatives; profitability of existing cooperatives; new business model for sericulture development.
- *Horticulture*: New business models explored and upscaled.
- *Financial Services*: improved access to financial services; access to new insurance products for risk mitigation; equity financing on behalf of tea growers in the new tea greenfield sites; insurance products; conditional debt write-off for PDCRE-supported cooperatives that acquired coffee washing stations.

122. Farm models show that coffee interventions will generate an annual income increase of about

33%, equal to RWF 92 000 per year, deriving from increased productivity and higher farm-gate price for fully washed coffee. In the tea sector, the expected increase in farmers' income will reach 36%, equal to RWF 54 000 per year.

123. **Economic viability and sensitivity analysis.** The economic internal rate of return (ERR) of the project is estimated at 16.8%, with a net present value of USD 20.2 million. PRICE's economic viability is robust to adverse changes in project costs, and the project still remains viable with increases in capital and recurrent costs of up to 20%. The project is also robust to changes in incremental benefits and only becomes uneconomic if incremental benefits are reduced by 30%. Delayed project benefits by two years reduce the ERR to 12.4%.

D. Sustainability

124. PRICE is organised as a temporary intervention to develop viable and sustainable business models in the coffee, tea, sericulture and horticulture value chains, with a clear objective of developing institutions, mechanisms and capacities that will be able to continue on their own after project completion. This is reflected by the following project features:

- *Implementation by national structures:* there is no project coordination unit, but rather NAEB will be responsible for project implementation. Project-financed experts are embedded in national structures;
- *Key role of cooperatives*, which are critical for smallholder farmers' attainment of productivity gains and effects of scale. A forceful range of support interventions is financed by PRICE to ensure that cooperatives acquire the technical and management capacities as well as the financial resources allowing them to become sustainable, profitable organisations;
- *Non-financial support services:* in the four value chains, in addition to directly financing capacity building, PRICE will support the development of sustainable support services that farmers will be able to access beyond project completion, building on public extension services, cooperatives and apex structures, and the private sector;
- *Financial support services:* PRICE will improve the access to and range of financial products supplied by existing financial institutions, so that these improve their knowledge of and capacities to respond to farmers' financing needs in the four value chains;
- *Multi-stakeholder platforms:* by supporting the creation of stable multi-stakeholder platforms, PRICE will assist value chain stakeholders in developing strong linkages and support their ability to take the lead in value chain development;
- *Risk mitigation mechanisms:* by promoting the creation of self-financed mechanisms to mitigate farmers' risks (reserves compensating for price volatility, life insurance, weather insurance), PRICE will support sustainable farmer involvement in value chains;
- *Research:* by investing in research, PRICE will pave the way for further productivity and quality improvements, sustaining further value chain development even beyond project completion;
- *Utilisation of national procedures:* for project management, national procedures for planning and reporting, contracting, auditing (including for cooperatives) will be applied.

Rwanda at a glance

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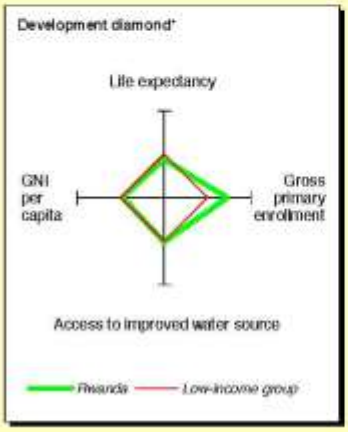
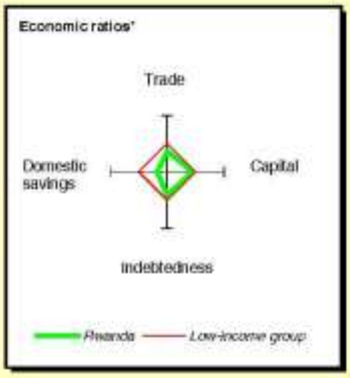
POVERTY and SOCIAL	Rwanda	Sub-Saharan Africa	Low-income
2009			
Population, mid-year *(millions)*	10.0	840	846
GNI per capita *(Atlas method, US$)*	490	1,126	512
GNI *(Atlas method, US$ billions)*	4.9	946	433
Average annual growth, 2003-09			
Population *(%)*	2.3	2.5	2.2
Labor force *(%)*	2.9	2.9	2.6
Most recent estimate (latest year available, 2003-09)			
Poverty *(% of population below national poverty line)*	57	..	..
Urban population *(% of total population)*	19	37	29
Life expectancy at birth *(years)*	50	52	57
Infant mortality *(per 1,000 live births)*	70	81	76
Child malnutrition *(% of children under 5)*	18	25	28
Access to an improved water source *(% of population)*	65	60	64
Literacy *(% of population age 15+)*	70	62	66
Gross primary enrollment *(% of school-age population)*	151	100	104
Male	150	105	107
Female	152	95	100



KEY ECONOMIC RATIOS and LONG-TERM TRENDS

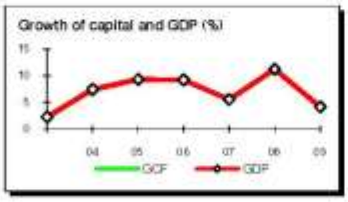
	1989	1999	2008	2009
GDP *(US$ billions)*	2.4	1.9	4.7	5.2
Gross capital formation/GDP	13.4	17.2	22.8	21.8
Exports of goods and services/GDP	6.1	5.9	14.5	11.7
Gross domestic savings/GDP	2.3	0.0	7.0	4.2
Gross national savings/GDP	2.7	9.4	18.1	11.8
Current account balance/GDP	-10.8	-7.6	-4.9	-7.3
Interest payments/GDP	0.5	0.6	0.2	0.2
Total debt/GDP	25.7	66.9	13.9	14.3
Total debt service/exports	17.3	26.5	5.6	4.9
Present value of debt/GDP	..	..	..	6.8
Present value of debt/exports	..	..	..	67.0

(average annual growth)	1989-99	1999-09	2008	2009	2009-13
GDP	-2.2	7.7	11.2	4.1	..
GDP per capita	-1.6	4.9	8.2	1.2	..
Exports of goods and services	-7.4	..	..	..	..



STRUCTURE of the ECONOMY

(% of GDP)	1989	1999	2008	2009
Agriculture	40.3	41.9	32.5	34.2
Industry	17.4	19.4	14.9	14.5
Manufacturing	10.4	10.6	6.2	6.4
Services	42.3	38.7	52.6	51.3
Household final consumption expenditure	85.0	89.0	78.3	81.1
General gov't final consumption expenditure	12.7	11.0	14.7	14.6
Imports of goods and services	17.3	23.2	30.3	29.2



(average annual growth)	1989-99	1999-09	2008	2009
Agriculture	0.9	..	..	..
Industry	-6.3	..	..	..
Manufacturing	-7.9	..	..	..
Services	-3.0	..	..	..
Household final consumption expenditure	0.3	..	..	..
General gov't final consumption expenditure	-2.0	..	..	..
Gross capital formation	-1.9	..	..	..
Imports of goods and services	6.9	..	..	..

Note: 2009 data are preliminary estimates.

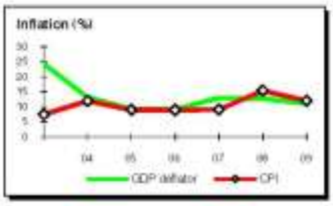
This table was produced from the Development Economics LDB database.

* The diamonds show four key indicators in the country (in bold) compared with its income-group average. If data are missing, the diamond will be incomplete.

Rwanda

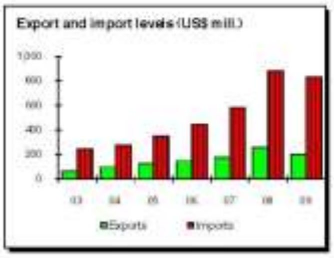
PRICES and GOVERNMENT FINANCE

	1989	1999	2008	2009
Domestic prices				
(% change)				
Consumer prices	1.1	-2.4	15.4	12.0
Implicit GDP deflator	5.3	-3.5	12.7	11.0
Government finance				
(% of GDP, includes current grants)				
Current revenue	..	15.6	25.8	24.5
Current budget balance	..	2.3	11.4	10.2
Overall surplus/deficit	..	-4.0	0.4	-0.9



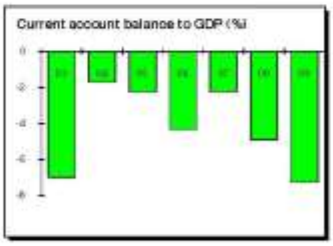
TRADE

	1989	1999	2008	2009
(US$ millions)				
Total exports (fob)	87	62	257	198
Coffee	59	27	47	51
Tea	20	18	40	48
Manufactures	4	16	130	82
Total imports (cif)	332	317	881	831
Food	29	35	..	..
Fuel and energy	48	46	..	..
Capital goods	86	55	..	..
Export price index *(2000=100)*	93	83	95	89
Import price index *(2000=100)*	91	89	137	116
Terms of trade *(2000=100)*	102	93	69	77



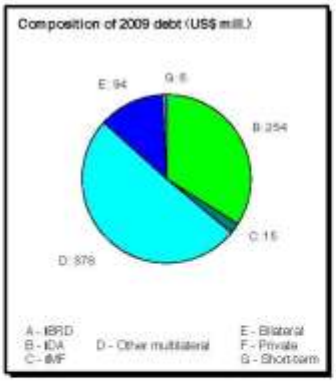
BALANCE of PAYMENTS

	1989	1999	2008	2009
(US$ millions)				
Exports of goods and services	148	113	688	534
Imports of goods and services	417	443	1,401	1,479
Resource balance	-269	-330	-714	-946
Net income	-10	-11	-35	-37
Net current transfers	19	194	519	604
Current account balance	-259	-148	-230	-379
Financing items (net)	155	137	288	436
Changes in net reserves	105	10	-58	-57
Memo:				
Reserves including gold *(US$ millions)*	..	..	536	558
Conversion rate *(DEC, local/US$)*	80.0	333.9	546.9	568.3



EXTERNAL DEBT and RESOURCE FLOWS

	1989	1999	2008	2009
(US$ millions)				
Total debt outstanding and disbursed	619	1,292	652	747
IBRD	0	0	0	0
IDA	302	691	242	254
Total debt service	28	32	25	26
IBRD	0	0	0	0
IDA	3	11	2	2
Composition of net resource flows				
Official grants	96	228	739	802
Official creditors	53	70	96	91
Private creditors	-1	0	0	0
Foreign direct investment (net inflows)	16	2	103	119
Portfolio equity (net inflows)	0	0	0	0
World Bank program				
Commitments	52	80	0	0
Disbursements	32	69	41	10
Principal repayments	1	6	0	0
Net flows	31	63	41	10
Interest payments	2	5	2	2
Net transfers	29	59	39	9



Note: This table was produced from the Development Economics LDB database.

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Annex 2

INSTITUTIONAL AND IMPLEMENTATION ARRANGEMENTS

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Annex 2: Institutional and Implementation Arrangements

I. STRATEGIC CONTEXT AND RATIONALE

A. Background

1. Agricultural development is expected to play a significant role in Rwanda's socio-economic development programme, in order to achieve the goals as articulated in the Vision 2020 and in the Poverty Reduction Strategy Paper (PRSP). The Ministry of Agriculture and Animal Resources (MINAGRI) will play a primordial role in formulating the agricultural policy and ensure efficient and effective coordination of its implementation on the ground.

2. In order for MINAGRI to be able to fulfil its task, there is a need to have in place appropriate and well-functioning institutional arrangements for effective implementation and coordination of the agricultural policy.

3. The missions of MINAGRI as expressed in Vision 2020 and the PRSP are:

- Food self-sufficiency for the country;
- Modernisation of agriculture to increase the revenues of farmers and to develop exports;
- A change in rural areas that will account for 50% of the population in 2020.

4. These texts have served as a guide for MINAGRI to establish the necessary support for the progress of its medium and long term activities, including the two Strategic Plans for the Transformation of Agriculture in Rwanda (PSTA) that target the radical changes that the new agricultural policy wants to introduce.

B. The current strategic context

5. **PSTA II.** The policy for the agriculture sector is based around the *Strategic Plan for Agricultural Transformation in Rwanda – Phase II (PSTA II)*, which is adopted for the period 2009-2012. The objectives of the PSTA II recognise and facilitate the attainment of national strategies such as the EDPRS, the *National Investment Strategy*, the National 7-Year Plan (2010-2017), and the prospective long-term, *Vision 2020*.

6. The principal objective of the PSTA II is: "Agricultural output and incomes increased rapidly under sustainable production systems and for all groups of farmers, and food security ensured for the entire population". The specific objective for the Strategy is to: "Increase output of all types of agricultural products with emphasis on export products, which have high potential and create large amounts of rural employment; this under sustainable modes of production".

7. In the national context, the overall objective of the sector is to contribute, in a sustainable way, to poverty reduction and to supporting Rwanda's economic growth by increasing the productivity of production factors, diversifying lines of production, adding value to farm gate products, creating better market linkages, and protecting the environment and the natural resource base. This also means policy delivery through decentralization, which is becoming an ever increasing part of MINAGRI implementation.

8. PSTA II has the following four programmes:

1. Intensification and development of sustainable production systems
2. Support to professionalization of the producers
3. Promotion of commodity chains and agribusiness development
4. Institutional development.

9. A Programme Manager and support staff is assigned to each programme, with an overall responsibility for coordinating and overseeing programme implementation. Together, the four Programme Units constitute MINAGRI's Single Project Implementation Unit (SPIU).

10. **Programme 3.** Specifically, the third programme is designed to enhance producer knowledge in areas of quality control, post- harvest management and marketing, and to provide the associated technical expertise and infrastructure, including in agro-processing. It also aims to promote agribusiness development within the important context of export promotion. Main actors in this programme are RHODA, RADA, ISAR, OCIR-Thé, and OCIR-Café, which have been recently merged into two institutions: the Rwanda Agriculture Board (RAB) and the National Agriculture Export Board (NAEB).

11. RAB brings together former Rwanda Agriculture Development Authority (RADA), Rwanda Animal Resources Development Authority (RARDA) and the Rwanda Institute of Science and Research (ISAR) to reduce costs and to improve service provision to smallholders by bringing extension, research and implementation activities closer together. NAEB will support all activities related to export promotion and production and will gather former Rwanda Horticulture Development Authority (RHODA), OCIR-The and OCIR-Cafe and the National Sericulture Centre. The central unit of the Ministry of Agriculture and Animal Resources (MINAGRI) continues to function as the regulating, policy making, M&E, and planning body for the agriculture sector.

C. Rationale

12. PRICE builds on lessons learnt over the past ten years out of PDCRE's experience and of project supporting agri-business value-chains. However this new project will depart from PDCRE's approach on several accounts, including the implementation of a value chain approach, the promotion of cooperatives autonomy but also the mainstreaming of implementation mechanisms into governmental structures, mainly: MINAGRI, RAB and NAEB.

II. PROJECT COMPONENT: PROJECT MANAGEMENT & INSTITUTIONAL SUPPORT

A. Objective and Approach

13. The objective of this component is to strengthen government agencies responsible for project implementation, so that they can deliver project outcomes and outputs according to plans and that value chain development can continue along viable business models beyond project completion. To this effect, PRICE will not be managed by a Project Coordination Unit, but its project management will directly be embedded into NAEB, which in turn will receive project support to help in fulfilling their implementation responsibilities.

B. Sub-Component 1: Project Management

14. PRICE implementation responsibilities activities will be mainstreamed in the regular programme of activities of MINAGRI and NAEB, and staff hired under PRICE will be embedded into these institutions, as illustrated in the organisational charts attached (Attachments 1 to 3). PRICE-financed staff will assist regular agency staff to comply with any additional duties deriving from project implementation and from the necessity to comply with IFAD regulations.

15. **Implementation arrangements**. A SPIU in MINAGRI would bear the overall responsibility for project implementation, with its regular departments carrying out the planning, implementation, financial management and monitoring of project activities. In this SPIU, an SPIU Coordinator would act as Project Coordinator assisted by a Programme Manager would be responsible for overall project coordination and implementation. S/he will be assisted by a Value Chain Development Department, in which PRICE funds will be used to finance a Programme Manager, a Value Chain Coordination

Officer and an Access to Finance Officer. Other SPIU departments, especially those of Procurement, Administration & Finance and Project Learning System (PLS) will support PRICE implementation. Linkages with the remaining technical SPIU departments (Technical Field Coordination, and Watershed Management & Land Husbandry) will be established, as required. The Value Chain Department in the SPIU of MINAGRI would implement Component 5 directly, in coordination with NAEB.

16. The SPIU will work together with NAEB, guided by the a project implementation MOU between the two institutions that will transfer the day-to-day implementation responsibilities for components 1 to 4 to NAEB. Within NAEB, the overall responsibility for implementing the activities covered in the MOU will rest with the Director General, assisted by a PRICE Operational Manager. The respective specialised departments within NAEB will carry out project activities, for which they will be strengthened adequately.

17. Sub-component activities are designed to assist government agencies responsible for project implementation in integrating the planning, budgeting, contracting, implementation, management and monitoring of project activities into their regular programmes. The activities under this sub-component shall include :

a) **Project coordination**. The MINAGRI's SPIU shall be strengthened by professional staff in order to carry out its project coordination functions, including the project coordinator, the DAF, the Monitoring and Evaluation Officer and officers responsible for Procurement, Accounting, and Technical Oversight, as well as support staff as required.

b) **Project management**. NAEB, a key implementing agency, shall be strengthened by professional staff in order to carry out the project management functions assigned to it, including the PRICE Operational Manager, four Value Chain Officers, One Cooperative Development Officer, One Planning and Monitoring and Evaluation Officer, and Officers responsible for Procurement and Accounting, as well as support staff as required.

18. The recruitment of all additional Project staff, amongst the Project Staff mentioned above, shall be undertaken by MINAGRI, under recruitment procedures acceptable to IFAD, on an open, transparent and competitive basis. The Project staff shall have professional qualifications and work experience commensurate with their duties. The Project Coordinator, the PRICE Operational Manager and the DAF are considered key staff of the project. Therefore, their appointment and their removal where appropriate, shall be subject to prior concurrence between IFAD and Government.

19. The draft terms of reference of all the above staff financed by PRICE are included in Attachment 4.

20. PRICE will also include 3 vehicles plus replacements (which will be managed by NAEB and will be made available primarily to support PRICE staff), office equipment and furniture for PRICE staff and an allocation for office operation and maintenance.

C. Sub-Component 2: Institutional Support

21. The project will include support to MINAGRI and NAEB to build their capacities for monitoring, analysis and assessing value chain performance and for disseminating relevant information to value chain stakeholders.

22. To this effect, a coordinated approach will be established with the Public Sector Capacity Building Secretariat (PSCBS). This new institution (created in 2010) has the responsibility to coordinate capacity building interventions in the public sector and manages the Capacity Building Fund, with an earmarked funding of USD 4 million for the agriculture sector. It is placed under the direct supervision of the Permanent Secretary, MINECOFIN, and is supported by a pool of professional staff and experts (mainly for M&E, procurement, institutional capacity building development and human resources management support). In 2010, PSCBS launched a vast enquiry to

the main public institutions including Ocir-Café, Ocir-Thé, Rhoda and NSC to identify their capacity building needs and training plans. The overall survey will be finalised in June 2011 and interventions for 2011/12 and onwards will be programmed based on available funds. PSCBS is also working closely with strategic development partners such as the World Bank, the African Development Bank (AfDB), the Belgian Cooperation and the Africa Capacity Building foundation which finances specific programmes of capacity building

23. The approach will also build on a study on capacity gaps in the agriculture public sector currently carried out by the World Bank.

24. Annual plans for supporting capacity development in NAEB and MINAGRI will be established in collaboration with PSCBS, to complement PSCBS efforts, including capacity assessments; setting up a NAEB information system, supporting sector piloting and providing information to value chain stakeholders; developing NAEB's organisation and procedures; carrying out trainings and other capacity building activities; and preparing a NAEB gender strategy and action plan for integrating women into value chain development.

25. Three key capacity building areas for NAEB were already identified:

- *Gender mainstreaming:* to ensure gender mainstreaming into project activities and outcomes, NAEB will prepare a gender action plan, building on work already done by MINAGRI and by PDCRE. Specific training will be organised to familiarise government and project staff with gender mainstreaming approaches, and special provisions (outlined in the Main Report) will be made to ensure that gender equity concerns are adopted in the implementation of all project components. The M&E system will be gender-disaggregated to support gender assessments and analysis, and a peer learning group on gender would be established. The PRICE Operational Manager will be specifically responsible for ensuring and overseeing the implementation of the gender action plan;
- *National strategies for tea and coffee:* NAEB will revise the national strategies for tea and coffee, which are coming to an end in 2012.
- *Administrative systems support:* Short-term international technical assistance will be hired by PDCRE before project start-up in the area of procurement, financial and contract management, and internal audit, to ensure that NAEB procedures applying to PRICE management comply with best practices and with government and IFAD requirements.

III. PROJECT IMPLEMENTATION

A. Organizational Framework

26. PRICE's organisational framework would build on the PDCRE structure, which was commended by the Interim Evaluation for being 'relatively simple'[1], as it boils down to 'having three separate projects under the same project manager and monitoring and evaluation unit'.

B. Key Implementing Agencies

Project Implementing Institutions

27. The SPIU "Land Husbandry Watershed Management & Value Chain Development" of MINAGRI (see Attachment 1) would bear the overall responsibility for implementing PRICE. The planning, implementation, financial management and monitoring of project activities would be carried out as part of MINAGRI's regular planning, budgeting, management and monitoring activities.

28. While component 5 would be implemented directly by the SPIU, specific responsibilities for implementing components 1 to 4 would be exerted by specialised departments within NAEB (Coffee,

[1] IFAD, Issues Paper, Interim Evaluation, PDCRE, December 2010.

Tea and Horticulture Production Offices – see Attachment 2). Each of these departments would be responsible for managing the implementation of their respective component, including: (i) planning of component activities and the preparation of the related section in PRICE's Annual Workplan and Budget (AWPB); (ii) contracting and procurement of services and supplies involved in implementing the component; (iii) coordination of the activities of the various component partners; (iv) supervision, M&E and knowledge management in relation to the component activities, under the Single PIU's supervision; and (v) preparation of progress reports for their components. For components 1 to 4, NAEB's Export Operation and Market Development Department would assist the specialised departments.

29. Initially, PRICE staff in NAEB would be reporting directly to the PRICE Operational Manager to make sure that the project is not blocked by possible inefficiencies internal to NAEB when the new institution starts operating. However, PRICE staff would collaborate closely with their respective heads of units, who would agree on their annual work plan, which would be reflected in the unit work plan and budget. After one year, government together with an IFAD Implementation Support Mission would assess whether this ad hoc arrangement can be replaced by the direct reporting of PRICE staff to their head of units, which would better reflect PRICE mainstreaming into NAEB, however without harming smooth project implementation.

30. MINAGRI is the institution responsible for overseeing NAEB. Through the SPIUs, it is also responsible for overseeing the implementation of all development projects in the agriculture sector. The SPIU Coordinator would be in charge of the overall coordination of projects related to the IFAD funded Projects, including PRICE. S/he would be responsible for technical and financial reporting to MINAGRI's Permanent Secretary and to IFAD. MINAGRI would establish a project implementation MOU with NAEB, effectively transferring the responsibility of managing the project activities of Component 1 to 4 from the SPIU to NAEB. This MOU would define the range of responsibilities to be given to NAEB for PRICE implementation, as well as lines of authority and accountability modalities between NAEB and MINAGRI.

31. **Rwanda Agriculture Board**. RAB would be responsible for providing general agricultural extension services, particularly for food crops, and agricultural research. For PRICE, NAEB would sign an MOU with RAB for the whole range of research activities financed by PRICE across the four value chains - this arrangement, rather than having a separate research MOU for each value chain, would secure coherence in the overall research programme and ensure that it matches RAB capacities. In addition, through its experience and programmes supporting FFS, RAB would provide general back-stopping for the FFS activities under PRICE.

32. **Cooperatives, unions and federations**. Cooperatives and their apex structures are central stakeholders in PRICE implementation, with regard not only to production development but also to marketing, provision of support services and participation in value chain governance. The PRICE strategy and programme of activities are geared towards ensuring that, by the end of the project, they have become professional players in their respective value chains, monitoring that their members reap a fair return of value chains' added value. Federations in particular would directly participate in project management and oversight by sitting on the Project Steering Committees (see below) and by participating in the planning of component activities and in the design and utilisation of the M&E/KM system. Other provisions to have cooperatives take part in project management include their participation in client panels to assess the service providers' performance.

33. **Service providers** are expected to play a key role in implementing project activities. A range of possible service providers, mostly national and international NGOs well established in Rwanda, has been identified during project design. They would be contracted by the SPIU (for component 5) and by NAEB (for components 1-4) using competitive government procurement procedures and based on renewable performance-based contracts. In Component 4 (Horticulture), PRICE would promote the development of private-based business development services to support the implementation of business partnerships. For Component 5 (Financial Services), a panel of clients would be organised by the Access to Finance Officer every year, to assess the quality and pertinence of services provided. A

similar panel would be organised by NAEB for its service providers. The result of the panels would be a key trigger factor for the renewal of each service provider contract.

34. **Technical partnerships in implementation.** A strategic technical partner, yet to be identified, would contribute in-kind to the implementation of component 4 (Horticulture Development) by providing technical assistance, strategic guidance and advisory services to NAEB. This would specifically include the following areas: identification of high potential horticultural value chains and business models; support to the review of business partnership proposals and decision-making process; support to the detailed analysis and to the development of business partnerships and business models; support to develop market linkages and appropriate technologies; knowledge management; support to developing an enabling business environment; and capacity building of RHIO. This strategic partner and MINAGRI would sign a framework partnership agreement for the provision of specialised technical services to NAEB, to be activated each year in the form of an annual addendum based on the AWPB. In case of disagreement between the parties, the parties may terminate amicably the partnership agreement by discontinuing the signature of annual addenda.

Project Oversight

35. **Project Steering Committee**. This committee of up to 30 persons chaired by the PS would provide oversight and overall guidance. It would meet at least twice a year to review project progress against targets, assess management effectiveness, decide on corrective measures where appropriate, review lessons learned and good practices, approve AWPBs and review progress reports. As a temporary structure, it would disappear at project completion.

36. It would gather the representatives of main stakeholders involved in project implementation, including:

- The PS (chairperson);
- The SPIU coordinator
- The DG of NAEB;
- The PRICE Operational Manager
- The 3 Deputy DGs for Coffee, Tea, and Horticulture and Diversification;
- A representative of RAB;
- A representative of the Rwanda Cooperative Agency (RCA);
- The Presidents and Executives of RCCF, FERWACOTHE and RSFF and, once in place, of the Federation of SACCOs;
- A representative each of the RDB Development Fund (BDF), of the Private Sector Federation (PSF), of AFR and of the Building an Inclusive Financial Sector in Rwanda (BIFSIR) project in MINECOFIN;
- A representative chosen by the private tea companies;
- A representative of the coffee exporters association;
- A representative of the silk exporters;
- A representative of the Rwanda Horticulture Inter-Professional Organisation (RHIO);
- A representative of the participating financial institutions; and
- 3 representatives of key service providers (for Turnaround Programme, FFS, and support to federations/unions).

C. Financial management, procurement, governance and contract management

37. **Financial Management**. The SPIU MINAGRI will open the Designated Account (the equivalent of the Special Account in previous projects) in USD, a PRICE Operations Account in RWF and the PRICE Counterpart Account in RWF in the National Bank of Rwanda. SPIU MINAGRI will be accountable to MINECOFIN and to IFAD for the proper used of projects funds, in line with the project financial agreements. Details including flow of funds, disbursements procedures, external audit are provided in Annex 4.

38. **Procurement and Contract Management.** Based on IFAD's new procurement guidelines (September 2010) as well as on the World Bank and IFAD assessment of the national public procurement system, the procurement of goods, services and works financed by IFAD will be carried out in accordance with the national rules and regulations of Rwanda. However, the prior review of some procurement activities will be required, to be specified in IFAD's Letter to the Borrower. SPIU and NAEB will hire experts for capacity building training for procurement officers and other staff in the field of evaluation of bids and proposals. More details with an indicative procurement plan for the first 18 months as well as models of MOUs are presented in Annex 5.

IV. PROJECT PREPARATORY PHASE

39. To ensure quick and smooth project start-up, MINAGRI will set up a Committee for Implementation Readiness (CIR) to carry out preparatory activities in the months preceding approval of the IFAD financing package (scheduled for September 2011), with the assistance and financing of PDCRE. This committee will include representatives of MINAGRI, NAEB, RAB, MINECOFIN and PSCBS. The Permanent Secretary, MINAGRI, will appoint the chairperson of the committee, who will be accountable to him for progress in the preparatory activities up to project entry-into-force. Activities envisaged would include:

- Recruitment of PRICE key staff with the assistance of a specialised service provider to be recruited through national limited competitive bidding;
- Refinement of project systems and procedures, including the finalisation of the Project Implementation Manual (PIM);
- Launch of tenders for key office equipment and vehicles;
- A coffee pulp transformation study (with model business plan) - IFAD can eventually propose a consultant for carrying this out.
- Comprehensive external audit of the three entities involved in the Nshili tea estate, i.e. NKTF, NKTP and COTHENK, in coordination with OCIR Thé;
- Study on developing a methodology for implementing Farmer Field Schools for tea by regional experts from Kenya or Tanzania, in coordination with OCIR Thé;
- Market study to explore market development opportunities for the silk value chain, including diversification of silk products in Rwanda, in coordination with NSC; and
- Participation in the financing of the SACCO study commissioned by AFR and BIFSIR.

40. An international project expeditor (specialist in procurement and contract management), to be hired by PDCRE, will assist MINAGRI during 2 months over the period September to December 2011 to expedite project start-up. The consultant will report to the chairperson of the committee.

41. These activities will be deemed part of the activities required for PDCRE loan closure, and thus be eligible for financing up to March 2012, by which time PRICE would have entered into force. At that moment, the committee will be disbanded.

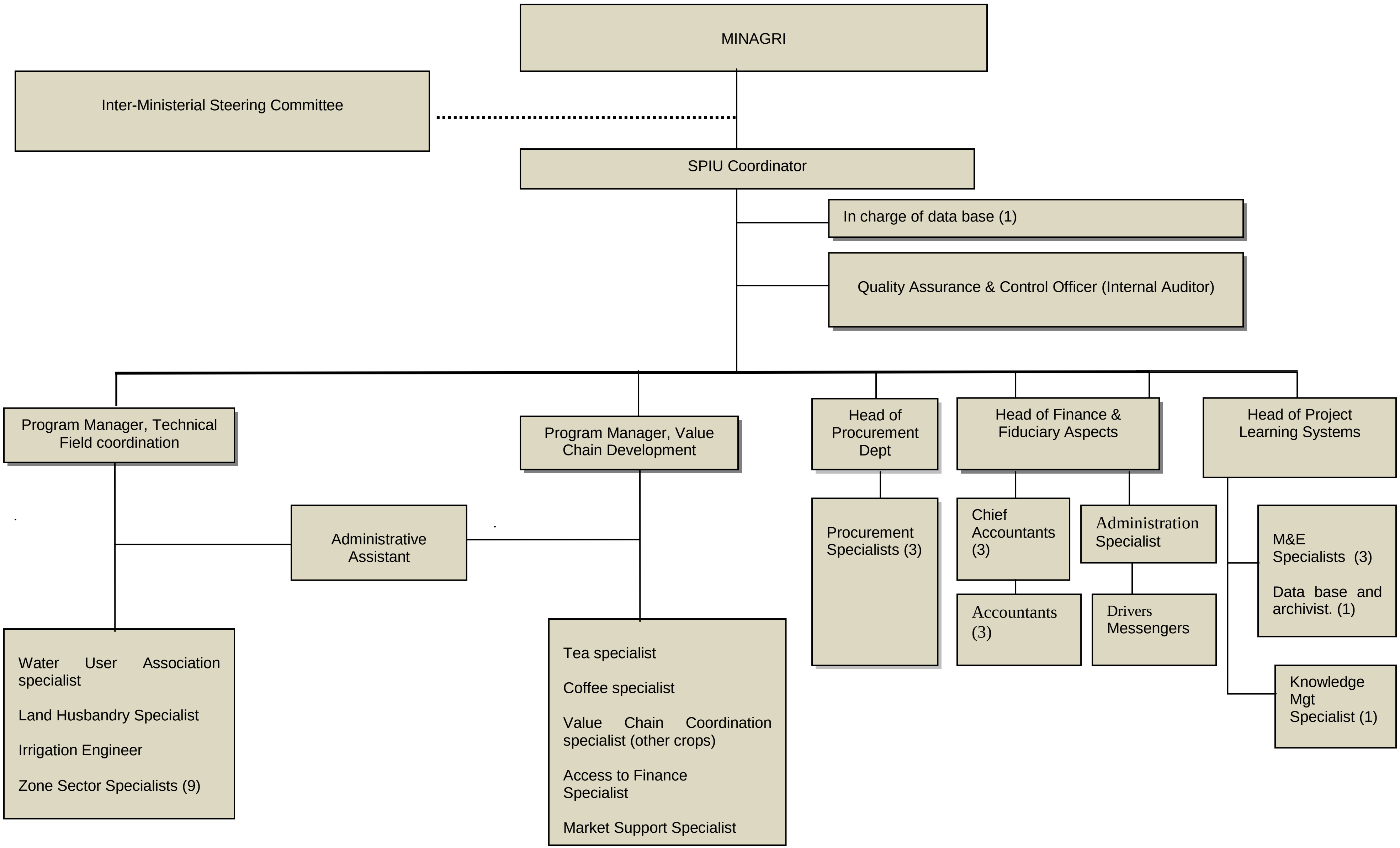
42. The conditions to be met by MINAGRI for IFAD to make the first disbursement of project funds are presented in the Main Report (paragraph 104).

V. RISK IDENTIFICATION AND MITIGATION

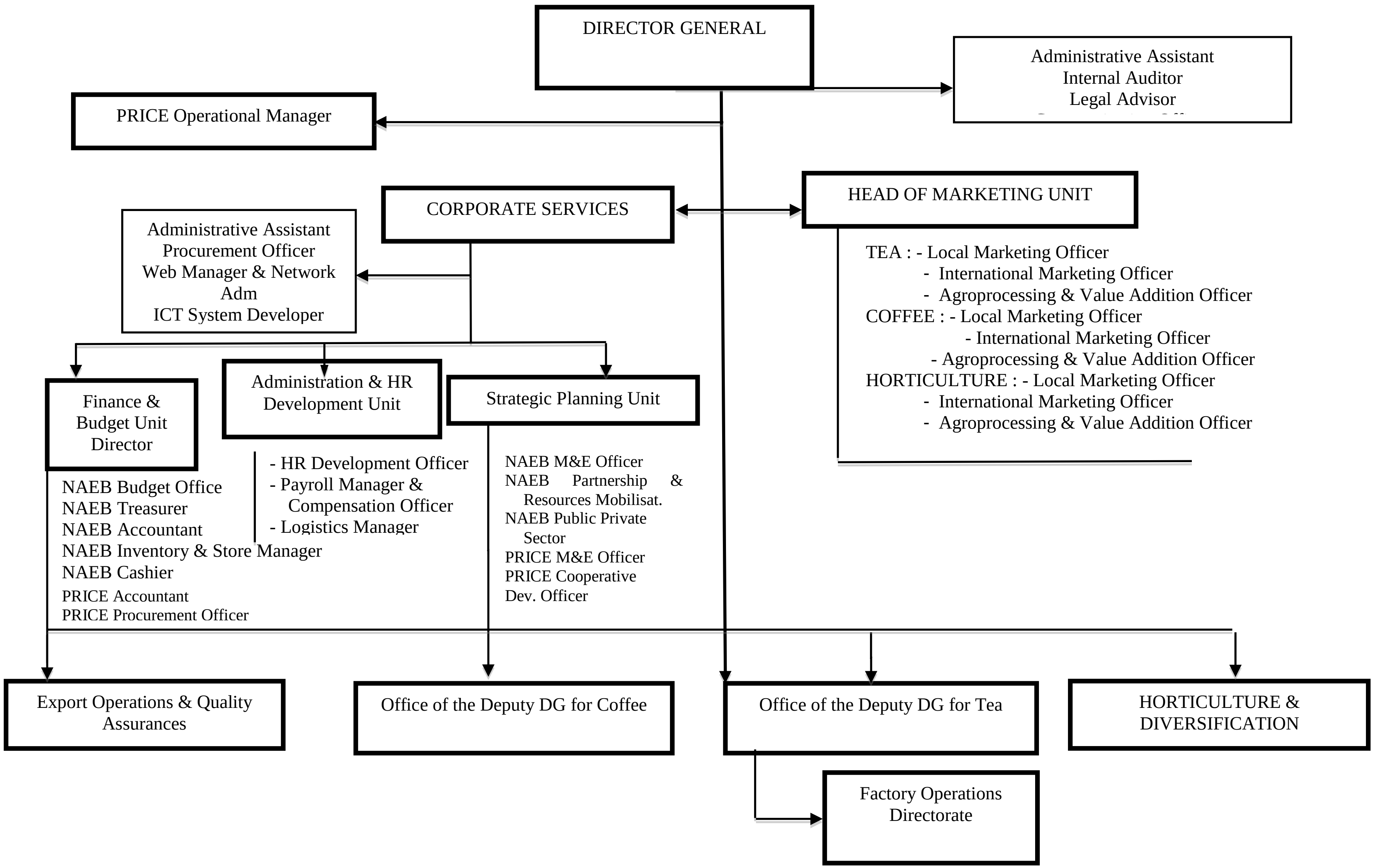
43. The table below identifies main risks and mitigation measures for the project management component.

