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Investing in rural people

President's report

Proposed loan

Republic of Rwanda

Partnership for Resilient and Inclusive Small  
Livestock Markets Programme

Project ID: 2000002564

Note to Executive Board representatives

Focal points:

Technical questions:

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

Francesco Rispoli  
Country Programme Manager  
Tel.: +39 06 5459 2725  
e-mail: f.rispoli@ifad.org

Dispatch of documentation:

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

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For: Approval

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### Project delivery team

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Regional Director:	Sara Mbago-Bhunu
Country Programme Manager	Francesco Rispoli
Project Technical Lead:	Antonio Rota
Financial Management Officer:	Virginia Cameron
Climate and Environment Specialist:	Paxina Chileshe
Legal Officer:	Purificacion Tola Satue

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## Abbreviations and acronyms

AWP/B	annual workplan and budget
COSOP	country strategic opportunities programme
EIRR	economic internal rate of return
Heifer	Heifer International
IFMIS	Integrated Financial Management System
MINAGRI	Ministry of Agriculture and Animal Resources
PRISM	Partnership for Resilient and Inclusive Small Livestock Markets
PSC	programme steering committee
RAB	Rwanda Agriculture and Animal Resources Development Board
SDG	Sustainable Development Goal
SO	strategic objective
SPIU	Single Project Implementation Unit

# Map of the programme area



**IFAD** *The programme map only represents IFAD funded interventions.*  
 The designations employed and the presentation of the material in this map do not imply the expression of any opinion whatsoever on the part of IFAD concerning the delimitation of the frontiers or boundaries, or the authorities thereof.  
 Map compiled by IFAD | 12-07-2019

## Financing summary

<b>Initiating institution:</b>	International Fund for Agricultural Development (IFAD)
<b>Borrower:</b>	Republic of Rwanda, represented by the Ministry of Finance and Economic Planning
<b>Executing agency:</b>	Ministry of Agriculture and Animal Resources
<b>Total programme cost:</b>	US\$45.6 million
<b>Amount of IFAD loan:</b>	SDR 10.85 million (equivalent to approximately US\$14.9 million)
<b>Terms of IFAD loan:</b>	Highly concessional
<b>Amount of cofinancing:</b>	Enabel: US\$17.4 million Heifer International: US\$4.7 million
<b>Terms of cofinancing:</b>	Grants / Credit
<b>Contribution of borrower:</b>	US\$3.3 million
<b>Contribution of beneficiaries:</b>	US\$2.4 million
<b>Contribution of Financial Institutions:</b>	US\$1.3 million
<b>Contribution of Private Sector:</b>	US\$1 million
<b>Contribution from Districts:</b>	US\$0.7 million
<b>Appraising institution:</b>	IFAD
<b>Cooperating institution:</b>	Directly supervised by IFAD
<b>Amount of IFAD climate finance:*</b>	US\$1.3 million

\* As per the MDB Methodologies for Tracking Climate Adaptation and Mitigation Finance

## Recommendation for approval

The Executive Board is invited to approve the recommendation contained in paragraph 57.

### I. Context

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

##### National context

1. Over the decade to 2017, although the Republic of Rwanda has seen its economy grow by 7.9 per cent per year, poverty remains a key challenge, especially in rural areas.<sup>1</sup> The Rwandan economy continues to be dependent on agriculture, which contributes 32.7 per cent of GDP. Agriculture is characterized by small production units with an average landholding size of 0.33 hectares, and the natural resource base is subject to high population pressure.
  2. The direct and indirect contribution of livestock to GDP in 2016/17 was estimated at 4.6 per cent of national GDP and 14 per cent of agricultural GDP. Due to agroecological conditions conducive to intensification, the livestock sector provides major opportunities to further increase its contribution to the economy. With a rapidly growing population, increasing urbanization and rising incomes, the demand for animal source foods is expected to increase significantly for the foreseeable future.
  3. Rwanda's long-term development goals are set forth in its Vision 2020 and Vision 2050 documents, which aim to transform the country from a low-income agriculture-based economy to middle-income status. Rwanda's Strategic Plan for the Transformation of Agriculture (2018-2024), the Government's flagship investment programme for the sector, recognizes the key role of the private sector and the need to improve nutrition. The overarching strategic framework guiding livestock sector development in Rwanda is the Rwanda Livestock Master Plan (2017-2022). For small livestock specifically, a strategy and investment plan was developed in 2012, but this requires a review and update.
- Special aspects relating to IFAD's corporate mainstreaming priorities
4. Gender. Rwanda has adopted international and regional frameworks on women's rights, and has made great strides in promoting gender equality. In rural areas, almost 90 per cent of women rely on agricultural activities as their only source of income. Yet with lower levels of schooling and higher rates of illiteracy (23 per cent) than men, women are obliged to engage in subsistence farming as they lack adequate skills, access to markets and agricultural services, and control over land and other key assets.
  5. Youth. Overall, young people (aged 16 to 30) make up 26.6 per cent of the total population, and 50 per cent of the population are under the age of 20. The main challenges for youth entrepreneurship and business development – in addition to access to markets – include a lack of technical skills, limited access to information and opportunities, inadequate access to land and capital resources, and insufficient support services.
  6. Nutrition. Since Rwanda joined the Scaling Up Nutrition Movement in 2011 all 30 districts have developed district plans to eliminate malnutrition, which will serve as references for the development of nutrition-related activities in the districts targeted by the Partnership for Resilient and Inclusive Small Livestock Markets

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

(PRISM). Despite marked reductions in chronic malnutrition, stunting remains one of the greatest challenges with a prevalence of 35 per cent in 2018.

7. Environment and climate focus. Population pressure, coupled with the susceptibility of soils, exacerbates soil erosion, landslides, soil loss and nutrient leaching, posing challenges to agricultural productivity growth. Climate change and more frequent flooding could also increase the incidence of climate-related animal diseases.

Rationale for IFAD involvement

8. IFAD has extensive experience in the livestock sector worldwide, reaching 240 million beneficiaries between 2010 and 2015. In Rwanda, the Rwanda Dairy Development Project has been under way since 2016.
9. As a trusted partner of the Government of Rwanda, IFAD was requested to support its strategy of modernizing small livestock value chains. PRISM will allow the Government to widen its sector coverage in livestock and balance its support in geographical areas (i.e. west and south) that receive less support and have a higher incidence of poverty and malnutrition.
10. Between 2000 and 2017, domestic consumption per capita of small livestock products grew by 688 per cent for poultry, 79 per cent for pork, and 111 per cent for small ruminants. Moreover, Rwanda's exports to the Democratic Republic of Congo increased by 27 per cent for small ruminants and poultry products and 140 per cent for pork between 2010 and 2015. These markets, which are expected to continue growing, provide an opportunity for rural livelihood transformation.

## B. Lessons learned

11. Need to address sanitary risks. Based on the experience of other livestock development projects, an outbreak of major animal disease poses a high risk to the livestock value chain. The integration of contingency response measures in the programme design could significantly reduce this risk.
12. Small livestock value chain approach. In Rwanda, a significant proportion of the households that were provided with start-up packages including animals were not able to keep them over the long term but had to sell them when confronted with crisis. Given the programme's target population, when planning the placement of livestock, it is important to properly prepare the community before handing over the animals.
13. Access to finance. A lesson from IFAD-funded projects in Rwanda is that there is too much focus on the management of matching grants, without a proper analysis of their justification. More needs to be done to promote beneficiaries' long-term access to sustainable financial services.