Main risk	Mitigation Measures
Delay in timely recruiting qualified PRICE staff to be assigned to NAEB and SPIU, MINAGRI	• Recruitment by MINAGRI of an international project expeditor, with expertise in procurement, financial and contract management, during the preparatory phase of PRICE. • Recruitment of a specialised service provider to carry out recruitment of PRICE staff under the supervision of the Committee for Implementation Readiness.
Delay in timely recruiting NAEB key staff and in setting up NAEB management procedures	• See disbursement conditions • Same international project expeditor to support MINAGRI with key activities in recruiting personnel and establishing management procedures
Delays in timely equipping (with vehicles and office equipment) of PRICE staff	• Procurement procedures prepared during the closing period of PDCRE with international TA in procurement and use of national public procedures.

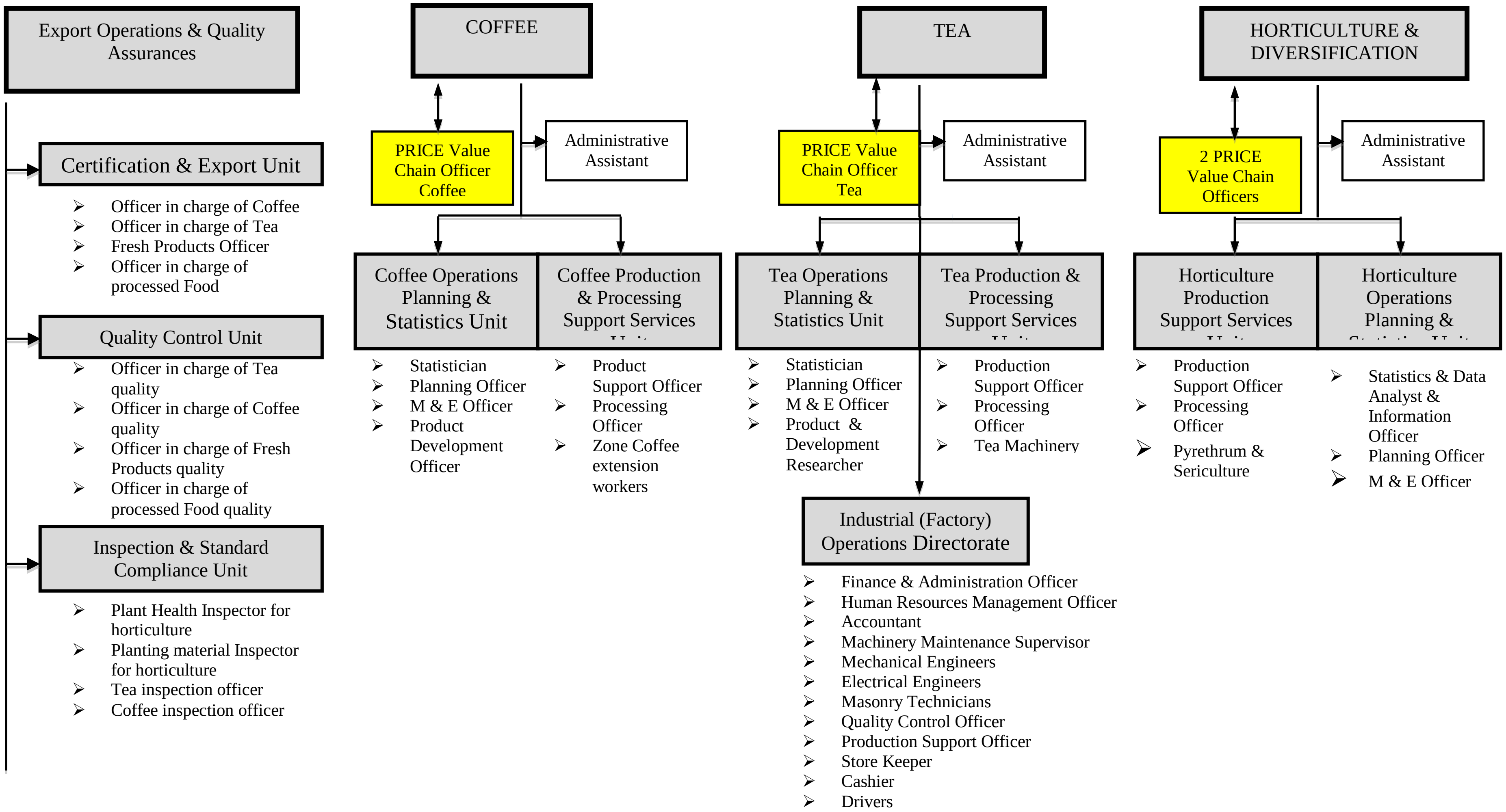
Attachment 1: SPIU: Land Husbandry, Watershed Management & Value Chain Development



Attachment 2: Organizational Chart of PRICE in NAEB - March 2011



Attachment 3: Organizational Chart of the NAEB Offices of the Deputy MDs



Attachment 4: Draft Job descriptions for PRICE Staff

1. SPIU COORDINATOR (first draft of TORs prepared by MINAGRI, to be adapted as per final structure of the SPIU)

Duration: The duration of the contract is initially **for 3 years (36 months)** renewable following a positive annual performance evaluation.

Qualifications: This is a high-level professional position with a highly demanding mission to attain the desired outputs of specific Program 3 of PSTA II. Seasoned professionals with strong organizational and managerial experience are required. A solid understanding of the Program area and of the Agriculture development sector, preferably in the East African or Great Lakes Region, is highly commendable. Other requirements are as follows:

- Be a citizen of one of the East African Community countries.
- Hold a university degree in one or more of the following: Project Management, Business Management/ Administration, Organisational Development and any other relevant qualifications appropriate to the priority Program 3 (agro-business, commodity chain development, agriculture economics, agriculture mechanisation and entrepreneurship, etc.) will be an added advantage.
- Five (5) years work experience at least in the management of projects in reputable institutions preferably with international multi- and/or bilateral development cooperation organisations; familiarity with policies and procedures of donors would be an added asset.
- Experience in the implementation and oversight of projects and programs and in the M&E and reporting of such activities.
- Have a high degree of competency in English is essential, while working knowledge of French and/or Kinyarwanda would be an added advantage.
- Computer literacy is essential with a good working knowledge of Microsoft Word, Excel and PowerPoint, email and internet; knowledge of other specialised software (MS Access, MS Project, etc.) would be an advantage.
- Proven experience, ability of working in multi-disciplinary teams, and capacity of supporting professional human resource development of other team members and stakeholders in the agriculture sector.
- Should also have excellent PR, skilled in team building, communication, interpersonal relationships, influencing and negotiation skills.

General duties: Operating within the SPIU "Land Husbandry Watershed Management & Value Chain Department" of MINAGRI and reporting to the Permanent Secretary, he or she will be responsible for all matters pertaining to the effective implementation, management and coordination of activities and players in the program for effective delivery on the program objectives. He/ she will also be responsible for the performance of Program staff in their respective projects/units who include among others the PMS, FMS, M&ES and various Contract Managers that may fall under his/her program. Specific focus will be on the following main activities:

- Creation of conducive business environment and promotion of entrepreneurship;
- Promotion of commodity chain development;
- Promoting improved processing and competitiveness of Agriculture produce;
- Development of Rural infrastructure as support to producers.

Specific Duties will include the following:

- Responsibility for coordinating and managing all players of the three IFAD funded projects, more particularly the oversight of implementation of the Program and activities therein as undertaken by the various projects, government entities, and other implementation stakeholders (donor partners, civil society, and private sector) operating under the program;

- To ensure implementation of recommendations and conclusions of the functional analysis of MINAGRI, especially as regards institutional and capacity building for farmers and Apex organisations towards effective implementation on PSTA II targets;
- Ensure that developed action plans and budgets for the various contract managers under Program 3 are well aligned to the PSTA II principles and that activity implementation aligns with the EDPRS sector objectives and targets;
- Progressively mainstream the implementation of the program for which the Program Manager is responsible, as regards the SWAp and the provisions for its implementation in the SWAp MoU signed by GoR and DPs. Namely, ensure the efficient implementation of current MINAGRI-executed activities in order to facilitate a smooth integration of formerly-PIU run activities as the Ministry moves towards a full SWAp;
- Undertake the required reporting and review activities as part of the overall management system for the Planning and Program Coordination Secretariat and refine reporting mechanisms for the implementation progress on the program in full alignment with the Ministry's sector-wide M&E framework in collaboration with MINAGRI M&E Specialist;
- Liaise closely with relevant structures under the MININFRA towards improved infrastructure in relation to farmer's accessibility to good roads, electricity and water;
- Liaise with relevant MINAGRI Boards and other Government organs for improved commodity chain development;
- Responsible for the supervision of all staff and contract managers (including short-term and long-term experts) operating under the program for effective delivery;
- Report regularly to the Agriculture Sector Working Group (ASWG) and the Rural Cluster concerning implementation progress of the Program.

Duration: 2 years renewable based upon positive performance assessment on a full-time basis with a probation period of 6 months.

Qualifications: A higher degree in economics, management or business administration, or a specialised degree in accounting and finances from a recognized high school; practical experience of at least 5 years in project financial management and accounting procedures in or with internationally financed projects; a good knowledge of computer applications in the above related matters. Fluent in English or French (reading, writing and speaking) with a very good knowledge of the second language (French or English). Fluent in Kinyarwanda.

Location: Kigali with occasional visits in the country and the region.

Main duties: Under the general supervision and authority of the SPIU Coordinator, the SPIU DAF will manage the departments of finance, accounting and audit of PRICE with the assistance of one Accountant and in close collaboration with the M&E Officer. The specific duties are:

- Finances:
  - Timely production of all financial statements as per recommended formats required by the financing agreements and by the national legislation applicable in MINAGRI;
  - Management of project bank accounts with authority of joint signature with the SPIU Coordinator;
  - Payment of suppliers' invoices upon approval by SPIU MINAGRI;
  - Approval of payments by cheques, petty cash or any other legal method;
  - Daily, weekly and monthly follow-up of the project bank accounts in view of timely and sufficient replenishments of funds to avoid any disruption of the activities of the project;
  - Preparation of withdrawals applications of project funds from the loan/grant accounts of project financiers as per directives and methods duly approved and directed by them.

- Accounting:
  - Management of the department of accounting to ensure timely monthly, quarterly and annual production of financial statements with the assistance of the general software run by MINAGRI or by a specific software like TOMPRO;

- Presentation of accounts in accordance with national and international standards generally accepted and detailing accounts per nature, origin, destination, budget, location of the resources and expenditures;
- Strict, regular follow-up of the justification of expenditure to be provided by Project Partners, including within NAEB and MINAGRI, and from external service providers;
- Establishment a cost effective system of protection of the Project assets and a efficient system of distribution of fuel and office consumables;
- Establishment of the M&E system and the connection between this system and the accounting system;
- Supervising the PRICE Accounts.

➢ Auditing:
- Prepare and facilitate audit missions as required by the financial agreements and the national legislation and ensure the follow-up of the recommendations of these missions;
- Collaborate with the SPIU Internal Auditor with a view to improving the accountability, transparency and efficiency of the project operations.

➢ Any other assignment or relevant duties in the field of his/her competences as may be reasonably assigned by the SPIU Coordinator.

Outputs (expected results):

1. Project funds always available and disbursed for eligible expenditures and managed as per financier rules and national legislation.
2. Financial Statements and audit reports issued timely and reflecting the actual situation of resources and uses of project funds with indicators of project performance.
3. PRICE Staff and contracts duly paid.
4. Excellent relations with all project partners at international, national, provincial and district levels; effective and efficient assistance to the various project partners, especially the technical heads of units for all projects and all components;
5. Cost effective systems of protection of the assets, including production of statistical accounting information for the M&E system.

Minimum Deliverables during the Probation Period:
Please indicate here the minimum of successful activities to be completed by the incumbent during the probation period, and evaluated by MINAGRI before its termination. In case of unsuccessful or partial realisation, the contract will be terminated at the end of the probation period.

2. PRICE OPERATIONAL MANAGER (in NAEB)

Duration: Two years renewable based upon positive performance assessment with a probation period of 6 months.

Qualifications: A university degree, preferably in economics, agricultural economics, management or business administration. Practical experience of at least 10 years in project management and planning, in or with internationally financed multi rural sectorial projects. Proven skills in commercial negotiations, communications and management of human resources. Fluent in English or French (reading, writing and speaking) with a very good knowledge of the second language (French or English). Fluent in Kinyarwanda. Sound computer skills in major software (MS Office, email and internet). Working under pressure and meet deadlines in an interdisciplinary team.

Location: Kigali with frequent travels inside the project area (all regions)

Main duties: Under the direct authority of the DG of NAEB and the National Steering Committee of the Project, the PRICE OPERATIONAL MANAGER is in charge of the overall management of

PRICE 's activities within NAEB. As the direct assistant of the DG of NAEB, Manager of PRICE, s/he will respect all financing agreements signed between the Government of Rwanda, SPIU MINAGRI and the External International Donors and any subsequent official documented agreements related to the management of the Project (Aide Mémoires of missions, back-to-office reports, evaluation reports, mid-term reviews, etc..). S/he will report to the authorities mentioned in the above agreements and will issue the financial statements and physical progress reports timely and in the recommended formats.

Specific Duties:

- Project development, including:
  - providing orientations for the development of the Project strategy and methodology;
  - guiding the development of the most appropriate implementation tools and management methods to ensure Project performance, in accordance with national policies and with the financing agreements;
  - ensuring coordination and team working of PRICE staff, local actors and programme partners within NAEB and outside;
  - ensuring appropriate synergies between Project components to maximise their impact.
- Project implementation, including:
  - supervising the implementation of Project activities in accordance with the financing agreements, with the decisions of the National Steering Committee and with the agreements with IFAD;
  - supervising the preparation, negotiation and oversight of memoranda of understanding, agreements and other contracts with project partners and services providers;
  - ensuring and overseeing the implementation of the gender action plan;
  - preparing annual workplans and budgets, and progress and thematic reports;
  - executing the approved budget, and ensure payments;
  - identifying areas which require support from external consultants, and recruiting them;
  - guiding the efforts of consultants, experts and contractors towards the realization of planned Project outputs and evaluating their performance;
  - providing overall leadership the four Value Chain Officers and the Sericulture Advisor to ensure that objectives and outputs for each of the four components are met and that inputs are timely available;
- Project monitoring, including:
  - overseeing the setting up process and effective operation of the M&E system;
  - ensuring the solid internal use of the M&E system;
  - ensuring the timely preparation of progress and financial reports
- Project external relations, including the coordination of activities with other projects pursuing similar objectives, within and outside Rwanda;
- Project administrative management, including:
  - reviewing and approving pre-selection of project partners, bidding documents, job descriptions and terms of reference for PRICE staff and external services providers;
  - supervising and managing PRICE staff (up to their full integration in the NAEB units);
  - maintaining internal transparency for the most important technical and project management decisions through regular meetings with PRICE staff;
  - ensuring proper use and conservation of Project assets, in line with the national legislation and financial agreements;

Outputs (expected results):

1. Project general objective, specific objectives and project activities timely and progressively reached within the frame of the financial agreements;

2. Planning and budgeting process implemented timely on a participatory approach ;
3. Project financial and physical progresses available to the MINAGRI Programme 3 and to all project partners on a regular basis as per national rules and regulations and in accordance with the provisions of the financial agreements;
4. Disbursement procedures respected and adequate and appropriate percentage of disbursement of funds per year, per component or sub-component compared to the AWPBs and to the indicative final design report;
5. Project impact information regularly updated and available to all project partners for measuring the results of the project for all components;
6. Good communications with all project partners, including the project staff;
7. Faculty of development and argumentation of new strategies to reach the global objective of the project and the mission or vision statement of NAEB;
8. Excellent relations with the parent ministry, donors and other ministries sector.

Minimum Deliveries during the Probation Period:
Please indicate here the minimum of successful activities to be completed by the incumbent during the probation period, and evaluated by MINAGRI before its termination. In case of unsuccessful or partial realisation, the contract will be terminated at the end of the probation period.

3. VALUE CHAIN OFFICERS (four in NAEB)

Number: 4 positions (1 for coffee, 1 for tea, 2 for horticulture)

Duration: 2 years renewable upon positive performance assessment with a probation period of 6 months.

Location: In the NAEB offices of the Deputy DG for Coffee, Tea and Horticulture & Diversification, respectively.

Minimum Qualifications:
- Master's degree in the relevant field (agronomy, agriculture, international rural development), preferably MBA Marketing.
- 3 years of experience in similar nature jobs specifically in coffee/tea/horticulture sector; experience in project management, implementation, M&E, research, value chain development, and business oriented approach for economic development
- Proven experience working with the private sector to build and sustain mutually beneficial market linkages, preferably experience working for the private sector
- Excellent writing skills
- Strong coordination, networking and relationship building skills
- Excellent communication, presentation and negotiation skills
- Organized, punctual and detail oriented
- Fluent in English or French (reading, writing and speaking) with very good knowledge of the second language (French or English). Fluent in Kinyarwanda.
- Ability to work in team setting, taking initiatives and performing multiple tasks
- Proficient in use of MS Office (Word, Excel and PowerPoint).
- Able to travel to project sites

Main duties: The Value Chain Officer reports initially to the PRICE Operational Manager. S/he works directly with the respective DDG for the related component (Coffee, Tea or Horticulture &

Diversification), providing technical and institutional support to the implementation of the respective components. Specifically, s/he will:

- Guide the participatory preparation of the component Annual Workplan and Budget (AWPB);
- provide technical support to project partners in value chain development, market analysis and capacity building to establish strong organisational structures and effective marketing systems;
- provide support to cooperatives and groups with regard to market orientation;
- Support to the establishment and functioning of public private partnerships (PPPs);
- Support availability of quality and affordable seeds (planting materials) to farmers;
- Facilitate development of innovations to transform smallholder production and marketing into sustainable and resilient profitable enterprises;
- Facilitate empowerment of key actors in the value chain to operate efficiently and profitably;
- Facilitate systems for the generation and dissemination of market information;
- Facilitate the establishment and strengthening of producer and trader associations to increase their bargaining power in the input-output market continuum;
- Facilitate the establishment and functioning of Value Chain Coordination Platforms;
- Facilitate the provision of financial, input supply and other business services to value chain actors;
- Participate in developing and operating the Project M&E activities and the project learning system (PLS);

Minimum Deliverables during the Probation Period:
Please indicate here the minimum of successful activities to be completed by the incumbent during the probation period, and evaluated by MINAGRI before its termination. In case of unsuccessful or partial realisation, the contract will be terminated at the end of the probation period.

4. COOPERATIVE DEVELOPMENT OFFICER (one in NAEB)

Duration: The duration of the contract is **for 2 years,** renewable following a positive annual performance evaluation, with a probation period of 6 months.

Qualifications: At least Bachelor’s degree in Rural Development, Economics, Social sciences, Business Administration (preference will be given to candidates with a Master’s degree). At least three years of working experience with rural economic institutions. In-depth knowledge of cooperative principles, norms and values and laws. Prepared to work in an interdisciplinary team, under pressure and meet deadlines. Fluent in English or French (reading, writing and speaking) with a very good knowledge of the second language (French or English). Fluent in Kinyarwanda. Sound computer skills in MS office, email and internet.

Location: In Kigali with frequent travels inside the project area

Main duties: The Cooperative Development Officer reports initially to the PRICE Operational Manager, NAEB. S/he works directly with the Public Private Sector Partnership Coordinator in NAEB’s Strategic Planning Unit, providing institutional capacity building support to the implementation of the participating cooperatives and their apex institutions. Specifically, s/he will:

- Support the participating cooperatives in developing and implementing efficient and effective internal structures, membership policies, management procedures, governance and oversight processes;
- Support the participating cooperatives in establishing appropriate technical and organisational capacities;
- Support the participating cooperatives in establishing business-oriented operations that offer attractive producer prices and services to members, and regular and accurate reporting to their members and NAEB;

- Ensure that the service providers working with the participating cooperatives provide appropriate and high-quality services, as required by the cooperatives;
- Support the establishment and use of functioning internal monitoring systems for the participating cooperatives;
- Ensure a functioning linkage between the cooperative and the service provider reporting and the project learning system (PLS);
- Ensure that informative feedback to the participating cooperatives is provided from the PLS;
- Support the participating cooperatives in establishing functioning relationships with private partners, including Public Private Partnerships (especially in the tea sector);
- Support the participating cooperatives in shaping the federations and unions to represent their interests (clearly identified by the cooperatives) at higher levels, to provide useful services to cooperatives, and to report regularly on activities and progress;
- Ensure that the participating cooperatives are regularly audited, and that the results of the audits are acted upon;
- Assist cooperatives in linking with financial institutions like commercial banks, development banks, and finance companies.

Minimum Deliverables during the Probation Period:
Please indicate here the minimum of successful activities to be completed by the incumbent during the probation period, and evaluated by MINAGRI before its termination. In case of unsuccessful or partial realisation, the contract will be terminated at the end of the probation period.

5. PRICE CHIEF ACCOUNTANT (one in SPIU)

Duration: 2 years renewable based upon positive performance assessment on a full-time basis with a probation period of 6 months.

Qualifications: A higher degree in economics, management or business administration, or a specialised degree in accounting and finances from a recognized high school; practical experience of at least 5 years in project financial management and accounting procedures in or with internationally financed projects (with IFAD will be an added advantage); a good knowledge of computer applications in the above related matters. Fluent in English or French (reading, writing and speaking) with a very good knowledge of the second language (French or English). Fluent in Kinyarwanda.

Location: Kigali with occasional visits in the country and the region.

Main duties: Under the direct supervision and authority of the DAF of the SPIU, the Chief Accountant will manage the departments of finance, accounting and audit of PRICE with the assistance of one Accountant and in close collaboration with the M&E Officer. The specific duties are:

➢ Finances:
- Timely production of all financial statements as per recommended formats required by the financing agreements and by the national legislation;
- Management of project bank accounts;
- Payment of suppliers' invoices upon approval by the technical officers and management;
- Approval of payments by cheques, petty cash or any other legal method;
- Daily, weekly and monthly follow-up of the project bank accounts in view of timely and sufficient replenishments of funds to avoid any disruption of the activities of the project;
- Preparation of withdrawals applications of project funds from the loan/grant accounts of project financiers as per directives and methods duly approved and directed by them.

➢ Accounting:

- Management of the department of accounting to ensure timely monthly, quarterly and annual production of financial statements with the assistance of the general software run by the SPIU or by a specific software like TOMPRO;
- Presentation of accounts in accordance with national and international standards generally accepted and detailing accounts per nature, origin, destination, budget, location of the resources and expenditures;
- Strict, regular follow-up of the justification of expenditure to be provided by Project Partners, including NAEB and from external service providers;
- Close collaboration with the other chief accountants of IFAD-supported projects for the establishment a cost effective system of protection of the Project assets and an efficient system of distribution of fuel and office consumables;
- Close collaboration with the PRICE M&E Officer for the establishment of the M&E system and the connection between this system and the accounting system;
- Supervising the PRICE Account.

➢ Auditing:
- Prepare and facilitate idependent audit missions as required by the financing agreements and the national legislation and ensure the follow-up to the recommendations of these missions;
- Collaborate with the SPIU Internal Auditor with a view to improving the accountability, transparency and efficiency of the project operations.

➢ Any other assignment or relevant duties in the field of his/her competences as may be reasonably assigned by the DAF of the SPIU.

Outputs (expected results):

1. Project funds always available and disbursed for eligible expenditures and managed as per financier rules and national legislation.
2. Financial Statements and audit reports issued timely and reflecting the actual situation of resources and uses of project funds with indicators of project performance
3. Excellent relations with all project partners at international, national, provincial and district levels; effective and efficient assistance to the various project partners, especially the DMD for all project components;
4. Cost effective systems of protection of the assets, including production of statistical accounting information for the M&E system.

Minimum Deliverables during the Probation Period:
Please indicate here the minimum of successful activities to be completed by the incumbent during the probation period, and evaluated by MINAGRI before its termination. In case of unsuccessful or partial realisation, the contract will be terminated at the end of the probation period.

6. PRICE ACCOUNTANTS (one in SPIU and one in NAEB)

Duration: 2 years renewable based upon positive performance assessment on a full time basis with a probation **period** of 6 months.

Location: Kigali with **occasional** visits in the country

Qualifications: At least a specialised degree in accounting and finances from a recognized high school; practical experience of at least 5 years in a project financial management unit and acquainted with accounting procedures in the public administration sector in or with internationally financed projects; a previous experience with IFAD procedures and financial regulations would be an added advantage; a good knowledge of computer applications in accounting such as TOMPRO, PASTEL, SUN would be essential. Fluent in English or French (reading, writing and speaking) with a very good knowledge of the second language (French or English). Fluent in Kinyarwanda. Used to work under pressure and meet crucial deadlines.

Main Duties: Under the direct supervision of the Chief Accountant, the Accountant will have the following specific tasks:

1. Verification of supplier's invoices for payment;
2. Timely posting of all project accounting vouchers on the accounting software;
3. Exercise proper custody of all posted vouchers and other accounting documents;
4. Verification and checking of bank statements and accounting software printouts;
5. Supervise and direct the accounting and logistical functions, to ensure efficiency;
6. preparation and submission of periodical financial reports on deadlines (SPIU/ NAEB and IFAD formats);
7. preparation of Withdrawal Applications;
8. Regular spot check of petty cash fund and other reconciliation reports;
9. Timely replenishment of operational account with project bank account;
10. Authorisation of payment vouchers;
11. deputise for the Chief Accountant in his absence;
12. Facilitate financial audits and implementation support missions;
13. Regular follow up of smooth functioning of the accounting software, and make contact with ITC staff and software suppliers;
14. Submission of account printouts by components to the heads of components for analysis and comments;
15. Give advice to management on accounting and administration matters;
16. Liaise with bankers for bank matters;
17. Any other relevant duties as may reasonably be assigned by the Chief Accountant.

Minimum Deliverables during the Probation Period:
Please indicate here the minimum of successful activities to be completed by the incumbent during the probation period, and evaluated by MINAGRI before its termination. In case of unsuccessful or partial realisation, the contract will be terminated at the end of the probation period.

7. PLANNING AND M&E OFFICERS (one in SPIU and one in NAEB)

Duration: **2** years renewable based upon positive performance assessment and with a probation period of 6 months

Qualifications: Advanced degree in Project Management, Rural Development, Development or Agricultural Economics, or Business Administration. Proven knowledge and practical experience of at least 5 years in project M&E. Computer literacy (Microsoft office and statistical software). Communication and result oriented management skills. Fluent in English or French (reading, writing and speaking) with a very good knowledge of the second language (French or English). Fluent in Kinyarwanda. Prepared to work in an interdisciplinary team, under pressure and meet crucial deadlines.

Location: In Kigali with frequent travels inside the project area

Main duties: Located in the Directorate for Corporate Services in the Strategic Planning Unit of NAEB/ the SPIU, the Planning and M&E Officer reports to the PRICE Operational Manager/ Head of Project Learning System. Being responsible for development and updating of the M&E system, s/he assists in project planning and data management. S/he will provide a mechanism for systematic flow of information on the project's performance, and assist in institution building for M&E of NAEB/SPIU. The tasks to be performed by the Planning and M&E Officer are:

(i) Developing and establishing a pragmatic and participatory project learning system (PLS) within NAEB/SPIU to capture input-output data as well as impact on project objectives, possibly assisted by consultants.

(ii) identify appropriate monitoring indicators for each component (gender disaggregated as relevant) and ensure that they are used in measuring the Project progress;

(iii) systematic collection of monitoring data provided by component heads (who will obtain most of it from reports by participating cooperatives), collation of the information and compilation of quarterly comprehensive M&E and progress reports;

(iv) providing feedback to component heads for onward transmission to the cooperatives;

(v) Analysing data (linking inputs to outputs, and outputs to impact) and preparing analytical reports for project management on implementation progress, performance and impact;

(vi) Establishing and managing the framework for any baseline survey;

(vii) Measuring achievements against targets and measuring the impact of project activities on beneficiaries through agreed indicators and using both data that flows regularly from the M&E system and additional data collected through special surveys, participatory workshops with the beneficiary groups and participatory impact assessment studies that s/he will organise;

(viii) coordinating activity planning through AWPBs within NAEB/SPIU in collaboration with other PRICE staff, and also monitoring performance of all Project parties;

(ix) Ensuring that all participating institutions and project officers maintain updated records on their activities and feed this information into the overall PLS with the close collaboration of the MIS officer;

(x) carrying out regular internal evaluations, so as to give early warning on project performance;

(xi) Developing a simple reporting system in monitoring all project's activities.

Outputs (expected results):

1. Simple, efficient and cost effective PLS;
2. Planning and budgeting process implemented timely on a participatory approach and final consolidate project AWPB submitted timely to MINAGRI and IFAD;
3. Quarterly project progress reports available to all project partners;
4. Project impact information regularly updated and available to all project partners;
5. Good communications with all project partners, especially at local structure levels;

Minimum Deliverables during the Probation Period:

Please indicate here the minimum of successful activities to be completed by the incumbent during the probation period, and evaluated by MINAGRI before its termination. In case of unsuccessful or partial realisation, the contract will be terminated at the end of the probation period.

8. KNOWLEDGE MANAGEMENT OFFICER (one in SPIU)

Duration: 2 years renewable upon positive performance assessment and with a probation period of 6 months.

Qualifications: Bachelor degree in Information/ Knowledge Management, Information Science or relevant field; At least 5 years of relevant experience in information management. Demonstrated experience in developing and managing information systems and in training users in their use; Sound understanding and awareness of issues relating to the access and use of information and knowledge in Africa and a good understanding of the development environment; Strong analytical and problem solving skills (creative, innovative, persistent and resourceful) to develop and build functioning information system and monitoring tools; Excellent oral and written communication skills; Demonstrated knowledge and experience of team building concepts; a team player with excellent interpersonal skills and ability to work within a multicultural and multidisciplinary environment. Knowledge of databases is an asset, but not a requirement.

Location: In Kigali with frequent travels inside the project area

Main duties: Located in the Department of " Project Learning System" of the SPIU, the Knowledge Management Officer reports to the Head of this department. S/he by capturing and sharing information on PRICE and NAEB activities. In particular, s/he will:

- Develop and implement processes to ensure that lessons learned and good practice are captured systematically, shared, and used to improve project implementation;
- Ensure documentation and wide sharing of project results;
- Support advocacy efforts through providing evidence of impact gathered through the project learning system (PLS), closely linked to knowledge management activities;
- Set up knowledge sharing/peer learning groups;
- Set up and facilitate regular feedback to participating cooperatives (separate per value chain) and institutions on project and partner institution performance;
- Establish capacity building needs of key staff, including private and public service providers;
- Develop or adapt relevant tools and processes for PRICE staff to collect, process, analyse, store and share information and knowledge, and ensure relevant staff have the capacity to use them;
- Set up a “Good Practice and Innovation Tracking System”;
- Use information technology for effective knowledge management;
- Develop relevant guidelines for building an institutional culture of learning and sharing;
- Ensure that innovative experiences, learning and good practices are captured, synthesized, documented and shared continuously within the project, within MINAGRI, NAEB and RAB, with the IFAD Country Programme Management Team (CPMT) and other partners;
- Ensure that lessons and good practice emerging from the project support decision making and policy dialogue;
- develop a format for annual reporting of innovations and best practices for each of the main project stakeholders;
- Assist the Planning and M&E Officer in the preparation of the experience-based Annual Workplan and Budget (AWPB);
- Provide communication support to project participants, including building understanding of the project objectives and potential benefits;
- Foster broad knowledge-sharing and learning within sub-sector groups;

Minimum Deliverables during the Probation Period:

Please indicate here the minimum of successful activities to be completed by the incumbent during the probation period, and evaluated by MINAGRI before its termination. In case of unsuccessful or partial realisation, the contract will be terminated at the end of the probation period.

9. COOPERATIVE DEVELOPMENT OFFICER

Duration: The duration of the contract is **for 2 years,** renewable following a positive annual performance evaluation, with a probation period of 6 months.

Qualifications: At least Bachelor's degree in Rural Development, Economics, Social sciences, Business Administration (preference will be given to candidates with a Master's degree). At least three years of working experience with rural economic institutions. In-depth knowledge of cooperative principles, norms and values and laws. Prepared to work in an interdisciplinary team, under pressure and meet deadlines. Fluent in English or French (reading, writing and speaking) with a very good knowledge of the second language (French or English). Fluent in Kinyarwanda. Sound computer skills in MS office, email and internet.

Location: In Kigali with frequent travels inside the project area

Main duties: The Cooperative Development Officer reports initially to the PRICE Operational Manager, NAEB. S/he works directly with the Public Private Sector Partnership Coordinator in NAEB's Strategic Planning Unit, providing institutional capacity building support to the implementation of the participating cooperatives and their apex institutions. Specifically, s/he will:

- Support the participating cooperatives in developing and implementing efficient and effective internal structures, membership policies, management procedures, governance and oversight processes;
- Support the participating cooperatives in establishing appropriate technical and organisational capacities;
- Support the participating cooperatives in establishing business-oriented operations that offer attractive producer prices and services to members, and regular and accurate reporting to their members and NAEB;
- Ensure that the service providers working with the participating cooperatives provide appropriate and high-quality services, as required by the cooperatives;
- Ensure a functioning linkage between the cooperative and the service provider reporting and the project learning system (PLS);
- Ensure that informative feedback to the participating cooperatives is provided from the PLS;
- Support the participating cooperatives in establishing functioning relationships with private partners in the Public Private Partnerships (especially in the tea sector);
- Support the participating cooperatives in shaping the federations and unions to represent their interests (clearly identified by the cooperatives) at higher levels, to provide useful services to cooperatives, and to report regularly on activities and progress;
- Ensure that the participating cooperatives are regularly audited, and that the results of the audits are acted upon;
- Assist cooperatives in linking with financial institutions like commercial banks, development banks, and finance companies.

Minimum Deliverables during the Probation Period:
Please indicate here the minimum of successful activities to be completed by the incumbent during the probation period, and evaluated by MINAGRI before its termination. In case of unsuccessful or partial realisation, the contract will be terminated at the end of the probation period.

10. ACCESS TO FINANCE OFFICER

Duration: 2 years renewable upon positive performance assessment with a probation period of 6 months.

Minimum Qualifications:

- Master's degree in finance, management, economy or related field.
- 10 years of experience in banking/microfinance sector or in financial services project; experience in project management, M&E, research, value chain development, and business oriented approach for rural economic development;
- Proven experience working with the private finance sector.
- Excellent writing skills.
- Strong coordination, networking and relationship building skills.
- Excellent communication, presentation and negotiation skills.
- Organised, punctual and detail oriented.
- Fluent in English or French (reading, writing and speaking) with very good knowledge of
- the second language (French or English). Fluent in Kinyarwanda.
- Ability to work in team setting, taking initiatives and performing multiple tasks.
- Proficient in use of MS Office (Word, Excel and PowerPoint).
- Able to travel to project sites.

Location: In Kigali with frequent travels inside the project area.

Main duties: Under the direct supervision and authority of the Programme Manager of the Value Chain Development Department in the MINAGRI SPIU, s/he will:

- guide the participatory preparation of the component Annual Workplan and Budget (AWPB);
- negotiate agreements with BRD Development Fund (BDF) for the performance-based grant facility and the guarantee facility and monitor their implementation;
- supervise and monitor service providers hired to implement the component. This will include organising the annual panel of clients to assess quality and pertinence of services provided;
- facilitate and monitor equity financing for tea companies;
- manage and monitor the conditional post-investment support for PDCRE-supported coffee washing stations;
- provide technical support to project partners in value chain development to ensure access to financial services;
- participate in sub-sector groups and in initiatives to promote financial deepening in rural Rwanda;
- participate in developing and operating the Project M&E activities and the project learning system (PLS).

Minimum Deliverables during the Probation Period:
Please indicate here the minimum of successful activities to be completed by the incumbent during the probation period, and evaluated by MINAGRI before its termination. In case of unsuccessful or partial realisation, the contract will be terminated at the end of the probation period.

Attachment 5: Draft Terms of Reference of Project Management Consultants

DRAFT TERMS OF REFERENCE

PROJECT FINANCE AND CONTRACT MANAGEMENT EXPERT FOR PRICE IN SPIU

International Technical Assistance

Number: One

Method of selection: Single-Source Selection by NAEB as tasks to be performed are a natural continuation of services rendered by the international project expeditor of PRICE, contracted by PDCRE.

Qualifications & Experience: Preferably a higher degree in economics, agricultural economics, management or business administration; practical experience of at least 10 years in project financial management, planning, accounting procedures, procurement and monitoring and evaluation procedures in internationally financed projects; a good knowledge of computer applications (especially accounting software such as Tompro, Pastel, Sun) in the above related matters. Excellent senses of relationship and negotiations skills. Fluent in English or French (reading, writing and speaking) with a very good knowledge of the second language (French or English).

Special Qualifications : (1) Knowledge of IFAD finances, procurement and accounting procedures and (2) of Rwandan Public Procurement Legislation with proven experience.

Location : In SPIU of MINAGRI.

Duration: Assignment of 2 months.

Reporting: To the SPIU Coordinator

General Objective: To assist the key staff of the SPIU and of NAEB for the smooth and full integration of the PRICE Project in these two institutions and ensure that the effective contractual arrangements are set up between NAEB and other project partners.

Detailed Tasks:

1. Ensure that procurement process undertaken under the preparatory phase of PRICE is fully completed and satisfactorily implemented (vehicles, offices equipment). If not, take corrective urgent measures.
2. As soon as possible, prepare with SPIU Coordinator and NAEB's DG all contracts and MOUs with essential projects partners such as (list not exhaustive): MINAGRI, RAB, PSCBS, Technical Strategic Partner, Cooperatives, federations, etc…
3. Train the SPIU Staff and other interested staff of MINAGRI and NAEB dealing with contract management on the various methods of selection of the service providers, the technical and financial evaluation of the proposals received, the models of contracts to be used and the monitoring of the execution of these contracts.
4. Reviewing and updating as necessary the detailed annual work plans and budgets by component and their consolidation, the procurement plan for 2012 and assist and possibly train the DAF, the chief accountant and the M&E officers of SPIU in the preparation of these documents.
5. Assist the DAF, the Chief Accountant in the project accounting, disbursement and financial arrangements of Price within the SPIU based on a integrated accounting software or firstly operating separately with the TOMPRO system with and ensure that the Project keeps

accounts in accordance with established international practices and IFAD and Government requirements.

6. Assist the DAF of the SPIU in the production of biannual and annual financial statements as per IFAD requirements.
7. Assist the DAF in the management of the Designated and Project Accounts, and assist in the preparation of withdrawal applications for direct payment and the replenishment of accounts, including based on SOEs (Statements of Expenditures).
8. Provide advices for the final version of a harmonised manual of administrative, financial, accounting and procurement procedures for the IFAD projects in the SPIU of MINAGRI.

ANNEX 3

Planning, Monitoring, Evaluation and Knowledge Management

Table of contents

I. BACKGROUND

1. **MINAGRI.** With the importance of agriculture for the overall growth of the country, the Ministry of Agriculture and Animal Resources (MINAGRI) aimed to set up a Monitoring &Evaluation (M&E) System to support management decision-making by providing means for performance tracking and accountability. Once designed, the system was however never implemented because of its complexity and difficult use modalities. MINAGRI has now initiated a simplified, Excel-based system with key indicators to monitor main achievements in the agricultural sector. The system consists of mostly output indicators that are related to PSTA programmes and to EDPRS. It should allow MINAGRI, related agencies (including NAEB) and projects to capture information and report against main indicators related to the agricultural sector.

2. **CEPEX.** The Ministry of Finance and Economic Planning (MINECOFIN) has designed a Management Information System (MIS) for M&E of Development Projects that should serve as a national M&E system for all development projects in the various sectors. The system objectives are to capture planning and M&E data during project execution and to facilitate the preparation of periodic project reports. The MINECOFIN MIS should

3. **Knowledge management.** Knowledge gathering and sharing is still an underdeveloped function, both in MINAGRI and in IFAD-financed projects. As far as these are concerned IFAD's Eastern and Southern Division has provided assistance to design a country action plan to incorporate knowledge management into IFAD-financed projects, including PDCRE. The plan foresees field consultations to capture the stakeholders' points of view on project implementation; the forming and strengthening of peer learning groups (on project management aspects and technical topics); and developing open and easy access to project documentation. However, implementation has been limited so far, because of a lack of integration in project planning and project management.

II. OBJECTIVES AND APPROACH

4. **Objectives.** A project learning system (PLS) integrating planning, M&E and knowledge management (KM) will be developed in the very early months of project implementation with the objective of:

- providing stakeholders in the value chains, in the various support structures (implementing boards, project staff and service providers), in MINAGRI and among financiers with information and analysis required to steer project implementation, i.e. to assess performance, detect difficulties and successes, identify lessons and support decision-making to improve project performance;
- providing MINAGRI, the value chain agencies and NAEB with information on progress, so as to measure project contribution to the implementation of PSTA II and to support coordination and synergies with other development projects;
- monitoring project effects on the various socio-economic categories, building on the *Ubudehe* participatory approach, to ensure full participation of the most vulnerable categories in the target group and to prevent elite capture;
- providing the participating cooperatives with regular feed-back reports containing analysis and comparative data so as to provide them with a good basis for requesting adequate support services;
- informing the Country Programme on achievement of COSOP targets.

5. More specifically, the PLS would: (i) measure the achievement of the logical framework indicators (including RIMS); (ii) assess the relevance of the project strategy, methodologies and implementation processes; (iii) assess the performance of implementing agents and service providers; (iv) assess project outcomes and impact on the livelihoods of participating farmers, and specifically on vulnerable households, women and young people; (v) identify successes and good practices; and (vi) share knowledge under appropriate formats with project stakeholders to support dialogue and decision making.

6. The system would therefore be *open*, i.e. its use would not be restricted to project or government agencies staff, but also provide information and learning for value chain stakeholders; participatory, i.e. associate project stakeholders, and specifically producers' organisations, in the definition of indicators, data collection, analysis and dissemination of results; *growing,* thus small initially and develop progressively as needs and capacities develop; *focused on analysis and learning* in support of decision making and policy dialogue, and not merely on data production; and *connected* to MINAGRI's and NAEB's information systems. While the M&E and KM officers would be key resources in conceiving and in implementing the system, the process would involve all project staff and main stakeholders, in particular those involved in the steering committees.

III. M&E SYSTEM

7. The M&E system will be set up and managed by MINAGRI SPIU. As a new institution, NAEB will also have to set up an information system to support sector steering, to monitor policies and projects, to support the dialogue between stakeholders in the various value chains, and to contribute to national policies. This system will be developed building on information systems that existed at OCIR Café and OCIR Thé and, to a lesser extent, at RHODA and NSC. PRICE M&E system will be incorporated into NAEB's information system. Main elements of the system to be designed for PRICE M&E should be as follows.

8. **Baseline.** A study measuring household assets and child malnutrition will be carried out by the end of PDCRE in December 2011, to gauge PDCRE impact on two key RIMS indicators, i.e. increased assets for participating households and reduced child malnutrition. This study will also constitute PRICE baseline study for the two RIMS indicators. Respondents will be selected from PRICE areas for existing coffee and tea plantations and from sericulture cooperatives. The study will be carried out by a service provider to be hired by PDCRE's PCU, with the assistance of PRICE Project Expeditor.

9. Baseline figures required to assess the progress of logframe indicators are included in the logframe, and are based on existing government data. Additionally, baseline surveys will be carried out in the areas where PRICE will finance new coffee and tea plantations. The scope of such surveys and their modalities of implementation will be defined by NAEB's coffee and tea departments, with the technical assistance of the international service providers hired to support innovation and value chain development in the respective value chains.

10. **Planning.** The PLS cycle will start with the preparation of the AWPB, first at component level, then for the whole project. Planning will include an annual plan for M&E and KM, which will also identify specific areas in which project stakeholders intend identifying lessons and good practices, building on the Project Stakeholders' Annual Learning Workshop. PRICE's AWPB will be part of the AWPB for MINAGRI's Programme 3.

11. Planning workshops will be organised for each value chain-based component (with the participation of the Financial Services Officer to identify planning requirements for Component 5) to prepare the AWPB. They will gather participating cooperatives, services providers and key stakeholders.

12. The AWPB will cover detailed annual planning of activities, implementation responsibilities, physical results targeted, budget and procurement plan. As of the second year, the AWPB will provide summarised information on physical and financial progress in the previous years. The Project Steering Committee will meet to validate the consolidated AWPB and then IFAD no-objection will be requested. The Project will have the possibility to amend the AWPB in mid-year but all adjustments will need to be approved by the project's steering committee and again the IFAD's no-objection will be required. The AWPB will be aligned on the one for Programme 3 of PSTA II and will be integrated in consolidated MINAGRI's single work plan.

13. **Data collection.** The PLS will be developed in MINAGRI SPIU with the assistance of a specialised consultant (see below). The consultant will support project staff and stakeholders in:

- agreeing on a shared understanding of project objectives, approaches and planned activities;
- agreeing on a vision of the objectives and expected results of the PLS, as well as on a broad framework for M&E and KM and on priority actions to implement it;
- identifying quantitative and qualitative indicators to initiate the system, both at the global level (based on the logical framework) and within each component (based on indicators proposed in relevant working papers of the current report).

14. Indicators will be developed with relevant stakeholders, be coherent with MINAGRI's and MINECOFIN's information systems, easy to collect and gender-disaggregated. A short and clear description of each indicator will assist project staff and partners in using them consistently across the entire project.

15. Data will be collected at three levels:

- *Cooperatives* will be responsible for the collection of data relating to activities carried out at with them. They will also be responsible, in connection with local authorities, to provide data on *Ubudehe* information, to monitor whether/how cooperative members are moving from a category to another. Respective Value Chain Officers and relevant service providers will assist cooperatives in designing an adequate tracking system and reporting formats that allow monitoring cooperative performance and reporting to members. Data/ reports will also be shared with NAEB, and used for project M&E purposes;
- *Service providers* will also report on their performance, in accordance with formats to be designed jointly with cooperatives and the respective Value Chain Officers/the Financial Services Officer;
- *NAEB* will be responsible for collecting general data on extension services, new plantations, exports and other major information regarding the overall environment in which PRICE is taking place. *Ubudehe* data by participating administrative sector would be obtained from MINALOC. Additional data (such as yields) will be collected by NAEB staff and service providers based on occasional surveys as appropriate.

16. **NAEB Database.** NAEB will also be assisted by a service provider in the set-up of a database. This will include project financial and technical data from the PLS, project and other NAEB documentation, lessons learnt, good practices, and other important sector information to analyse performance of the project and other initiatives (such as prices or export statistics). It will process information and present it along appropriate formats such as dashboards, charts and maps. Regular updates will be carried out to incorporate new information requirements that would arise during project implementation. The database will be made accessible to stakeholders by way of a website managed by NAEB. Training will be organised for project and NAEB managers and stakeholders to build capacities required to use the system.

17. **Analysis.** Data from different sources will be consolidated and analysed by the Value Chain/Financial Services Officers, with support from the M&E Officer, so as to provide information on the performance of the various components, detect problems and identify opportunities/constraints to develop solutions, and identify good practices to feed knowledge management. Consolidated data will also be fed into the overall M&E system of MINAGRI. Data and relevant analyses will be formatted along reporting formats adapted to the various levels of dialogue – NAEB management/Project Steering Committee, Component Steering Committees, cooperatives, national IFAD country programme (to report on COSOP implementation). It will help in defining corrective actions to improve sub-sector strategies and project implementation, and in supporting dialogue and decision-making at the various levels.

18. **Dialogue.** Multi-stakeholder dialogue will be developed on an annual/semi-annual basis, in the Component Steering Committees and Project Steering Committee. It will also include feed-back from the analytical work to the project partners, especially the cooperatives, in the form of regular

reports that provide comparative performance data, and *ad hoc* communication on specific topics of relevance to the sub-sector players.

19. Furthermore, a Project Stakeholders' Annual Performance and Learning Assessment will be organised within each component and at project level. It will aim both at disseminating project information to all interested stakeholders, to discuss project performance, propose corrections for improvement, identify good practices as well as policy issues to be flagged for NAEB management/MINAGRI.

20. **Progress reports.** In accordance with the IFAD approach adopted for project reporting in Rwanda, quarterly progress reports would be prepared by the SPIU along the MINECOFIN formats, so as to be fully harmonised with government procedures. These formats cover performance assessment, identification of successes and problems, lessons learnt and recommendations for improvement. Limited IFAD-specific attachments would be added to the half-yearly and annual reports. The SPIU would prepare a project completion report following IFAD guidelines at the end of project implementation.

21. An in-depth joint mid-term review would be organised by government and IFAD in early 2015, in close collaboration with the above-mentioned agencies. It would be carried out by consultants not involved in supervision missions so as to bring a fresh look at three years of project achievements and learning.

IV. KNOWLEDGE MANAGEMENT

22. The integration of knowledge management in all aspects of project management aims at improving management processes and delivery of the project's objectives. Learning from successes and failures and a continuous improvement process within PRICE will strengthen the M&E system. The main purpose of knowledge management processes is to ensure that knowledge generated within the project is systematically identified, analysed, documented and shared. This systematic learning and knowledge management approach will enable the project to be flexible and responsive to changing circumstances. In addition, knowledge management processes will ensure that appropriate lessons learned and good practices from different actors are gathered and disseminated to the benefit of stakeholders for adoption and use.

23. **Strategy.** In consultation with the M&E Stakeholder' Team and in collaboration the M&E and KM Officers, the same consultant hired to design the M&E system will prepare a KM strategy, covering both M&E and qualitative information. The strategy will include a detailed plan for the first year.

24. **Action Plan.** In consultation with the M&E Stakeholder Team, PRICE KM Officer will prepare an action plan for knowledge management, which will integrate activities related to the Good Practice Tracking System, peer learning groups, documentation & dissemination and learning. This action plan will be integrated in AWPBs and will be updated every year.

25. **Good practice and innovation tracking system**. The KM Officer will set up a "Good Practice and Innovation Tracking System" that will be validated by the M&E and KM Team and by the project steering committee. This will allow keeping track of day-to-day good practices from a variety of stakeholders e.g. cooperatives, service providers, etc, learning from their achievements and feeding them into policy dialogue. This system will also allow the identification of innovative case studies that PRICE's stakeholders can learn from and adopt/implement in their work. Such innovative and successful activities will justify the participation in the learning routes.

26. **Selection of thematic areas.** Every year, the Project Stakeholders' Annual Performance and Learning Assessment mentioned above will also identify areas in which project stakeholders intend detecting good practice, identifying best practices and developing exchange of knowledge. Areas could include for example: agricultural intensification; access to agricultural inputs; access to extension and advisory services; market access; rural financial systems; risk management, etc.

27. **Setting up an annual reporting format.** The KM Officer will develop a format for annual reporting about innovations/best practices by main project stakeholders (NAEB departments, cooperatives/apex structures, service providers). The format will require information on the features of innovation/good practices, on who can benefit of it, on outcomes achieved, inputs required and modalities of implementation as well as costs. Particular attention should be devoted to describing the context in which the innovation/best practices were developed, critical factors of success, difficulties met and solutions found to mitigate them. Attention should also be given to describing how the innovations/best practices are accessible by both men and women, poorer and less poor groups, and how access by a larger range of stakeholders could be improved. The KM Officer will provide assistance in the preparation of these reports.

28. **Validation.** The KM Officer, in collaboration with PRICE M&E Officer and NAEB's M&E department, will make a first screening of innovations/best practices presented through the reporting system. Reports retained will then be validated by the M&E and KM Stakeholder Team, with a view of making a final selection of those innovations/good practices presenting the best potential and opportunities to be replicated at a larger scale. Such selection will be based on a matrix of criteria previously determined. The M&E Stakeholder Team will also decide on the organisation of further field investigation through cost-effective modalities to be determined to complete the basis of information and analysis.

29. **Dissemination.** The last stage will be to device proper ways to package information about innovation/good practices retained and to disseminate information to support replication. Appropriate supports (written material, videos, radio programmes…) and communication channels (apex farmer organisations, rural/community innovation centres, district/sector agronomists, private sector structures, rural radios…) will be selected according to targeted audiences and in line with the knowledge management and communication strategy set forth below. In addition, the project will finance the organisation of an annual good practice workshop to support dissemination information and provide recommendations for policy development. Furthermore, every year, an award for innovation will be attributed to an institution or individual that is at the origin of innovations retained through the tracking system. Candidates to the award will be proposed by the M&E Stakeholder Group and the final decision will be made by an Innovation Award Committee composed of representatives of NAEB, MINAGRI and cooperatives.

30. **Peer learning groups.** The knowledge management system will integrate peer learning groups in order to share best practices as well as knowledge gathered from different stakeholders. The exchange of good practices, experiences and challenges will be done through peer learning groups, which will meet regularly to discuss on solutions guiding each other to carry out their daily work more efficiently. Such an exchange platform is important as it strengthens knowledge and experience sharing in specific intervention areas with the aim of improving how work is done through learning from others best practices and challenges.

31. The KM Officer will set up knowledge sharing/peer learning groups among key stakeholders (cooperatives, services providers, etc) per value chain so that they can talk to each other, share knowledge and interact in some areas as a learning community. This interaction aims at allowing stakeholders to learn from each other, call upon each other for support whenever it is possible, and develop solutions to collective challenges and form peer coaching and learning groups. Peer learning groups will be organised around thematic areas identified through the "good practices tracking system", such as market access, inputs supply, procurement process, business planning, rural finance, entrepreneurial skills, credit management, etc.

32. **Documentation.** Documentation and sharing of lessons, experience and good practice will be carried out continuously during PRICE implementation. Relevant information will be collected and documented to show the evolution of the various project's activities, and to compare results with previously defined objectives. Tools such as case studies and stakeholder interviews will be used to deepen understanding of factors contributing to successes and failures, and to enable full documentation of lessons and impacts.

33. Thematic technical papers will also be produced to share knowledge and experiences on specific topics through publication in print form and on dedicated websites, or through networks meetings and other fora. Continuous documentation of success and failures will provide a rich resource that can also support reporting, communication and advocacy. The KM Officer will select appropriate channels for sharing the documentation according to the targeted group (CCIs, rural radio, BDS centers, etc).

34. Apart from PRICE documentation, the KM Officer will make sure that all PDCRE key documents (different reports, studies, WAs, correspondence, no-objection tracking sheet, contract monitoring forms, assets register, etc.) are available, accessible and secure. All relevant (hard and electronic) documents should be therefore hosted at CICA and/or NAEB website for easy accessibility. This activity will allow keeping the link between PRICE and PDCRE and benefit from its experience, best practices and challenges.

35. **Learning routes.** A Learning Route is a powerful mechanism for capacity-building, identifying and systematically organizing best practices, and promoting the process of adoption of innovations. The methodology combines local management of knowledge produced by development agents who are engaged in innovative activities, and an appropriate learning strategy based on best practices validated in the field. The learning routes are used as an innovative methodology to promote exchange of knowledge and skills and meet the demands for best available practices by community and farmers' organizations, development projects and public and private organizations. Each Route is organized thematically around experiences, case studies and best practices on innovative rural and local development in which local actors themselves become trainers. Through workshops, interviews, conversations and other activities in the field, the Learning Route generates a space for individual and collective learning for both participants and their hosts. The Learning Routes Training Programme allows in particular to expand, systematize and upscale successful innovations, promoting their adoption by decision-makers in favour of the rural poor.

36. For PRICE, the learning route will focus on a specific and innovative case studies in selected countries that the project wants to implement related to its components. To this effect, the KM Officer will keep close collaboration with the organizers of learning routes such as IFADAFRICA and PROCASUR[1] who have experience in organizing such events for IFAD-funded projects in Rwanda. Prior to the learning route, the M&E and KM Team will identify training needs and interests of potential participants in the Route based on a demand-driven approach. The organizers of Learning Routes will determine the itinerary, sketch out specific activities to be carried out during the Route \, provide essential documentation to participants and address logistical and administrative issues. The selection of the subject matter would be flexible although rigorous by assessing how successful and relevant have been the innovations introduced, so as to ensure that the learning acquired by the participants may lead to replication in PRICE.

37. Participants in the learning route will review approaches, methodologies, tools and experience gained in implementing them in the context of the selected case study. This will be usually followed by the field visit to the selected localities where participants can interact with those with direct experience in implementation of the chosen innovation. Complementing the field visits, thematic panels will be developed by specialists and daily analysis workshops organized to collectively evaluate the value of the experience, provide feedback to the hosts and systematically improve the design of Innovation Plans. Upon completion of the Route a final workshop will be organized to assess what has been learned and the strategies to be taken in order to adapt and adopt innovations.

38. **Innovation Plan**. The participants in the learning routes will design an Innovation Plan based on the innovative products they have learnt during the route and want to implement in PRICE. To this effect, the organizers of the route will provide the guidelines for the development of the innovation plans. Once validated, the Innovation Plan will be integrated into the projet's AWPB and regularly updated. PRICE will make sure that there is feedback on the learning approach, success and failures

[1] For a description of Learning Routes as developed by PROCASUR in Chile and Bolivia, and soon in Kenya, see Annex 1.

in implementing Innovation Plans. in order to: i) verify and analyze achievement of expected results; ii) assess impact of the services provided at different levels by organizations and suppliers of services; and iii) generate lessons and recommendations for future initiatives.

V. IMPLEMENTATION ARRANGEMENTS

39. MINAGRI SPIU will hire an international service provider to assist in designing PRICE M&E and KM system (financed under Component 6) along the above indications. The consultant will also provide orientations to design the database and prepare an M&E and KM manual. After one year, a second consultation will take place to review the implementation of the system and adapt both the system and the manual accordingly. The manual will then be regularly updated by the M&E/KM Officers to reflect evolving project practices.

40. The consultation will be coordinated with NAEB efforts to set up an information system, to ensure harmonisation of the two systems. There is a possibility that the Capacity Building Fund managed by the Public Sector Capacity Building Secretariat (PSCBS) finances the setting up of NAEB's information system (see Component 6). If this is not confirmed, then PRICE could finance the design of the new system as well as assistance for its implementation. In either case, the design of PRICE M&E system and of NAEB's information system should possibly take place in the same period and be coordinated and harmonised.

41. An M&E and KM Stakeholder Team will be formed with a view to facilitate the participation of PRICE stakeholders in the conception and implementation of the PLS, and particularly its KM element. The team will be composed of the Value Chain and Financial Officers, the M&E and KM Officers, two representatives for each value-chain based apex organisation and two representatives of service providers. It will serve as a focal group in the design of the M&E system.

Attachment 1. PROCASUR experience with Learning Routes

Introduction

42. The Learning Routes methodology is organized in three main stages: a) building and systematizing empirical knowledge accumulated by local or rural organizations, project implementers including project executing agencies, partners, and government agencies; b) planning and carrying out the Route; and c) implementation of innovation plans designed during the Route

43. During the first stage a team responsible for designing the Route is selected and the training needs and interests of potential participants in the Route are identified based on a demand-driven approach followed by the preparation of case studies including participatory systematization of the innovative experience selected and the identification of local and regional specialists to assist technically in the provision of training. In this first stage, the itinerary of the Route is determined, specific activities to be carried out during the Route are sketched out, essential documentation is provided to participants and logistical and administrative issues are addressed. As the methodology builds on existing initiatives and empirical knowledge the selection of the Routes and their contents are of great significance. The selection of the subject matter would be flexible although rigorous by assessing how successful and relevant have been the innovations introduced, so as to ensure that the learning acquired by the participants may lead to replication in their organizations and territories of origin.

Box 1: Learning RouteExample - Gender and Rural Microfinance, Uganda, March and April 2011

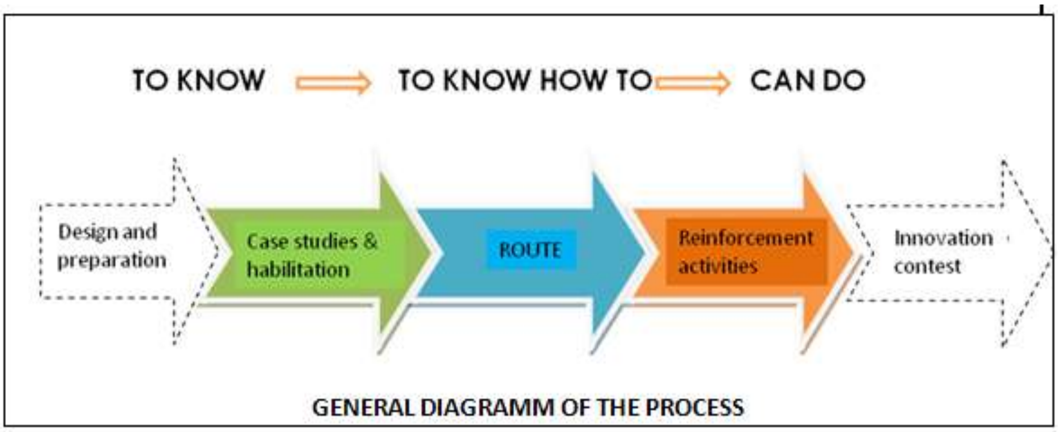
In early 2011, 50 persons from 23 different countries participated in a cycle of 3 Learning Routes entitled "Gender and rural microfinance – New approaches, services and products in Africa" organized by FAO, IFAD and the PROCASUR Corporation. The Route´s objective was to identify and analyze main obstacles, opportunities and strategies in the design and implementation of Gendered Rural Microfinance Programmes in order to reduce the learning costs of policy makers, MFI staff, partners and beneficiaries involved and contribute to the empowerment of stakeholders, especially rural women
The "ruteros" (participants of these Routes) were women and men from technical teams of rural development projects financed by IFAD and other agencies in Latin America, Africa and fewer from Asia and Europe, representatives of groups of beneficiaries of these projects, technicians and representatives of NGOs, cooperatives, development agencies and rural microfinance institutions. In a 10-day pedagogical program, the participants learned about the experience of 4 MFIs in Uganda whose experiences have been highlighted by the inclusion of women in microfinance and / or to mainstream gender equality in the objectives of their actions. MFIs hosting the Route are considered study cases: FINCA-Uganda Ltd.; SUCCESS Microfinance Services Ltd., Uganda Women´s Effort to Save Orphans (UWESO); Bukonzo Joint Cooperative Micro Finance Society Ltd and CARE Uganda - Iganga District Farmers Association. Based on the exchange with the champions of these experiences, participants review their actual strategy for the integration of gender equality in rural microfinance products and services and with the assistance of the technical team of the Route developed an Innovation Plan. These Plans seeks to reinforce the participants' practical application of the learnings acquired during the Route to their own reality.

44. The second stage has as a cornerstone field training which begins with an Induction Workshop to review approaches, methodologies, tools and experience gained in implementing them in the context of the selected case study. This is followed by the field visit to the selected localities where participants can interact with those with direct experience in implementation of the chosen innovation or case study. Complementing the field visits, thematic panels are developed by specialists and daily analysis workshops are organized to collectively evaluate the value of the experience, provide feedback to the hosts and systematically improve the design of Innovation Plans. Upon completion of the Route a final workshop is organized to assess what has been learned and the strategies to be taken in order to adapt and adopt innovations.

45. The third stage involves activities to reinforce acquired knowledge and putting this into practice. A Virtual Learning Community is established to support participant organizations and hosts in furthering the Innovation Plans designed during the Route, while they are introduced by participants in their national settings and adoption and replication is later assessed. Constant feedback is instituted and an ex post evaluation of the learning approach and the success or failure in implementing Innovation Plans is carried out.

Presentation of the methodology

46. The Learning Routes are a management tool for local knowledge and skills development that allows meeting the demand for training services stemming from the key actors involved in implementing rural development projects and programmes. The Learning Routes provide, from the field, the best solutions existing inside and outside the APR region. With the aim of achieving this goal, the methodology of the Learning Routes is organized in three main stages which are described below:



Stage I: To Know. Construction and organization of empirical knowledge accumulated by local or rural organizations.

47. ***Selection of the team in charge of the route's design***. The methodology calls for selecting a team in charge of the technical and operational tasks for the route's design. A requisite profile is created, the relevant professionals are screened, and a selection process is conducted based on quality.

48. ***Identification of the training needs of the route's potential users***. A second step involves the identification of the universe of participants in the Learning Route, together with the specific demands for training, so as to achieve an appropriate design of one or several alternative learning processes, each one with direct user value. Through the review of current documentation, interviews with managers of projects and programmes for poverty alleviation in the region, and advice from experts, relevant themes in demand by the players linked to rural development are identified. Priority is given to: i) work with professionals, technicians, partners and beneficiaries of IFAD's operations in the region, and ii) the design and execution of Routes which underscore the heterogeneity of the rural world, attempting to achieve a shared diagnosis and pertinent action strategies which promote policy dialogue.

49. ***Selection of cases to be studied***. Once the specific user/participants are selected, the performances to be strengthened are identified, and the main training needs defined, the process of selecting pedagogically relevant cases to be included in the Route as local talent or champions to be providers of training begins. This stage considers: i) determining through consultation with experts the principal contents of topics to be addressed, and proposing relevant experiences which have

demonstrated to have user value, which can be considered state of the art; ii) defining learning goals in which productive, economic, social and/or cultural working practices are detailed, and over which a positive impact is sought; iii) identifying local and regional specialists on the topics of each Route as potential instructors; iv) designing the itinerary for technical knowledge acquisition to be implemented, the specific activities to be carried out in each location, and the mechanisms to be applied for evaluating results, and v) operational planning of each Route, including administrative and financial aspects.

50. ***Systematization and preparation of case studies***. Once the experiences or cases are determined, a process of participatory systematization is initiated in which the lessons learned, the materials, presentations, and activities to be employed during the Route are prepared. At this stage, the protagonists of the cases reflect upon their own practices, an exercise which contributes to the construction of knowledge. The contribution of the case to the theme and the Route must be validated by experts. There are several ways for documenting this knowledge; the most efficient have until now been audiovisual documents. For the effective assessment of knowledge, the process of systematization must be participatory and lead to capacity building of human resources involved. Through the use of basic systematization tools and the preparation of training activities, the skills of local talents are promoted and the participation of small-scale farmers, micro entrepreneurs, and citizen's groups in technical assistance services markets are encouraged.

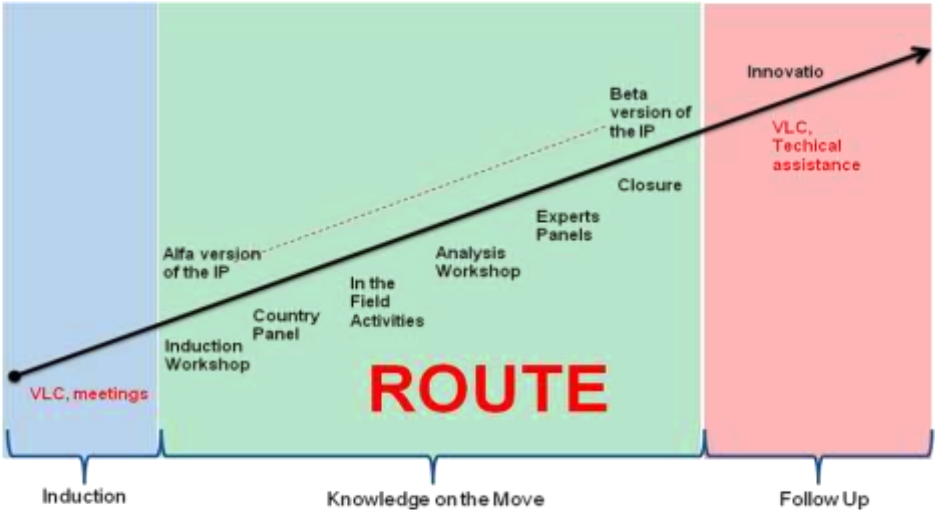
51. ***Selection of local and regional experts.*** A number of local and regional experts on the subject matter of each Route are identified as a crucial task prior to the design of training. This allows for managing updated information on key concepts and tools and on study cases which demonstrate high levels of innovation and educational potential.

52. ***Dissemination, convocation, and application***. Proposed routes are disseminated through electronic media and published in regional media, as well as in an electronic bulletin which is sent to the directors of the organizations of potential participants. Through these means the convocation is launched and the registration form and scholarship applications may be downloaded, which can be returned to the Programme by fax, e-mail, or conventional mail.

53. ***User/participant selection***. To select user/participants, the information provided in the registration form is analyzed. Applications are ranked according to basic criteria, including ethnic and gender equality, age and position within the organization. Specific criteria are built in allowing for an assessment of the different potential participants in the Route according to their own strategic requirements.

54. ***Preparation for the trip***. Support is provided for final preparations and user/participants are introduced to the thematic and operational aspects of the Route: i) activities in support of the study case should be primarily concerned with the delivery of specific information about the group they will receive, such as names, ages, nationalities, memberships, and organizational expectations; assistance in the preparation of documents, presentations, and activities; the dissemination of information regarding the activities, both within the organization and outside of it; ii) the activities to prepare the user/participants are both technical and operational. Basic documentation is delivered via e-mail and through electronic media. In addition, a personal and institutional presentation is requested. This is based on a diagnostic pattern and is designed as an initial task for developing an innovation plan. On the operational side, a detailed itinerary and recommendations for each field visit are provided.

1. **Stage II: To Know How to, Knowledge in Route**



55. ***Induction workshop***. This is carried out at the beginning of the Learning Route and offers an in-depth look at the approaches, concepts, tools, and experiences that are linked to the issues of the Route, providing a critical reflection of the practices to be analyzed by user/participants and identifying their needs and expectations. Knowledgeable authorities participate and presentations relevant to the Learning Route are made, working groups are formed, and open discussions are held. This is a motivational milestone in the implementation of the Learning Route.

56. ***Field work***. Activities in the field include above all field visits to the cases previously selected, systematized, and incorporated to the Route are undertaken. The principal actors are the associations and farmer communities who present their experiences, answer questions, and exchange information pertinent to their activities. In addition, other local actors such as field technicians, local authorities, association leaders, financial operators, merchants, and small entrepreneurs who have collaborated in the implementation of the experience participate. The purpose is for user/participants to achieve a comprehensive view of the case, identify the factors that have facilitated the processes of innovation, and examine in depth the results obtained.

57. ***Panel of experts and decision makers***. Complementing the field work, a panel of experts and decision makers is convened including actors from civil society, the public and private sectors, NGOs, academia, thematic specialists, politicians and others with knowledge or a position relevant to the subject.

58. ***Workshops for the development of Innovation Plans***. During the Route three workshops are carried out which are aimed at facilitating the adaptation of innovative products or services to the reality of user/participants of the Learning Route. For this purpose, the Route Technical Coordinator has a teaching guide which covers the different parts of the trip, the participant's return to his or her organization, and participation in the Learning Community.

59. ***Case Summary Workshop***. This workshop aims to review the ´selected innovative experience, study its outstanding aspects, and examine the concepts and approaches analyzed and discussed during the Induction Workshop. This activity finishes with conclusions and recommendations on the daily program, focusing on the usefulness of each experience and discussions on the performances of the user/participants of the Route. In addition, a commitment is made to generate a series of recommendations for the local organizations and talents who participated in each Route, recommendations drawn from a review of the case conducted at the end of each workday.

60. ***Closing Workshop***. The Route concludes with a workshop that discusses the main lessons learned during the Learning Route and the innovations available for adaptation. It provides a collective assessment of the experience and participation certificates are presented.

Stage III: Can do. Implementing innovations

61. ***Activities to reinforce learning***. With the aim of improving the impact of training at the organizational level, activities are undertaken to reinforce learning, as well as socialization, and the transfer of contents and the skills acquired. These activities are designed in accordance with the characteristics of each group. They are designed as activities suitable for professionals, technicians, and others with basic connectivity, and involve the implementation of a Virtual Learning Community (VLC). If the connectivity and digital literacy requirements are not met, local support activities are implemented, including in field and distance advice.

62. ***Innovation Plan***. The design of an Innovation Plan results in improved incorporation of learning by user/participants through an applied exercise and also provides a concrete product for the organization. To encourage the process of reflection and dissemination of learning, the development of the plan considers stages of dissemination and validation by the community and/or organization. A competitive fund will co-finance the execution of the best plans, with an amount, terms, and activities clearly established.

63. ***Systematization and dissemination of the results of the Route***. Using a systematic and uniform model for all the Routes, the main lessons generated by each case are presented. In addition, the basic documentation in the form of an Activity Log and complementary information on the Route, including photographic and video recordings, and the presentations made by participants, local talents, and the technical crew, is designed to be disseminated through a Web page and in Digital Video Disc (DVD) form. This material is distributed to local champions or talents with the aim of returning the results to the community and to participants.

64. ***Follow up and evaluation.*** The Learning Route approach carries with it a follow up and evaluation activity. A representative group of user/participants are surveyed six and twelve months after their participation in the Route. The objectives of this activity which is part of a monitoring and evaluation approach are to: i) verify and analyze achievement of expected results; ii) assess impact of the services provided at different levels by organizations and suppliers of services; and iii) generate lessons and recommendations for future initiatives.

The Corporacion Regional PROCASUR

65. PROCASUR is a private non-profit institution, initially established in Santiago Chile, with representation in Bolivia and soon in Kenya. Founded by Latin American institutions and professionals interested in supporting policy dialogue and technical and financial cooperation between public institutions specialized in the implementation of rural development projects and the various networks, institutions and technicians who design new tools for managing innovation in favour of the rural poor. It began operations towards the end of 1996 in the southern region of Latin America with the objective of helping to develop the management skills of beneficiary associations and public and private actors involved in the design, implementation, monitoring and evaluation of rural development initiatives and measures to eliminate rural poverty.

66. At present, the PROCASUR is a cross regional institution devoted to designing and providing technical services for knowledge management and capacity building among those involved in the implementation of initiatives to fight rural poverty. Its mission is to enhance the innovation capacity of associations and organizations working to eliminate rural poverty by providing field expertise and

knowledge from those cases that have implemented successful solutions with measurable and visible results.

67. PROCASUR provides technical assistance and training services to institutions involved in rural development projects and programmes in favour of the rural poor mainly, but not exclusively, in Latin America: Argentina, Bolivia, Colombia, Chile, Ecuador, Paraguay, Panama, Peru, Venezuela, El Salvador, Guatemala, Nicaragua, Mexico, Brazil and Uruguay. Its main purpose is to ensure efficiency and effectiveness of initiatives aimed at combating rural poverty through training human resources responsible for the implementation of projects and programmes.

68. In over fourteen years of work, PROCASUR has established technical and financial cooperation links with institutions responsible for public investment in the rural sector, including government institutions that implement projects of multilateral banks, private institutions of local and rural development, organizations of the beneficiaries and information and knowledge networks working in rural poverty issues. Currently, the PROCASUR Corporation is a member of the International Land Coalition (ILC) and of Global Asset Action Network.

69. Technical and financial cooperation is organized on the basis of a regional network of rural local talent and organisations or associations with extensive field experience. PROCASUR is involved in three main areas of work: (a) training of human resources working in projects, staff responsible for projects coordination units, projects technical teams, private service providers, authorities and local government officials and leaders of peasant associations; (b) technical assistance services, especially oriented to improving management of projects; and (c) information for the development of rural markets of technical services. Since 1996, PROCASUR has worked with all IFAD projects and programmes in the southern and central regions of Latin America .PROCASUR has also worked with public sector institutions, local governments, the private sector and small farmer's organisations.