## II. Programme description

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

14. Programme objectives. The overall objective of PRISM is to reduce poverty by empowering poor rural men, women and youth to participate in the transformation of the Rwanda livestock sector and to enhance their resilience. The programme development objective is to improve food and nutritional security and the incomes of poor rural households through better performance of the value chains.
15. Contribution to the country strategic opportunities programme (COSOP) 2019-2024. PRISM will directly contribute to achieving the two COSOP strategic objectives (SOs). For SO1, "sustainably increase agricultural productivity in priority food and export value chains and improve livelihoods and resilience of the rural population", programme activities will intensify small livestock production and strengthen resilience against sanitary, environmental and economic shocks. The

programme will also contribute to achieving SO2, "improve post-harvest processes, strengthen market linkages and generate economic opportunities for men, women and youth in rural areas", by improving the inclusion of smallholders in the value chains.

16. Partnership with Enabel and Heifer International (Heifer). PRISM is a five-year partnership programme implemented by the Rwanda Agriculture and Animal Resources Development Board (RAB), jointly supported by IFAD, Enabel, the Belgian development agency and Heifer, which also has an implementing role. The programme consists of two complementary interventions, supported by IFAD and Enabel, whose content and strategies have been aligned, and will be implemented jointly under a common implementation mechanism.
17. Geographic area. The IFAD-supported interventions will target a total of 15 districts across the northern, southern and western provinces. Districts and sectors will be selected on the basis of the incidence of poverty and food insecurity. The Enabel-funded interventions will have national coverage but will concentrate on areas with higher potential for market-oriented poultry and pig production.
18. Targeting mechanisms. Based on the national wealth ranking system (Ubudehe) and alignment with the COSOP, PRISM will directly target a total of 26,355 poor rural households belonging to Ubudehe categories 1, 2 and 3: (i) 23,400 poor and food-insecure rural households (approximately 88,000 household members in categories 1 and 2) will benefit from a pro-poor graduation pathway, tailoring the services provided to the socio-economic conditions and specific households' needs; (ii) 1,530 rural youth will receive support to organize themselves into small livestock production cooperatives; and (iii) 1,425 market-oriented producers (mostly from categories 2 and 3) will be supported through a combination of technical, business and financial capacity-building.
19. PRISM will ensure that women and men benefit equally from its interventions; at least 50 per cent of the targeted beneficiaries will be women and at least 30 per cent will be youth. The Enabel intervention will focus more on supporting already established smallholder commercial farmers and private firms and will target an additional 21,254 beneficiaries. The IFAD-Enabel partnership will allow different actors to be supported within the small livestock value chains under inclusive and tailored strategies, leveraging the comparative advantages of the two agencies.

## B. Components/outcomes and activities

20. The programme will have the following interlinked and mutually supporting components:
21. Component 1: Climate-smart intensification of small livestock production systems.
  - Subcomponent 1.1: Social mobilization and graduation of vulnerable households. Heifer will implement this component, targeting 23,400 poor and food-insecure rural households through a pro-poor graduation pathway designed to strengthen the capacity of the most vulnerable smallholder farmers (Ubudehe categories 1 and 2) while linking them to markets. Enabel will apply the farmer field school approach, targeting 12,000 households selected among the most market-oriented, to complement the Heifer activities.
  - Subcomponent 1.2: Improve animal health status and genetic potential of small livestock. In communities benefiting from the graduation pathway, community agro-vet entrepreneurs will be identified, trained and deployed to support animal well-being across all value chains, and community animal health funds will be established to manage health risks. PRISM will also enhance the epidemio-surveillance capacities of



veterinary services, and establish a disease contingency fund for major disease outbreaks.

- Subcomponent 1.3: Support climate-smart innovations in production. In order to mitigate any potential negative impact of small livestock production intensification, the programme will promote several activities: (i) agroforestry for enhanced feed efficiency; (ii) manure management through adoption of biogas systems and composting; and (iii) rainwater harvesting facilities for improved water use efficiency.
22. Component 2: Support to small livestock value chain development.
- Subcomponent 2.1: Productive alliances with input suppliers and support to entrepreneurship in production. Productive alliances will be promoted in the commercial poultry and pig value chains, building on arrangements (vertical contracts) that are already used by Rwandan animal feed manufacturers to expand their customer outreach. The beneficiaries of these productive alliances will typically belong to Ubudehe categories 2 and 3 already engaged in commercial activities, but also smallholder farmers from category 1 and supported under component 1 who are able to graduate and produce a surplus. A total of 1,530 young people will also be assisted to establish viable and profitable production units, linking them to markets and services.
  - Subcomponent 2.2: Market facilitation in small livestock value chains. Market facilitation will be done at three levels: (i) assistance to off-takers for supplier network development; (ii) support to public-goods-related investments in essential equipment; and (iii) support to small livestock multi-stakeholder at regional and national levels.
  - Subcomponent 2.3: Support to financial institutions. PRISM will also facilitate linkages between financial institutions, vulnerable households supported under component 1, youth and smallholder farmers under productive alliances. Enabel will support the local animal feed industry by developing a profitable, resilient and sustainable soya and maize farms network connected to feed companies through the outgrower company model.
23. Component 3: Policy support and coordination.
- Subcomponent 3.1: Policy and regulatory support. All activities related to the formulation of policies and strategies, the development, review and enforcement of legislation and standards will be supported and funded jointly with Enabel. PRISM will support: (i) capacity-building of RAB on technical domains related to small livestock; (ii) institutional strengthening of existing or emerging national farmers' organizations; (iii) establishment of multi-stakeholder fora to facilitate regulatory and policy discussions; and (iv) development of sector strategies including the review and update of the current strategies.

### C. Theory of change

24. The PRISM theory of change is based on the hypothesis that vulnerable rural households, women and youth who are empowered with social and technical capacities and included in the value chain will improve their productivity and market access. This will enhance their incomes, food and nutritional security, and the performance and competitiveness of the livestock value chains. This theory of change builds on the opportunities offered by the ongoing market expansion at both the domestic and subregional levels.
25. The PRISM approach is holistic and based on the principle that value chain development requires balanced support to all players. The partnership between

IFAD and Enabel will make it possible to reach all value chain segments and actors with tailored approaches, while ensuring that the mandates and targeting strategies of both institutions are respected.

#### D. Alignment, ownership, and partnerships

26. PRISM's development goal is fully aligned with the Government's Second Economic Development and Poverty Reduction Strategy and its overarching goal of growth acceleration and poverty reduction. More specifically, PRISM is well aligned with Rwanda's Strategic Plan for the Transformation of Agriculture, which is the Government's flagship investment programme for the agriculture sector. The programme is also fully aligned with the goals and objectives of the IFAD Strategic Framework 2016-2025, the COSOP 2019-2024 and IFAD's corporate priorities.
27. Overall, PRISM will directly contribute to the attainment of several Sustainable Development Goals (SDGs), notably SDG 1 (no poverty); SDG 2 (zero hunger); SDG 5 (gender equality); SDG 8 (decent work and economic growth); and SDG 13 (climate action).
28. PRISM is jointly supported by IFAD, Heifer and Enabel. The programme will also maintain close consultation and coordination with all potential partners in relevant areas.

#### E. Costs, benefits and financing

29. The total amount of IFAD climate finance for PRISM is calculated as US\$1,334,673, representing 9 per cent of the total programme amount.
30. Programme costs  
Total PRISM costs, including physical and price contingencies, are estimated at US\$45.64 million (RWF 41.07 billion). By component, the investment breaks down as follows:
  - Component 1. US\$20.65 million (42 per cent of total base cost).
  - Component 2. US\$19.40 million (29 per cent).
  - Component 3. US\$5.59 million (11 per cent).