70. PROCASUR offers its partners and users solutions tailored to the specific needs of its many beneficiaries, as it has a full knowledge of the approaches, trends and processes that currently cross-cut the fight against rural poverty and the main innovations being implemented in the region. Through a permanent working relationship with its partners (government institutions, development projects, NGOs, beneficiary associations, rural, regional and international networks, etc.) PROCASUR analyzes their demands for regional support and identifies the best solutions available for those who face the challenge of implementing rural development initiatives. PROCASUR's task is to find the best suppliers to meet the regional demand for training services.

71. Therefore, the Corporation has expanded the traditional means of providing training services. It has developed training services through the application of technological tools for learning, applying strategies in distance learning formats using Internet and multimedia CD. In parallel, it initiated and consolidated the strategy of Learning Routes as a tool for the enhancement of the knowledge assets of project operators.

72. PROCASUR has concentrated its efforts on relevant topics geared to solving project implementation problems and sharing approaches and strategies used by different organisations in Latin America, including a permanent link with IFAD's operations in the region. It has further created a network of local, national and international specialists with wide experience in strategic themes with a view to improving the efficiency of rural development initiatives. Some thematic areas are: (i) development and management of private technical assistance services; (ii) access of poor rural associations to new markets; (iii) strategies for the inclusion of local governments as development agents; (iv) implementation of strategies for gender equity; (v) cultural assets in the livelihood strategies of the rural poor; and (vii) methods of diagnosis, planning and monitoring and evaluation of projects.

73. To ensure sustainability, PROCASUR combines the following strategies: (i) a strong decentralization in the implementation of its activities by identifying and recruiting the best specialists in the various fields of work required (professionals, teachers and local experts, academics and researchers, etc.); (ii) additional national and local resources to finance its activities to optimize the use of grant resources that are mobilized by PROCASUR; (iii) the provision of services through agreements with public and private organisations to expand the scope of its activities and allow for replication of the innovations that are part of the region's accumulated knowledge; (iv) a regional low-cost unit with strong coordination and links with international institutions and national organizations that share its strategies and approaches.

74. In recent years, the PROCASUR Corporation has signed agreements or contracts for the provision of support services, among others, with the following major national and international institutions: (i) United Nations Food and Agriculture Organization (FAO); (ii) International Fund for Agricultural Development (IFAD); (iii) International Land Coalition; (iv) United Nations International Research and Training Institute for the Advancement of Women (INSTRAW); (v) Ministry of Sustainable Development (Bolivia); (vi) Ministry of Rural Affairs, Bolivia; (vii) Fund for Development and Social Compensation (FONCODES) Peru; (viii) Ministry of Agriculture, Peru; (ix) Ministry of Agriculture and Rural Development (Colombia); (x) Environmental Action Fund (FPAA) Colombia; (xi) Presidential Action Agency, Colombia; (xii) National Institute of Agricultural Development, Chile, (xiii) National Irrigation Commission (CNR) Chile, (xiv) Fund for Agrarian Innovation (FIA) Chile; (xv) National Irrigation Commission, Chile; and (xvi) the Ford Foundation.

75. From 2006 to 2010, the PROCASUR Corporation managed operations for an average amount of USD 800 000 per year which have been invested in different training activities. Thirty percent of the resources were provided by the International Fund for Agricultural Development (IFAD) and the remaining seventy percent from other grant sources and from service contracts with other national and international institutions in the region. The PROCASUR Corporation provides annual audited financial statements and follows procurement guidelines. For further information: (www.procasur.org).

Attachment 2. Matrix for project's documents and information sharing

Document	**Responsible**	**Reporting interval**	**Sharing tool**	**Users**
Progress report	M&E Officer	Quarterly, Semester and Annual	Electronic mailing	MINAGRI, MINECOFIN (Projects Management and Monitoring Unit) IFAD
Financial report	DAF, SPIU	Monthly	Electronic mailing	MINECOFIN
Implementation support mission	KM Officer	Year	CICA & NAEB websites BDS Centers CCIs	All stakeholders
PDCRE documentation	KM Officer		CICA & NAEB website	Stakeholders
Best practices documented in peer learning groups/value chain	KM Officer	Every year	CICA & NAEB websites BDS Centers CCIs	All stakeholders, Components and Project Steering committee
Innovation plans	KM Officer	Every year	CICA & NAEB websites, BDS Centers CCIs	All stakeholders

Attachment 3: Reporting format for service providers

PHYSICAL AND FINANCIAL REPORT (Fiscal Year…./ Quarter….)
Name of the Institution:

No	Activity	Expected result	Activities realized on (Day/Month/Year)	%	Budget planned (Rwf)	Budget executed (Rwf)	%	Comments

Prepared by: Verified by: Approved by

Annex 4

FINANCIAL MANAGEMENT AND DISBURSEMENT PROCEDURES

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Annex 4

FINANCIAL MANAGEMENT AND DISBURSEMENT PROCEDURES

I. BACKGROUND: FINANCIAL MANAGEMENT, GOOD GOVERNANCE AND SUPERVISION

1. IFAD Guidelines require that the proceeds of loan and grant financing be used solely for the purpose intended under the related agreement and in accordance with the activities described in the Annual Work Plan and Budget. Good financial management means ensuring that funds are used appropriately and in conformity with administrative, technical, environmental, agricultural and rural development practices and good governance.

2. **Financial management.** Financial management refers to the budgeting, accounting, internal control, funds flow, financial reporting, procurement and auditing arrangements by which borrowers and grantees receive funds, allocate them and record their use.

3. Sound public financial management ensures accountability and efficiency in the management of public resources, and is an essential underpinning to improve governance and fight corruption. Maintaining strong fiduciary practices in IFAD-financed operations is needed to provide acceptable assurance on the use of funds provided by, and to sustain the confidence of its stakeholders.

4. **Supervision.** Supervision is defined as the "administration of loans and grants, for the purpose of the disbursement of the proceeds of the loan and the supervision of the implementation of the project or programme concerned". It ensures compliance with loan covenants, procurement and disbursement and the end-use of funds, and is an effective tool for promoting economy, efficiency and good governance.

5. **Loan administration** is the part of the supervision process that deals with the issues of disbursement and flow of funds, procurement of goods and services, as well as financial control and management aspects of implementation such as budgeting and accounting, financial planning and reporting and audit. Loan Administration is the overall responsibility of IFAD in project directly supervised by IFAD. This Annex on Financial Management was prepared at the design stage in order to remind the importance of setting up systems and procedures and of ensuring effective and efficient project administration and implementation.

II. FLOW OF FUNDS

A. General Overview

6. The financial management system must:

(a) ensure that funds are used only for their intended purposes in an efficient and economical way while implementing agreed activities;
(b) enable the preparation of accurate and timely financial reports;
(c) ensure that funds are properly managed and flow rapidly, adequately, regularly and predictably;
(d) enable project management to monitor the efficient implementation of PRICE and;
(e) safeguard the assets and resources procured using project funds.

7. The financial management system will be under the responsibility of the MINAGRI SPIU Coordinator, the SPIU DAF, as joint signatories with the PS of MINAGRI of the project bank accounts. In order to ensure a strong financial management system, the following requirements must

be met: (i) The Department of Administration and Finance of the SPIU should have an adequate number and mix of skilled and experienced staff; (ii) the internal control system should ensure the conduct of an orderly and efficient payment and procurement process and the proper recording and safeguarding of assets and resources; (iv) SPIU's accounting system should support the project's requests for funding and meet its reporting obligations to both the Government and IFAD; (v) the project's financial statements and internal controls should be the subject of an independent annual audit by Rwanda's Office of the Auditor General.

B. Project Accounts

8. The SPIU would open and maintain three bank accounts for PRICE: a PRICE Counterpart Account in RWF for the government counterpart funds, and for the IFAD project funds the Designated Account in USD and the PRICE Operations Account in RWF. All three accounts will be held in the National Bank of Rwanda (BNR), with the following signatories: the Permanent Secretary (PS) of MINAGRI (alternate: SPIU Coordinator) and the SPIU Coordinator (alternate: SPIU DAF).

9. The Designated Account (DA) (formerly Special Account) will be used to feed the PRICE Operations Account, and to make payments in foreign exchange directly to suppliers, service providers and contractors. Management rules for the DA are based on provisions 4.04 of the new IFAD General Conditions for Financing, according to which operational conditions (bank, Authorised Allocation, currency, signatories) will be specified in the financing agreement.

10. The DA will be maintained by the SPIU in USD. It will operate with an advance payment from IFAD (Authorised Allocation) of USD 4 million, in line with expected patterns of expenditure, withdrawal application processing timeframes, and requirements for financial efficiency. The DA will be replenished following the rules set out in the IFAD Disbursement Handbook provided with the Letter to the Borrower.

11. In order to avoid difficulties in the replenishment of funds, the SPIU DAF and Chief Accountant for PRICE must ensure that all expenditures made with project funds by the various Offices of the SPIU and by the other contracted services providers (NAEB, RAB, NSC....) are duly justified by proper documentation on a strict regular basis as per procedures developed in the Project Implementation Manual (PIM).

12. The following conditions need to be met by MINAGRI for IFAD to make the first disbursement of project funds to the DA:

- The first Annual Workplan and Budget (AWPB) needs to have received IFAD's no-objection;
- MINAGRI needs to have opened the PRICE Designated Account in USD and the PRICE Operations Account in RWF in the National Bank of Rwanda (BNR);
- A first draft of the Project Implementation Manual needs to have been submitted to IFAD;
- The appointment or recruitment of the following key personnel needs to have been completed: the Project Coordinator, the PRICE Operational Manager and the DAF; and
- The Project Steering Committee needs to have been established.

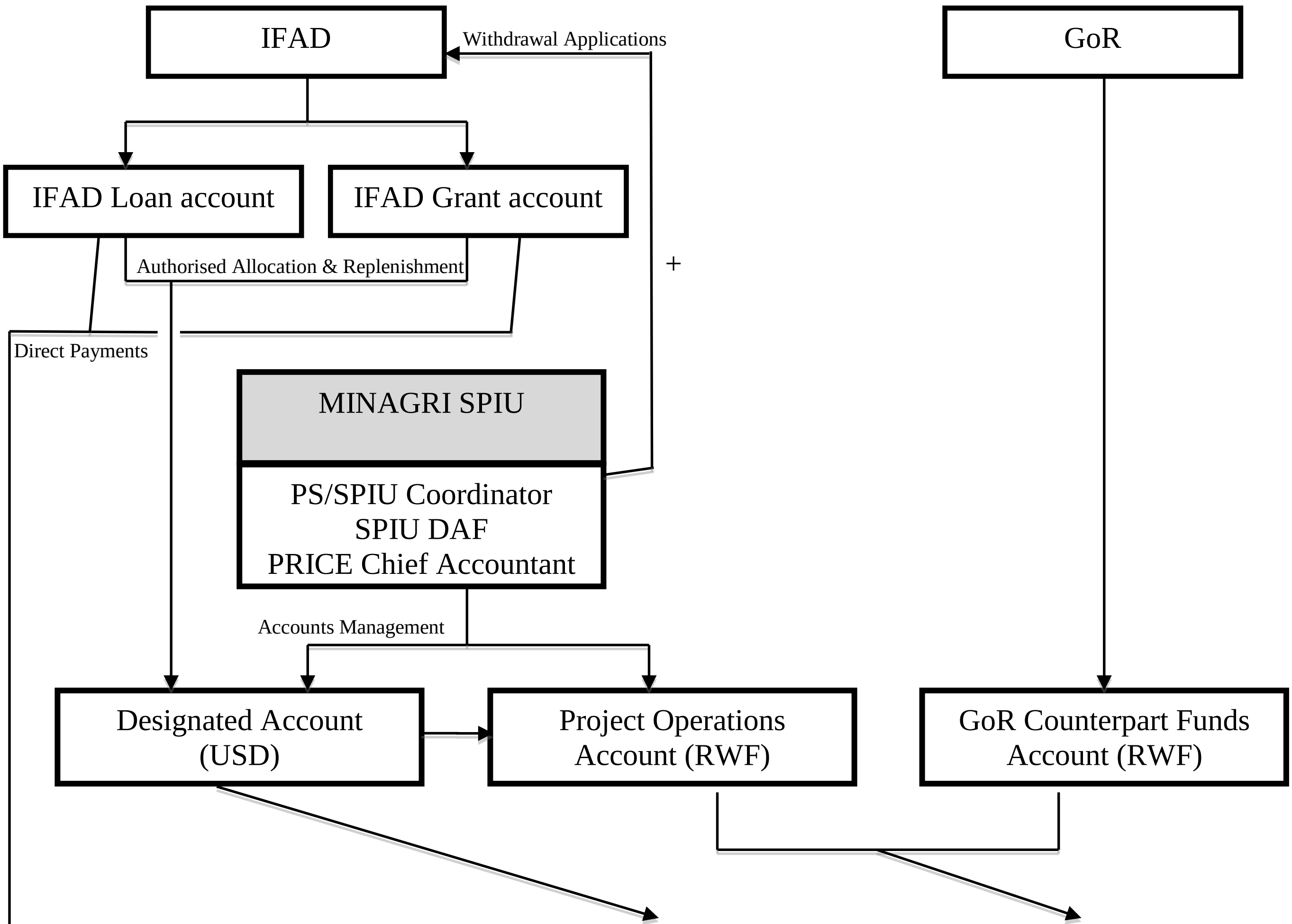
13. The PRICE Operations Account will be used to make payments in local currency (RWF) directly to suppliers, service providers and contractors.

14. The PRICE Counterpart Account will be used to make payments of local taxes and activities fully funded by government, again directly to suppliers, service providers and contractors.

C. Flow of Funds for Project Operations

15. Figure 1 illustrates the flow of funds for PRICE. The Designated Account and the PRICE Operations Account would be the preferred accounts for making payments to local and international contractors, suppliers and service providers. Direct Payments from IFAD would only be used for exceptionally large payments (more than USD 500 000) and in case serious cashflow problems are encountered in the project accounts.

Figure 1 – PRICE Flow of Funds



By IFAD (direct payment) in any currency (over USD 500,000, or if project accounts cannot be used)	**By NAEB from Designated Account (expenditure in foreign exchange)**	**By NAEB from PRICE Operations Account and PRICE Counterpart Account (expenditure in RWF)**
Suppliers of vehicles, equipment, etc	Suppliers of goods (international)	Suppliers of goods
Services providers (local and international)	Services providers (international): eg. consultants,	Services providers
Contractors-builders (local and international)	Contractors (international)	Contractors (local)
PRICE: allocation & replenishment of the Designated Account	PRICE: allocation & replenishment of the PRICE Operations Account	MINAGRI (Programme 3 Manager)
		Component 6 expenses not spent in NAEB (salaries of P3M, institutional support & capacity building, etc.)

III. ACCOUNTING AND AUDIT

16. **Accounting and Audit Basic Principles**. To ensure that funds are used only for their intended purpose, the SPIU will provide information about the project's financial position, performance and resources flows. This information will be prepared in accordance with the national standards and the minimum disclosure required by IFAD, which means that the modified cash basis would be the basis of accounting standards, with disclosure of the principal differences from International Public Sector Accounting Standards (IPSAS), as foreseen in the Ministerial Order and as agreed in the meeting of 4 February 2010 between IFAD, the Public Accounts Unit, the Office of the Auditor General and the former Central Public Investments and External Finance Bureau (CEPEX). In the financial statements, the SPIU would thus:

- Make Reference to IPSAS cash basis in note 1a to the financial statements, quoting the sentence from the Ministerial Order;

- Disclose Deviations from IPSAS separately in a note to the accounts, potentially by way of a table indicating the line items affected and the amounts involved. These disclosures will include, inter alia, accounts receivable and accounts payable (which would not be included in the balance sheet, and related expenditures/ income removed from the Statement of Receipts and Payments) and fixed assets (which should instead be included in the balance sheet). The exchange gains and losses should in theory be included within the value of the underlying line item rather than being included in revenue (if positive) or expenditure (if negative).

17. No specific mention should be made of IPSAS in the Statement of Responsibilities, which will be signed by the Permanent Secretary and the Project Coordinator, but that this is implicit due to the reference to the Ministerial Order, which in turn refers to the fact that all material deviations from IPSAS should be highlighted in the accounts.

18. The fixed asset note would be amplified to show the cumulative position. As such, the schedule would show the opening balance at the start of the prior reporting period, the movements in the year and closing balance at the start of the current reporting period, movements in the year and closing balances by type of asset class, at the end of the current reporting period.

19. **Accounting system**. Previous and current experiences in IFAD-funded projects have shown that the use of the TOMPRO system is perfectly responding to the minimum best practice disclosures in the field of expenditures per component, per category of funds, in cash flow/sources of and uses of funds, in detailed accounts per cost centre compared with the AWPB. To avoid any failure in integrating the accounts of PRICE in SPIU's accounts, PRICE will adopt the latest version of the TOMPRO system with the multi-sites option to allow recording of data at the level of all components. This would apply to a transitional period and the situation would be reviewed at the mid-term review of the project.

20. **Accounting procedures**. The Financial Management Manual (part of the PIM) will include the main operational methods, procedures and arrangements to be followed by the Accounting Unit of the Project. It will include, not exhaustively, the chart of accounts, the codification of accounts by component, by cost centre, by location, by category and origin of funds, the practical measures for bank reconciliation, for payment by bank transfer or petty cash, and all internal control measures to ensure a proper record keeping and posting, an effective balancing and checking of the accounts and the physical safety and security measures.

21. **Reporting obligations.** Reporting obligations as defined in the financing agreement are related to project financial statements, the independent audit reports and the project progress reports. For the project progress reports, the obligatory quarterly reports to MINECOFIN will be used, to

which specific attachments will be added as per the documented and regularly updated agreement for the overall IFAD Country Programme in Rwanda.

22. **Audit.** The financing agreement will stipulate that (a) every fiscal year the accounts of the project will be audited in accordance with auditing standards acceptable to IFAD and IFAD's Guidelines on Project Audits by independent auditors acceptable to IFAD; (b) within six months of the end of each fiscal year, the SPIU will furnish to IFAD a certified copy of the audit report. The Borrower shall submit to IFAD the reply to the management letter of the auditors within one month of receipt thereof. Draft TORs of the auditors are attached to this Annex.

23. In Rwanda, the Office of the Auditor General (OAG) is independent and thus acceptable and preferable to IFAD for conducting the annual audit. As such, an agreement will be reached with the OAG each year to carry out the audit in the timeframe provided by the financing agreement. For this purpose, the SPIU will contact the OAG by 30 April of each year as of 30 April 2013 to request confirmation of the audit arrangements and timing of their audit visits. In the case of non-availability of OAG resources, the SPIU will prepare and launch, by no later than 31 May, the tender documents for hire an external firm for the annual audit.

IV. THE PLANNING AND BUDGETING PROCESS

A. Planning

Planning Principles

24. PRICE has six major components and a range of implementing agencies (SPIU, NAEB, MINAGRI, RAB, etc). Activities under each component and by the various implementing agencies should reinforce each other and jointly lead to achieving the objectives of the project. A clear Annual Workplan and Budget (AWPB) is essential in order to integrate all activities and to coordinate the efforts of the different implementing agencies. Therefore, the basic principles to keep in mind for a good planning are:

- Planning is a continuous process at different levels
- Planning includes a consultative, participatory approach
- Planning is objective-oriented using the Logical Framework Approach

Three levels of planning

25. Planning is not just preparing an AWPB. Throughout the life of the project, planning should take place at three levels: (a) strategic; (b) annual work planning; (c) short-term planning.

26. **Strategic planning.** A good strategy or logical model is a critical element for a project to succeed. Initially this strategy is defined in the Project Design Report (PDR), but PRICE staff with their SPIU and NAEB colleagues will increasingly use their own analysis of what has happened, external assessments, participatory planning and actual implementation experience to complement the project design. To facilitate this process, a strategic review should take place at least once a year, before planning and budgeting for the next year. Reviewing the logical framework is also important. If necessary, modifications could be made to the project strategy and approaches, which may result in deviations from the PDR and modifications to the logical framework. Substantial modifications would require an IFAD no-objection.

27. **Annual planning.** PRICE will be implemented based on an overall AWPB, based on component AWPBs, approved by the Project Steering Committee and agreed by IFAD by way of a no-objection. Annual planning is the **most important planning activity.** It is expected to:

- Take local needs and priorities on board;

- Review and where needed adjust the project strategy;
- Set realistic targets for the financial year in line with implementation capacity;
- Produce an AWPB, practical and use-friendly tool that can direct implementation by different implementers and facilitate monitoring.

28. The AWPB is the most important document as it represents:

- A real commitment of the SPIU and the implementing agencies to carry out a set of activities, produce specific outputs and achieve certain targets; and
- Agreement by government, IFAD and any other donors that the planned activities are appropriate to the project objectives and approval to spend the funds as specified in the AWPB.

29. **Short-term planning.** An AWPB only defines project activities in general terms but cannot contain operational details of these planned activities. For example, an AWPB can indicate the construction of a house for a cooperative but not when, how and in what quantities the bags of cement will be purchased for the construction of this house. Each implementer therefore should use the AWPB as a starting point, together with the procurement plan, but also set its individual work plans to decide exactly what activities need to take place, when, where, how and by whom.

30. **Participatory planning process.** Like PDCRE, PRICE will use the bottom-up planning process, starting from the component level (in fact from the beneficiary level) to the national level. Of course, the first AWPB is always elaborated by PRICE alone based on the PDR. But as of the second year, the process will be built on the Project Stakeholders' Annual Performance Assessment to discuss and harmonize plans among the different implementing agencies.

The Logical Framework Approach

31. To elaborate an AWPB, the use of objective-oriented planning or a Logical Framework (or LogFrame) Approach is recommended to avoid a blueprint approach based on the PDR. Activities should be clearly linked to objectives. The LogFrame Matrix always presents a hierarchy of objectives and results (what is actually achieved), as is clearly shown in the PRICE LogFrame (see page ix of the Main Report).

32. Accountability of the project will be primarily at the two bottom levels of the LogFrame: to carry out planned activities; deliver the outputs and use efficiently resources while doing so. The process of preparing the AWPB therefore concentrates on these two levels of the LogFrame and involves defining: (a) activities to carry out in order to produce outputs; and (b) resources required to implement activities, including people, facilities, equipment, funds.

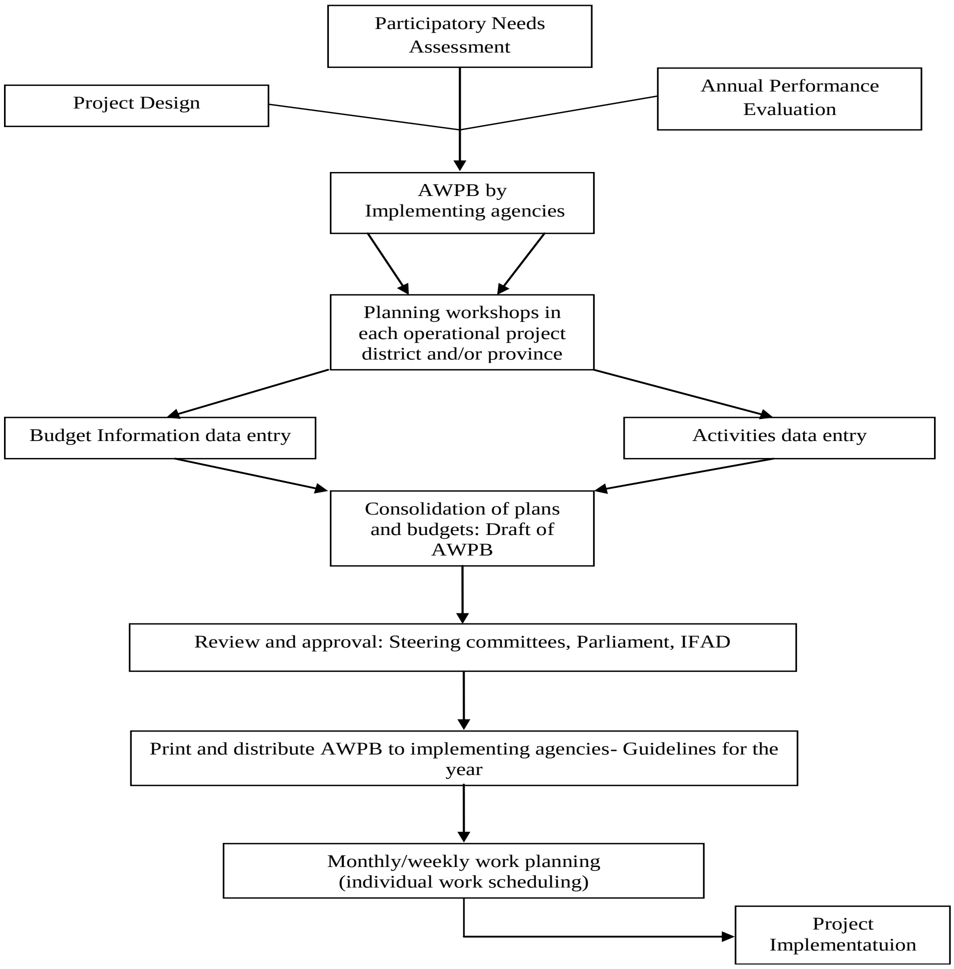
Stages in AWPB Preparation and Review and Planning Calendar

33. The AWPB of the first year of the project is usually based on the project design and is prepared by a small team of experienced staff. It will cover the period of Project entry into force to end-June 2013, a period likely to cover 18 months. From project year 2 onwards, the decentralized and participatory approach should take over. Three important sources of information should be used when NAEB and implementing agencies prepare their part of an AWPB:

- The project design and the LogFrame
- The findings of needs assessment and participatory planning exercises in the district and provincial levels
- The findings of annual strategic review and performance evaluation (review workshops, supervision missions, special reports from consultants, etc.)

34. The stages in the annual planning process may be designed as follows:

Figure 2 – Planning Process



Review and Planning Calendar

35. Once the planning process is completed and the project AWPB is consolidated with NAEB inputs, the SPIU submits the consolidated project AWPB to the Project Steering Committee **not later than 20 April. It is then submitted to the MINAGRI before the end of April. The final objective is to submit the final AWPB, consolidated and possibly amended, to IFAD for no-objection not later than 1 May.** Should IFAD not provide a reaction on the submitted AWPB within 30 days of receipt, the AWPB is deemed to be have received the no-objection.

Table 2: Review and planning calendar

Review and Planning Activity	Timing/Deadline
Continuous review and self-appraisal	Continuous
SPIU and NAEB with Heads of components: supervision	Daily
SPIU and NAEB MIS (Finances + M&E) review	Monthly
MIS Feedback	Quarterly
Services Provider reporting	Quarterly, Annually
IFAD implementation support and follow-up missions	Biannually for 2 years, then annually
Participatory planning process	1 to 30 April
Annual participatory evaluation workshops	In March
All sub-AWPB per sub-component ready for submission	15 March
PRICE consolidation of all sub-AWPBs	1 April
Review and approval by the Project Steering Committee (PSC)	20 April
Final draft of AWPB sent to IFAD for no-objection	1 May

36. The recommended format of a consolidated AWPB is as follows:

- Table of Contents
- Abbreviations and Acronyms

1. Introduction
   1.1. Project (Programme Outline)
   1.2. Annual Planning and this AWPB

Programme Background

2. Implementation Progress and Performance to date
   2.1. Overall Performance
   2.2. Progress per component

Past Experience & Results: The basis for future Plans

3. Programme Strategy and focus on the coming year
   3.1. Key constraints and action required
   3.2. Strategic Focus
   3.3. Component A
   3.4. Component B
   3.5. Component C

Next year's Plan in Summary

4. Consolidated Annual Budget

What it will cost: the financial summary

Appendix 1. The Logical Framework
Appendix 2. The Procurement Plan
Appendix 3. Staff Development Plan (including Capacity Building Plan)
Appendix 4. Detailed Work Plans and Budgets
Appendix 5. RIMS+ targets for the financial year

The details: Planned activities

37. In general, it is advised to follow the AWPB format used by PAPSTA. However, the SPIU is free to modify the format of each AWPB table as appropriate with the component or with the project area or with the implementing agency.

V. AUDIT PROCEDURES

A. Definition and objective

38. An audit is an ex-post review of the books of accounts, records of transactions and financial and other systems maintained by an entity, and of its financial statements.

39. An audit is carried out by independent professional accountants and aims to:

- Provide assurance of accountability.
- Give credibility to the financial statements and other management reports.
- Identify weaknesses in internal controls and financial systems.
- Verify compliance with loan covenants relating to financial matters; and
- Make recommendations for improvement.

40. The Auditor's report is a formal opinion of an independent external auditor as a result of the audit performed on a legal entity or subdivision thereof (called an "auditee"). The report is provided to a "user" (such as an organisation or a government) as an assurance service in order for the user to make decisions based on the results of the audit. This is considered an essential tool when reporting financial data; many users require financial information to be certified by a certified public accountant and/ or the State auditor, and this has become best market practice.

41. An audit report on the financial statements, with a separate opinion on the use of the Designated Account and Statement of Expenditures, is required each year from the independent auditor, within 6 months of the end of the financial year. The non-reception within 180 days from the original due date may trigger suspension of further disbursements.

42. The auditors should also prepare a management letter, addressing the adequacy of the accounting and internal control systems, including management reply and action plan. It is vital that follow-up be made on audit recommendations, especially in cases where the audit opinion is qualified. If the audit requirements are not complied with or are not satisfactory to IFAD, sanctions may be applied, including suspension of further disbursements.

B. Auditing standards

- Provide guidance on the objectives and general principles governing an audit of financial statements
- Comprise a set of systematic guidelines used by auditors when conducting audits, ensuring the accuracy, consistency and verifiability of auditors' actions and reports
- Various Generally Accepted Auditing Standards (GAAS) frameworks exist
- IFAD’s projects are generally required to use International Standards of Auditing (ISA) / International Organisation of Supreme Audit Institutions (INTOSAI)
- National standards may be used if agreed with IFAD
- The auditing standards applied should be specified in the auditor’s opinion.

C. Independent Auditor

- The independent auditor is completely independent of the entity whose accounts are being audited. In performing its duties, the independent auditor is guided by auditing standards.
- The government is responsible for appointing the independent auditor of IFAD's projects, who must be acceptable to IFAD. The selection process should be completed in advance of the end of the fiscal year.
- Reminder on procurement: In case the OAG is not available for auditing the project accounts, the method of recruitment of an external auditor is the "cost-least selection". Under this method, a "minimum" qualifying mark for "quality" is established. Proposals are invited from the short list and are to be submitted in two envelopes. The envelopes with the technical proposals are opened first and evaluated. Those securing less than the minimum qualifying mark are rejected, and the envelopes with the financial proposals of the rest are then opened in public. The firm with the lowest price is then to be selected. Under this method, the minimum qualifying mark is to be established bearing in mind that all proposals above the minimum compete only on the basis of "cost". The minimum mark is to be stated in the request for proposals (usually 70 or 80 points out of 100).

Attachment 1

Guidelines for the Preparation of Terms of Reference for Auditors

MINIMUM REQUIREMENTS FOR PROJECT AUDIT AND SCOPE AND OBJECTIVES OF THE AUDIT

2. The Project will have the annual financial statements audited in accordance with acceptable auditing standards. The auditor's report should indicate the standards used, and the extent, if any, to which the examination did not conform to those standards.

3. The audit report should contain a clear expression of the **auditor's opinion** regarding the financial statements. It should include a **financial statements audit** and **a compliance audit**, and should be accompanied by a **management letter**. It should also include a section on the project's compliance with loan covenants, particularly those dealing with financial matters.

4. The auditor will review the project accounts, including annual financial statements, SOEs and Designated Account, and present an opinion covering the three elements.

5. In addition the audit report will address:

- The adequacy of accounting and internal controls, including the internal audit mechanism, for monitoring expenditures and other financial transactions and ensuring safe custody of project assets;
- The adequacy of documentation maintained by the PCU for all transactions; and
- Any other matters that IFAD may reasonably request.

6. 'Project accounts' refers to the financial statements of the project, usually for a fiscal year. They must show the financial status of the project and consist of:

- Yearly and cumulative statements of sources and application of funds, which should disclose separately IFAD's funds, counterpart funds (government), other donors' funds and beneficiaries' funds; and
- The balance sheet, which should disclose bank and cash balances that agree with the statement of sources and application of funds, fixed assets and liabilities.

7. Where the project consists of several entities, financial statements should be consolidated.

8. The auditor's opinion should deal with the adequacy of the procedures used by the project for preparing SOE and should, include a statement that amounts withdrawn from the loan/grant account on the basis if such SOEs were used for the purposes intended under the financial agreement.

AUDIT METHODOLOGY

9. In reviewing the project accounts and financial statements, the auditor will:

- Verify that acceptable accounting standards have been consistently applied and indicate any material deviation from these standards, and the effect of such deviation on the annual financial statements;
- Assess the adequacy of accounting and internal control systems (procedures and responsibilities) for monitoring expenditures and other financial transactions (commitment, review, approval, payment and accounting) and ensuring safe custody of project-financed assets, and document any instances where controls are lacking or need strengthening;

- Determine whether the Project has maintained adequate documentation for all transactions; e.g. procurement documents, contracts, suppliers' invoices, letters of credit and evidence of payment, and ascertain that expenditures were properly authorized and in compliance with legal requirements;
- Verify the numerical accuracy of statements and accounts;
- Verify that disbursement requests for expenditures submitted to IFAD are eligible for financing under the loan agreement, and identify clearly any ineligible expenditures; and
- Carry out a physical verification of any significant assets purchased and confirm their existence and use for project purposes.

10. From the second audit onwards, the auditor will follow up on the remedial actions taken by NAEB in response to previous audit findings and recommendations, and report on progress or otherwise.

SUMMARY OF CONTENTS OF THE TOR AND THE ENGAGEMENT LETTER

11. The summary should include:
   - Description of the employing project authority or entity;
   - Term of the auditor's engagement, namely whether it is for a fiscal year or some other period;
   - Description and the timing of the financial statements and other material to be provided by project management for the audit;
   - Terms for delivery of the audit report;
   - Specification that the audit should be carried out in accordance with acceptable standards;
   - Provision of a management letter;
   - Statement of access to project records, documents and personnel available to the auditor; and
   - Details regarding submission of a proposal and work plan by the auditor.

DETAILS OF CONTENTS OF A TOR AND AN ENGAGEMENT LETTER

12. The contents should include:
   - A description in the TOR of the entity engaging the auditor and whether it is acting on behalf
   - Of or is a constituent part of a larger entity; and
   - Legal and general descriptions of the project and the PROJECT, in sufficient detail to enable the auditor to understand their nature, objectives and activities.

13. The following additional information would be helpful:
   - Organizational charts;
   - Names and titles of senior managers;
   - Names and qualifications of officers responsible for financial management, accounting and internal audit;
   - Name and address of any existing external auditor, if a change is made;
   - Description of information technology facilities and computer systems in use; and
   - Copies of the latest financial statements, loan agreement, minutes of financing negotiations, project Design Document, and AWPB, if available.

AUDITOR'S RESPONSIBILITIES

14. The auditor is required to provide an engagement letter, a sample of which is given in Attachment 2 to these guidelines for the TOR. In countries where an auditor's obligations are provided for by law, this step may not be necessary; such a letter would still be informative, however, for the borrower, and IFAD. It is in the interests of auditors and borrowers that the auditor sends the engagement letter before the audit commences in order to avoid misunderstandings.

15. In the case of recurring audits, the auditor need not be asked to issue a new engagement letter each year. The following factors may, however, call for a new engagement letter:

- Any indication that the client misunderstands the objective and scope of the audit;
- Any revised or special terms of the engagement;
- Change in project management;
- Significant change in the nature or size of the client project's activities; and
- Legal requirements.

16. The auditor should be expected to:

- Submit a proposal including the audit fees, depending on the audit assignment, for the audit of financial statements of the project, the Project, the financial intermediary or credit institution, or a combination of these, including SOEs and Designated Account;
- Provide three separate opinions based on the scope and detail of the audit (financial statements, SOEs, and Designated Account), and other areas covered in the TOR, and follow up audit recommendations from previous years;
- Provide a management letter describing any weaknesses identified in the project accounting and internal control systems, including any internal audit function, and recommend improvements; and
- Provide the reports in English.

VIII. SOE, DESIGNATED ACCOUNT and NON-ROUTINE ENGAGEMENTS

17. The auditor should be required to verify SOEs, accounting records and supporting documentation, and undertake a physical inspection of work done or goods and services acquired. The auditor should also, with reference to the disbursement letter sent from IFAD to the borrower, establish that expenditures claimed for reimbursement under this procedure are eligible for financing in accordance with the provisions of the loan agreement.

18. The auditor should be required to verify the correctness of transactions – withdrawals and replenishments including the exchange rates used – in the Designated Account and the use of Designated Account funds in accordance with the financial agreement. This should include examination of the reconciliation of the Designated Account balance at year-end with project records and IFAD's disbursement records.

19. The auditor may be asked to conduct a special review of one or more of the following:

- Economy, efficiency and effectiveness in the use of project resources;
- Achievement of planned project results;
- Legal and financial obligations and commitments of the project and the extent of compliance or non-compliance thereof;
- Systems and procedures such as improvements in accounting, information technology or computer systems, and operations that may be under development, on which the auditor's comments are necessary to ensure effective controls; and other activities on which an auditor may consider it appropriate to report.

Attachment 2

Draft Audit Engagement Letter

To the Project Management (or appropriate Project Manager):

1. You have requested that we audit [insert names of financial statements – e.g. Sources and Uses of Funds for the Year Ending (dd/mm/yyyy) and Balance Sheet as of (dd/mm/yyyy)]. We are pleased to confirm our acceptance and our understanding of this engagement by means of this letter. Our audit will be carried out in accordance with applicable audit regulations in Rwanda, with the objective of our expressing an opinion on the financial statements, including the use of the statements of expenditure and special account.

2. In forming our opinion on the financial statements, we will perform sufficient tests and reviews to obtain reasonable assurance as to whether the information contained in the underlying accounting records and other source data are reliable and sufficient as the basis for the preparation of the financial statements. We will also determine whether the information is properly communicated in the financial statements.