Table 1

**Programme costs by component and financier**

(Thousands of United States dollars)

Component	Government of Rwanda		IFAD11		Enabel		Financial institution		Heifer		District		Beneficiaries		Private sector		Total
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	In-kind	%	In-kind	%	Amount
1. Climate-smart intensification of small livestock production systems	57	0.3	7 610	36.9	7 596	36.8	-	-	4 677	22.7	326	1.6	380	1.8	-	-	20 647
2. Support to small livestock value chain development	3 096	16.0	4 336	22.3	7 399	38.1	1 289	6.6	-	-	330	1.7	1 959	10.1	993	5.1	19 403
3. Policy support and coordination	159	2.8	2 958	52.9	2 435	43.5	-	-	-	-	-	-	41	0.7	-	-	5 593
<b>Total</b>	<b>3 312</b>	<b>7.3</b>	<b>14 904</b>	<b>32.7</b>	<b>17 430</b>	<b>38.2</b>	<b>1 289</b>	<b>2.8</b>	<b>4 677</b>	<b>10.2</b>	<b>656</b>	<b>1.4</b>	<b>2 380</b>	<b>5.2</b>	<b>993</b>	<b>2.2</b>	<b>45 642</b>

Table 2

**Programme costs by expenditure category and financier**

(Thousands of United States dollars)

Expenditure category	Government of Rwanda		IFAD11		Enabel		Financial institution		Heifer		District		Beneficiaries		Private sector		Total
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	In-kind	%	In-kind	%	Amount
<b>I. Investment costs</b>																	
A. Works	64	5.0	1 227	95.0	-	-	-	-	-	-	-	-	-	-	-	-	1 291
B. Vehicles	45	37.8	75	62.2	-	-	-	-	-	-	-	-	-	-	-	-	120
C. Equipment and materials	8	20.0	34	80.0	-	-	-	-	-	-	-	-	-	-	-	-	42
D. Goods, services and inputs	80	0.5	6 210	41.0	1 957	12.9	-	-	3 497	23.1	218	1.4	2 380	15.7	794	5.2	15 135
E. Credit and guarantee funds	-	-	-	-	-	-	1 289	100	-	-	-	-	-	-	-	-	1 289
F. Grants and subsidies	2 789	100	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2 789
G. Consultancies	164	8.3	1 437	72.6	180	9.1	-	-	-	-	-	-	-	-	200	10.1	1 981
H. Training	142	2.3	4 314	69.7	112	1.8	-	-	1 180	19.1	439	7.1	-	-	-	-	6 187
I. Enabel Virtual / Other costs	-	-	-	-	13 188	100	-	-	-	-	-	-	-	-	-	-	13 188
<b>Total investment costs</b>	<b>3 293</b>	<b>7.8</b>	<b>13 297</b>	<b>31.6</b>	<b>15 438</b>	<b>36.7</b>	<b>1 289</b>	<b>3.1</b>	<b>4 677</b>	<b>11.1</b>	<b>656</b>	<b>1.6</b>	<b>2 380</b>	<b>5.7</b>	<b>993</b>	<b>2.4</b>	<b>42 023</b>
<b>II Recurrent costs</b>																	
A. Salaries	-	-	1 438	41.9	1 992	58.1	-	-	-	-	-	-	-	-	-	-	3 430
B. Operating costs	19	10.3	169	89.7	-	-	-	-	-	-	-	-	-	-	-	-	188
<b>Total recurrent costs</b>	<b>19</b>	<b>0.5</b>	<b>1 607</b>	<b>44.4</b>	<b>1 992</b>	<b>55.1</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3 619</b>
<b>Total</b>	<b>3 312</b>	<b>7.3</b>	<b>14 904</b>	<b>32.7</b>	<b>17 430</b>	<b>38.2</b>	<b>1 289</b>	<b>2.8</b>	<b>4 677</b>	<b>10.2</b>	<b>656</b>	<b>1.4</b>	<b>2 380</b>	<b>5.2</b>	<b>993</b>	<b>2.2</b>	<b>45 642</b>

Table 3

**Programme costs by component / subcomponent and programme year (PY)**

(Thousands of United States dollars)

<i>Component / subcomponent</i>	<i>PY1</i>		<i>PY2</i>		<i>PY3</i>		<i>PY4</i>		<i>PY5</i>		<i>Total</i>
	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>
<b>1. Climate-smart intensification of small livestock production systems</b>											
1.1 Mobilization and graduation of vulnerable households	1 274	11.5	2 744	24.8	3 282	29.7	3 227	29.2	541	4.9	11 067
1.2 Improve animal health and genetic potential	747	40.4	552	29.8	365	19.7	185	10.0	2	0.1	1 850
1.3 Support climate-smart innovations	168	43.8	125	32.7	90	23.5	-	-	-	-	383
1.4 Enabel and other investments under component 1	1 465	20.0	1 465	20.0	1 465	20.0	1 465	20.0	1 465	20.0	7 323
<b>Subtotal</b>	<b>3 653</b>	<b>17.7</b>	<b>4 885</b>	<b>23.7</b>	<b>5 201</b>	<b>25.2</b>	<b>4 876</b>	<b>23.6</b>	<b>2 008</b>	<b>9.7</b>	<b>20 622</b>
<b>2. Support to small livestock value chain development</b>											
2.1 Productive alliances with input suppliers	2 191	22.8	2 293	23.9	2 447	25.5	1 800	18.7	883	9.2	9 614
2.2 Market facilitation in small livestock value chains	137	5.2	599	22.7	962	36.5	774	29.3	166	6.3	2 639
2.3 Support to financial institutions	152	14.0	464	43.0	275	25.5	189	17.5	-	-	1 080
2.4 Enabel and other investments under component 2	1 173	20.0	1 173	20.0	1 173	20.0	1 173	20.0	1 173	20.0	5 865
<b>Subtotal</b>	<b>3 653</b>	<b>19.0</b>	<b>4 530</b>	<b>23.6</b>	<b>4 858</b>	<b>25.3</b>	<b>3 936</b>	<b>20.5</b>	<b>2 222</b>	<b>11.6</b>	<b>19 198</b>
<b>3. Policy support and coordination</b>											
3.1 Policy support	30	3.7	205	25.3	175	21.6	280	34.6	120	14.8	810
3.2 Programme coordination	684	24.9	324	11.8	439	15.6	626	22.7	681	24.7	2 753
3.3 Enabel and other investments under component 3	398	20.0	398	20.0	398	20.0	398	20.0	398	20.0	1 992
<b>Subtotal</b>	<b>1 113</b>	<b>20.0</b>	<b>927</b>	<b>16.7</b>	<b>1 013</b>	<b>18.2</b>	<b>1 304</b>	<b>23.5</b>	<b>1 199</b>	<b>21.6</b>	<b>5 556</b>
<b>Physical contingencies</b>											
<b>Inflation</b>											
Local	63	7.5	187	22.2	254	30.2	190	22.6	147	17.5	842
Foreign	2	5.1	7	21.0	10	29.4	9	26.3	6	18.0	34
<b>Subtotal Inflation</b>	<b>65</b>	<b>7.4</b>	<b>194</b>	<b>22.1</b>	<b>264</b>	<b>30.1</b>	<b>199</b>	<b>22.8</b>	<b>154</b>	<b>17.5</b>	<b>876</b>
Devaluation	(48)	7.4	(142)	22.0	(194)	30.1	(146)	22.7	(114)	17.7	(645)
<b>Subtotal price contingencies</b>	<b>17</b>	<b>7.4</b>	<b>52</b>	<b>22.4</b>	<b>70</b>	<b>30.2</b>	<b>53</b>	<b>22.9</b>	<b>39</b>	<b>17.1</b>	<b>231</b>
<b>Total</b>	<b>8 435</b>	<b>18.5</b>	<b>10 403</b>	<b>22.8</b>	<b>11 157</b>	<b>24.4</b>	<b>10 177</b>	<b>22.3</b>	<b>5 469</b>	<b>12.0</b>	<b>45 642</b>

## Programme financing and cofinancing strategy and plan

31. The PRISM cofinancing structure is as follows:

Table 4  
**PRISM cofinancing structure**  
 (Thousands of United States dollars)

	<i>Government of Rwanda</i>	<i>IFAD</i>	<i>Enabel</i>	<i>Heifer</i>	<i>Financial institutions</i>	<i>Private sector</i>	<i>District</i>	<i>Beneficiaries</i>	<i>Total</i>
<i>Amount</i>	3 312	14 904	17 430	4 677	1 289	993	656	2 380	45 642
<i>%</i>	7.3	32.7	38.2	10.2	2.8	2.2	1.4	2.2	100

## Disbursement

32. The most significant financial allocations for PRISM are for goods, inputs and training, with smaller allocations for works, consultancies, non-consulting services and recurrent costs. Recurrent costs represent 10.8 per cent of IFAD financing. The disbursement performance of the Rwanda portfolio is moderately satisfactory overall. The IFAD portfolio in Rwanda is disbursed through the IFAD Client Portal. The risk of inadequate technical, governance and institutional capacities at national and district levels leading to implementation delays and slow disbursement was assessed during design and deemed to be low.
33. A designated account in United States dollars and a programme account in Rwandan francs will be opened at the National Bank of Rwanda and managed by the Single Project Implementation Unit (SPIU) under RAB supervision. These two accounts will be linked to the Integrated Financial Management System (IFMIS) but will not be subject to Treasury Single Account daily zero balance requirements.

## Summary of benefits and economic analysis

34. Economic analysis. The overall economic internal rate of return (EIRR) of the programme is estimated at 26 per cent, which is above the opportunity cost of capital in Rwanda (estimated at 9.5 per cent based on long-term bond rates of return). Accordingly, the programme is considered economically viable.
35. Sensitivity analysis. The result indicates strong resilience to increases in costs and reductions in benefits, which mirror the PRISM risk profile. The programme would still yield an EIRR of respectively 25 per cent and 24 per cent if benefits were reduced by 10 per cent and 20 per cent. In the extreme case of benefits being reduced by 50 per cent, the EIRR would be 17 per cent, above the social discount rate.

## Exit strategy and sustainability

36. A draft exit strategy has already been developed (annex 10 of the programme design report) and will be further refined in the course of the programme, incorporating lessons learned during implementation. The sustainability of the programme outcomes relies on its overall approach based on the facilitation of partnerships, social mobilization and group formation, transfer of competencies, institutional strengthening and long-term access to financial services.

### III. Risks

#### A. Programme risks and mitigation measures

37. The main risks and mitigation measures for PRISM are detailed below.

Table 5

#### Main risks and mitigation measures

<i>Main risks</i>	<i>Mitigation measures</i>
Possible closure of export markets or sources of raw material for feed, due to unexpected events.	<ul style="list-style-type: none"> <li>Improving raw material supply through support to local production, better coordination and diversification of markets.</li> </ul>
Sanitary crisis due to the emergence of a contagious and deadly animal disease.	<ul style="list-style-type: none"> <li>Support to epidemio-surveillance and contingency mechanisms including the disease contingency fund.</li> </ul>
Inadequate technical and institutional capacities at national and district levels.	<ul style="list-style-type: none"> <li>SPIU core staff will be backed by specific technical specialists, service providers and Heifer.</li> <li>Supervision and implementation support missions, especially in years 1-2, will support focused programme implementation.</li> </ul>

#### B. Environment and social category

38. PRISM is classified as an environmental and social category B operation. The programme is not expected to have significant adverse environmental or social implications. In order to mitigate potential negative impacts of the intensification of small livestock production, the programme will promote several activities for mainstreaming environmental management and climate change adaptation and mitigation, including promotion of agroforestry, manure management and rainwater harvesting.

#### C. Climate risk classification

39. The climate risk classification of the programme is considered moderate with a basic climate risk analysis required. The main climate-related risk would be the emergence or re-emergence of a climate-related disease, in particular a vector borne disease. This risk will be mitigated by strengthening epidemio-surveillance systems and disease contingency planning to allow for a rapid and adequate response in case of an outbreak of disease.

#### D. Debt sustainability

40. Rwanda's growth is projected to remain strong in 2019 at 7.8 per cent, and over the medium term at around 8 per cent. In the International Monetary Fund's most recent debt sustainability analysis, Rwanda is assessed to be at low risk of debt distress. Rwanda's external debt portfolio consists mostly of concessional loans,<sup>2</sup> which are expected to continue to be the main source of funding for public projects.

### IV. Implementation

#### A. Organizational framework

Programme management and coordination

41. Programme implementation. PRISM is a five-year programme and will be implemented through the SPIU, under RAB. The interventions supported by IFAD and Enabel will be managed by a single programme management team, cofinanced by both partners and placed under the coordination of the SPIU coordinator.
42. Programme oversight. In line with the practice for other IFAD- and Enabel-funded projects/programmes in Rwanda, a common programme steering committee (PSC) will be established to provide policy guidance and orientations at

<sup>2</sup> 72 per cent as of end June 2017.

national level, assess the programme implementation progress, approve the annual workplan and budget (AWP/B) and progress reports, and decide on corrective measures when necessary. The PSC will be chaired by the Permanent Secretary of the Ministry of Agriculture and Animal Resources (MINAGRI). In addition, a programme technical coordination committee will address technical and implementation issues. The technical committee will be chaired by RAB and will meet on a quarterly basis, one month ahead of the PSC meetings.

Financial management, procurement and governance

43. Financial management. Governance in Rwanda is strong and inherent financial management risk low, as substantiated by the findings of recent Public Expenditure and Financial Accountability assessments and Transparency International data. IFAD's portfolio is managed by a common implementing unit, the SPIU. Although this system enables rapid start-up of projects, recruitment delays for finance staff caused by a restructuring of the SPIU system have reduced efficiency somewhat. Contract management by the SPIU and grant mechanism monitoring systems are in need of strengthening. Therefore, the financial management risk for PRISM has been assessed as medium at design. The current staffing situation will be stabilized in accordance with financing agreement covenants. IFAD-financed projects fully utilize government systems. IFMIS is used to capture the reporting of expenditure, with a chart of accounts tailored to government requirements using a modified cash basis of accounting. Since the system does not fully satisfy IFAD's financial reporting requirements, options to adapt the usage of IFMIS are under discussion.
  44. The Auditor General conducts an annual audit of IFAD's projects in line with international standards. In addition to financial audits, the Auditor General's reports cover compliance and value for money. The internal audit function exists within the SPIU, in line with the Government's Internal Audit Charter. A risk-based internal audit action plan for IFAD-funded projects (for financial year 2017/18), approved by the MINAGRI Audit Committee, has been fully executed and will be replicated.
  45. Procurement. Overall responsibility for procurement will be under RAB. IFAD and Enabel will establish their own procurement units to ensure compliance with the requirements of the respective organizations, while working with the SPIU for smooth processing of procurement activities. The SPIU has a procurement unit responsible for procurement planning, preparation of bidding documents, publication and distribution of invitations to bid, receipt and safekeeping of bids, and ensuring adequate contract execution.
  46. Governance. Rwanda ranks 48<sup>th</sup> of 180 countries in Transparency International's 2018 Corruption Perceptions Index. The IFAD Policy on Preventing Fraud and Corruption in its Activities and Operations will be disseminated at programme start-up, along with measures to implement the policy.
- B. Planning, monitoring and evaluation, learning, knowledge management and communication**
47. A draft AWP/B will be developed in consultation with implementing partners. It will include plans for training and technical assistance, monitoring and evaluation (M&E), and a procurement plan. PRISM will have a single M&E system that accommodates the indicators for MINAGRI, IFAD and Enabel. The SPIU will develop standard collecting data tools and reporting templates aligned with the AWP/B and the logframe indicators.
  48. Cross-learning between IFAD- and Enabel-financed activities will be promoted by the SPIU through workshops and meetings to share knowledge and lessons learned. South-South learning will be facilitated by exchange visits across Heifer's portfolio in Cambodia, Kenya and Nepal. The programme will collaborate with the

Agricultural Information and Communication Centre within MINAGRI to ensure that programme activities are documented and communicated to the public.