3. Because of the nature of the tests and other inherent limitations of an audit, and the inherent limitations of any system of internal control, there is an unavoidable risk that some material misstatements may remain undiscovered. However, we expect to provide you with a separate management letter concerning any material weaknesses in internal control that come to our notice.

4. May we remind you that project management is responsible for the preparation of financial statements, including adequate disclosure of relevant information. This includes maintenance of adequate accounting records and internal controls, selection and application of accounting policies, and safeguarding of assets. As part of our audit process, we will request from management written confirmation of representations made to us in connection with the audit.

5. We should be given access to all legal documents, correspondence, and any other information associated with the project and deemed necessary by us for the purpose of our audit.

6. We look forward to receiving the full cooperation of your staff. We trust that they will make available to us whatever records, documentation and other information we may request in connection with our audit.

7. [If applicable: Our fees, which will be billed as the audit work progresses, are based on the time required by the staff and other resources assigned to the audit, plus direct out-of-pocket expenses. Individual hourly rates may vary according to the degree of responsibility involved and the experience and skills of staff required for the audit.]

8. Please sign and return the attached copy of this letter as confirmation that it is in agreement with your understanding of the arrangements for our audit of the financial statements.
Name of institution or company [Office of the Auditor General, Chartered Accountants, Certified Public Accountants or other recognized profession]

Attachment 3

Draft TOR for Audit of Project Financial Statements, SOEs and Designated Account

1. The objective of the audit of the project financial statement (PFS) is to enable the auditor to express a professional opinion on the financial position of PRICE at the end of each fiscal year and of the funds received and expenditures incurred for the accounting period ended [dd/mm/yyyy], as reported in the PFS, including an opinion on the statements of expenditure (SOE) and designated account (DA).

2. The project books of accounts and records provide the basis for preparation of the PFS and have been maintained to reflect all financial transactions in respect of the project by the National Agricultural Export Development Board (NAEB).

3. The audit will be carried out in accordance with [state basis] and will include such tests and reviews, as the auditor considers necessary under the circumstances. Special attention will be paid to establishing that:

- All external funds have been used in accordance with the conditions stipulated in the financing agreements, with due attention to economy and efficiency, and solely for the purposes for which the financing was provided. The relevant financing agreements are: [insert names of loan agreements];

- Counterpart funds have been provided by [name the government ministry or the entity] and used in accordance with national or organizational financial regulations, with due attention to economy and efficiency, and solely for the purposes for which they were provided;

- Goods, consultancy and other services, and civil works financed out of project funds have been procured in accordance with stipulations in the financing agreement and/or government regulations;

- All necessary supporting documents, records and accounts have been kept in respect of all project ventures, including expenditures reported via SOEs or DAs;

- The DA has been used in accordance with the provisions of the financing agreement; and

- The project accounts have been prepared in accordance with consistently applied [state basis] and give a true and fair view of the financial status of the project at [dd/mm/yyyy] and of resources and expenditures for the year ended on that date.

PROJECT FINANCIAL STATEMENTS

The Project Financial Statements will include the following:

- Yearly and cumulative statements of sources and application of funds, which should disclose separately IFAD's funds, counterpart funds (government), other donor funds and beneficiaries' funds;
- Balance sheet, which should disclose bank and cash balances (that should agree with the statement of sources and application of funds), fixed assets and liabilities;
- Yearly and cumulative SOEs by withdrawal application and category of expenditures;
- Reconciliation of the Designated Account; and
- Consolidated financial statements, where a project consists of more than one entity.

Reconciliation between the amounts shown as received by the project and those shown as being disbursed by IFAD should be attached as an annex to the Project Financial Statements. As part of that reconciliation, the auditor will indicate the procedure used for disbursement – Designated

Account funds, letters of credit, special commitments, reimbursement or direct payment – and indicate whether the expenditure is fully documented or uses the SOE format.

STATEMENTS OF EXPENDITURES (SOEs)

In addition to the audit of the Project Financial Statements, the audit will include a review of SOEs used as the basis for submitting withdrawal applications. The auditor will carry out tests and reviews as necessary and relevant to the circumstances. SOE expenditures will be carefully compared for eligibility with relevant financial agreements, and the disbursement letter, and with reference to the project appraisal report[2] for guidance when necessary. Where ineligible expenditures are identified as having been included in withdrawal applications and reimbursed, auditors will note these separately. A schedule listing individual SOEs withdrawal applications by reference number and amount should be attached to the Project Financial Statements. The total withdrawals under the SOE procedure should be part of the overall reconciliation of IFAD disbursements described above.

DESIGNATED ACCOUNT

The auditor is also required to audit the activities of the Designated Account associated with the project, including the Authorized Allocation or initial deposit, replenishments, interest that may accrue on the outstanding balances, and the year-end balances. The auditor must form an opinion as to the degree of compliance with IFAD procedures and the balance of the Designated Account at year-end. The audit should examine: (i) the eligibility of withdrawals from the Designated Account during the period under review; (ii) the operation of the Designated Account in accordance with the relevant financing agreement(s); (iii) the adequacy of internal controls within the project appropriate for this disbursement mechanism; and (iv) the use of correct exchange rate(s) to convert local currency expenditures to USD.

As part of the opinion on the Project Financial Statements, the audit report will include an opinion on SOEs and Designated Account, indicating the extent to which these procedures can be relied upon as a basis for loan disbursements under the project.

The auditor will provide a management letter (A sample outline of a management letter is given in Attachment 5), which will identify deficiencies in the project accounting records, procedures, systems and internal controls and make appropriate recommendations for improvement. The management letter will also include any other significant matters that come to the auditor's attention and might have material impact on project implementation.

Attachment 4

Model of Auditor's Opinion

We have audited the accompanying [name of each financial statement] of the [name of organization, name of project] under IFAD Loan No.____ as of [dd/mm/yyyy] and for the year then ended. These financial statements are the responsibility of [insert name of borrower]; our responsibility is to express an opinion on each of these financial statements based on our audit.

We conducted our audit in accordance with [state basis – e.g. international Standards on Auditing] and IFAD's guidelines for statements of expenditure (SOEs) and Designated Account (DA). Those standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material mis-statement. Our audit included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by project management; and evaluating the overall financial statement presentation. We believe that our audit provided a reasonable basis for our opinion.

In our opinion, the financial statements give a true and fair view of:

i. The financial position of PRICE as of [dd/mm/yyyy] and of the results of its operations and its cash flows for the year then ended in accordance with [indicate International Accounting Standards (IAS) or relevant national standards].

ii. The sources and applications of funds of PRICE for the year ended [dd/mm/yyyy] in accordance with [indicate IAS or relevant national standards]. Note: if a balance sheet is required, add "financial position" at [dd/mm/yyyy]; in addition, (a) with respect to SOEs, adequate supporting documentation has been maintained to support claims to IFAD for reimbursements of expenditures incurred; and (b) such expenditures are eligible for financing under IFAD Loan Agreement No. ______.

iii. The financial position of the DA of PRICE as of [dd/mm/yyyy] for the year then ended in accordance with [IAS or relevant national standards] and IFAD guidelines, and of the sources and application of funds.

[Name and address of audit firm] [Completion date of audit]

Attachment 5

Sample of Outline of an Audit Management Letter

We have audited the financial statements of PRICE for the year ending [mm/yyyy] and have issued our report dated [dd/mm/yyyy]. In planning and performing our audit of [name of project or entity], we reviewed its internal accounting control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements, not to provide assurance on the internal accounting control structure. We noted no matters involving the internal accounting control structure and its operation that we consider to be material weakness - as in accordance with [international accounting standards or relevant national standards].
This report consists of three sections:

- Section i contains recommendations relating to improvements in existing systems and procedures noted in the current year.
- Section ii contains recommendations from prior years that have not yet been fully implemented.
- Section iii contains recommendations from prior years that have been fully implemented. (Management's comments are noted following each recommendation.)

This report is intended solely for the information and use of management and others within PRICE and should not be used for any other purpose.

During this year's audit we noted that NAEB has addressed most of the recommendations included in our prior year report. With respect to our current and carryover recommendations, we suggest that the management should continue to implement improvements based on an updated timetable.

Very truly yours, [Name and address of Audit Firm]

Annex 5

PROCUREMENT AND CONTRACT MANAGEMENT

Table of contents

Attachments

Annex 5

PROCUREMENT AND CONTRACT MANAGEMENT

I. PROCUREMENT PROCEDURES

A. IFAD Basic Principles

1. The general policies and procedures applicable to project procurement in IFAD financed projects are set out in IFAD's Procurement Guidelines that were approved by the Executive Board in September 2010. These guidelines, together with the procurement Handbook, replace those adopted in December 2004. Previously, the financial agreement, which governs the legal relationship between the Borrower and IFAD, stipulated the specific provisions for the procurement of goods, works and consulting services in the respective project. Since the revision of the IFAD general conditions for financing in April 2009, the schedule 4 of the financing agreement is no longer issued. The revised provision states that ***"Procurement of goods, works and services financed by the Financing shall be carried out in accordance with the provisions of the Borrower/Recipient's procurement regulations, to the extent such are consistent with the IFAD Procurement Guidelines."*** It further provides that ***"Each Procurement Plan shall identify procedures which must be implemented by the Borrower/Recipient in order to ensure consistency with the IFAD Procurement Guidelines."*** By specifying that the borrower's or recipient's procurement regulations must be consistent with IFAD's procurement guidelines, and by requiring the borrower/recipient and the Fund to agree on mandatory procedures ensuring such consistency, the new provision implements a much more predictable and coherent approach to procurement, governed by the Fund's procurement guidelines.

2. The elimination of schedule 4 means that a number of issues related to procurement, such as acceptable methods and review thresholds, are moved from the agreement to the letter to the borrower/recipient or the procurement plan. For PRICE, the Project Implementation Manual (PIM) will specify the main rules on procurement and will automatically supersede what established in the Letter to the Borrower or subsequent communication by IFAD.

General principles

- The responsibility for project and programme implementation and for procurement using IFAD funds lies with the Government.
- IFAD ensures that the proceeds of any financing are used only for the purposes for which the financing was provided, after a full, fair and legitimate competition among the bidders with due attention to the principles of transparency, efficiency, effectiveness and economy.
- IFAD may permit the adoption of the Borrower's national procurement regulations provided that such regulations are compatible with IFAD's guidelines.

Project Specific principles

- Procurement is carried out in accordance with the Financing Agreement and the Letter to the Borrower (and PIM) and any subsequent changes reflected in IFAD's mission reports (e.g. supervision reports, mid-term reviews, back-to-office reports, aide-memoires, correspondence).
- Procurement is to be conducted within the project implementation period (from the date of effectiveness to the date of completion). Procurement cannot be undertaken between the date of completion and the closing date.
- Does not exceed the availability of funds duly allocated by the financial agreement
- Is consistent with the approved Annual Work Plan and Budget (AWBP); and

- **Provides the best value for money:** Best value does not necessarily mean the lowest initial price option, but rather represents the best return on investments, taking into consideration the unique and specific circumstances of each procurement activity; the balance of time, cost and quality required; and the successful overall outcome of the contract in meeting its original objectives.

2. Assessment and Summary of the National Public Procurement Procedures

3. In 2010, the World Bank and the GoR have undertaken a Country Procurement Assessment Review (CPAR). The main conclusions of this review are as follows:

- Rwanda has made substantial progress in the area of developing the legal and regulatory framework by the enactment of the Public Procurement Law in 2007, the decree of associated Regulations, and establishment of the regulatory body, Rwanda Public Procurement Authority (RPPA). The 2007 Law, based on the UNCITRAL model brings to a new level the existing public procurement framework and is generally consistent with international standards.
- The Government has also undertaken the use of national Standard Bidding Documents (SBDs), modelled after the Bank's SBDs. All are published on the RPPA website (http://www.rppa.gov.rw/) for public use. In addition to the amendment to the law, RPPA has prepared a Standard Manual for Public Procurement (User's Guide) for the benefit of practitioners. With this action one of the gaps identified under the current assessment (lack of a unique national manual for procuring entities) has been filled.
- According to the Law, the RPPA retains the responsibility for conducting procurement processes (except preparation of the bidding documents) for a three years transition period for agreed thresholds. The final move to decentralization in February 2011 follows a period of gradual devolution (with an annual increase in authority for the decentralized entities). It is now acted that as from 20 March, RPPA will only exercise its regulatory functions, devolving all procurement processes to the government procuring agencies (Ministries and projects).
- **Governance and antic-corruption**. Rwanda is recognized for the high priority placed on maintaining a high level of integrity in public administration and significant progress in the establishment of mechanisms to support integrity and transparency of the public procurement system. Furthermore, Rwanda has improved its score on the Corruption Perception Index (CPI), globally advancing from the 111th position in 2007 to the 66th in 2010 and being now the 8th country in the Africa Region.
- **Financing sources for the Government capacity building agenda in Public Procurement**: A Public Sector Capacity Building Project (PSCBP), the Multi Donor Trust Fund (MDTF) and the PFM Basket Fund SWAP (involving the Bank, DFID, KfW and EU) are currently supporting procurement capacity building initiatives including a twinning arrangement with a specialized organization that will help to develop and **i**mplement PFM capacity building programs tailored to the needs of the key participants in the procurement process.

4. Based on the above assessment and on IFAD's own experience with financed projects for more than 10 years, it is recommended that the procurement of goods, services of PRICE would be carried out in accordance with the national procurement rules and regulations with the addition of two specific IFAD requirements:

(i) IFAD's prior review for contract for goods and works whose value is equal or over 80 000 US$ and for services for value equal or over 40 000 US$

(ii) As per IFAD procurement guidelines (module F5 of Procurement Handbook), ICB (International Competitive Bidding) is the mandatory method of procurement for the following contracts:

Category	***Contract Value***
Services	*Above 100,000 US$*
Goods	*Above 200,000 US$*
Civil works	*Above 1,000,000 US$*

N.B. The above thresholds at (ii) may be agreed between IFAD and the GoR at the time of Loan/grant negotiation.

5. The combined IFAD-National rules for the choice of a method of procurement states as follows:

Contract Value in FRW	**Equivalent in USD**	**Kind of Procurement**	**Method of Procurement**
Up to 100,000	+/- 180	ALL (G/S/W)	FREE
Up to 1,000,000	+/- 1,800	ALL (G/S/W)	AT LEAST 3 QUOTES
Up to 5,000,000	+/- 8,800	ALL (G/S/W)	LIMITED TENDERING
Up to 58,000,000	Up to 100,000	Services	NCB
Over 58,000,000	Over 100,0000		ICB
Up to 106,000,000	Up to 200,000	Goods	NCB
Over 106,000,000	Over 200,000		ICB
Up to 580,000,000	Up to 1,000,000	Civil Works	NCB
Over 580,000,000	Over 1,000,000		ICB

3. Specific Recommendations

(i) **For small contract less than 20,000 US$:** In place of a bid security, the Borrower may require bidders to sign a declaration accepting that if they withdraw or modify their bids during the period of validity or they are awarded the contract and they fail to sign the contract or to submit a performance security before the deadline defined in the bidding documents, the bidder will automatically be suspended for a period of time from being eligible for bidding in any contract with the Borrower.

(ii) Recent project experience in claiming performance guarantees for civil works shows that claims from insurance companies are at least as reliably honoured by insurance companies as by commercial banks. As a result and consistent with Rwanda Public Procurement Authority (RPPA) practice, IFAD has decided that henceforth guarantees by insurance companies (including performance guarantees, bid guarantees and guarantees on advance payments) will be fully acceptable to IFAD-supported projects in Rwanda. Project will ensure however that the insurances company issuing bonds is duly habilitated by the Authorities (BNR).

4. Main methods of Procurement

6. The most common methods of procurement that can be selected are the following

4.1. For Procurement of Goods and Works, the methods are well-known by the government procurement officers and do not need further explanations here:

- International Competitive Bidding (ICB)
- Limited International Competitive Bidding (LIB)
- National Competitive Bidding (NCB)

- International or National Shopping (IS/NS)
- Direct Contracting (DC)
- Procurement from Commodity Markets (PCM) for grain, animal feed, fertilizer…
- Work by Force Account (WFA)
- Procurement from United Nations Agencies (specialised agencies) to be specifically agreed between IFAD and the GoR.

4.2. For Procurement of Services:

- Quality Cost Based Selection (QCBS): the "standard" or "default" method for most consultant services. Should be used when :
  - A combination of quality and cost is required
  - The scope of work of the assignment can be precisely defined and the TOR are well specified and clear
  - The project and the consultant(s) can estimate with reasonable precision the staff time as well as the other inputs and costs required of the consultant(s).

- Quality Based Selection (QBS): for complex and highly specialised assignments when:
  - Difficulty to precise TOR and required inputs of the consultants
  - Assignment that have a long term impact and objective is to have the best qualified experts available
  - Assignment can be carried out in different ways and therefore proposals may not be directly comparable

- Fixed Budget Selection (FBS): To be used when:
  - Assignment is simple
  - TORs clearly defined
  - There is a strict limited budget available for the services

- Least Cost Selection (LCS): To be used when selecting consultants for small value services of a routine nature such as audits, supervision where well-established practices and professional standards exist.

- Selection Based on Consultants' Qualifications (CQS): appropriate for very small assignments where the need for a full bid process with submission and evaluation of detailed competitive proposals is not justified.

- Sole-Source Selection (SSS): To be used in exceptional circumstances and only with the agreement of IFAD. In order to receive approval, it is necessary that there is a clear advantage over competitive selection. For example:
  - For tasks that are a natural continuation of previous work carried out by the consultant;
  - Where rapid selection is essential;
  - For very low value assignments;
  - When only one firm or one individual has the necessary experience and competence for the assignment

7. The details of the above methods with their evaluation system are presented in the IFAD Procurement Handbook and are summarised as follows:

Selection method	***Use when looking for .***	***Restrictions for use***	***Criteria to disclose***	***Basis for award***
QCBS	*Quality and Cost balance*	*None*	*Technical and Financial*	*Highest combined score*
QBS	*Highest available quality at any cost*	*Budgetary constraints*	*Technical only*	*Highest technical score*
LCS	*Competence at lowest cost*	*None*	*Technical passmark*	*Lowest price meeting technical threshold*
FBS	*Quality within a financial limit*	*None*	*Available budget*	*Highest technical score within budget*
CQS	*Skills, knowledge and experience*	*Low value only*	*Skills, knowledge and experience*	*Best qualified*
SSS	*Continuity/speed/ unique skill, knowledge or experience*	*Low value or exceptional circumstances*	*N/A*	*Negotiation*

II. CONTRACT MANAGEMENT FOR SERVICES

A. Basic Principles

8. Contract management is the process that enables both parties to a contract to meet their obligations in order to deliver the objectives required from the contract. It also involves building a good working relationship between project and provider. It continues throughout the life of a contract and involves managing proactively to anticipate future needs as well as reacting to situations that arise.

9. The central aim of contract management is to obtain the services as agreed in the contract and achieve value for money. This means optimising the efficiency, effectiveness and economy of the service or relationship described by the contract, balancing costs against risks and actively managing the project-provider relationship. Contract management may also involve aiming for continuous improvement in performance over the life of the contract.

10. The following factors are essential for good contract management:

- **Good preparation**. An accurate assessment of needs helps create a clear output-based specification. Effective evaluation procedures and selection will ensure that the contract is awarded to the right provider.

- **The right contract**. The contract is the foundation for the relationship. It should include aspects such as allocation of risk, the quality of service required, and value for money mechanisms, as well as procedures for communication and dispute resolution.

- **Service delivery management and contract administration**. Effective governance will ensure that the project gets what is agreed, to the level of quality required. The performance under the contract must be monitored to ensure that the project continues to get value for money.

- **Knowledge**. Those involved in managing the contract must understand the business fully and know the contract documentation inside out (‘intelligent customer’ capability). This is essential if they are to understand the implications of problems (or opportunities) over the life of the contract.

B. Distinction between MOU and Contracts

- A contract is a written convention freely established between two or several parties, **ONE** of them could be a public institution or entity. The provisions included in this agreement make **the "law"** between parties**.**
- When the two parties are public entities, the contract is called "Memorandum of understanding". The provisions are focussed on the manner or way of collaboration between and are **NOT the "law**" between the parties because these parties are already submitted to the same authority or the same law ("the state") or to an international law.

11. To illustrate the difference between the two agreements, let's take an example:

- In a contract, the parties may agree that in case of litigation, they will refer to the law of a specific country or a specific legal institution.
- This faculty is not possible between a project under a Ministry and another parastatal to define another law or institution that those who are regulating these entities.

12. We will have the following types of conventions between the parties following their legal status:

Contract or convention	**Memorandum of Understanding**
Between a ministry/project and a private company (SA, SARL, Bank, etc)	Between two governments, two ministries or two projects
Between two private companies (SA, SARL, Banks, etc.)	Between government, ministry or project and international development organisation
Between a ministry/project and a national or international NGO	Between a ministry and a project
Between a ministry/project and an association of private law, ASBSL, private bank, IMF, etc..	Between a department of a ministry with another department of the same ministry or from another ministry or a project
Between two national or international NGOs	Between ministry or project and a parastatal entity
Conclusion: CONTRACT WHEN ONE OF THE PARTIES IS FROM THE PRIVATE SECTOR	**Conclusion: MOU WHEN THE TWO PARTIES ARE PUBLIC ENTITIES**

Application to PRICE

Contract or convention between the SPIU for PRICE …	**Memorandum of Understanding between the SPIU for PRICE …**
… and a private company (SA, SARL, BCR, ECOBANK, etc)	… and another ministry (MINALOC, MINECOFIN, ...)
… a national or international NGO (INADES, SNV, TechnoServe....)	… and a department of MINAGRI (NAEB, RAB) or of any other ministry (District, RDB, Caisse Sociale, RRA, etc....)
… and an association of private law (cooperatives, cooperative federations, etc…)	… and another project (PDCRE, PPPMER, RSSP) or international organisation (FAO, WFP)
	… and a parastatal (BNR, BRD, Electrogaz, etc.)

C. Schedule of models of contracts and MOUs

Contract forms:

- Contract for individual consultant for short or medium term assignment based on lump sum payment. .... **Attachment 1**

- Contract for firm, company, NGO, for medium assignment with several persons or consultants involved, paid on time spent.................................. **Attachment 2**

- Contract for firm, company, NGO, cooperative, for long term and complex assignment with many tasks not well defined except in an annual work plan and budget... **Attachment 3**

MOU forms:

- Agreement for short or medium term assignment not very complex with well known tasks (Example: MOU between a project and another department of the same ministry; there is no obligation for this department in the field of finances, procurement, accounts but only in the field of annual work plan and budget and in M&E)

  .... **For a recommended model, refer to the MOU between PAPSTA and the PPCU**

- Agreement for long-term assignment with many tasks not well defined in advanced and which can change during the course of the agreement and only identified in annual work plan and budget (Example: MOU between a project and a district where all activities are implemented during seven years; there is a lot of obligations for this district in the field of finances, procurement, accounts as well as in the fields of annual work plan and budget and in M & E. In fact, in this case, the district is like a sub-contracting agency of the project. Similar cases are for agreement with NAEB, RAB, etc.)

- .... **For a recommended model, refer to the MOU between KWAMP and Kirehe District.**

D. Contracts Register and Contract Monitoring Form (CMF)

13. All contracts (and MoUs) should be listed in the Register of Contracts with the dates of approval by IFAD. This register must be continuously updated and submitted to IFAD as this report facilitates the review and approval of payment requests on contracts. It is also an excellent tool to appreciate the engagements or commitments of the project during the supervision missions.
The model of Register of Contracts is attached in **Attachment 6**. It includes a column Nr 11 called CMF for Contract Monitoring Form. This form is also attached in **Attachment 7** with instructions for use.

Attachment 1

Model Contract for Individual Consulting Services

CONTRACT FOR INDIVIDUAL CONSULTING SERVICES

Between

[NAME OF THE PROJECT]

And

NAME OF THE CONSULTANT
(Name of the Consultant)

CONTRACT FOR CONSULTING SERVICES

Lump Sum Remuneration

THIS CONTRACT (hereinafter called the "Contract") is made the------------- day of --------------------- 2003 between on the one hand, [NAME AND ADDRESS OF THE PROJECT] (hereinafter called the "Client") and, on the other hand--(hereinafter called the "Consultant") having its principal place of business at---having the principal office located at [insert Consultant's address].

WHEREAS, the Client has requested the Consultant to provide certain consulting the services hereinafter referred to, and

WHEREAS, the Consultant, having represented to the Client that s/he has required professional skills, and is willing to perform these services,
NOW THEREFORE THE PARTIES hereby agree as follows:

1. Services	(i) Consultant shall perform the services specified in Annex A, "Terms of Reference and Scope of Services," which is made an integral part of this Contract ("the Services"). • (ii) The Consultant shall submit to the client the reports in the form and within the time periods specified in Annex B, "Consultant's Reporting Obligations."
2. Term	The Consultant shall perform the Services during X days, weeks, months with an initial period commencing ……. and continuing through …….. (x months) and any other period as may be subsequently agreed by the parties in writing subject to satisfactorily performance

3. Payment	A. Ceiling
	For Services rendered pursuant to Annex A, the Client shall pay the Consultant an amount not to exceeding a ceiling of USD ….. for a period of .... days/weeks/months. This amount has been established based on the understanding that it includes all the Consultant's costs and profits as well as any tax obligation that may be imposed on the Consultant.
	B. Schedule of Payments
	Eight days in arrears on satisfactory completion of the inputs.
	C. Payments Conditions
	Payment of 20% (maximum) upon signature of the contract. 80% at the end of the assignment against remittance of the final report (or documentation) Payment shall be made in [currency like United States Dollars]not later than 30 days following submission of invoices in duplicate to the Coordinator designated in paragraph 4. Travel costs will be reimbursed upon arrival in the working location and per-diem are payable at the beginning of the assignment.
4. Programme Administration	**A. Coordinator**
	The Client designates Mr. ……………………as Client's Coordinator; the Coordinator shall be responsible for the coordination of activities under the Contract, for acceptance and approval of the reports and of other deliveries by the Client and for receiving and approving invoices for the payment.
	B. Reports
	The reports listed in Annex B, "Consultant's Reporting Obligations," shall be submitted in the course of the assignment, and will constitute the basis for the payments to be made under paragraph 3.
5. Performance Standard	The Consultant undertakes to perform the Services with the highest standards of professional and ethical competence and integrity. The Consultant shall be promptly replaced if the Client considers the performance as an unsatisfactory.
6. Confidentiality	The Consultant shall not, during the term of this Contract and within two years after its expiration, disclose any proprietary or confidential information relating to the Services, this Contract or the Client's business or operations without the prior written consent of the Client.
7. Ownership of Material	Any studies, reports or other material, graphic, software or otherwise prepared by the Consultant for the Client under the Contract shall belong to and remain the property of the Client. The Consultant may retain a copy of such documents and

	software.
8. Consultant not to be Engaged in Certain Activities	The Consultant agrees that, during the term of this Contract, he shall be disqualified from providing goods, works or services (other than the Services or any continuation thereof) for the Programme resulting from or closely related to the Services.
9. Insurance	The Consultant will be responsible for taking out any appropriate insurance coverage
10. Assignment	The Consultant shall not assign this Contract or Subcontract any portion of it without the Client's prior written consent.
11. Law Governing Contract and Language	The Consultant shall be governed by the laws of the Government of the Republic of Rwanda, and the language of the Contract shall be English.
12. Dispute Resolution	Any dispute arising out of this Contract, which cannot be amicably settled between the parties, shall be referred to adjudication/arbitration in accordance with the laws of the Government of the Republic of Rwanda.

FOR THE CLIENT

Signed by:_________________________

Title:______________________________

FOR THE CONSULTANT

Signed by:_________________________

Title:______________________________

Attachments

Attachment A: Terms of Reference and Scope of Services

Attachment B: Consultant's Reporting Obligations (examples)

1. Inception Report and Work Plan: Two (2) weeks after the date of entry in function
2. Documentation as required in the field of procurement, accounting, finances and M & E systems: on a regular basis.
3. First Updating of the PIM: At the end of the first mission
4. Brief mission report: at the end of the first mission

Attachment C: Cost Estimate of Services and Schedule of Rates

No	**Description of Estimates**	**Unit Price**	**Quantity**	**Total Price**
1	Fees	………USD/month		………………USD
2	Costs:			
2.1.	Visa Cost			
2.2.	Duty Station Allowances	………USD/month		………………USD
2.3.	Travel cost home-duty station			
2.4.	Other costs			
2.5.				
	TOTAL			**……………..USD**

Attachment 2

Model Institutional Contract for Small and Medium Consulting Services

INSTITUTIONAL CONTRACT FOR SMALL AND MEDIUM CONSULTING SERVICES

THIS CONTRACT ("Contract") is entered into this *[insert starting date of assignment]*, by and between *[insert Client's name]* ("the Client") having its principal place of business at *[insert Client's address]*, and *[insert Consultant's name]* ("the Consultant") having its principal office located at *[insert Consultant's address].*
WHEREAS, the Client wishes to have the Consultant performing the services hereinafter referred to, and
WHEREAS, the Consultant is willing to perform these services,
NOW THEREFORE THE PARTIES hereby agree as follows:

1. Services

(i) The Consultant shall perform the services specified in Annex A, "Terms of Reference and Scope of Services," which is made an integral part of this Contract ("the Services").

(ii) The Consultant shall provide the reports listed in Annex B, "Consultant's Reporting Obligations," within the time periods listed in such Annex, and the personnel listed in Annex C, "Cost Estimate of Services, List of Personnel and Schedule of Rates" to perform the Services.

2. Term

The Consultant shall perform the Services during the period commencing *[insert start date]* and continuing through *[insert completion date]* or any other period as may be subsequently agreed by the parties in writing.

3. Payment

A. Ceiling
For Services rendered pursuant to Annex A, the Client shall pay the Consultant an amount not to exceed a ceiling of *[insert ceiling amount]*. This amount has been established based on the understanding that it includes all of the Consultant's costs and profits as well as any tax obligation that may be imposed on the Consultant. The payments made under the Contract consist of the Consultant's remuneration as defined in sub-paragraph B below and of the reimbursable expenditures as defined in sub-paragraph C below.

B. Remuneration
The Client shall pay the Consultant for Services rendered at the rate(s) per man/month spent[1] (**or** per day spent **or** per hour spent, subject to a maximum of eight hours per day) in accordance with the rates agreed and specified in Annex C, "Cost Estimate of Services, List of Personnel and Schedule of Rates."

C. Reimbursables
The Client shall pay the Consultant for reimbursable expenses, which shall consist of and be limited to:

(i) normal and customary expenditures for official travel, accommodation, printing, and telephone charges; official

[1] Select the applicable rate and delete the others.

travel will be reimbursed at the cost of less than first class travel and will need to be authorized by the Client's coordinator;

(ii) such other expenses as approved in advance by the Client's coordinator.[2]

D. Payment Conditions

Payment shall be made in *[specify currency]* not later than 30 days following submission of invoices in duplicate to the Coordinator designated in paragraph 4.

4. Project Administration	A. Coordinator The Client designates Mr./Ms. [insert name] as Client's Coordinator; the Coordinator shall be responsible for the coordination of activities under the Contract, for receiving and approving invoices for payment, and for acceptance of the deliverables by the Client. B. Timesheets During the course of their work under this Contract, including field work, the Consultant's employees providing services under this Contract may be required to complete timesheets or any other document used to identify time spent, as well as expenses incurred, as instructed by the Project Coordinator. C. Records and Accounts The Consultant shall keep accurate and systematic records and accounts in respect of the Services, which will clearly identify all charges and expenses. The Client reserves the right to audit, or to nominate a reputable accounting firm to audit, the Consultant's records relating to amounts claimed under this Contract during its term and any extension, and for a period of three months thereafter.
5. Performance Standard	The Consultant undertakes to perform the Services with the highest standards of professional and ethical competence and integrity. The Consultant shall promptly replace any employees assigned under this Contract that the Client considers unsatisfactory.
6. Confidentiality	The Consultants shall not, during the term of this Contract and within two years after its expiration, disclose any proprietary or confidential information relating to the Services, this Contract or the Client's business or operations without the prior written consent of the Client.
7. Ownership of Material	Any studies, reports or other material, graphic, software or otherwise, prepared by the Consultant for the Client under the Contract shall belong to and remain the property of the Client. The Consultant may retain a copy of such documents and software.[3]
8. Consultant Not to be Engaged in Certain Activities	The Consultant agrees that, during the term of this Contract and after its termination, the Consultants and any entity affiliated with the Consultant, shall be disqualified from providing goods, works or services (other than the Services or any continuation thereof) for any project resulting from or closely related to the Services.
9. Insurance	The Consultant will be responsible for taking out any appropriate insurance coverage.
10. Assignment	The Consultant shall not assign this Contract or Subcontract any portion of it without the Client's prior written consent.
11. Law Governing	The Contract shall be governed by the laws of the Republic of Rwanda, and the language of the Contract shall be English

[2] Specific expenses can be added as an item (iii) in paragraph 3.C.
[3] Restrictions about the future use of these documents and software, if any, to be specified at the end of Art. 7.

	Contract and Language	
12.	**Dispute Resolution**	Any dispute, controversy or claim arising out of or relating to this Contract or the breach, termination or invalidity thereof, shall be settled by arbitration in accordance with the UNCITRAL Arbitration Rules as at present in force.

FOR THE CLIENT	FOR THE CONSULTANT
Signed by ____________________	Signed by ____________________
Title: ________________________	Title: ________________________

Appendices

Appendix A—Description of the Services

Give detailed descriptions of the Services to be provided, dates for completion of various tasks, place of performance for different tasks, specific tasks to be approved by Client, etc.

Appendix B—Reporting Requirements

List format, frequency, and contents of reports; persons to receive them; dates of submission; etc.

Appendix C—Key Personnel and Subconsultants

List under:

- *C-1 Titles [and names, if already available], detailed job descriptions and minimum qualifications of foreign Personnel to be assigned to work in the Government's country, and staff-months for each.*
- *C-2 Same as C-1 for Key foreign Personnel to be assigned to work outside the Government's country.*
- *C-3 List of approved Subconsultants (if already available); same information with respect to their Personnel as in C-1 or C-2.*
- *C-4 Same information as C-1 for Key local Personnel.*

Appendix D—Breakdown of Contract Price in Foreign Currency

List here the elements of cost used to arrive at the breakdown of the lump-sum price—foreign currency portion:

1. *Monthly rates for Personnel (Key Personnel and other Personnel).*
2. *Reimbursable expenditures.*

This appendix will exclusively be used for determining remuneration for additional services.

Appendix E—Breakdown of Contract Price in Local Currency

List here the elements of cost used to arrive at the breakdown of the lump-sum price—local currency portion:

1. *Monthly rates for Personnel (Key Personnel and other Personnel).*
2. *Reimbursable expenditures.*

This appendix will exclusively be used for determining remuneration for additional services.

Appendix F—Services and Facilities Provided by the Client

Attachment 3

Model Institutional Contract for Large and Complex Consulting Services

INSTITUTIONAL CONTRACT FOR LARGE AND COMPLEX CONSULTING SERVICES

FOR THE

[NAME OF THE PROJECT]
Complex Time-based Assignments

Based on Annual Work Plan & Budget

between

PRICE PROJECT (MINAGRI) OF THE REPUBLIC OF RWANDA

and
[NAME OF THE FIRM, COMPANY, NGO, BUREAU....]

Dated:

....
CONTENTS

I. Form of Contract

COMPLEX TIME-BASED ASSIGNMENT BASED ON ANNUAL WORK PLAN & BUDGET

This CONTRACT (hereinafter called the "Contract") is made the *[day]* day of the month of *[month]*, *[year]*, between, on the one hand, The Ministry of Agriculture, Livestock and Forests (MINAGRI) of the Republic of Rwanda (hereinafter called the "Client") and, on the other hand, [NAME OF THE FIRM,COMPANY,NGO, BUREAU....] (hereinafter called the "Service Provider").

WHEREAS

(a) the Client has requested the Service Provider to provide certain consulting services as defined in the General Conditions of Contract attached to this Contract (hereinafter called the "Services");

(b) the Service Provider, having represented to the Client that they have the required professional skills, and personnel and technical resources, have agreed to provide the Services on the terms and conditions set forth in this Contract;

(c) the Client has received a loan/grant from the International Fund for Agricultural Development (hereinafter called the "IFAD") towards the cost of the Services and intends to apply a portion of the proceeds of this loan to eligible payments under this Contract, it being understood (i) that payments by the IFAD will be made only at the request of the Client and upon approval by IFAD, (ii) that such payments will be subject, in all respects, to the terms and conditions of the agreement providing for the loan , and (iii) that no party other than the Client shall derive any rights from the agreement providing for the loan or have any claim to the loan proceeds;

NOW THEREFORE the parties hereto hereby agree as follows:

1. The following documents attached hereto shall be deemed to form an integral part of this Contract:

   (a) The General Conditions of Contract;
   (b) The Special Conditions of Contract;
   (c) The following Appendices:

   Appendix A: Description of the Services
   Appendix B: Reporting Requirements
   Appendix C: Key Personnel and Sub-Service Provider
   Appendix D: Indicative first 5 years Budget in Foreign Currency
   Appendix E: Breakdown of Contract Price in Local Currency ___ Not used
   Appendix F: Services and Facilities Provided by the Client
   Appendix G: Model of Bank Guarantee for Advance Payment

2. The mutual rights and obligations of the Client and the Service Provider shall be as set forth in the Contract, in particular:

   (a) The Service Provider shall carry out the Services in accordance with the provisions of the Contract; and

(b) The Client shall make payments to the Service Provider in accordance with the provisions of the Contract.

IN WITNESS WHEREOF, the Parties hereto have caused this Contract to be signed in their respective names as of the day and year first above written.