#### Innovation and scaling up

49. PRISM will focus on innovations that have the potential to be scaled up, including a contingency mechanism to cope with an animal health crisis, hatcheries using renewable energy sources managed by youth groups, digitization and insurance, and the graduation pathway approach for the poorest households.

### C. Implementation plans

#### Implementation readiness and start-up plans

50. IFAD and the Government of Rwanda will ensure implementation readiness at start-up as follows:

Table 6

#### Actions to ensure implementation readiness at start-up

	<i>Action</i>	<i>Responsible party/ person</i>	<i>Target date/covenants</i>
1.	Finalize the programme's AWP/B and procurement plan	SPIU/RAB	Prior to disbursement
2.	Establish an SPIU headed by a coordinator, with relevant staff recruited	Director General/RAB	Within the first six months
3.	Update the programme implementation manual, with a comprehensive financial management manual and a programme chart of accounts	SPIU/RAB	Within the first six months
4.	Establish a PSC headed by the Permanent Secretary of MINAGRI	PSC/MINAGRI	Within the first six months
5.	Establish a programme technical coordination committee	Programme support unit/MINAGRI	Within the first six months
6.	Map the account codes and configure the chart field to meet programme accounting and reporting requirements	SPIU/RAB/IFMIS team – Ministry of Finance and Economic Planning	Part of start-up activities and continuous

#### Supervision, midterm review and completion plans

51. The overall programme implementation will be supervised jointly by IFAD and Enabel, in partnership with MINAGRI, while IFAD and Enabel will supervise their own financing in accordance with respective guidelines. Annual implementation support and supervision missions will be organized during the course of the programme.
52. The SPIU will submit biannual progress reports in a format acceptable to both IFAD and Enabel. These reports will include physical and financial progress updates. MINAGRI/RAB, Enabel and IFAD will carry out an in-depth joint midterm review no later than the third year of the programme based on the terms of reference prepared by the SPIU and approved by IFAD and Enabel.
53. After the programme completion date and no later than the closing date, MINAGRI/RAB will create a programme completion report. In addition, the SPIU will conduct a programme impact evaluation to provide input for the completion report.

### V. Legal instruments and authority

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



## VI. Recommendation

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

RESOLVED: that the Fund shall provide a loan on highly concessional terms to the Republic of Rwanda in an amount of ten million eight hundred and fifty thousand special drawing rights (SDR 10,850,000), equivalent to approximately US\$14.9 million, and upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented herein.

Gilbert F. Hougbo  
President

## Negotiated financing agreement: "Partnership for Resilient and Inclusive Small Livestock Markets"

(Negotiations concluded on 2 August 2019)

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

Programme: Partnership for Resilient and Inclusive Small Livestock Markets ("the Programme" or "PRISM")

The Republic of Rwanda (the "Borrower")

and

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

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

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

WHEREAS, the Programme is expected to receive co-financing from Heifer International (Heifer) and from the Belgian Development Agency (ENABEL);

WHEREAS, the Fund has agreed to provide a loan for the Programme to finance the activities described in Schedule 1 to this Agreement (the Activities);

NOW THEREFORE, the Parties hereby agree as follows:

### Section A

1. The following documents collectively form this Agreement: this document, the Programme Description and Implementation Arrangements (Schedule 1), the Allocation Table (Schedule 2), the Special Covenants (Schedule 3) and the General Conditions. In the event of a conflict between this document and any of the Schedules, the provisions of this document shall take precedence.

2. All provisions of the Fund's General Conditions for Agricultural Development Financing dated 29 April 2009, amended as of December 2018, and as may be amended hereafter from time to time (the "General Conditions") shall apply to this Agreement. For the purposes of this Agreement the terms defined in the General Conditions shall have the meanings set forth therein, unless the Parties otherwise agree in this Agreement.

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

### Section B

1. The amount of the Loan is ten million and eight hundred and fifty thousand Special Drawing Rights (SDR 10 850 000) .

2. The Loan is granted on highly concessional terms, and shall be free of interest but shall bear a fixed service charge as determined by the Fund at the date of approval of the Loan by the Fund's Executive Board, payable semi-annually in the Loan Service Payment Currency. The Loan shall have a maturity period of forty (40) years, including a grace period of ten (10) years starting from the date of approval of the Loan by the Fund's Executive Board. The principal is to be repaid at 4.5 per cent of the total principal per annum for years eleven (11) to thirty (30), and 1 per cent of the total principal per annum for years thirty first (31) to forty (40).
3. The Loan Service Payment Currency shall be the US dollar.
4. The first day of the applicable Fiscal Year shall be July 1st.
5. Payments of principal and service charge shall be payable on each 1 April and 1 October.
6. There shall be one Designated Account in USD for IFAD resources, for the exclusive use of the Programme opened in the National Bank of Rwanda. The Borrower shall inform the Fund of the officials authorized to operate the Designated Account.
7. There shall be one Programme Operations Account for IFAD resources in Rwandan francs (RWF) opened by the Lead Programme Agency in the National Bank of Rwanda.
8. The Borrower shall provide counterpart financing for the Programme in an amount equivalent to approximately three million three hundred thousand US dollars (USD 3.3 million) to cover taxes for the Programme and land allocation for youth beneficiaries. The Borrower shall also cause the participating districts to contribute services and training in kind to the Programme, estimated at approximately seven hundred thousand US dollars (USD 0.7 million).

### Section C

1. The Lead Programme Agency shall be the Rwanda Agriculture and Animal Resources Development Board (RAB) of the Ministry of Agriculture and Animal Resources (MINAGRI) of the Borrower.
2. Additional Programme Parties include those parties responsible for the implementation of any part of the Programme and any other parties deemed necessary by the Lead Programme Agency.
3. The Programme Completion Date shall be approximately sixty (60) months after the date of entry into force of this Agreement or such other date as the Fund may designate by notice to the Borrower and the Financing Closing Date will be established as specified in the General Conditions. The Agreement shall enter into force on the date of receipt by the Fund of the instrument of ratification.
4. Mid-term review. A Mid-Term Review will be conducted as specified in Section 8.03 (b) and (c) of the General Conditions; however, the Parties may agree on a different date for the Mid-Term Review of the implementation of the Programme.

### Section D

The Loan will be administered and the Programme supervised by IFAD.

## Section E

1. The following are designated as additional grounds for suspension of the right of the Borrower to request disbursements:

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

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

- (a) The IFAD no objection to the PIM shall have been obtained;
- (b) The Programme Steering Committee (PSC) shall have been established;
- (c) The Programme Operations Manager and dedicated Programme Accountant shall have been appointed.

3. This Agreement is subject to ratification by the Borrower.

4. The following are the designated representatives and addresses to be used for any communication related to this Agreement:

For the Borrower:

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

For the Fund:

The President  
International Fund for Agricultural Development  
Via Paolo di Dono 44  
00142 Rome, Italy

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

THE REPUBLIC OF RWANDA

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

[Date: \_\_\_\_\_]

INTERNATIONAL FUND FOR  
AGRICULTURAL DEVELOPMENT

\_\_\_\_\_  
Gilbert F. Hougbo  
President

[Date: \_\_\_\_\_]

## Schedule 1

### Programme Description and Implementation Arrangements

#### I. Programme Description

1. Programme overall objective. The overall objective of the Programme is to reduce poverty by empowering poor rural men, women and youth to participate in the transformation of the Rwanda livestock sector and to enhance their resilience. Specifically, the Programme seeks to increase competitiveness and profitability of the small livestock sector for the provision of quality products from smallholder producers to domestic and regional consumers.

2. Programme Goal. The Programme Goal is to improve food and nutrition security and incomes of poor rural households through better performance of the value chains.

3. Partnership with ENABEL and Heifer. PRISM is a partnership programme implemented by the Rwanda Agriculture and Animal Resources Development Board (RAB), jointly supported by IFAD, the ENABEL and Heifer (which has also an implementing role). The Programme consists of two complementary interventions, one is supported by IFAD through this Agreement, the other is supported by ENABEL through a separate agreement, whose content and strategies have been aligned, and will be implemented jointly under a common implementation mechanism.

4. Programme area. The IFAD Financing will target a total of 15 districts across the northern, southern and western provinces of Rwanda. The selection of the districts and their respective sectors will be based on the incidence of poverty and food insecurity as well as the comparative advantage for the development of the targeted small livestock value chains. The ENABEL-funded interventions will be concentrating on areas with higher potential for market-oriented poultry and pig production.

5. Target population. PRISM will directly target a total of 26,355 poor rural households belonging to Ubudehe categories 1, 2 and 3: (i) 23,400 poor and food insecure rural households (approximately 88,000 household members in categories 1 and 2) will benefit from a pro-poor graduation pathway, tailoring the services provided to the socio-economic conditions and specific households' needs; (ii) 1,530 rural youth will receive support to organize themselves into small livestock production cooperatives, and (iii) 1,425 market-oriented producers (mostly from categories 2 and 3) will be supported through a combination of technical, business and financial capacity building.

PRISM will ensure that women and men equally benefit from its interventions; at least 50 per cent of the targeted beneficiaries will be women and at least 30 per cent will be youth. ENABEL intervention will focus more on supporting already established smallholder commercial farmers and private firms (suppliers and processors) and will target additional 21,254 beneficiaries. IFAD-ENABEL partnership will allow to target and support different actors in the small livestock value chains, with inclusive tailored strategies, leveraging the comparative advantages of the two agencies.

6. Components. PRISM will have the following interlinked and mutually supporting components: (i) Climate-smart intensification of small livestock production systems; (ii) Support to small livestock value chain development; and (iii) Policy support and coordination.

Component 1: Climate-smart intensification of small livestock production systems.

Social mobilization and graduation of vulnerable households. Heifer will co-finance and implement this intervention, targeting 23,400 poor and food insecure rural households through a pro-poor graduation pathway, which is designed to strengthen the capacity of the most vulnerable smallholder farmers (Ubudehe 1 and 2) while linking them to markets. The topics covered include financial literacy, nutrition education, business management and gender equity to increase their production and productivity. ENABEL will apply the Farmer Field School approach, targeting 12,000 households selected among the most market-oriented, to complement the Heifer activities.

Support climate smart innovations in production. In order to mitigate potential negative impact of small livestock production intensification, the Programme will promote several activities including: (i) promotion of agroforestry for enhanced feed efficiency; (ii) manure management through adoption of biogas system and composting; and (iii) installation of rainwater harvesting facilities for improved water use efficiency.

Improve animal health status and genetic potential of small livestock. In communities benefitting from the graduation pathway, Community Agro-Vet Entrepreneurs will be identified, trained and deployed to support animal well-being across all value chains, and community animal health funds will be established to manage health risk. The Programme will provide support to RAB and private actors to build livestock assets and improve livestock stock and management. The Programme will also strengthen (i) the epidemio-surveillance capacities of veterinary services; (ii) the preparedness to sanitary crisis by supporting the development of contingency plans; (iii) the organization of disease outbreak simulation exercises; and (iv) the establishment of a disease contingency fund for major disease outbreaks.

Component 2: Support to small livestock value chain development

Support to animal feed industry. ENABEL will support the animal feed industry with a focus on quality locally produced raw materials, in order to reduce the country dependency on imports. The Programme will develop a profitable, resilient and sustainable soya and maize farms network connected to feed companies through the out-grower company model.

Productive Alliances with input suppliers and market facilitation in small livestock value chains. Productive alliances will be sought in the commercial poultry and pig value chains, building on arrangements (vertical contracts) that are already used by Rwandan animal feed manufacturers to expand their customer outreach. The beneficiaries of these productive alliances will typically belong to Ubudehe categories 2 and 3, already engaged in commercial activities, but also smallholder farmers from category 1, supported under component 1, which will manage to 'graduate' and produce a surplus.

Support to youth entrepreneurship in production. PRISM will target unemployed rural youth who are willing to start small livestock production enterprises and will assist them to establish viable and profitable production units, linking them to markets and services. The support will include initial intensive technical and business management support, continuous tutoring through business coaches, provision of start-up capital for investment and working capital, and linkages to financial service providers.

Support to financial institutions. PRISM will facilitate linkage of the smallholder farmers under productive alliance with the financial sector, to finance investments and working capital. It will also contribute to linking (i) vulnerable households under the graduation pathway to formal financial services; and (ii) youth and private investors to financial institutions for start-up business development financing.

### Component 3: Policy support and coordination

Policy and regulatory support. PRISM will support the formulation of new sector strategies and policies and the updating or formulation and enforcement of food safety and animal welfare regulatory frameworks. It will also provide capacity building support to RAB to improve skills of key staff on technical domains related to small livestock.

Support to national producers organizations and multi-stakeholder fora. PRISM will provide institutional support to existing or emerging national farmer's organizations within the targeted small livestock value chain to enable them to increase their competitiveness, visibility and their outreach. Small livestock multi-stakeholder fora will be established at regional and national level to facilitate negotiations between value chain actors and their participation in policy dialogue.

## II. Implementation Arrangements

8. **Lead Programme Agency.** The Lead Programme Agency will be the RAB, under the auspices of MINAGRI. The IFAD and ENABEL supported interventions will be managed by a single programme management team, co-financed by both partners, and placed under the coordination of the SPIU coordinator.

9. **Single Programme/Project Implementation Unit (SPIU).** PRISM will be implemented through the SPIU under RAB. The IFAD and ENABEL supported interventions will be managed by a single programme management team, co-financed by both partners, and placed under the coordination of the SPIU coordinator.

The Programme staff in charge of IFAD supported interventions will be composed of a Programme Operations Manager, a Livestock Specialist, a Rural Finance Specialist, a Programme Accountant, a Monitoring and Evaluation (M&E) Officer and a Procurement Officer, and they will be supported by existing SPIU staff on the crosscutting aspects as well as district Programme Coordinators and district Focal Points. The Financing will not be used to support staff salaries under ENABEL supported interventions. However, the Parties may discuss on additional ways to harmonize and optimize on specific requirements for Programme staff, in line with the respective requirements of the Parties.