For and on behalf of *[name of client]*

____

[Authorized Representative]

For and on behalf of *[name of Service Provider]*

____

[Authorized Representative]

II. General Conditions of Contract

1. General Provisions

1.1 Definitions	Unless the context otherwise requires, the following terms whenever used in this Contract have the following meanings: (a) "Applicable Law" means the laws and any other instruments having the force of law in the Republic of Rwanda, as they may be issued and in force from time to time; (b) "IFAD" means the International Fund for Agricultural Development, Rome, ITALY.; (c) "Contract" means the Contract signed by the Parties, to which these General Conditions of Contract (GC) are attached, together with all the documents listed in Clause 1 of such signed Contract; (d) "Contract Price" means the price to be paid for the performance of the Services, in accordance with Clause 6; (e) "Foreign Currency" means any currency other than the currency of the Government; (f) "GC" means these General Conditions of Contract; (g) "Government" means the Government of the Client's country, i.e. the Republic of Rwanda; (h) "Local Currency" means the currency of the Government, i.e. the Rwandan Franc or in French "le Franc Rwandais"; (i) "Member," in case the Service Provider consist of a joint venture of more than one entity, means any of these entities; "Members" means all these entities, and "Member in Charge" means the entity specified in the SC to act on their behalf in exercising all the Service Provider' rights and obligations towards the Client under this Contract; (j) "Party" means the Client or the Service Provider, as the case may be, and "Parties" means both of them; (k) "Personnel" means persons hired by the Service Provider or by any Sub-Service Provider as employees and assigned to the performance of the Services or any part thereof; (l) "SC" means the Special Conditions of Contract by which the GC may be amended or supplemented; (m) "Services" means the tasks to be performed by the Service Provider pursuant to this Contract, as described in Appendix A; and (n) "Sub-Service Provider" means any entity to which the Service Provider sub-contract any part of the Services in accordance with the provisions of Clauses 3.5 and 4.
1.2 Relation between the Parties	Nothing contained herein shall be construed as establishing a relation of master and servant or of principal and agent as between the Client and the Service Provider. The Service Provider, subject to this Contract, have complete charge of Personnel and Sub-Service Providers, if any, performing the Services and shall be fully responsible for the Services performed by them or on their behalf hereunder.
1.3 Law Governing the Contract	This Contract, its meaning and interpretation, and the relation between the Parties shall be governed by the Applicable Law.
1.4 Language	This Contract has been executed in the language specified in the SC, which shall be the binding and controlling language for all matters relating to the meaning or interpretation of this Contract.
1.5 Headings	The headings shall not limit, alter or affect the meaning of this Contract.

1.6 Notices	Any notice, request, or consent made pursuant to this Contract shall be in writing and shall be deemed to have been made when delivered in person to an authorized representative of the Party to whom the communication is addressed, or when sent by registered mail, telex, telegram, or facsimile to such Party at the address specified in the SC.
1.7 Location	The Services shall be performed at such locations as are specified in Appendix A and, where the location of a particular task is not so specified, at such locations, whether in the Government's country or elsewhere, as the Client may approve.
1.8 Authorized Representatives	Any action required or permitted to be taken, and any document required or permitted to be executed, under this Contract by the Client or the Service Provider may be taken or executed by the officials specified in the SC.
1.9 Taxes and Duties	The Client warrants that the Service Provider and their Personnel (as well as the Sub-Service Provider and their Personnel) shall be exempt from any taxes, duties, fees, levies, and other impositions levied, under the Applicable Law, on the Service Provider and the Personnel in respect of: (a) any payments made to the Service Provider, Sub-Service Provider, and the Personnel of either of them (other than nationals of the Government or permanent residents of the Government's country), in connection with the carrying out of the Services; (b) any equipment, materials, and supplies brought into the Government's country by the Service Provider or Sub-Service Provider for the purpose of carrying out the Services and which, after having been brought into such territories, will be subsequently withdrawn therefrom by them; (c) any equipment imported for the purpose of carrying out the Services and paid for out of funds provided by the Client and which is treated as property of the Client; (d) any property brought into the Government's country by the Service Provider, any Sub-Service Provider, and the Personnel of either of them (other than nationals of the Government or permanent residents of the Government's country) for their personal use and which will subsequently be withdrawn therefrom by them upon their respective departure from the Government's country.

2. Commencement, Completion, Modification, and Termination of Contract

2.1 Effectiveness of Contract	This Contract shall come into effect on the date the Contract is signed by both parties or such other later date as may be stated in the SC.
2.2 Commencement of Services	The Service Provider shall begin carrying out the Services thirty (30) days after the date the Contract becomes effective, or at such other date as may be specified in the SC.
2.3 Expiration of Contract	Unless terminated earlier pursuant to Clause 2.6, this Contract shall terminate at the end of such time period after the Effective Date as is specified in the SC.
2.4 Entire Agreement	This Contract contains all covenants, stipulations and provisions agreed by the Parties. No agent or representative of either Party has authority to make, and the Parties shall not be bound by or be liable for, any statement, representation, promise or agreement not set forth herein.
2.5 Modification	Modification of the terms and conditions of this Contract, including any modification of the scope of the Services or of the Contract Price, may only be made by written agreement between the Parties and shall not be effective until the consent of IFAD, as the case may be, has been obtained.

2.6 Force Majeure

2.6.1 Definition

For the purposes of this Contract, "Force Majeure" means an event which is beyond the reasonable control of a Party and which makes a Party's performance of its obligations under the Contract impossible or so impractical as to be considered impossible under the circumstances.

2.6.2 No Breach of Contract

The failure of a Party to fulfil any of its obligations under the contract shall not be considered to be a breach of, or default under, this Contract insofar as such inability arises from an event of Force Majeure, provided that the Party affected by such an event (a) has taken all reasonable precautions, due care and reasonable alternative measures in order to carry out the terms and conditions of this Contract, and (b) has informed the other Party as soon as possible about the occurrence of such an event.

2.6.3 Extension of Time

Any period within which a Party shall, pursuant to this Contract, complete any action or task, shall be extended for a period equal to the time during which such Party was unable to perform such action as a result of Force Majeure.

2.6.4 Payments

During the period of their inability to perform the Services as a result of an event of Force Majeure, the Service Provider shall be entitled to continue to be paid under the terms of this Contract, as well as to be reimbursed for additional costs reasonably and necessarily incurred by them during such period for the purposes of the Services and in reactivating the Service after the end of such period.

2.6.5 Consultation

Not later than thirty (30) days after the Service Providers, as the result of an event of Force Majeure, have become unable to perform a material portion of the Services, the Parties shall consult with each other with a view to agreeing on appropriate measures to be taken in the circumstances.

2.7 Suspension

The Client may, by written notice of suspension to the Service Provider, suspend all payments to the Service Provider hereunder if the Service Providers fail to perform any of their obligations under this Contract, including the carrying out of the Services, provided that such notice of suspension (i) shall specify the nature of the failure, and (ii) shall request the Service Providers to remedy such failure within a period not exceeding thirty (30) days after receipt by the Service Providers of such notice of suspension.

2.8 Termination

2.8.1 By the Client

The Client may terminate this Contract, by not less than thirty (30) days' written notice of termination to the Service Provider, to be given after the occurrence of any of the events specified in paragraphs (a) through (d) of this Clause 2.6.1 and sixty (60) days' in the case of the event referred to in (e):

(a) if the Service Provider do not remedy a failure in the performance of their obligations under the Contract, within thirty (30) days after being notified or within any further period as the Client may have subsequently approved in writing;
(b) if the Service Provider become insolvent or bankrupt;
(c) if, as the result of Force Majeure, the Service Provider are unable to perform a material portion of the Services for a period of not less than sixty (60) days; or
(d) if the Service Provider, in the judgment of the client has engaged in corrupt or fraudulent practices in competing for or in executing the Contract.

For the purpose of this clause:

(a) "corrupt practice" means the offering, giving, receiving, or soliciting of any thing of value to influence the action of a public official in the selection process or in contract execution.

(b) "fraudulent practice" means a misrepresentation of facts in order to influence a selection process or the execution of a contract to the detriment of the Borrower, and includes collusive practice among Service Provider (prior to or after submission of proposals) designed to establish prices at artificial non-competitive levels and to deprive the Borrower of the benefits of free and open competition

(e) if the Client, in its sole discretion, decides to terminate this Contract.

2.8.2 By the Service Provider

The Service Provider may terminate this Contract, by not less than thirty (30) days' written notice to the Client, such notice to be given after the occurrence of any of the events specified in paragraphs (a) and (b) of this Clause 2.6.2:

(a) if the Client fails to pay any monies due to the Service Provider pursuant to this Contract and not subject to dispute pursuant to Clause 7 within forty-five (45) days after receiving written notice from the Service Provider that such payment is overdue; or

(b) if, as the result of Force Majeure, the Service Provider are unable to perform a material portion of the Services for a period of not less than sixty (60) days.

2.8.3 Payment upon Termination

Upon termination of this Contract pursuant to Clauses 2.6.1 or 2.6.2, the Client shall make the following payments to the Service Provider:

(a) remuneration pursuant to Clause 6 for Services satisfactorily performed prior to the effective date of termination;

(b) except in the case of termination pursuant to paragraphs (a) and (b) of Clause 2.6.1, reimbursement of any reasonable cost incident to the prompt and orderly termination of the Contract, including the cost of the return travel of the Personnel and their eligible dependents.

3. Obligations of the Service Provider

3.1 General

The Service Provider shall perform the Services and carry out their obligations with all due diligence, efficiency, and economy, in accordance with generally accepted professional techniques and practices, and shall observe sound management practices, and employ appropriate advanced technology and safe methods. The Service Provider shall always act, in respect of any matter relating to this Contract or to the Services, as faithful advisers to the Client, and shall at all times support and safeguard the Client's legitimate interests in any dealings with Sub-Service Provider or third parties.

3.2 Conflict of Interests

3.2.1 Service Provider Not to Benefit from Commissions, Discounts, etc.

The remuneration of the Service Provider pursuant to Clause 6 shall constitute the Service Provider's sole remuneration in connection with this Contract or the Services, and the Service Provider shall not accept for their own benefit any trade commission, discount, or similar payment in connection with activities pursuant to this Contract or to the Services or in the discharge of their obligations under the Contract, and the Service Provider shall use their best efforts to ensure that the Personnel, any Sub-Service Provider, and agents of either of them similarly shall not receive any such additional remuneration.

3.2.2 Service Provider and Affiliates Not to be Otherwise Interested in Project

The Service Provider agree that, during the term of this Contract and after its termination, the Service Provider and their affiliates, as well as any Sub-Service Provider and any of its affiliates, shall be disqualified from providing goods, works, or services (other than the Services and any continuation thereof) for any project resulting from or closely related to the Services.

3.2.3 Prohibition of Conflicting Activities

Neither the Service Provider nor their Sub-Service Provider nor the Personnel shall engage, either directly or indirectly, in any of the following activities:

(a) during the term of this Contract, any business or professional activities in the Government's country which would conflict with the activities assigned to them under this Contract; or

(b) after the termination of this Contract, such other activities as may be specified in the SC.

3.3 Confidentiality

The Service Provider, their Sub-Service Provider, and the Personnel of either of them shall not, either during the term or within two (2) years after the expiration of this Contract, disclose any proprietary or confidential information relating to the Project, the Services, this Contract, or the Client's business or operations without the prior written consent of the Client.

3.4 Insurance to be Taken Out by the Service Provider

The Service Provider (a) shall take out and maintain, and shall cause any Sub-Service Provider to take out and maintain, on terms and conditions approved by the Client, insurance against the risks, and for the coverage, as usually prevailing in the Government's country; and (b) at the Client's request, shall provide evidence to the Client showing that such insurance has been taken out and maintained and that the current premiums have been paid. The costs of these insurances are included in the Contract Price and therefore will be reimbursed by the Client.

3.5 Accounting, Inspection and Auditing

The Service Provider (i) shall keep accurate and systematic accounts and records in respect of the Services hereunder, in accordance with internationally accepted accounting principles and in such form and detail as will clearly identify all relevant time changes and costs, and the bases thereof (including such bases as may be specifically referred to in the SC), and (ii) shall permit the Client or its designated representative periodically, and up to one year from the expiration or termination of this Contract, to inspect the same and make copies thereof as well as to have them audited by auditors appointed by the Client and (iii) shall permit IFAD to inspect the Service Provider's accounts and records relating to the performance of the Service Provider and to have them audited by auditors approved by IFAD , if so required by the Fund.

3.6 Service Provider' Actions Requiring Client's Prior Approval

The Service Provider shall obtain the Client's prior approval in writing before taking any of the following actions:

(a) entering into a subcontract for the performance of any part of the Services,

(b) appointing such members of the Personnel not listed by name in Appendix C ("Key Personnel and Sub-Service Provider"), and

(c) any other action that may be specified in the SC.

3.7 Reporting Obligations

The Service Provider shall submit to the Client the reports and documents specified in Appendix B in the form, in the numbers, and within the periods set forth in the said Appendix.

3.8 Documents Prepared by the Service Provider to Be the Property of the Client

All plans, drawings, specifications, designs, reports, and other documents and software submitted by the Service Provider in accordance with Clause 3.6 shall become and remain the property of the Client, and the Service Provider shall, not later than upon termination or expiration of this Contract, deliver all such documents and software to the Client, together with a detailed inventory thereof. The Service Provider may retain a copy of such documents and software. Restrictions about the future use of these documents, if any, shall be specified in the SC.

3.9 Equipment and Materials Furnished by the Client

Equipment and materials made available to the Service Providers by the Client, or purchased by the Service Providers with funds provided by the Client, shall be the property of the Client and shall be marked accordingly. Upon termination or expiration of this Contract, the Service Providers shall make available to the Client an inventory of such equipment and materials and shall dispose of such equipment and materials in accordance with the Client's instructions. While in possession of such equipment and materials, the Service Providers, unless otherwise instructed by the Client in writing, shall insure them at the expense of the Client in an amount equal to their full replacement value.

4. Service Provider's Personnel

4.1 Description of Personnel

The titles, agreed job descriptions, minimum qualifications, and estimated periods of engagement in the carrying out of the Services of the Service Provider's Key Personnel are described in Appendix C. The Key Personnel and Sub-Service Provider listed by title as well as by name in Appendix C are hereby approved by the Client.

4.2 Removal and/or Replacement of Personnel

(a) Except as the Client may otherwise agree, no changes shall be made in the Key Personnel. If, for any reason beyond the reasonable control of the Service Provider, it becomes necessary to replace any of the Key Personnel, the Service Provider shall provide as a replacement a person of equivalent or better qualifications.

(b) If the Client finds that any of the Personnel have (i) committed serious misconduct or have been charged with having committed a criminal action, or (ii) have reasonable cause to be dissatisfied with the performance of any of the Personnel, then the Service Provider shall, at the Client's written request specifying the grounds thereof, provide as a replacement a person with qualifications and experience acceptable to the Client and to IFAD.

(c) The Service Provider shall have no claim for additional costs arising out of or incidental to any removal and/or replacement of Personnel.

5. Obligations of the Client

5.1 Assistance and Exemptions	The Client shall use its best efforts to ensure that the Government shall provide the Service Provider such assistance and exemptions as specified in the SC.
5.2 Access to Land	The Client warrants that the Service Provider shall have, free of charge, unimpeded access to all land in the Government's country in respect of which access is required for the performance of the Services. The Client will be responsible for any damage to such land or any property thereon resulting from such access and will indemnify the Service Provider and each of the Personnel in respect of liability for any such damage, unless such damage is caused by the default or negligence of the Service Provider or any Sub-Service Provider or the Personnel of either of them.
5.3 Change in the Applicable Law	If, after the date of this Contract, there is any change in the Applicable Law with respect to taxes and duties which increases or decreases the cost of the services rendered by the Service Provider, then the remuneration and reimbursable expenses otherwise payable to the Service Provider under this Contract shall be increased or decreased accordingly by agreement between the Parties, and corresponding adjustments shall be made to the amounts referred to in Clauses 6.2 or 6.3, as the case may be.
5.4 Services and Facilities	The Client shall make available to the Service Provider the Services and Facilities listed under Appendix F.

6. Payments to the Service Provider

6.1 Cost Estimates; Ceiling Amount	The Service Provider's total remuneration shall not exceed the Contract Price as per Clause 6.2. thereof and shall be including all staff costs, general expenses and overheads, current operating costs such as offices, internships, printing, communications, travel, accommodation, and the like, and all other costs incurred by the Service Provider in carrying out the Services described in Appendix A. Except as provided in Clause 5.2, the Contract Price may only be increased above the amounts stated in Clause 6.2 if the Parties have agreed to additional payments in accordance with Clause 2.4.
6.2 Contract Price at project starting-up.	The price is payable in foreign currency as set forth in Appendix D. This Appendix D is the initial five years budget for the contract period elaborated for the purpose of this contract and constitutes the cost estimates and ceiling amount upon which the annual work plans and budgets will be formulated during the project period.
6.3 Annual Contract Price based on AWPB	The actual payable contract price is annual and based on the Annual Work Plan and Budget (AWPB) established by the end of each project year and duly approved by the Client and IFAD. The first AWPB will be for Year 20..; however, if costs incurred between the date of effectiveness of this contract and the 1st January 2..., such costs will be billed by the Service Provider based on the Contract Price as per clauses GC 6.2. and 6.4 and will be reimbursed by the Client as per Clause GC 6.7.
6.4 Terms and Mode of Billing	As soon as practicable and not later than fifteen (15) days after the end of each quarter during the period of the Services, the Service Provider shall submit to the Client, in duplicate, itemized statements, accompanied by copies of receipted invoices, vouchers and other appropriate supporting materials, of the amounts

payable pursuant to Clauses GC 6.3. Quarterly statements shall be submitted in respect of the amounts approved in the AWPB and specifically each quarterly statement shall distinguish that portion of the total eligible costs which pertains to staff remuneration from that portion which pertains to the current operating costs as per the following rules:

(a) Remuneration for the Personnel shall be determined on the basis of time actually spent by such Personnel in the performance of the Services after the date determined in accordance with Clause GC 2.2 a (or such other date as the Parties shall agree in writing) (including time for necessary travel via the most direct route) at the rates referred to Clause GC 6.3

(b) The current operating costs or expenditures actually and reasonably incurred by the Service Provider in the performance of the Services.

6.5 Payment for Additional Services

For the purpose of determining the remuneration due for additional services as may be agreed under Clause 2.4, reference shall be made to the initial indicative "Five Years Budget" as per clause 6.2.

6.6 Price Revision

The contract prices (initial and annual) are fixed for a period of [number] years at least. Thereafter, any party may propose a formula of price revision upwards or downwards taking into consideration the variations of price based only on the Dollar of the United States of America. Only one revision of price will be applied for the AWPB of Year X. No revision will be applied in the subsequent AWPBs of Years Y and Z

6.7 Terms and Conditions of Payment

The payments in respect of the Services shall be made as follows:

(a) The Client shall cause to be paid to the Service Providers an advance payment as specified in the SC, and as otherwise set forth below. The advance payment will be due after provision by the Service Providers to the Client of a bank guarantee by a bank acceptable to the Client and to IFAD in an amount (or amounts) and in a currency (or currencies) specified in the SC, such bank guarantee (i) to remain effective until the advance payment has been fully set off as provided in the SC, and (ii) to be in the form set forth in Appendix G hereto or in such other form as the Client and IFAD shall have approved in writing.

(b) The Client shall cause the payment of the Service Provider's quarterly statements within sixty (60) days after the receipt by the Client of such statements with supporting documents. Only such portion of a quarterly statement that is not satisfactorily supported may be withheld from payment. Should any discrepancy be found to exist between actual payment and costs authorized to be incurred by the Service Providers, the Client may add or subtract the difference from any subsequent payments.

(c) The final payment under this Clause shall be made only after the final report and a final statement, identified as such, shall have been submitted by the Service Providers and approved as satisfactory by the Client. The Services shall be deemed completed and finally accepted by the Client and the final report and final statement shall be deemed approved by the Client as satisfactory ninety (90) calendar days after receipt of the final report and final statement by the Client unless the Client, within such ninety (90)-day period, gives written notice to the Service Providers specifying in detail deficiencies in the Services, the final report or final statement. The Service Providers shall thereupon promptly make any necessary corrections, and upon completion of such corrections, the foregoing process shall be repeated. Any amount which the Client has paid or caused to be paid in accordance with this Clause in excess of the amounts actually payable in accordance with the provisions of this Contract shall be reimbursed by the Service Providers to the Client within thirty (30) days after receipt by the Service Providers of notice thereof. Any such claim by the Client for reimbursement must be made within twelve (12) calendar months after receipt by the Client of a final report and a final statement approved by the Client in accordance with the above.

(d) All payments under this Contract shall be made to the accounts of the Service Providers specified in the SC.

7. Fairness and Good Faith

7.1 Good Faith	The Parties undertake to act in good faith with respect to each other's rights under this Contract and to adopt all reasonable measures to ensure the realization of the objectives of this Contract.
7.2 Operation of the Contract	The Parties recognize that it is impractical in this Contract to provide for every contingency which may arise during the life of the Contract, and the Parties hereby agree that it is their intention that this Contract shall operate fairly as between them, and without detriment to the interest of either of them, and that, if during the term of this Contract either Party believes that this Contract is operating unfairly, the Parties will use their best efforts to agree on such action as may be necessary to remove the cause or causes of such unfairness, but no failure to agree on any action pursuant to this Clause shall give rise to a dispute subject to arbitration in accordance with Clause GC 8 hereof.

8. Settlement of Disputes

8.1 Amicable Settlement	The Parties shall use their best efforts to settle amicably all disputes arising out of or in connection with this Contract or its interpretation.
8.2 Dispute Settlement	Any dispute between the Parties as to matters arising pursuant to this Contract that cannot be settled amicably within thirty (30) days after receipt by one Party of the other Party's request for such amicable settlement may be submitted by either Party for settlement in accordance with the provisions specified in the SC.

III. Special Conditions of Contract

Number of GC Clause	Amendments of, and Supplements to Clauses in the General Conditions of Contract
1.3	The language is English.
1.4	The addresses are: Client: ______________________________ Attention: ______________________________ Telex: ______________________________ Facsimile: ______________________________ Email: ______________________________ Service Provider: Attention: ______________________________ Telex: ______________________________ Facsimile: ______________________________ Email: ______________________________
1.6	The Authorized Representatives are: For the Client: Mr Mrs. x Project Coordinator For the Service Provider:
2.1	The date on which this Contract shall come into effect is the date of effective signature by the parties.
2.2	N/A
2.3	The period shall be five years or such other period as the parties may agree in writing.
3.2.1	**Procurement Rules of Funding Agencies** Furthermore, if the Service Provider, as part of the Services, have the responsibility of advising the Client on the procurement of goods, works, or services, the Service Provider shall comply with any applicable procurement guidelines of IFAD, as the case may be, and other funding agencies including the public procurement guidelines of the PPRA of Rwanda and shall at all times exercise such responsibility in the best interest of the Client. For IFAD, a prior No Objection is requested for any market value equal or over ....USD for goods, ...USD for services and ....USD for works. Any discounts or commissions obtained by the Service Provider in the exercise of such procurement responsibility shall be for the account of the Client.
3.2.3	For a period of two years after the expiration of this Contract, the Service Provider shall not engage, and shall cause their Personnel as well as their Sub-Service Provider and their Personnel not to engage, in the activity of a purchaser (directly or indirectly) of the assets on which they advised the Client under this Contract, nor shall they engage in the activity of an adviser (directly or indirectly) of potential purchasers of such assets.
3.5(c)	The other actions are: *[To be completed after contract negotiations]*
3.7	The Service Provider shall not use these documents for purposes unrelated to this Contract without the prior written approval of the Client.
5.1	• Visa entry facilities and resident visa • Tax and duties exemption as per clause 1.7 of GC
6.7 (a) Advance Payment	Twenty-Five (25) percent of the annual Contract Price based on the first AWPB 20.. shall be paid on the commencement date against the submission of a bank guarantee for the same amount and in US dollars of America, from a bank acceptable to the Client and to IFAD. The Advance Payment shall be deducted from the two first quarterly invoices in 20.. for Services billed by the Service Provider and accepted by the Client. The bank guarantee shall be released after the 2nd quarter 20..
6.7 (d) Bank Account of the	The bank account of the Service Provider is: ____

Service Provider ____
____

[kindly provide all necessary bank codes such as IBAN code, Swift Code or Sort Code]

8.2 Any dispute, controversy, or claim arising out of or relating to this contract, or the breach, termination, or invalidity thereof, shall be settled by arbitration in accordance with the UNCITRAL Arbitration Rules as at present in force.

Appendices

Appendix A—Description of the Services

The scope of the services to be rendered by [NAME OF THE FIRM,COMPANY,NGO, BUREAU....] has been largely expressed in several documents listed hereto after and such documents are to be considered as contractual documents attached to this Contract for Services:

1. Appraisal Report No. 1375, Main Report
2. Appraisal Report No. 1375, Working Papers, especially WP No.7
3. Service Provider Proposal [date] with attached Budget
4. Minutes of meetings dated……
5. Final negotiations minutes dated…….. (irrevocable letter of engagement)
6. Final 5 years Work Plan and Budget
7. SP AWPB 20....
8. ….

This chapter has to be completed after final negotiations

Appendix B—Reporting Requirements

Report Name	Kind of Report	Frequency	Deadline	Target Group
Accounts (list of expenses)	Financial. Quantitative	Monthly	10 of next month	DAF
Financial Statements	Financial. Quantitative	Quarterly	15 of next month	DAF
Progress Report	Technical. Qualitative and quantitative	Quarterly	15 of next month	PC
Annual Financial Statements	Financial. Quantitative.	Annual	15 January next year	DAF
Annual Progress Report	Technical. Qualitative and quantitative	Annual	15 January next year	PC
Baseline Survey	Technical. Mainly quantitative	one	????	PC/TWIN Beneficiaries?
Monitoring and evaluation feedback	Technical and Financial. Qualitative and quantitative.	Quarterly	30 of next month	PC/DAF

Appendix C—Key Personnel and SubService Provider

TO BE COMPLETED AFTER NEGOTIATIONS

List under: *C-1* *Titles [and names, if already available], detailed job descriptions and minimum qualifications of foreign Personnel to be assigned to work in the Government's country, and staff-months for each.*

C-2 *Same as C-1 for Key foreign Personnel to be assigned to work outside the Government's country.*

C-3 *List of approved Sub-Service Provider (if already available); same information with respect to their Personnel as in C-1 or C-2.*

C-4 *Same information as C-1 for Key local Personnel.*

Appendix D—Breakdown of Contract Price in Foreign Currency

TO BE COMPLETED AFTER NEGOTIATIONS

List here the Indicative and initial Five Years Budget as attached to the TWIN's proposal dated May 2003 and including the following annexes:
1. SP Budget Summary US$
2. SP staff and associates and in Rwanda, number of days
3. Breakdown of direct costs in US$ with a clear separation between remuneration and reimbursable expenditures (current operating costs)
4. Estimated additional costs for funds not managed by the SP

This appendix will exclusively be used for determining the Annual Work Plan and Budget of the SP for the Project Period (x years: 20..-20..)

Appendix E—Breakdown of Contract Price in Local Currency

NOT USED

Appendix F—Services and Facilities Provided by the Client

- *TO BE COMPLETED AFTER NEGOTIATIONS*

Appendix G—Model of Bank Guarantee for Advance Payment

•

TO: MINISTRY OF AGRICULTURE, LIVESTOCK AND FORESTS (MINAGRI)
OF THE GOVERNMENT OF THE REPUBLIC OF RWANDA..

Re: Contract for the provisions of services to [name of the Project + reference IFAD agreement]
[Name of Contract for Service Providers' Services]

Gentlemen:

In accordance with the provisions of Clauses GC 6.7(a) and SC 6.7(a) of the above-mentioned Contract (hereinafter called "the Contract"), ... (hereinafter called "the Service Provider") shall deposit with MINAGRI a Bank guarantee to guarantee their proper and faithful performance under the said provisions of the Contract in an amount of *[amount of Guarantee]*, *[amount of Guarantee in words]*.

We, the *[Bank or financial institution]*, as instructed by the Service Provider, agree unconditionally and irrevocably to guarantee as primary obligor and not as Surety merely, the payment to MINAGRI on his first demand without whatsoever right of objection on our part and without his first claim to the Service Providers, in the amount not exceeding *[amount of Guarantee]*, *[amount of Guarantee in words]*.
We further agree that no change or addition to or other modification of the terms of the Contract which may be made between MINAGRI and the Service Provider, shall in any way release us from any liability under this guarantee, and we hereby waive notice of any such change, addition or modification.
This guarantee shall remain valid and in full effect from the date of the advance payment under the Contract until MINAGRI receives full repayment of the same amount from the Service Provider.

Yours truly,

____
Signature and Seal

____
Name of Bank/Financial Institution

____
Address

Date

Attachment 4 – PRICE Register of Contracts

Date: ________________

Project Unit: ____ Project:_________________________

0	1	2	3	4	5	6	7	8	9	10	11	12
Sequential No.	**Contract No.**	**Date of Contract**	**Supplier Name**	**Brief Description of Goods, Services, Works**	**Method of Procurement**	**Country of Origin**	**Period of Execution**	**Amount**	**Category and % of financing**	**No-objection No.**	**CMF**	**Comments**

Attachment 5

Contract Monitoring Form (CMF)

CONTRACT MONITORING FORM

☑ ONGOING ☐ CLOSED

(ENTER PROJECT NAME AND ACRONYM)

Contract Number: 091 as per contract register

Description of contract: **Training in animal traction**

Procurement file #: Comp.: **sub-comp. 2.2** Contract officer: **Mr X**

Name and address of supplier:

Example Ltd.
PO Box 123, Kigali
e-mail:
telephone:

Bank details:

Contract Summary (RWF)

Document	Contract Reference	NO #	Amount	Dates (start-end)	
Original contract (4-Sep-06) 091	023/T/2007/FIDA/PAPSTA	NO 020b	35 000 000	1-Sep-06	31-Dec-06
Amendment 1 (extension, 2-Feb-07) 091.1		NO 020c	0	1-Jan-07	31-Dec-07
Additional training (1-Jul-07) 091.2		NO 020d	20 000 000	1-Jul-07	31-Dec-07
Total Amount			**55 000 000**		

Bank Securities or Bonds (RWF)

Document	Name of Financial Inst.	Date	Amount	Expiry Date	Extended to:
Advance payment	ABC Bank	1-Sep-06	10 500 000	30-Jun-07	
Performance Bond	ABC Bank	1-Sep-06	3 500 000	final acceptance	
additional Performance Bond	ABC Bank	1-Jul-07	2 000 000	final acceptance	

Invoices (RWF)

Reference on invoice	Date	Amount	Pay by (date)	Comments
33	12-Feb-07	7 000 000	29-Mar-07	
75	10-May-07	10 500 000	24-Jun-07	
102	11-Sep-07	10 500 000	26-Oct-07	Does not include 091.2
188	2-Jan-08	21 500 000	16-Feb-08	
Total amount invoiced		**49 500 000**		**813 559** **Invoiced, not yet paid**

Monitoring of Payments (RWF)

Payment schedule		Progress certificate		Payments issued			Balance due on contract
Milestone	Expected Amount	Number	Date	Payment Date	Amount Paid	Cheque or WA number	
20% advance	7 000 000	none	n/a	15-Mar-07	5 932 203	10 030 411	**49 067 797**
				15-Mar-07	889 831	10 030 412	**48 177 966**
				15-Apr-07	177 966	witholding tax	**48 000 000**
Acceptable 2nd quarterly report AND client survey	10 500 000	50	1-Jun-07	18-May-07	8 898 305	10 030 822	**39 101 695**
				19-May-07	1 334 746	10 030 823	**37 766 949**
				10-Jun-07	266 949	witholding tax	**37 500 000**
Acceptable 3rd quarterly report	16 500 000	on invoice	1-Sep-07	18-Sep-07	8 898 305	10 031 012	**28 601 695**
				18-Sep-07	1 334 746	10 031 013	**27 266 949**
				15-Sep-07		witholding tax	**-**
Acceptable 4th quarterly report AND Impact study	15 500 000	on invoice	21-Dec-07	22-Feb-08	18 220 339	WA 051	**9 046 610**
				18-Jan-08	2 733 051	10 031 063	**6 313 559**
						witholding tax	**-**
Acceptable completion report	5 500 000						**-**
							-
							-
							-
							-
							-
Total Amount	**55 000 000**				**48 686 441**		

Notes:
In this example, the witholding tax on the last 2 invoices is not yet paid, thus showing as an amount in the field "Invoiced, not yet paid".

last saved: 30-Apr-11

Attachment 6 - Draft 18-month Procurement Plan

RWANDA - PRICE - PROCUREMENT PLAN 18 MONTHS (Jan-11 to Jun-12)

Section A - Works

				AWPB		Method	Prior NO	Plan	**Preparation of tender**		**Tendering Process**				**Evaluation Process**				**Contract details**			
Nr	Description	Executing Agency	Quantity	Unit Price RWF '000	Total Price RWF million	of procurement	IFAD Y/N ?	vs Actual	Bid Doc	NO IFAD	Publication or LOI	Response time	Closing Date	Opening Date	Technical Evaluation	Financial Evaluation	Evaluation Report	NO IFAD	Notification of award	Contract Signature	Contract duration	End of Contract
	Indicative timing of each step of the process →								15 days	5 days	5 days	12-21 days	1 day	1 day	10 days	5 days	5 days	5 days				
	Indicative timing per main process →								Total 15 days		TOTAL 19 to 28 days				TOTAL 35 days							
	Total Indicative timing →								**GRAND TOTAL of 69 to 78 days maximum**													
C1	**COMPONENT 1: COFFEE DEVELOPMENT**																					
W1.1	Water recycling systems	Coffee DMI	22	4800.0	105.6	NCB	YES	PLAN	15-Jan-11	20-Jan-11	25-Jan-11	30 days	25-Feb-11	25-Feb-11	5-Mar-11	10-Mar-11	15-Mar-11	20-Mar-11	25-Mar-11	31-Mar-11	continuous	30-Jun-12
								REVISED														
								ACTUAL														
C2	**COMPONENT 2 : TEA DEVELOPMENT**																					
W2.1	Leaf Collection hangars	Tea DMD	4 X15	1500.0	90.0	NCB	Yes	PLAN	15-Jan-11	20-Jan-11	25-Jan-11	30 days	25-Feb-11	25-Feb-11	5-Mar-11	10-Mar-11	15-Mar-11	20-Mar-11	25-Mar-11	31-Mar-11	continuous	30-Jun-12
								REVISED														
								ACTUAL														
W2.2	Offices houses for cooperatives	Tea DMD	4X 1	15000.0	60.0	NCB	Yes	PLAN	15-Jan-11	20-Jan-11	25-Jan-11	30 days	25-Feb-11	25-Feb-11	5-Mar-11	10-Mar-11	15-Mar-11	20-Mar-11	25-Mar-11	31-Mar-11	continuous	30-Jun-12
								REVISED														
								ACTUAL														
C3	**COMPONENT 3: SERICULTURE DEVELOPMENT**																					
C4	**COMPONENT 4: HORTICULTURE & ESSENTIAL OILS**																					
C5	**COMPONENT 5: FINANCES SERVICES**																					
C6	**COMPONENT 6: PROJECT MANAGEMENT**																					
W6.1	Contributions to construction offices of NAEB	NAEB Corp. Sces	1	300000.0	300.0	PM	Yes	PLAN														
								REVISED														
								ACTUAL														

RWANDA - PRICE - PROCUREMENT PLAN 18 MONTHS (Jan-11 to Jun-12)

Section B - Goods

Nr	Description	Executing Agency	AWPB Quantity	AWPB Unit Price USD	AWPB Total Price USD '000	AWPB Unit Price RWF '000	AWPB Total Price RWF million	Method of procurement	Prior NO IFAD Y/N ?	Plan vs Actual	Preparation of tender: Bid Doc	Preparation of tender: NO IFAD	Tendering Process: Publication or LOI	Tendering Process: Response time	Tendering Process: Closing Date	Tendering Process: Opening Date	Evaluation Process: Technical Evaluation	Evaluation Process: Financial Evaluation	Evaluation Process: Evaluation Report	Evaluation Process: NO IFAD	Contract details: Notification of award	Contract details: Contract Signature	Contract details: Contract duration	Contract details: End of Contract
	Indicative timing of each step of the process						→				15 days	5 days	5 days	12-21 days	1 day	1 day	10 days	5 days	5 days	5 days				
	Indicative timing per main process						→				Total 15 days		TOTAL 19 to 28 days				TOTAL 35 days							
	Total Indicative timing						→				GRAND TOTAL of 69 to 78 days maximum													
C0	**Grouped procurement between components**																							
G0.1.	Fertilizer for tea and sericulture /a	MINAGRI	Bulk purchase		969		581.4	ICB	Yes	PLAN	15-Jan-11	20-Jan-11	25-Jan-11	45 days	15-Mar-11	16-Mar-11	31-Mar-11	5-Apr-11	10-Apr-11	15-Apr-11	16-Apr-11	17-Apr-11	2 months	17-Jun-11
										REVISED														
										ACTUAL														
G0.2	Office equipment /b	NAEB	Bulk purchase		74		44.4	NCB	No	PLAN	15-Aug-11	N/A	4-Sep-11	21 days	25-Sep-11	26-Sep-11	6-Oct-11	11-Oct-11	16-Oct-11	N/A	17-Oct-11	18-Oct-11	1 month	24-Jul-11
										REVISED														
										ACTUAL														
C1	**COMPONENT 1: COFFEE DEVELOPMENT**																							
G1.1	Seedlings	Coffee DMI	600 000		30		18	Free	No	PLAN	15-Jan-11	N/A	NA	NA	20-Jan-11	N/A	N/A	N/A	N/A	N/A	20-Jan-11	21-Jan-11	1 month	21-Feb-11
										REVISED														
										ACTUAL														
G1.2	Investments for MISOZO	MISOZI	set		10		6	NCB	No	PLAN	15-Apr-11	N/A	5-May-11	21 days	26-May-11	27-May-11	6-Jun-11	11-Jun-11	16-Jun-11	N/A	17-Jun-11	18-Jun-11	1 month	24-Jul-11
										REVISED														
										ACTUAL														
C2	**COMPONENT 2 : TEA DEVELOPMENT**																							
C3	**COMPONENT 3: SERICULTURE DEVELOPMENT**																							
G3.1	Silkworm eggs	Hort DMD	3 456	8	27.65	4.8	16.6	ICB	No	PLAN	15-Jan-11	20-Jan-11	25-Jan-11	45 days	15-Mar-11	16-Mar-11	31-Mar-11	5-Apr-11	10-Apr-11	15-Apr-11	16-Apr-11	17-Apr-11	2 months	17-Jun-11
										REVISED														
										ACTUAL														
G3.2	Subsidy for fertilizer for mulberry	Hort DMD	250	56	14	33.6	8.4	NCB	No	PLAN	15-Jan-11	N/A	15-Jan-11	15 days	31-Jan-11	31-Jan-11	15-Feb-11	20-Feb-11	25-Feb-11	N/A	28-Feb-11	1-Mar-11	1 month	1-Apr-11
										REVISED														
										ACTUAL														
G3.3	Cocoon dryer	Hort DMD	8	5000	40	3000.0	24.0	NCB	No	PLAN	15-Jan-11	N/A	15-Jan-11	15 days	31-Jan-11	31-Jan-11	15-Feb-11	20-Feb-11	25-Feb-11	N/A	28-Feb-11	1-Mar-11	1 month	1-Apr-11
										REVISED														
										ACTUAL														
G3.4	Motorbikes for PSC seric. Specialists	Hort DMD	4	2500	10	1500.0	6.0	NS	No	PLAN	15-Jan-11	N/A	15-Jan-11	15 days	31-Jan-11	31-Jan-11	10-Feb-11	15-Feb-11	17-Feb-11	N/A	20-Feb-11	21-Feb-11	1 month	21-Mar-11
										REVISED														
										ACTUAL														
G3.5	Mobile phones	Hort DMD	80	30	24	18.0	14.4	NS	No	PLAN	15-Apr-11	N/A	5-May-11	21 days	26-May-11	27-May-11	6-Jun-11	11-Jun-11	16-Jun-11	N/A	17-Jun-11	18-Jun-11	1 month	24-Jul-11
										REVISED														
										ACTUAL														
C4	**COMPONENT 4: HORTICULTURE & ESSENTIAL OILS**																							
	NO GOODS																							
C5	**COMPONENT 5: FINANCES SERVICES**																							
	NO GOODS																							
C6	**COMPONENT 6: PROJECT MANAGEMENT**																							
G6.1	Vehicles 4WD D	Corp. Sces	3	35 000	105	21000	63.0	NCB	Yes	PLAN	15-Jan-11	20-Jan-11	25-Jan-11	30 days	25-Feb-11	25-Feb-11	5-Mar-11	10-Mar-11	12-Mar-11	17-Mar-11	18-Mar-11	20-Mar-11	15 days	5-Apr-11
										REVISED														
										ACTUAL														
G7.2	Publications	Corp. Sces	3	5 000	15	3000.0	9.0	NCB	No	PLAN	15-Jan-11	N/A	15-Jan-11	15 days	31-Jan-11	31-Jan-11	15-Feb-11	20-Feb-11	25-Feb-11	N/A	28-Feb-11	1-Mar-11	1 month	1-Apr-11
										REVISED														
										ACTUAL														

a\ USD 20 000 for coffee expansion, USD 935 000 for tea, and USD 14 000 for sericulture.
b\ Office equipment for tea cooperatives (USD 32 000), unions (10 000), FERWACOTHE (USD 30 000), and RSFF (USD 2 000).