10. **Programme Steering Committee (PSC).** A common PSC will be established for IFAD and ENABEL supported interventions and chaired by the Permanent Secretary (PS), MINAGRI. The main responsibilities of the PSC will be to provide policy guidance and orientations at national level, to assess the implementation progress of the Programme, to approve AWPB and progress reports and to decide on corrective measures where appropriate. The PSC will meet at least four times a year. Detailed Terms of Reference (ToRs) and membership of the PSC are included in the PIM.

11. **Programme Technical Coordination Committee (PTCC).** A PTCC will address technical and implementation issues, including those related to the coordination between partners and alignment between interventions will be composed of all implementation partners. It will be chaired by RAB. The PTCC will meet on a quarterly basis, one month ahead of the PSC meetings.

12. **Partnerships.** PRISM will create partnerships with decentralized entities in order to finance activities which are under the Districts. Same partnerships will be created with relevant Borrower's specialized technical agencies, such as the Rwanda Standard Board, Agriculture and Livestock Inspection and Certification Services, the Rwanda Cooperative Agency and the Rwanda Youth in Agribusiness Forum (RYAF).

The Programme will be engaged in a partnership with ENABEL and with Heifer, which will be also a key implementing partner.



A separate agreement will be signed between Borrower/MINAGRI and Heifer, and other implementing partners, for the implementation of the activities as described in this Schedule.

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

## Schedule 2

## Allocation Table

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

Category	Loan Amount Allocated (expressed in SDR)	Allocation net of tax and other financiers' contribution, including Government
I. Works	810 000	100%
II. Consultancies & non-consulting services	2 200 000	100%
III. Contingency Fund (Goods, services & inputs)	330 000	100%
IV. Goods & inputs	2 490 000	100%
V. Vehicles	50 000	100%
VI. Training	2 820 000	100%
VII. Recurrent costs	1 050 000	100%
Unallocated	1 100 000	
<b>Total</b>	<b>10 850 000</b>	

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

- (i) "Contingency Fund (Goods, services & inputs)" is an instrument to finance emergency responses in case of sanitary crisis. The operational modalities and criteria for eligibility will be defined in the PIM.
- (ii) "Goods & inputs" includes equipment and materials for building animal shelters and start up packages for Programme beneficiaries;
- (iii) "Vehicles" includes motorbikes;
- (iv) "Training" includes building institutional capacity, support to national producer organizations, support to farmer organizations and technical and business capacity building for youth; and
- (v) "Recurrent costs" includes salaries, allowances and operating costs.
- (vi) The Parties agree that reallocation of funds during the implementation of the Programme by mutual agreement is possible, should the necessity arises.

2. Disbursement arrangements.

Start-up Advance. Withdrawals in respect of expenditures for start-up costs incurred before the satisfaction of the general conditions precedent to withdrawal shall not exceed an aggregate amount of USD 150 000, limited to categories II, IV and VII. Activities to be financed by Start-up Advance will require the no objection from IFAD to be considered eligible.

3. Procurement arrangements. The procurement of goods, works and services under the Programme shall be conducted in accordance with the provisions of IFAD's Project Procurement Guidelines and Procurement Handbook as well as with the operational procedures and any other measures identified by IFAD.

## Schedule 3

### Special Covenants

In accordance with Section 12.01(a)(xxiii) of the General Conditions, the Fund may suspend, in whole or in part, the right of the Borrower to request withdrawals from the Loan Account if the Borrower has defaulted in the performance of any covenant set forth below, and the Fund has determined that such default has had, or is likely to have, a material adverse effect on the Programme:

1. Within 3 months of entry into force of the Financing Agreement, the Parties shall carry out an assessment of the alignment of the Integrated Financial Management Information System (IFMIS) to IFAD's financial reporting requirements and the Borrower shall commit to carrying out any necessary customization as required.

2. Planning, Monitoring and Evaluation. M&E functions will be effectively supported by a Management Information System (MIS). The MIS will be aligned with MINAGRI's new MIS and with IFAD's new Operational Results Management System (ORMS). A baseline, mid-term and completion survey will be conducted. The Minimum Diversity Diet for Women (MDD-W) will be integrated into the baseline and follow-up surveys.

Planning will be done jointly for the IFAD and ENABEL supported interventions. A single annual work plan and budget (AWPB) will be developed. The AWPB will be informed by an assessment of current implementation progress and will describe the strategic direction of the Programme for the coming year along with results expected (targets) under each component and how those results will be achieved. This will be complemented by a resource plan, budget and risk analysis for each result. Previous year performance and challenges will be analysed to define review and adjust planning and generate lessons. The AWPB will include plans for training and technical assistance, M&E, including the procurement plan for the year in question.

3. Gender. A Gender, Targeting and Community Mobilisation Specialist shall be appointed in the MINAGRI SPIU to coordinate the implementation of the gender and targeting strategies.

4. Preventing gender based violence in the agricultural sector. The Programme will contribute to reducing any harmful act based on gender through: (i) sensitization on the importance of addressing Gender Based Violence (GBV), application of IFAD's no tolerance for SH/ SEA for Programme staff and Programme's activities and operations ; (ii) map out and partner with GBV prevention and response actors in Programme adjoining communities; (iii) have GBV risks adequately reflected in all safeguards instruments, contracts with suppliers and other third parties to be funded with IFAD funds.

5. Nutrition. To support beneficiaries in addressing gaps in nutrition knowledge, the Programme will carry out nutrition education at the household level and with the youth small livestock production enterprises. To coordinate nutrition-oriented activities, the Programme will contract a Nutrition Specialist as part of the Programme staff at the central level.

6. Compliance with the Social Environmental and Climate Assessment Procedures (SECAP). The Borrower shall ensure that the Programme will be implemented in compliance with IFAD's SECAP and more specifically that the following measures shall be taken: (a) all Programme activities are implemented in strict conformity with the Borrower's relevant laws/regulations; (b) proposals for civil works include confirmation that no involuntary land acquisition or resettlement is required under the Programme. In the event of unforeseen land acquisition or involuntary resettlement under the

Programme, the Borrower shall immediately inform the Fund and prepare the necessary planning documents; (c) women and men shall be paid equal remuneration for work of equal value under the Programme; (d) recourse to child labour is not made under the Programme; (e) the measures included in the Gender strategy of the Programme are undertaken, and the resources needed for their implementation are made available, in a timely manner; and (f) all necessary and appropriate measures to implement the Gender strategy to ensure that women can participate and benefit equitably under the Programme are duly taken.

Under component 1 on support for climate smart- innovations, the Programme will promote several activities for mainstreaming environmental management and climate change adaptation and mitigation in order to mitigate potential negative impact of small livestock production intensification. These activities will include: (i) enhanced feed efficiency through the promotion of fodder trees and shrub species (agroforestry) and use of crop residues at farm level; (ii) manure management through adoption of biogas systems and composting; (iii) improved water efficiency through rainwater harvesting facilities installed at farm level; and (iv) promotion of the use of solar energy for pig and poultry farms.

Under component 2, on Market Facilitation in Small Livestock Value Chains, the Programme will support the alignment of the private sector and compliance to national regulations pertaining to water and energy efficiency, waste management (e.g. biogas) and wastewater treatment or sewerage facilities and adequate washing facilities (e.g. running cold and hot or warm water).

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

8. **Grievance redress mechanisms (GRM).** Communities and individuals who believe that they are adversely affected by PRISM can submit complaints through the grievance redress mechanism of the Programme. The PIM will include the details and description of the GRM process.

9. **Use of Programme Vehicles and Other Equipment.** The Borrower shall ensure that:
- (a) all vehicles and other equipment procured under the Programme are allocated to the SPIU and other Implementing Agencies;
  - (b) The types of vehicles and other equipment procured under the Programme are appropriate to the needs of the Programme; and
  - (c) All vehicles and other equipment transferred to or procured under the Programme are dedicated solely to Programme use.