RWANDA - PRICE - PROCUREMENT PLAN 18 MONTHS (Jan-11 to Jun-12)
Section C - Services

			AWPB					Method	Prior NO	Plan	Preparation of tender		Tendering Process				Evaluation Process				Contract details			
Nr	Description	Executing Agency	Quantity	Unit Price USD	Total Price USD '000	Unit Price RWF '000	Total Price RWF million	of procurement	IFAD Y/N ?	vs Actual	Bid Doc	NO IFAD	Publication or LOI	Response time	Closing Date	Opening Date	Technical Evaluation	Financial Evaluation	Evaluation Report	Final NO IFAD	Notification of award	Contract Signature	Contract duration	End of Contract
	Indicative timing of each step of the process										15 days	5 days	5 days	12-21 days	1 day	1 day	10 days	5 days	5 days	5 days				
	Indicative timing per main process										Total 15 days		TOTAL 19 to 28 days				TOTAL 35 days							
	Total Indicative timing										**GRAND TOTAL of 69 to 78 days maximum**													
C1	**COMPONENT 1: COFFEE DEVELOPMENT**																							
S1.7	Turnaround	PDCRE	25 coop	20000	500	12000.0	300.0	ICB/SSS	YES	PLAN	31-Oct-11	5-Nov-11	10-Nov-11	21 days	1-Dec-11	2-Dec-11	12-Dec-11	17-Dec-11	22-Dec-11	27-Dec-11	28-Dec-11	29-Dec-11	1 month	31-Jul-13
	Prog. for old &									REVISED														
	new coops *									ACTUAL														
S1.7		PDCRE	12400 pers.	70	868	42.0	520.8	ICB/SSS	YES	PLAN	31-Oct-11	5-Nov-11	10-Nov-11	21 days	1-Dec-11	2-Dec-11	12-Dec-11	17-Dec-11	22-Dec-11	27-Dec-11	28-Dec-11	29-Dec-11	1 month	31-Jul-13
	FFS support *									REVISED														
										ACTUAL														
S1.7	Support to	PDCRE	lumpsum		740		444.0	ICB/SSS	YES	PLAN	31-Oct-11	5-Nov-11	10-Nov-11	21 days	1-Dec-11	2-Dec-11	12-Dec-11	17-Dec-11	22-Dec-11	27-Dec-11	28-Dec-11	29-Dec-11	1 month	31-Jul-13
	federations									REVISED														
	and unions *									ACTUAL														
S1.1	Capacity	Coffee DMI	2 pers/month	20 000	40	12000.0	24.0	NCB/QCBS	YES	PLAN	15-Jan-11	20-Jan-11	25-Jan-11	1 5 days	6-Feb-11	6-Feb-11	16-Feb-11	21-Feb-11	26-Feb-11	3-Mar-11	4-Mar-11	5-Mar-11	2 months	5-May-11
	assessment of									REVISED														
	ISAR									ACTUAL														
S1.2	Development	Coffee DMI	1.5	20000	30	12000.0	18.0	NCB/QCS	NO	PLAN	15-Jan-11	N/A	20-Jan-11	7 days	27-Jan-11	27-Jan-11	28-Jan-11	N/A	29-Jan-11	30-Jan-11	1-Feb-11	2-Feb-11	1 month	2-Mar-11
	of IPM									REVISED														
	packages									ACTUAL														
S1.3	TA for develop-ing high-	Coffee DMI	1 pers/year on 18 m.	50000	75	30000.0	45.0	NCB/QCBS	YES	PLAN	15-Jan-11	20-Jan-11	25-Jan-11	1 5 days	6-Feb-11	6-Feb-11	16-Feb-11	21-Feb-11	26-Feb-11	3-Mar-11	4-Mar-11	5-Mar-11	18 months	5-Sep-12
	performing HQ									REVISED														
	clones									ACTUAL														
S1.4	International	Coffee DMI	2 pers/month	20000	30	12000.0	18.0	ICB/QCS	NO	PLAN	15-Jan-11	N/A	20-Jan-11	7 days	27-Jan-11	27-Jan-11	28-Jan-11	N/A	29-Jan-11	30-Jan-11	1-Feb-11	2-Feb-11	18 months	2-Aug-12
	TA									REVISED														
										ACTUAL														
S1.5	Soil & Leaf	Coffee DMI	1	20 000	20	12000.0	12.0	NCB/QCBS	NO	PLAN	15-Jan-11	N/A	15-Jan-11	15 days	31-Jan-11	31-Jan-11	15-Feb-11	20-Feb-11	25-Feb-11	N/A	28-Feb-11	1-Mar-11	1 month	1-Apr-11
	analysis									REVISED														
										ACTUAL														
S1.6	Audit of	RCA	67	1000	67	600.0	40.2	NCB/LCS	NO	PLAN	15-Jan-11	N/A	15-Jan-11	15 days	31-Jan-11	31-Jan-11	15-Feb-11	20-Feb-11	25-Feb-11	2-Mar-11	3-Mar-11	4-Mar-11	3 mths	4-Jun-11
	Cooperatives									REVISED														
										ACTUAL														
S1.8	Certification	Coffee DMI	2	20000	40	12000.0	24.0	ICB/QCS	YES	PLAN	15-Jan-11	N/A	20-Jan-11	7 days	27-Jan-11	27-Jan-11	28-Jan-11	N/A	29-Jan-11	30-Jan-11	1-Feb-11	2-Feb-11	1 month	2-Mar-11
	study (int'l TA)									REVISED														
										ACTUAL														
S1.9	Assessment of	Coffee DMI	1	20000	20	12000.0	12.0	ICB/QCS	NO	PLAN	15-Jan-11	N/A	20-Jan-11	7 days	27-Jan-11	27-Jan-11	28-Jan-11	N/A	29-Jan-11	30-Jan-11	1-Feb-11	2-Feb-11	18 months	2-Aug-12
	MISOZI									REVISED														
										ACTUAL														
C2	**COMPONENT 2 : TEA DEVELOPMENT**																							
S1.7	Turnaround	PDCRE	40 coop		15		9.0	ICB/SSS	YES	PLAN	31-Oct-11	5-Nov-11	10-Nov-11	21 days	1-Dec-11	2-Dec-11	12-Dec-11	17-Dec-11	22-Dec-11	27-Dec-11	28-Dec-11	29-Dec-11	1 month	31-Jul-13
	Prog. for old &									REVISED														
	new coops *									ACTUAL														
S1.7		PDCRE	300 pers.	70	15	42.0	9.0	ICB/SSS	YES	PLAN	31-Oct-11	5-Nov-11	10-Nov-11	21 days	1-Dec-11	2-Dec-11	12-Dec-11	17-Dec-11	22-Dec-11	27-Dec-11	28-Dec-11	29-Dec-11	1 month	31-Jul-13
	FFS support *									REVISED														
										ACTUAL														
S1.7	Support to	PDCRE	lumpsum		70		42.0	ICB/SSS	YES	PLAN	31-Oct-11	5-Nov-11	10-Nov-11	21 days	1-Dec-11	2-Dec-11	12-Dec-11	17-Dec-11	22-Dec-11	27-Dec-11	28-Dec-11	29-Dec-11	1 month	31-Jul-13
	federations									REVISED														
	and unions *									ACTUAL														
S2.1	Profitability	Tea DMD	3 pers/month	20000	60	12000.0	36.0	NCB/QCBS	Yes	PLAN	15-Jan-11	20-Jan-11	25-Jan-11	1 5 days	6-Feb-11	6-Feb-11	16-Feb-11	21-Feb-11	26-Feb-11	3-Mar-11	4-Mar-11	5-Mar-11	1 month	5-Apr-11
	Study									REVISED														
										ACTUAL														
S2.2.	Baseline study	Tea DMD	1	45000	45	27000.0	27.0	NCB/QCBS	Yes	PLAN	15-Jan-11	20-Jan-11	25-Jan-11	1 5 days	6-Feb-11	6-Feb-11	16-Feb-11	21-Feb-11	26-Feb-11	3-Mar-11	4-Mar-11	5-Mar-11	1 month	
	for 445 ha									REVISED														
	Nshili									ACTUAL														
S2.3.	FFS (4 X) on 18	Tea DMD	3800 persons	55	209	33.0	125.4	ICB/SSS	Yes	PLAN	15-Jan-11	20-Jan-11	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	1-Feb-11	1-Feb-11	continuous	30-Jun-12
	months									REVISED														
										ACTUAL														
S2.4.	Audit of the	Tea DMD	2	6000	12	3600.0	7.2	NCB/LCS	NO	PLAN	15-Jan-11	N/A	15-Jan-11	15 days	31-Jan-11	31-Jan-11	15-Feb-11	20-Feb-11	25-Feb-11	N/A	28-Feb-11	1-Mar-11	1 month	1-Apr-11
	cooperatives									REVISED														
										ACTUAL														
S2.5	TA for developing	Tea MDM	1 pers/year on 18 m.	50000	75	30000.0	45.0	NCB/QCBS	YES	PLAN	15-Jan-11	20-Jan-11	25-Jan-11	1 5 days	6-Feb-11	6-Feb-11	16-Feb-11	21-Feb-11	26-Feb-11	3-Mar-11	4-Mar-11	5-Mar-11	18 months	5-Sep-12
	high-									REVISED														
	performing HQ									ACTUAL														

RWANDA - PRICE - PROCUREMENT PLAN 18 MONTHS (Jan-11 to Jun-12)

Section C - Services

Nr	Description	Executing Agency	AWPB					Method of procurement	Prior NO IFAD Y/N ?	Plan vs Actual	**Preparation of tender**		**Tendering Process**				**Evaluation Process**				**Contract details**			
			Quantity	Unit Price USD	Total Price USD '000	Unit Price RWF '000	Total Price RWF million				Bid Doc	NO IFAD	Publication or LOI	Response time	Closing Date	Opening Date	Technical Evaluation	Financial Evaluation	Evaluation Report	Final NO IFAD	Notification of award	Contract Signature	Contract duration	End of Contract
	Indicative timing of each step of the process										15 days	5 days	5 days	12-21 days	1 day	1 day	10 days	5 days	5 days	5 days				
	Indicative timing per main process										Total 15 days		TOTAL 19 to 28 days				TOTAL 35 days							
	Total Indicative timing										**GRAND TOTAL of 69 to 78 days maximum**													
C3	**COMPONENT 3: SERICULTURE DEVELOPMENT**																							
S1.7	Turnaround Prog. for old & new coops *	PDCRE	37 coop	20000	740	12000.0	444.0	ICB/SSS	YES	PLAN	31-Oct-11	5-Nov-11	10-Nov-11	21 days	1-Dec-11	2-Dec-11	12-Dec-11	17-Dec-11	22-Dec-11	27-Dec-11	28-Dec-11	29-Dec-11	1 month	31-Jul-13
										REVISED														
										ACTUAL														
S1.7	FFS support *	PDCRE	37 coop	20000	868	12000.0	520.8	ICB/SSS	YES	PLAN	31-Oct-11	5-Nov-11	10-Nov-11	21 days	1-Dec-11	2-Dec-11	12-Dec-11	17-Dec-11	22-Dec-11	27-Dec-11	28-Dec-11	29-Dec-11	1 month	31-Jul-13
										REVISED														
										ACTUAL														
S1.7	Support to federations and unions *	PDCRE	37 coop	20000	740	12000.0	444.0	ICB/SSS	YES	PLAN	31-Oct-11	5-Nov-11	10-Nov-11	21 days	1-Dec-11	2-Dec-11	12-Dec-11	17-Dec-11	22-Dec-11	27-Dec-11	28-Dec-11	29-Dec-11	1 month	31-Jul-13
										REVISED														
										ACTUAL														
S3.1	Senior sericulture expert	Hort DMD	18 pers/Mont	20000	360	12000.0	216.0	ICB/QCS	Yes	PLAN	15-Jan-11	N/A	20-Jan-11	7 days	27-Jan-11	27-Jan-11	6-Feb-11	N/A	11-Feb-11	30-Jan-11	1-Feb-11	2-Feb-11	continuous	2-Aug-12
										REVISED														
										ACTUAL														
S3.2	Sericulture expert	Hort DMD	18 pers/mont	15000	270	9000.0	162.0	ICB/QCS	Yes	PLAN	15-Jan-11	N/A	20-Jan-11	7 days	27-Jan-11	27-Jan-11	6-Feb-11	N/A	11-Feb-11	30-Jan-11	1-Feb-11	2-Feb-11	continuous	2-Aug-12
										REVISED														
										ACTUAL														
S3.3	Silk study	Hort DMD	3	20000	60	12000.0	36.0	ICB/QCS	Yes	PLAN	15-Jan-11	N/A	20-Jan-11	7 days	27-Jan-11	27-Jan-11	6-Feb-11	N/A	11-Feb-11	30-Jan-11	1-Feb-11	2-Feb-11	1 month	2-Mar-11
										REVISED														
										ACTUAL														
C4	**COMPONENT 4: HORTICULTURE & ESSENTIAL OILS**																							
S4.1	TA Business Partnership	Hort DMD	9 pers/month	20 000	180	12000.0	108.0	ICB/QCS	Yes	PLAN	15-Jan-11	20-Jan-11	20-Jan-11	7 days	27-Jan-11	27-Jan-11	28-Jan-11	N/A	29-Jan-11	4-Feb-11	5-Feb-11	10-Feb-11	9 months	30-Jun-12
										REVISED														
										ACTUAL														
S4.2	TA Value Chain experts	Hort DMD	18 pers/mont	20 000	360	12000.0	216.0	ICB/QCS	Yes	PLAN	15-Jan-11	20-Jan-11	20-Jan-11	7 days	27-Jan-11	27-Jan-11	28-Jan-11	N/A	29-Jan-11	4-Feb-11	5-Feb-11	10-Feb-11	9 months	30-Jun-12
										REVISED														
										ACTUAL														
S4.3	TA on research	Hort DMD	6 Pers/mont	20 000	120	12000.0	72.0	ICB/QCS	Yes	PLAN	15-Jan-11	20-Jan-11	20-Jan-11	7 days	27-Jan-11	27-Jan-11	28-Jan-11	N/A	29-Jan-11	4-Feb-11	5-Feb-11	10-Feb-11	6 months	30-Jun-12
										REVISED														
										ACTUAL														
C5	**COMPONENT 5: FINANCES SERVICES**																							
S5.1.	Int'l TA for insurance as risk mitigation	NAEB Corp. Sces	4 + 1 months in 18 months	20 000	100	12000.0	60.0	ICB/QCS	Yes	PLAN	15-Jan-11	20-Jan-11	20-Jan-11	7 days	27-Jan-11	27-Jan-11	28-Jan-11	N/A	29-Jan-11	4-Feb-11	5-Feb-11	10-Feb-11	5 Months	30-Mar-12
										REVISED														
										ACTUAL														
S5.2	Nat'l TA for insurance as risk mitigation	NAEB Corp. Sces	12 + 4 months	5 000	80	3000.0	48.0	NCB/QCS	Yes	PLAN	15-Jan-11	20-Jan-11	20-Jan-11	7 days	27-Jan-11	27-Jan-11	28-Jan-11	N/A	29-Jan-11	4-Feb-11	5-Feb-11	6-Feb-11	16 Months	30-Jun-12
										REVISED														
										ACTUAL														
S5.3	Audit of Saccos	NAEB Corp. Sces	75	1 000	75	600.0	45.0	NCB/LCS	Yes	PLAN	15-Jan-11	20-Jan-11	20-Jan-11	7 days	27-Jan-11	27-Jan-11	28-Jan-11	N/A	29-Jan-11	4-Feb-11	5-Feb-11	6-Feb-11	18 months	30-Jun-12
										REVISED														
										ACTUAL														
S5.4	Int'l TA for Cial Banks & MFIs	NAEB Corp. Sces	3 + 1 months in 18 months	20 000	80	12000.0	48.0	ICB/QCS	Yes	PLAN	15-Jan-11	20-Jan-11	20-Jan-11	7 days	27-Jan-11	27-Jan-11	28-Jan-11	N/A	29-Jan-11	4-Feb-11	5-Feb-11	10-Feb-11	4 months	30-Mar-12
										REVISED														
										ACTUAL														
S5.5	Nat'l TA for Cial Banks & MFIs	NAEB Corp. Sces	6 + 1 months in 18 months	5 000	75	3000.0	45.0	NCB/QCS	Yes	PLAN	15-Jan-11	20-Jan-11	20-Jan-11	7 days	27-Jan-11	27-Jan-11	28-Jan-11	N/A	29-Jan-11	4-Feb-11	5-Feb-11	6-Feb-11	7,5 months	30-Mar-12
										REVISED														
										ACTUAL														
C6	**COMPONENT 6: PROJECT MANAGEMENT**																							
S6.1	Int'l TA for support to M&E and KM	NAEB Corp. Sces	2+1 months in 18 months	20 000	60	12000.0	36.0	ICB/QCS	Yes	PLAN	15-Jan-11	20-Jan-11	20-Jan-11	7 days	27-Jan-11	27-Jan-11	28-Jan-11	N/A	29-Jan-11	4-Feb-11	5-Feb-11	10-Feb-11	4 months	30-Mar-12
										REVISED														
										ACTUAL														
S6.2	Baseline & Impact Studies	NAEB Corp. Sces	1	25 000	25	15000.0	15.0	NCB/QCBS	No	PLAN	15-Jan-11	N/A	15-Jan-11	15 days	31-Jan-11	31-Jan-11	15-Feb-11	20-Feb-11	25-Feb-11	N/A	28-Feb-11	1-Mar-11	5 months	1-Aug-11
										REVISED														
										ACTUAL														
S6.3	TA for Gender plan of action	NAEB Corp. Sces	1	40 000	40	24000.0	24.0	NCB/QCBS	Yes	PLAN	15-Jan-11	20-Jan-11	20-Jan-11	7 days	27-Jan-11	27-Jan-11	28-Jan-11	N/A	29-Jan-11	4-Feb-11	5-Feb-11	6-Feb-11	5 months	30-Jul-12
										REVISED														
										ACTUAL														
S6.4	Local TA for preparation 1st AWPB	NAEB Corp. Sces	2 pers/month	5 000	10	3000.0	6.0	NCB/SSS	No	PLAN	15-Jan-11	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	16-Jan-11	17-Jan-11	1 Month	17-Feb-11
										REVISED														
										ACTUAL														
S6.5	Int'l Project Expeditor (same as in PDCRE in 2010)	NAEB Corp. Sces	2 pers/month	20 000	40	12000.0	24.0	ICB/SSS	No	PLAN	15-Jan-11	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	16-Jan-11	20-Jan-11	2 months	20-Mar-11
										REVISED														
										ACTUAL														

Annex 6

ECONOMIC AND FINANCIAL ANALYSIS

Table of contents

Annex 6 - Economic and Financial Analysis

I. INTRODUCTION

1. This Working Paper presents the project financial and economic analysis that was undertaken to assess the likely impact of project interventions on farmers, as well as the economic soundness of the overall project. Crop and farm budgets were prepared for selected representative activities in order to assess financial impact on farmers and to provide the basis for the economic analysis. The latter takes into account estimated incremental benefits and costs generated by PRICE, including the estimated impact of infrastructure, training and rural finance funds. PRICE expected impact on public finances was also analysed. The findings of the analysis are summarised below. More details are provided in the Appendixes to this Annex.

II. PROJECT AREA AND BENEFICIARIES

2. **Project Area**. Project activities will be implemented in all the provinces of Rwanda. Areas will qualify to participate in the project when they meet the eligibility criteria, which will be specified for each value chain in the Project Implementation Manual, based on indications provided in the Main Report and Working Papers.

3. **Beneficiaries.** PRICE main beneficiaries will comprise some 118,500 smallholder households, for at least 37% of which the participating persons would be women. The overall participating households correspond to a total population of around 537,000 persons. The participating farmers will be distributed over the four sub-sectors as follows:

- *Coffee*: 72,400 farmers, of which 60,000 are already involved in coffee growing in existing coffee fields (corresponding to 15% of the total population of coffee growers), and 12,400 will be supported to develop new coffee plantations. In addition, some 46,000 farmers would be members of participating cooperatives (30,000 in 75 existing and 16,000 in 40 new cooperatives, at the current average of 400 members per cooperative), of which 50% are assumed to participate also as direct beneficiaries as coffee farmers mentioned above, thus they are not counted again for the total of participating coffee farmers.
- *Tea*: 14,300 farmers, of which 7,500 on existing plantation and 6,800 on new plantations;
- *Sericulture*: 1,600 farmers who are members of the 40 sericulture cooperatives promoted by PDCRE. Target farmers are considered to have access to mulberry leaves from 0.3 ha in average;
- *Horticulture*: In the horticulture sub-sector, PRICE will work with about 7,200 farmers who may own very small surfaces, including about 2,000 farmers producing plants for essential oils.

4. Of the above group, some 82,700 smallholder households, representing about 70% of the overall participating households, are expected to be sound adopters of the promoted technologies and organisational models. As such, these households would effectively reap the benefits from increase production and higher produce prices, as shown in Table 1 below.

Table 1: Project beneficiaries

	Overall project			Woman participants		
	farmers accessing project services	farmers adopting project technologies	Adoption rate	Target rate for women participation	farmers accessing project services	farmers adopting project technologies
Coffee growers						
existing farmers	60 000	42 000	70%	40%	24 000	16 800
expansion farmers	12 400	8 700	70%	40%	4 960	3 480
members of coffee cooperatives	46 000	32 200	70%	30%	13 800	9 660
Sub-total coffee growers /a	95 400	66 800	70%	38%	35 860	25 110
Tea growers	14 300	9 800	69%	30%	4 290	2 940
Silk producers	1 600	1 100	69%	54%	864	594
Horticulture farmers	7 200	5 000	69%	40%	2 880	2 000
Total Project Beneficiaries	**118 500**	**82 700**	**70%**	**37%**	**43 894**	**30 644**

\a Assuming that half the cooperative members are also participating in FFS, and thus not counted again.

III. BENEFITS

5. **Coffee.** Main benefits expected from the Coffee Component are: improved productivity of existing coffee trees; expansion of the total planted area by 12% with an additional 3,100 ha; increased share of cherries fully washed; producers linked to export markets; research packages available in key production areas; cooperatives of producers profitable and autonomously managed. These benefits will primarily result from: (i) Farmer Field Schools; (ii) improved access to inputs and services; (iii) replanting; (iv) improved product quality and increased producer (farm gate) prices; (iv) economies of scale; (v) support to research and extension; (vi) Turnaround Programme for cooperatives owing a coffee washing station; (vii) infrastructure development; and (x) better access to credit; (xi) strengthening of OCIR Café (or equivalent department in NAEB).

6. **Tea.** Main benefits expected from the Tea Component are: improved productivity of the Nshili plantation (447 ha) and an expansion of the total area planted at 5 sites by up to 2,645 ha; increased productivity (as compared to cooperative average); increased share of the final market price for farmers; increased share of tea sold through direct buying; research packages available in key production areas. These benefits will primarily result from: (i) the planting of new areas; (ii) Farmer Field Schools; (iii) improved access to inputs and services; (iv) reduced post-harvest losses; (v) improved product quality and increased producer (farm gate) prices; (vi) economies of scale; (viii) support to research and extension; (ix) infrastructure development; and (x) better access to credit; (xi) strengthening of OCIR Thé (or equivalent department in NAEB).

7. **Sericulture.** Main benefits expected from the Sericulture Component are: improved productivity of 40 existing cooperatives; improved access to inputs and services; profitability of existing cooperatives; new business model for sericulture development. These benefits will primarily result from: (i) the reorganisation of the production system and of support services to farmers; (ii) support to the National Sericulture Centre and the Provincial Sericulture Centres; and (iii) better access to credit. In total, it is expected that around 1,600 smallholder farmers will directly benefit from the activities in the Sericulture component.

8. **Horticulture.** Main benefits expected from the Horticulture Component are: new, profitable business models that can sustain sector development and the strengthening of the Rwandan Horticulture Development Authority (or equivalent department in NAEB). These benefits will primarily result from: (i) planting of new areas; (ii) improved access to inputs; (iii) increased output and productivity; (iv) reduced post-harvest losses; (v) increased of outgrowing schemes; (vi) access to equipment; (vii) marketing support; and (viii) access to credit. In total, it is expected that around 10,8000 smallholder farmers will directly benefit from the activities in the Horticulture component.

9. **Financial Services.** Most important immediate benefits of the Financial Services Component derive from: improved access to financial services; access to new insurance products for risk mitigation; equity financing on behalf of tea growers in the new tea greenfield sites; debt write-off for PDCRE-supported cooperatives that acquired coffee washing stations. Indirect benefits include: (i) enhanced ability of banks, leasing companies and other regulated financial institutions to provide a range of financial products to cooperatives and micro/small enterprises in the supported agricultural value chains and related activities; (ii) higher integration of SACCOs into the financial sector, and their enhanced access to financial services of banks, through both savings and loans.

10. Overall the increased output, income and employment in rural areas will result in increased demand for goods and services, which is expected to generate additional income and employment effects, and increase government tax revenues. Increased exports and/or reduced imports will result in foreign exchange earnings/savings.

11. **Institutional benefits.** Major institutional benefits expected from the project are: (i) profitable management and operation of cooperatives; (ii) farmers' access to adequate financial services through public and private sector operators (especially banks); (iii) farmers' access to a network of responsive support services; (iv) increased capacities of relevant public boards to promote value chain development.

12. **Environmental benefits.** Environmental benefits include: (i) energy-efficient coffee washing stations, also allowing safe disposal of and adding value to waste products through the use of coffee pulps for producing organic fertilisers – loans extended for the financing of coffee washing stations will require full compliance with all environmental standards in the case of coffee washing stations; (ii) the promotion of environmental-friendly agricultural practices such as intercropping, Integrated Pest Management, the use of organic pesticides and proper use of fertilisers, mostly through Farmers Field Schools; (iii) anti-erosion schemes in new plantations.

IV. POTENTIAL MARKET AND PRICE EFFECTS

13. The price effects of interventions in a value chain are the result of a complex interaction of: (a) demand factors, both for the particular commodity under consideration but also in related markets for substitutions and complements and (b) supply-side factors. In quantitative terms, the effects depend on the absolute and/or relative measures of: own and cross-price elasticities of demand; elasticities of supply; and rates of substitution. In addition, trends in incomes mean that the income elasticity of demand is also important. In the absence of a quantitative model of the economy it is impossible to accurately predict what will happen to prices. However, given the high unmet world demand and export market potential for commodities targeted by the project, major adverse effects on retail and producer prices of these commodities, as a result of the expected increase in supply, are unlikely. The major risk might come from a fall in the international price. However the high reputation of Rwandan coffee and tea and the activities of the project which lead to target high quality markets mitigate these risks. Please see working papers on coffee and tea support.

14. Furthermore, even if international prices fall, it can be assumed that activities under the project will offset potential negative effects on farm gate prices, due to increased value addition as a result of one or a combination of the following factors, among others: productivity gains, increased output

(increased yields and/or reduced losses), improved quality and processing, and economies of scale. In addition, PRICE will support the creation of reserves to compensate for price volatility in the tea and coffee value chains. Please see annex 2 on crop budgets with simulations on increase in yields which move from 2 to 3.5 kg per tree.

V. FINANCIAL ANALYSIS

15. The objective of the financial analysis is to examine the financial viability of the farms and crops supported by the project and to assess their potential for increased profitability and income as a result of project interventions. For the purpose of the analysis, representative crop and farm models were prepared, building on results of previous projects supported by the government and development partners in the country, and on studies carried out during project preparation. The scope of having a farm budget in addition to crop budgets is to show impact of project interventions in the two major cash crops (coffee and tea) on household income. Crop models developed cover coffee, tea and sericulture. The farm size area is 0.5 ha, which is the national average per household. The other crops included in the cropping pattern, next to tea and coffee, are maize and beans.

16. Models compare the "future without project" and "future with project" scenarios. Without the project, it is expected that farmers would continue with the existing low-input, low-output production systems, with a decreasing output due to land degradation and climate change. Available information from ongoing interventions supporting agricultural and value chain development in Rwanda suggests that there is scope for significant increases in productivity, marketed output and profitability of farms (including by building management capacity, introducing improved technologies and management practices, providing market infrastructure and facilitating access to finance), which will be reflected in the "future with project" scenario.

17. The increase in the price of **green coffee beans**, resulting from processing the coffee cherries in coffee washing stations (CWS) was reflected directly into the crop/farm budget rather than developing a model for CWS. This is because CWS are owned by cooperatives of producers and therefore a rise in price directly benefits single producers. The price is assumed constant based on the farmer gate price for coffee cherries (RWF 200/kg).

18. It is assumed that the price of **tea** would stay constant at RWF 105 per kg of green leaves which represents around 25% of the final price of tea at Mombasa auction, and constitutes the largest share in the total remuneration accruing to farmers. The project should be able to raise the share of the final price up to 40%. For the time being, the model is based on the Mombasa auction price, and not the direct selling of tea, which should bring higher market end prices.

Farm models

19. The farm models show that the potential impact of coffee and tea interventions are significant and raise farmers' income, as shown in Table 2.

Table 2: Net income of selected farms (RWF/0.5 ha)

	Present (RWF)	Future with Project (RWF)	Increment		
			RWF	USD	%
Coffee Conversion Farm (0.5 ha)	182 750	730 380	547 630	913	300%
Improved Coffee Farm (0.5 ha)	279 600	372 238	92 638	154	33%
Tea Conversion Farm (0.5 ha)[1]	149 300	207 740	58 440	97	39%

[1] Assuming that 50% of land under tea will be additional land to farm .

20. **Coffee Conversion Farm**. The model assumes planting the entire area of 0.5 ha (which was previously cultivated with maize) with coffee, and utilising the diminishing spaces between the coffee plants for growing beans. This intercropping leads to a cropping intensity of above 100%. The income diminishes in the first 3 years, which is compensated by the alternative income scheme. After that, income will be above that derived from maize, picking up eventually to reach about RWF 981 000 per year, principally from coffee cherries. Returns to labour go up from about RWF 1 000 per person-day to about RWF 1 000 per person-day as of year 6. The sensitivity analysis shows that the farm is exposed to changes in the price of the coffee cherries.

21. **Coffee Conversion Farm**. The annual income increase is estimated at 33%, equal to RWF 92,000 per year. The increase in benefits starts one year after starting Farmer Field Schools (FFS), assuming that farmers keep applying fertilisers and have a timely access to credit for their purchase. The projected increase in production is conservative, i.e. 1.5 kg per tree in addition to the 2 kg that were considered as the reference situation. A 3.5 kg yield per tree is far below the 5.7 kg per tree that has been reached on FFS demonstration plots. This conservative figure has been chosen in order to capture farmers that would obtain none or poor results, rather than calculating an up-taking percentage and than applying a higher yield. The attractiveness of the intervention on existing coffee plantations is that it gives quick and important results both at farm level (since the productivity rise the year after the farmers complete the FFS[2], and at macro level: farmers benefiting from the project intervention represent about 15% of all coffee growers in Rwanda.

22. **Tea Conversion Farm.** The increase in benefits is relatively slow. It starts in year 4 and becomes significant only in year 7. Full maturity of the tea plantation is expected to be reached as of year 8. The increase in income for the target tea farm is 39%, equal to RWF 58,000 per year. The project foresees both FFS and access to credit. It is assumed that part of the target group will access new land for developing tea growing. The typology of land available under this scenario is former government's grazing land, or marginal farm land unsuitable for cultivation under other crops. This means that for a significant percentage of farmers there will be no conversion from food crops to tea and hence no loss of revenue while tea bushes reach maturity. The remaining farmers lose income from the food crops they were growing, while they do no earn any new income from tea for at least 4 years. An alternative income scheme is financed by the project to compensate for the lack of revenues out of coffee trees/tea bushes until they start producing. The tea farm model shows a 39% increase of farmer income at full production, corresponding to around RWF 58,000 per year, starting from the 10th year after plantation. The impact of tea plantations on household income becomes significant after the 7th year from plantation (see appendix for detailed crop/farm budgets).

Crop models[3]

23. Crop models show very promising results for all crop scenarios. The main risks is related to farmers timely accessing credit for purchasing fertiliser and applying adequate agronomic procedures once they have completed FFS. The project includes support to cooperatives/banks to ensure adequate farmers' access to credit, and it will develop a reliable system of support services, which should offset the second risk.

24. **Coffee.** The coffee crop model represents the potential benefits for the land consolidation part of the project intervention. This intervention foresees an important switch in the cropping pattern for the farmers, that will move from traditional crops (maize, beans, potatoes) to coffee. The target farmer will switch his land to coffee, increase his risks and lower his income for at least 3 years. The project foresees an alternative income support initiative for these farmers (labour on coffee land and district infrastructures construction) that will mitigate risks and provide sufficient income. The cost of this

[2] Technoserve data.
[3] See Appendix 2 for detailed crop budgets.

intervention has been integrated in the cost part of the project design and not replicated in the financial one to avoid double counting in the analysis, so no loss of income has been included in the crop budget. The benefits from land consolidation start from year 4, compared to the benefits from existing plantations that start the year after the end of the Farmer Field School by farmers.

25. One of the main impacts of this activity is the increase of national hectares under coffee at country level. Currently, according to the National Coffee Census (2009), close to 29,000 ha are under coffee. With the project interventions that will support 3,100 additional ha, the area will expand by 12% nationwide, which is in line with the goal of becoming a sub-regional player.

26. **Tea.** The tea crop model shows the incremental benefits at year 10 after plantation. However during the first six years the farmers actually lose income and start to make profit in year 7. Only the income compensation programme and the subsidy on planting make the operation sustainable for farmers.

27. **Sericulture.** The cooperative model for sericulture production has been estimated on the basis of 40 cooperative members and in an optimal scenario with respect of the current situation where all the cooperatives in the sector are loss making. For this reason, no without-project scenario has been taken into consideration in the analysis. A survival rate of 80% has been assumed for the silkworms for the economic analysis. The net income per member farmer as of year 3 is considerable at about USD 1,000 per year, equivalent to RWF 600,000 per year. The remuneration of the farm labour employed reaches USD 3.05 per person-day as of year 3 (RWF 1,800 per person-day).

28. **Horticulture and essential oils.** The horticulture support will cover a variety of crops. For the analysis a representative model for pineapple has been chosen (please see WP 5). The average size under the crop per farm has been estimated at 0.3 ha, this is equivalent to 2,645 ha for the 10,800 beneficiaries. The return to investment is significant and will generate RWF 2.1 million per ha per year (average over 3 years). At farm level (0.3 ha), this will generate RWF 630,000 per household. The essential oil intervention is promising and will target around 750 farmers (see WP 5 for details). However, its impact at macro level will be minimal and it has not been included in the Economic analysis.

Table 3: Net Income of Selected Crop Budgets (RWF/ha)

	Present	Future With Project	Increment		
	(RWF)	(RWF)	(RWF)	%	(USD)
Coffee (ha)	1 303 000 (a)	2 229 375	926 375	71%	1 544
Tea (ha)	n/a (b)	580 000	n/a	n/a	n/a
Silk (Coop)	n/a (c)	2 296 800	n/a	n/a	n/a
Horticulture	n/a	2 106 667	n/a	n/a	n/a

(a) Assuming that the area is already under coffee
(b) New land scenario e.g. grazing land not under other crops
(c) No household sericulture practiced in Rwanda at project design.

VI. ECONOMIC ANALYSIS

29. **Methodology and assumptions.** The economic analysis is based on an estimation of benefits gained from: (a) increased coffee production both in existing and in new plantations; (b) increased tea production both in existing and in new plantations; (c) increases in price for coffee and tea due to interventions along the value chain and in the tea pricing formula; (d) support of the sericulture and horticulture sectors. Benefits from improved road and storage infrastructure are reflected in the price or in the lowering of post harvest losses for different commodities. Details of the Economic Analysis are presented in Appendix 1.

30. For the purpose of the analysis, the following assumptions are made:

Period of analysis:

- The analysis is based on a 20-year period during which PRICE will generate benefits, including the 7-year project implementation period.
- Due to the volatility of the prices of the crops supported by the project three prices shocks have been included in year 5, 9 and 15 of the analysis (drop of 50% of the benefits)
- The intervention progression and adoption rate follow the implementation targets foreseen in the cost tables (see appendixes WP 9)
- The adoption rate for all crops is estimated at 80% of the target areas.

Costs and prices:

- *Economic Project Costs:* Financial costs were converted to economic costs, excluding taxes and duties as well as price contingencies and using the COSTAB software.
- There are no further investment costs after PY7. However, the following annual costs were included from Year 8 to 20: (i) recurrent costs in PY7; and (ii) 10% of total civil works (primarily roads and maintenance of tea plantation before full production) investment costs to cover annual operation and maintenance costs, as it is assumed that these costs will have to be incurred if the future benefits of the PRICE are to be sustained.

31. **Economic viability and sensitivity analysis.** The economic internal rate of return (ERR) of the project is estimated at 17.2% with a net present value (NPV) of USD 18.6 million. These results indicate that, on the basis of an opportunity cost of capital of 12%, the project will generate a satisfactory ERR and is therefore justified on economic grounds. The results of the sensitivity analysis are summarised in Table 4.

Table 4: Economic Rate of Return (ERR) and Sensitivity Analysis

	Base case scenario	Cost increments			Benefits increments		Benefits decrease			Benefits delay	
		+10%	+20%	+50%	10%	+20%	-10%	-20%	- 30%	1 year	2 year
EIRR	**17.2%**	**15.7%**	**14.3%**	**11.0%**	**18.8%**	**20.3%**	**15.5%**	**13.7%**	**11.7%**	**14.7%**	**12.6%**
NPV (USD millions)	18,648,813	13,972,508	9,296,203	-4,732,711	25,189,999	31,731,185	12,107,627	5,566,441	-974,745	9,912,670	2,112,543

32. PRICE's economic viability is robust to adverse changes in project costs, and the project still remains viable with increases in capital and recurrent costs of up to 20%. The project is also robust to changes in incremental benefits and only becomes uneconomic, if incremental benefits are reduced by 30%. A delay project benefits by two years reduces the ERR to 12.6%.

VII. FISCAL IMPACT

33. In the short term, the fiscal impact of the project will be around USD 5 million over 7 years, which is the government cash contribution for road construction. The government contribution to project costs, which comprises tax and duty exemption and staff salaries, has been considered neutral. However, in the medium to long term, the potential positive fiscal impact of the project will be substantial, mainly due to: (a) increased output, income, and employment, resulting in increased tax revenues, and (b) multiplier effects due to increased economic activities in rural areas, resulting in increased demand for goods and services, which is expected to generate additional income and employment effects. Furthermore, substantial foreign exchange earnings/savings can be expected, resulting from an increase in exports and/or a reduction in imports.

VIII. CONCLUDING REMARKS

34. On the basis of the assumptions described above, the project is justified on financial and economic grounds. It should be kept in mind that the costs of the export commodities fluctuate widely and unpredictably, which is however not considered a major risk due to Rwanda's speciality tea and coffee position and the overall upward trend in the world market for these commodities. In addition, not all potential economic benefits (for example, environmental benefits, other direct and indirect benefits of rural roads) have been included in the analysis. Furthermore, the likely multiplier effects described above have not been quantified. Therefore, it is safe to assume that the estimated economic benefits are on the low side of the potential economic returns that can be expected when PRICE is implemented.

Appendix 1: Economic Benefits and Costs

	Y1	Y2	Y3	Y4	Y5	Y6	Y7	Y8	Y9	Y10	Y11	Y12	Y13	Y14	Y15	Y16	Y17	Y18	Y19	Y20
Economic benefits from existing coffee plantation (4800 ha)			1,382,400	2,764,800	4,147,200	5,529,600	6,912,000	6,912,000	6,912,000	6,912,000	6,912,000	6,912,000	6,912,000	6,912,000	6,912,000	6,912,000	6,912,000	6,912,000	6,912,000	6,912,000
Economic benefits from new coffee plantation (3100 ha)			432,000	432,000	1,440,000	2,304,000	3,168,000	4,032,000	4,032,000	4,032,000	4,032,000	4,032,000	4,032,000	4,032,000	4,032,000	4,032,000	4,032,000	4,032,000	4,032,000	4,032,000
Economic benefits from new tea plantation (2645 ha)	-	-	-	(364,700)	(847,895)	(1,102,858)	(596,233)	172,018	1,097,768	1,901,018	2,398,893	2,556,393	2,556,393	2,556,393	2,556,393	2,556,393	2,556,393	2,556,393	2,556,393	2,556,393
Economic benefits from horticulture (3240 ha)	-	(2,187,675)	(822,150)	401,625	1,332,450	4,450,950	4,016,250	3,723,300	3,723,300	3,723,300	3,723,300	3,723,300	3,723,300	3,723,300	3,723,300	3,723,300	3,723,300	3,723,300	3,723,300	3,723,300
Economic benefits from Sericulture			48,510	243,180	513,810	955,170	1,442,430	1,442,430	1,442,430	1,442,430	1,442,430	1,442,430	1,442,430	1,442,430	1,442,430	1,442,430	1,442,430	1,442,430	1,442,430	1,442,430
Total estimated economic benefits			1,040,760	3,476,905	3,292,783	12,136,863	14,942,448	16,281,748	8,603,749	18,010,748	18,508,623	18,666,123	18,666,123	18,666,123	9,333,061	18,666,123	18,666,123	18,666,123	18,666,123	18,666,123
Economic cost of the project	19,264,498	11,681,630	9,840,028	7,705,708	4,385,924	1,584,300	244,750	1,702,512	1,702,512	1,702,512	1,702,512	1,702,512	1,702,512	1,702,512	1,702,512	1,702,512	1,702,512	1,702,512	1,702,512	1,702,512
Benefits-Costs	- 19,264,498	- 11,681,630	- 8,799,268	- 4,228,803	- 1,093,141	10,552,563	14,697,698	14,579,236	6,901,237	16,308,236	16,806,111	16,963,611	16,963,611	16,963,611	7,630,549	16,963,611	16,963,611	16,963,611	16,963,611	16,963,611
EIRR	17.20%																			

Appendix 2: Financial Crop and Farm Budgets

A. Coffee Conversion Farm Model

Coffee Production under intensification farming (1Ha)

ITEM					Year 1	Year 2	Year 3
		Quantity	**Unit**	**Unit cost**	**Total (RwF)**	**Total (RwF)**	**Total (RwF)**
Labour cost		400	HJ	800	320 000	480 000	480 000
Inputs							
	Manure	-	Kg	10			
	Seedlings	-	pce	30			
	Fertilisers	500	Kg	420	42 000	210 000	210 000
	Lime	250	Kg	60	3 000	15 000	15 000
	Pesticides	1	litres	4 500	5 625	5 625	5 625
Agricultural tools					12 000	-	-
Total cost					382 625	710 625	710 625
	Kg cherries/tree				2	3.5	3.5
	Production (kg)				4 000	7 000	7 000
Average price	Kg cherries		Kg	200			
Income					800 000	1 400 000	1 400 000
Net income					417 375	689 375	689 375
Net income USD					696	1 149	1 149
Additional net income USD per Ha					0	453	453
Additional net income %						65%	
Additional net income per farmer		USD				45	

Note: Year 1 correspond to the current situation
We assume that the labor cost is constant and cherries price constant

Coffee Production under intensification farming (1Ha)

ITEM					Year 1	Year 2	Year 3	Year 4	Year 5
		Quantity	**Unit**	**Unit cost**	**Total (RwF)**	**Total (RwF)**	**Total (RwF)**	**Total (RwF)**	**Total (RwF)**
Labour cost		400	HJ	1 000				600 000	900000
Inputs									
	Manure	-	Kg	10					
	Seedlings	-	pce	30					
	Fertilisers subsidized	500	Kg		-	-	-	-	-
	Fertilisers	500	Kg	420				210 000	210 000
	Lime: subsidized	250	Kg		-	-	-		
	Lime	250	Kg	60				15 000	15 000
	Pesticides : subsidized	1	litres		-	-	-		
	Pesticides	1	litres	4 500				4 500	4 500
Agricultural tools	Subsidized	12 000		1	-	-	-		
Total cost					-	-	-	829 500	1 129 500
	Kg cherries/tree				-	-	1.0	4.0	5.5
	Production (kg)				-	-	2 500	10 000	13 750
Average price	Kg cherries		Kg	200					
Income					-	-	500 000	2 000 000	2 750 000
Net income					-	-	500 000	1 170 500	1 620 500
Net income USD					0	0	833	1 951	2 701
Additional net income USD					0	0	833	1 951	2 701
Additional net income %									
Additional net income per farmer (0.25)ha		USD				0			

Improving existing coffee plantations
0.50 Ha total land of which **0.1 Ha dedicated for coffee**
0.4 Ha for other crops (**beans and maize in rotation**)
Beans: 0.2 ha; Maize:0.2Ha)

Coffee Production under intensification farming (1Ha)							
ITEM					**Year 1**	**Year 2**	**Year 3**
		Quantity	**Unit**	**Unit cost**	**Total (RwF)**	**Total (RwF)**	**Total (RwF)**
Labour cost		400	HJ	800	320 000	480 000	480 000
Inputs							
	Manure	-	Kg	10			
	Seedlings	-	pce	30			
	Fertilisers	500	Kg	420	42 000	210 000	210 000
	Lime	250	Kg	60	3 000	15 000	15 000
	Pesticides	1	litres	4 500		5 625	5 625
Agricultural tools					12 000	-	-
Total cost					377 000	710 625	710 625
	Kg cherries/tree				2	3.5	3.5
	Production (kg)				4 000	7 000	7 000
Average price	Kg cherries		Kg	200			
Income					1 680 000	2 940 000	2 940 000
Net income					1 303 000	2 229 375	2 229 375
Net income USD					2 172	3 716	3 716
Net income USD 0.1 Ha					217	372	372
Additional net income USD					0	1 544	1 544
Additional net income %						71%	
Additional net income per farmer 0.1 Ha		USD				154	

Note: Year 1 correspond to the current situation 926 375 71%
We assume that the labor cost is constant and cherries price constant

Climbing beans (0.2Ha)						
	Quantity	Unit	Unit cost	Year 1 (Frw)	Year 2 (Frw)	Yea3 2 (Frw)
Labour cost	80	HJ	800	64000	64000	64000
Inputs						
Manure	2000	Kg	10	20000	20000	20000
Seeds	14	Kg	250	3500	3500	3500
Fertilisers						
DAP	20	Kg	390	7800	7800	7800
Agricultural tools				2800	2800	2800
Total cost				98100	98100	98100
Revenue	400	Kg	200	80000	80000	80000
Net profit				-18100	-18100	-18100
Net profit is own manure				1900	1900	1900
Net profit is own manure and labor				65900	65900	65900
Net profit own labor and manure USD				110	110	110
Net profit own labor and manure USD 1 Ha				549		
Net profit own labor and manure RWF 1 Ha				329500	342.3333333	
				534 900	205 400	34233%

Maize (0.2Ha)							
		Quantity	Unit	Unit Cost	Year 1 (FRW)	Year 2 (FRW)	Year 3 (FRW)
Labor		74	HJ	700	51800	51800	51800
Manure		2000	Kg	10	20000	20000	20000
Seeds		6	Kg	250	1500	1500	1500
Fertlisers						0	0
	DAP	20	Kg	490	9800	9800	9800
	Urée	10	Kg	340	3400	3400	3400
Total Costs FRW/ha					86500	86500	86500
Revenue , FRW/ha		600	Kg	150	90000	90000	90000
Profit FRW/ha					3500	3500	3500
Profit if own manure and labour					75300	75300	75300
Profit if own manure and labor with CIP subsidy					83400	83400	83400
Note: CIP is Crop Intensification Programme(free seed, 50% susbidy on fertilisers							
Net profit own labor and manure USD					139	139	139

	Without project	**With project**	**Increase**	**% Increase**
Revenue RWF	**279600**	**372238**	**92638**	**33%**
Revenue USD	**466**	**620**	**154**	**33%**

B. Improved Coffee Farm Model

RWANDA: Project for Rural Income Through Exports (PRICE) - Project Design Report
Improved Coffee Farm Model
Assumptions

Price Assumptions

		Amount	Unit
Coffee trees (with intercropping)		2500	trees/ha
Bean seeding rate (with intercroppi		40	kg/ha
Bean yield		1000	kg/ha
Cherry price		200	RWF/kg
Bean price		200	RWF/kg
Maize price		150	RWF/kg
Exchange rate (Rwf/ USD)		600	RWF/USD
Coffee Tree Yield/Year (assuming planting in Year 1)			
Year 4	2 kg/tree	5 000	kg/ha
Year 5	3 kg/tree	7 500	kg/ha
Year 6	5 kg/tree	12 500	kg/ha
Year 7	5 kg/tree	12 500	kg/ha
Fertilizer (for coffee)		100	g/tree
Fertilizer (for beans)		100	g/tree
Herbicide		3	l/ha
Pesticide		1	l/ha
Fungicide		1	l/ha
Organic manure		10 000	kg/ha
Cost of mulching with Themeda		300 000	RWF/ha

Assumptions for Family Labour

	Amount	Unit
Labor cost	800	RWF/pers-day
Field preparation		
Digging and fertiliser application	40	holes/day
First tillage	1	pers. days/are
Second tillage	1	pers. days/are
Planting	150	trees/day
Pruning	400	trees/day
Coffee Harvesting (6-7th year)	20	trees/day

RWANDA: Project for Rural Income Through Exports (PRICE) - Project Design Report

Improved Coffee Farm Model

(per 0.5 ha, all amounts in RWF, July 2011 prices)

Crop model and cash flow

	unit	unit cost	without project Y1-20	with project Y1	Y2	Y3	Y4	Y5	Y6	Y7-20
Land use										
Coffee	ha	-	-	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Bush beans[1]	ha	-	-	0.30	0.30	0.20	0.20	0.10	0.10	0.10
Maize	ha	-	0.50	-	-	-	-	-	-	-
Cropping intensity	%	-	100%	160%	160%	140%	140%	120%	120%	120%
Inflows										
Coffee cherries	kg	200	-	-	-	-	2 500	3 750	6 250	6 250
Bush beans[1], dried	kg	200	-	300	300	200	200	100	100	100
Maize, dried	kg	150	1 500	-	-	-	-	-	-	-
Outflows										
Fertilizer	kg	480	75	280	280	270	270	260	260	260
Herbicide	l	10 000	-	1.5	1.5	1.5	1.5	1.5	1.5	1.5
Pesticide	l	8 000	-	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Fungicide	l	30 000	-	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Coffee seedlings[2]	number	0	-	1 250	-	-	-	-	-	-
Bean seeds	kg	300	-	12	-	-	-	-	-	-
Maize seeds	kg	250	15	-	-	-	-	-	-	-
Organic manure	t	10 000	-	5	5	5	5	5	5	5
Hand tools[3]	lot	5 000	0.5	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Mulching with themeda[4]	ha	150 000	-	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Field preparation (with erosion control)	pers-day	800	100	80	50	-	-	-	-	-

amount	without project Y1-20	with project Y1	Y2	Y3	Y4	Y5	Y6	Y7-20
Inflows								
Coffee cherries	-	-	-	-	500 000	750 000	1 250 000	1 250 000
Bush beans[1], dried	-	60 000	60 000	40 000	40 000	20 000	20 000	20 000
Maize, dried	225 000	-	-	-	-	-	-	-
Total Inflows	225 000	60 000	60 000	40 000	540 000	770 000	1 270 000	1 270 000
Outflows								
Fertilizer	36 000	134 400	134 400	129 600	129 600	124 800	124 800	124 800
Herbicide	-	15 000	15 000	15 000	15 000	15 000	15 000	15 000
Pesticide	-	4 000	4 000	4 000	4 000	4 000	4 000	4 000
Fungicide	-	15 000	15 000	15 000	15 000	15 000	15 000	15 000
Coffee seedlings[2]	-	-	-	-	-	-	-	-
Bean seeds	-	3 600	-	-	-	-	-	-
Maize seeds	3 750	-	-	-	-	-	-	-
Organic manure	-	50 000	50 000	50 000	50 000	50 000	50 000	50 000
Hand tools[3]	2 500	5 000	5 000	5 000	5 000	5 000	5 000	5 000
Mulching with themeda[4]	-	75 000	75 000	75 000	75 000	75 000	75 000	75 000
Field preparation (with erosion control)	-	64 000	40 000	-	-	-	-	-
Total Outflows	42 250	366 000	338 400	293 600	293 600	288 800	288 800	288 800
Net Cash flow	182 750	(306 000)	(278 400)	(253 600)	246 400	481 200	981 200	981 200

Sensitivity analysis of the IRR (2 variables)

	IRR **29%**	Beans price (RWF/kg) 100	150	**200**	300	400
Coffee price (RWF/kg)	100	3%	4%	5%	6%	7%
	150	18%	19%	19%	21%	22%
	200	28%	28%	**29%**	31%	32%
	250	35%	36%	37%	39%	41%
	300	42%	43%	44%	46%	48%

[1] Bush beans are considered in this model since they don't compete for ligth with coffee as it's the case for climbing beans. In addition, bean and maize yield assumes fertilizer application

[2] It is assumed that coffee seedlings are received for free by farmers

[3] Outflow for agricultural tools (hoes, spade, pruning scissors, etc.) is assumed for annual replacement only and not acquisition.

[4] Mulching is done when beans are not planted, meaning outside its 2 seasons, namely April-May and October-December. As such, mulching cost of 300,000 RWF/year is half price when intercropping with beans.

Family Labour Budget (excluding hired labour, in persondays)

	no.							
	without project	with project						
	Y1-20	Y1	Y2	Y3	Y4	Y5	Y6	Y7-20
Planting	-	8	-	-	-	-	-	-
Field preparation	100	100	100	100	50	50	50	50
Weeding	50	50	50	50	50	50	50	50
Pruning	-	-	-	-	20	20	20	20
Coffee harvesting	-	-	-	-	31	50	63	63
Transport of cherries	-	-	-	-	31	50	63	63
Bean harvesting	-	30	30	20	20	10	10	10
Maize harvesting	40	-	-	-	-	-	-	-
Net Family Labour Requirement	190	188	180	170	202	230	256	256

Returns to labour:

	without project	with project						
	Y1-20	Y1	Y2	Y3	Y4	Y5	Y6	Y7-20
RWF/pers-day	962	(1 628)	(1 547)	(1 492)	1 220	2 092	3 833	3 833

Average annual income	RWF	182 750	730 380
Average annual labour requirement	pers-days	190	241
Average annual returns to labour	RWF	962	2 807

C. Tea Conversion Farm Model

Tea production on 1ha

		Unit cost	Unit	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Installation plantation													
	1st Ploughing	700	HJ	49 000									
	2nd Ploughing	700	HJ	70 000									
	Egalisage	700	HJ	38 500									
	Piquetage	700	HJ	42 000									
	Anti erosion ditches	700	HJ	70 000									
	planting tea	700	HJ	42 000									
Maintenance													
	Weeding	700	HJ	42 000	42 000	42 000	60 000	60 000	60 000	60 000	60 000	60 000	60 000
	Pegging	700	HJ	49 000	49000	49000							
	Tipping	700	HJ	38 500		21000							
	Replacements	700	HJ	24 500									
	Fertilisers NPK 25.5.5. (25g /plant)	400	Kg	60 000	120000	240000	240000	240000	240000	240000	240000	240000	240000
	Applying ferilisers	700	HJ	10 500	10 500	10 500	15 000	15 000	15 000	15 000	15 000	15 000	15 000
	Anti-erosion ditches	700	HJ	35 000	35000	35000							
	Table cueillette	700	HJ	0			45 000	45 000	45 000	45 000	45 000	45 000	45 000
	leaf collection and transoprt	700	HJ	0			5 100	5 100	5 100	5 100	5 100	5 100	5 100
S/Total cost				**571 000**	**256 500**	**397 500**	**365 100**	**365 100**	**365 100**	**365 100**	**365 100**	**365 100**	**365 100**
Revenue													
Kg/Ha				0	0	0	500	1 000	2 000	4 000	6 000	8 000	9 000
Prix FRw/kg				96.6	106	116	126	136	146	156	166	176	180
Total revenue				0	0	0	63000	136000	292000	624000	996000	1408000	1620000
Net income				-571 000	-256 500	-397 500	-302 100	-229 100	-73 100	258 900	630 900	1 042 900	1 254 900
Net income if subsidy on ferilisers (first three years)				**-511 000**	**-136 500**	**-157 500**	**-302 100**	**-229 100**	**-73 100**	**258 900**	**630 900**	**1 042 900**	**1 254 900**

The Villageois

0.1 ha dedicated to tea
0.4 Ha dedicated to other crops (maize, beans)

Tea production on 0.1ha

	Unit cost	Unit	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Installation plantation												
1st Ploughing	700	HJ	4 900									
2nd Ploughing	700	HJ	7 000									
Egalisage	700	HJ	3 850									
Piquetage	700	HJ	4 200									
Anti erosion ditches	700	HJ	7 000									
planting tea	700	HJ	4 200									
Maintenance												
Weeding	700	HJ	4 200	4 200	4 200	6 000	6 000	6 000	6 000	6 000	6 000	6 000
Pegging	700	HJ	4 900	4 900	4 900							
Tipping	700	HJ	3 850		2100							
Replacements	700	HJ	2 450									
Fertilisers NPK 25.5.5. (25g /plant)	700	Kg	6 000	12000	24000	24000	24000	24000	24000	24000	24000	24000
Applying ferilisers	700	HJ	1 050	1 050	1 050	1 050	1 050	1 050	1 050	1 050	1 050	1 050
Anti-erosion ditches	700	HJ	3 500	3 500	3 500							
Table cueillette	700	HJ	0			4 500	4 500	4 500	4 500	4 500	4 500	4 500
leaf collection and transoprt	700	HJ	0			510	510	510	510	510	510	510
S/Total cost			**57 100**	**25 650**	**39 750**	**36 060**	**36 060**	**36 060**	**36 060**	**36 060**	**36 060**	**36 060**
Revenue												
Kg/Ha			0	0	0	50	100	200	400	600	800	900
Prix FRw/kg			96.6	106	116	126	136	146	156	166	176	180
Total revenue			0	0	0	6300	13600	29200	62400	99600	140800	162000
Net income			-57 100	-25 650	-39 750	-29 760	-22 460	-6 860	26 340	63 540	104 740	125 940
subsidy on ferilisers (first			**-51 100**	**-13 650**	**-15 750**	**-29 760**	**-22 460**	**-6 860**	**26 340**	**63 540**	**104 740**	**125 940**
Net income USD			-85	-23	-26	-50	-37	-11	44	106	175	210

Climbing beans (0.2Ha)

	Quantity	Unit	Unit cost	Year 1 (Frw)	Year 2 (Frw)	Yea3 2 (Frw)
Labour cost	80	HJ	800	64000	64000	64000
Inputs						
Manure	2000	Kg	10	20000	20000	20000
Seeds	14	Kg	250	3500	3500	3500
Fertilisers						
DAP	20	Kg	390	7800	7800	7800
Agricultural tools				2800	2800	2800
Total cost				98100	98100	98100
Revenue	400	Kg	200	80000	80000	80000
Net profit				-18100	-18100	-18100
Net profit is own manure				1900	1900	1900
Net profit is own manure and labor				65900	65900	65900
Net profit own labor and manure USD				110	110	110
Net profit own labor and manure USD 1 Ha				549		
Net profit own labor and manure RWF 1 Ha				329500		

Maize (0.2Ha)						
	Quantity	Unit	Unit Cost	Year 1 (FRW)	Year 2 (FRW)	Year 3 (FRW)
Labor	74	HJ	700	51800	51800	51800
Manure	2000	Kg	10	20000	20000	20000
Seeds	6	Kg	250	1500	1500	1500
Fertlisers					0	0
DAP	20	Kg	490	9800	9800	9800
Urée	10	Kg	340	3400	3400	3400
Total Costs FRW/ha				86500	86500	86500
Revenue , FRW/ha	600	Kg	150	90000	90000	90000
Profit FRW/ha				3500	3500	3500
Profit if own manure and labour				75300	75300	75300
Profit if own manure and labor with CIP subsidy				83400	83400	83400
Note: CIP is Crop Intensification Programme(free seed, 50% susbidy on fertilisers						
Net profit own labor and manure USD				139	139	139

	Without project	**With project**	**Increase**	**% Increase**
Revenue RWF	**149300**	**275240**	**125940**	**84%**
Revenue USD	**249**	**459**	**210**	**84%**

1200
600
720000

D. Sericulture Model

	Year 1	Year 2	Year 3	Year 4	Year 5
Cooperative Cocoon Production					
total members	1 600	1 600	1 600	1 600	1 600
box/cycle/coop	10	10	10	10	10
Capacity (box/cycle) for 40 coop	400	400	400	400	400
Capacity (box/yr) for 40 coop	2 400	2 400	2 400	2 400	2 400
Need for mulberry (ha) @ 10 boxes/ha/cycle	40	40	40	40	40
rearing labor/yr (pers-days) @ 13.7 pers-days/box	32 880	32 880	32 880	32 880	32 880
rearing labor cost/yr @ 1.5$/pers-day	49 320	49 320	49 320	49 320	49 320
mulberry labor/yr (pers-days) @ 300 pers-day/ha	12 000	12 000	12 000	12 000	12 000
mulberry labor cost/yr @ 1.5$/pers-day	18 000	18 000	18 000	18 000	18 000
other production cost @ 28$/box	67 200	67 200	67 200	67 200	67 200
Cocoon output (kg/yr)	48 000	55 200	60 000	62 400	64 800
Cocoon income (US$/yr) @ 3.4$/kg	163 200	187 680	204 000	212 160	220 320
Total Non-labor cost (US$/yr)	67 200	67 200	67 200	67 200	67 200
Total labor cost (US$/yr) (=member income)	67 320	67 320	67 320	67 320	67 320
Net profit of the coop (US$/yr)	**28 680**	**53 160**	**69 480**	**77 640**	**85 800**
member profit share (US$/yr) (assuming all 1600 members)	18	33	43	49	54
Profit per working member (US$/yr) /a	**468**	**483**	**493**	**499**	**504**
avg manpower/ha including rearing (pers-days)	1 122	1 122	1 122	1 122	1 122
avg manpower/box including mulberry (pers-days)	19	19	19	19	19
Individual Farmer Cocoon Production					
mulberry area for indiv. farmers (ha)	30	90	180	330	480
farmers producing cocoons (=rearing houses)	100	300	600	1 100	1 600
share mulberry per family(ha)	0.3	0.3	0.3	0.3	0.3
Capacity per farmer (boxes/cycle)	3	3	3	3	3
Capacity per farmer (boxes) /b	9	18	18	18	18
Wet cocoon output per year (kg) /c	180	414	450	468	486
Cocoon income per farmer (US$) @ US$3.4/kg	612	1 408	1 530	1 591	1 652
other production cost per farmer @ US$28/box	252	504	504	504	504
net profit per farmer (US$)	**360**	**904**	**1 026**	**1 087**	**1 148**
avg manpower/farmer (mulberry + rearing) (pers-days)	337	337	337	337	337
avg returns to labor (mulberry + rearing) (USD/pers-day)	**1.07**	**2.68**	**3.05**	**3.23**	**3.41**
Total Production					
Mulberry use (ha)	70	130	220	370	520
Total egg use (boxes)	3 300	7 800	13 200	22 200	31 200
Egg use per cycle (boxes)	550	1 300	2 200	3 700	5 200

Working capital per cycle @ $9 per box + 50% other costs	7 425	17 550	29 700	49 950	70 200
Wet cocoon output (kg/yr)	66 000	179 400	330 000	577 200	842 400
Cocoon income(US$/yr) @ $3.4	224 400	609 960	1 122 000	1 962 480	2 864 160
Total net profit (US$) /d	**64 680**	**324 240**	**685 080**	**1 273 560**	**1 923 240**
Avg. member net income(US$)/yr /e	**40**	**203**	**428**	**796**	**1 202**

\a Assuming 300 person-days per year @ US$ 1.5/pers-day
\b 1st year farmers rearing 3 cycles only per year, then 6 cycles per year.
\c Assuming a yield of wet cocoons per box of 20 kg in year 1, 23 kg in year 2, 25 kg in year 3, 26 kg in year 4 and 27 kg in year 5.
\d Excluding remuneration of coop. labor
\e Assuming all 1600 members

Annex 7 – Outline of the Project Implementation Manual

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II. Administrative Procedures

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   - 1.2. Recruitment procedures
   - 1.3. Contract Management
   - 1.4. Internal Rules for Personnel
2. Correspondence Organisation
3. Communication Organisation
4. Logistics
5. Asset management
6. Stock management

III. **Financial and Disbursements Procedures**

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2. IFAD Disbursements procedures
3. PRICE Disbursements procedures
4. Accounting system and procedures
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1. IFAD basic procurement principles
2. National rules and regulations
3. Main methods of procurement for goods and works
4. Main methods of selection of consultants & services providers
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   - 1.1. Declaration of bid security
   - 1.2. Bonds for insurances companies

V. **Monitoring & Evaluation**

1. Planning of M&E
2. AWPB Preparation, including annual targets (RIMS+)
3. Follow-up of outputs
4. Evaluation of results
5. Evaluation of Impact
6. Elaboration of progress reports

Annex 8 – Adherence to IFAD Policies

1. This Annex analyses the extent to which the design of PRICE complies with the relevant IFAD policies. In general, the design is fully aligned to the IFAD policy framework, as is shown below for the IFAD policies on Sector-wide approaches or rather programme (SWAp), rural finance, rural enterprise development, and Private Sector Development and Partnerships.

Swap Policy

2. As per the Sector-wide Approaches for Agriculture and Rural Development Policy, IFAD will actively support the government and other stakeholders to build the strategic and institutional basis for an agricultural/rural SWAp and participate in that SWAp in countries where the government has an interest in developing such a SWAp as an approach for reducing rural poverty and where, through its engagement, IFAD can influence the future shape and direction of the proposed SWAp. This participation includes project-based collaboration, and does not include general and sector budget support.

3. PRICE is in harmony with this policy in that it supports the establishment of the agricultural SWAp in Rwanda through the financing of a large part of the Programme 3 investments in the Strategic Plan for the Transformation of Agriculture (PSTA), and integrates its project support in the newly-established National Agricultural Export Development Board (NAEB) and the Single Project Implementation Unit (SPIU) that covers the management units for Programmes 1 to 4. In fact, PRICE helps in clarifying the operational linkages between a PSTA Programme and the agricultural boards by developing clear relationships between them. All PRICE funding will be fully on-budget and on-plan, and will use government's administrative systems. It will also assist the development of the SWAp by integrating its project management staff in existing institutions, and by contributing to the development of common systems, including in M&E and reporting.

Rural Finance Policy (2009)

As per the policy, throughout its interventions in rural finance, IFAD works to:	PRICE complies with this policy as follows:
1. Support access to a variety of financial services, including savings, credit, remittances and insurance, recognizing that rural poor people require a wide range of financial services;	The financial services supported are varied and not fixed to a certain delivery model. This includes savings, credit, credit guarantees and insurance services, accompanied by performance-based grants and equity contributions.
2. Promote a wide range of financial institutions, models and delivery channels, tailoring each intervention to the given location and target group;	The financial services are to be provided by both banks, MFIs and SACCOs, as well as the BRD Development Fund (BDF), a public company providing grants and loan guarantees.
3. Support demand-driven and innovative approaches with the potential to expand the frontiers of rural finance;	All financial services are fully demand-driven. This has been established in the predecessor project, PDCRE, which has shown clearly the real need for credit that responds to cooperative and individual needs, for savings facilities, mainly in the coffee sub-sector, and for new services such as loan guarantees and l**ife and weather insurance.**
4. Encourage – in collaboration with private-sector partners – market based approaches that strengthen rural financial markets, avoid distortions in the financial sector and leverage	By refraining from providing credit lines, the project is based fully on commercial credit, an approach that avoids distortions. By reducing the risk of lending through performance-based grants and credit

IFAD's resources	guarantees, IFAD funds would effectively leverage large amounts of commercial credit.
5. Develop and support long-term strategies focusing on sustainability and poverty outreach, given that rural finance institutions need to be competitive and cost-effective to reach scale and responsibly serve their clients; and	Long-term strategies would be supported by enhancing the services of permanent financial service institutions, including BDF, *Banque Populaire du Rwanda* (PBR) and the Rwanda Cooperative Agency (RCA). Strategic linkages would also be built with the Access to Finance Rwanda (AFR) initiative.
6. Participate in policy dialogues that promote an enabling environment for rural finance, recognizing the role of governments in promoting a conducive environment for pro-poor rural finance.	The contribution to BDF's systems to include loan guarantees accessible to microfinance clients, and to the SACCO system development in collaboration with interested commercial banks represents important areas of policy dialogue.

Rural Enterprise Policy (2004)

4. As per the policy, IFAD supports the provision of entrepreneurial-oriented financial services (see above), and the provision of non-financial services, including entrepreneurship training and vocational training. Regarding the latter, PRICE is fully compliant with the policy in supporting the management of the value chain-based cooperatives along entrepreneurial principles, in particular with the Turnaround Programme. Instilling a clear business approach at both cooperative and farmer levels is part of the core approach of PRICE. Vocational training at the participating cooperatives will be included in partnership with the Rural Small and Micro Enterprise Promotion Project – Phase II (PPPMER II).

5. Further elements of the policy relate to the facilitation of market access, policy dialogue and cost-recovery for services. Improving market access being at the core of the rationale for PRICE, including the improvement of the terms of trade for smallholder farmers, makes the project clearly compliant. In terms of policy dialogue, the project would assist the value chain-based apex institutions in contributing towards shaping the policy, administrative and legislative environment for the participating cooperatives and producers. Cost-recovery strategies are included for key services in the sericulture component.

Private Sector Development and Partnership Strategy (2007)

6. As per the strategy, IFAD will support local private sector development through policy dialogue, investments and co-financing partnerships. For PRICE, private sector development is at the core of its approach, and all three elements feature clearly in its design. Policy dialogue includes working with MINAGRI and the Rwanda Development Board (RDB) to introduce smallholder considerations, in particular farmgate price considerations, in the privatisation process for the tea greenfield sites. It also includes strengthening the farmer cooperatives' apex institutions in knowing the needs of their members and demanding an adequate service and operational environment from government. Investments in private operations on behalf of the smallholder are included in the equity participation in the tea factories, and in supporting the productive base in all participating value chains. Co-financing partnerships are included principally in the tea sector, with private investors contributing the lion's share of the investment needs for the newly constructed tea factories.

Annex 9 – Contents of the Project Life File

PDCRE Documents

- PDCRE Implementation Support Report, July 2010
- Gender and youth in the tea and coffee value chains study, September 2010
- Interim Evaluation Report, 2010
- PDCRE Aide Mémoire, April 2011
- Appendix 8, PDCRE Implementation Support Report, April 2011

GoR Policy Documents

- Economic Development and Poverty Reduction Strategy (EDPRS) (2007)
- Strategic Plan for the Transformation of Agriculture (PSTA) (2008)
- SWAp MOU (2008)
- National Tea Strategy (2008)
- National Coffee Strategy (2009)
- Draft of the Agriculture Gender Strategy of MINAGRI, 2010

PRICE Documents

- PRICE Concept Note, September 2010
- Minutes of the in-country CPMT Meeting, 17 September 2010
- Minutes of the in-house CPMT Meeting, 21 September 2010
- Terms of Reference (TOR) of the Design Mission, October 2010
- Aide Mémoire of the Design Mission, November 2010
- PRICE 1st Draft Design Report, January 2011
- TOR of the PRICE Socio-Economic Assessment Mission, January 2011
- TOR of the PRICE Final Design Mission, February 2011
- Aide Mémoire of the Final Design Mission, March 2011
- PRICE 2nd Draft Design Report, June 2011
- PRICE Design Report, October 2011