## Logical framework

Results Hierarchy	Indicators				Means of Verification			Assumptions (A) /Risks (R)
	Name	Baseline	Mid-Term	End Target	Source	Frequency	Responsibility	
Outreach	1. Persons directly receiving services from the programme <sup>1</sup>			26,355 <sup>2</sup>	Programme records and progress reports	Yearly	SPIU and SPs	
	1a. Number of households (HHs) reached <sup>3</sup>			26,355				
	1b. Estimated corresponding total number of households members (average 4.4 pers. per HH)			115,962				
Programme Goal Contribute to reduce poverty and enhance resilience of poor rural people	2. Average increase in rural income per capita, derived from targeted value chains (COSOP indicator)	0	15%	25 <sup>4</sup> %	National statistics, household surveys, poverty & gender studies	Y1, Y3 Y5	SPIU	Incomes increase through a combined effect of increased production and improved market access (A) Strong political leadership and support (A)
	3. Percentage increase of assets ownership of participating households	0	15%	25%	Baseline, mid & end line survey, Programme reports	Y1, Y3, Y5	SPIU	Absence of natural disaster (A) Political and economic stability (A)
Development Objective Improved food and nutrition security and incomes of poor rural households through better performance of the targeted value chains	4. Percentage of women reporting improved quality of their diets (MDD-W <sup>5</sup> )	0	30 %	75% <sup>6</sup>	Baseline, mid & end line survey (MDD-W)	Y1, Y3, Y5		Poor rural people are willing to adopt innovative technologies and practices (also nutritional) (A)
	5. Number of people with improved access to markets (SDG 2.3 and 10.2)	0	30%	80%	Baseline, mid & end line survey,	Y1, Y3, Y5	SPIU	Households willing to increase consumption of animal source foods (nutrition education) (A) Export market to neighbouring countries remains stable / growing (A)

<sup>1</sup> 50 per cent women and 30 per cent youth.

<sup>2</sup> 24,300 beneficiaries of Heifer VBHCD model (pro-poor graduation pathway), + 1,530 rural youth + 1,425 Productive Alliances beneficiaries. Assumption: 1 Person/Household receives project support.

<sup>3</sup> 30 per cent women-headed households.

<sup>4</sup> As per EFA.

<sup>5</sup> Minimum Dietary Diversity Score for Women.

<sup>6</sup> Of total households reached.

Results	Indicators				Means of Verification			Assumptions (A) /Risks (R)
Outcome 1: Small livestock farmers are socially, technically and economically empowered	6a.Number of vulnerable households graduated <sup>7</sup> from the Value Based Holistic Community Development (VBHCD) model	0	7,020	17,550 <sup>8</sup>	Outcome survey	Yearly from Y2	SPIU	Vulnerable household willingness to participate and allocate time for the graduation programme.
	7.Productivity of small livestock production systems increased (COSOP indicator)	0	15%	30%	Outcome survey	Yearly from Y3	SPIU	Absence of outbreak of major contagious animal disease (A). Smallholders willing to keep the animal for production (A)
Output 1.1: Strengthened production skills of vulnerable rural households, women and youth	8a.Number of vulnerable households receiving a full package of capacity building <sup>9</sup> and small livestock assets	0	10,000	23,400	Programme records and progress reports	Yearly	SPIU and SPs	Availability of adapted breeds, quality and healthy animals for placement in vulnerable households (A)
Output 1.2: Improved animal health and genetic potential	10a.Number of producers accessing animal health and breeding services (IFAD funded interventions' beneficiaries)		7,900	26,355	Programme records and progress reports	Yearly	SPIU and SPs	
Output 1.3: Response capacities to sanitary risks improved	11.Number of contingency plans developed or updated	0	2	4	Programme records and progress reports	Yearly	SPIU	Government able to mobilize its contribution to the contingency fund
Output 1.4: Climate smart innovations promoted	12.Number of groups supported to sustainably manage natural resources and climate-related risks (CI 3.1.1)	0	500	1,320 <sup>10</sup>	Programme records and progress reports	Yearly	SPIU and SPs	
Outcome 2: Value chain actors access improved inputs, services and output	13a. Number of small livestock VC actors accessing improved inputs, services and output markets <sup>11</sup> (IFAD beneficiaries)	0	6,390	15,910 <sup>12</sup>	Outcome survey	Yearly from Y3	SPIU	Financial service providers are available to support programme engagement with FIs (A)

<sup>7</sup> In the context of VBHCD model, a household is considered to be graduated when it has achieved a living income. The benchmark for this in Rwanda is \$3,400. Once a household is achieving this annual salary, they will have sufficient resources to enable all members of the household to afford a decent standard of living and will be considered "graduated".

<sup>8</sup> 40 per cent (MTR) and 75 per cent (end of project) of beneficiaries from the Heifer VBHCD model (50 per cent women 30 per cent youth).

<sup>9</sup> In the communities benefitting from the HBHCD model. The social mobilization full package will include community-based capacity building, saving mobilization, linkages to formal financial sector and markets, piloting of community-based mechanisms and nutrition and gender education. The project and the service provider will monitor the indicator also disaggregated by activity (e.g. number of people receiving training on nutrition, gender, financial literacy, marketing etc.)

<sup>10</sup> 1,170 VBHCD beneficiaries + 150 youth groups.

<sup>11</sup> Including 1,530 are from youth small livestock production cooperatives, 1,425 smallholder farmers engaged in productive alliances, 9,720 vulnerable HH, 3,000 producers supplying improved processing facilities, 25 private entrepreneurs and 210 financing institutions.

Results	Indicators				Means of Verification			Assumptions (A) /Risks (R)
markets Output 2.1: Partnership between small livestock farmers and private actors supported (4P)	15. Number of rural producers' engaged in productive alliance with input suppliers	0 <sup>13</sup>	1,500	2,955	Programme records and contractual agreement	Yearly	SPIU	Sufficient number of private actors interested to be part of productive alliance (A)
Output 2.2: Unemployed rural youth participation in small livestock production enterprises increased	9. Number of youth benefitting from the start-up package <sup>14</sup>	0	500	1,530 <sup>15</sup>	Programme records and progress reports	Yearly	SPIU and SPs	Local government will provide land to establish youth groups production units (A)
Output 2.3: Infrastructures rehabilitated, and food safety and animal welfare improved	16. Number of slaughtering / processing / marketing facilities rehabilitated (CI 2.1.6)	0	Baseline: + 6 process. + 5 pig slaughter slabs + 8 markets	Baseline: + 10 process. + 7 pig slaughter slabs + 15 markets	Programme records and progress reports	Yearly	SPIU and SPs	Financial sector is willing to lend to private sector investing in food safety and improved animal welfare equipment (A)
Output 2.4: Smallholder access to financial services improved	17a. Number of persons in rural area accessing financial services (credit savings and payments from Banks, MFIs, SACCOs) (CI 1.1.5) under IFAD supported intervention	2,000 <sup>16</sup>	4,000	12,675 <sup>17</sup>	Programme records and progress reports	Yearly	SPIU and SPs	Financial institutions will be able to mobilize guarantee from BDF or upcoming Risk Sharing and Financing Facility (A)
Output 2.5: Small Livestock Multi- stakeholder Fora set up at both local and national level	18. Number of functioning Small Livestock Multi-stakeholder Fora supported (CI policy 2)	0 <sup>18</sup>	3 <sup>19</sup>	6 <sup>20</sup>	Programme record and progress reports	Yearly from Y3	SPIU	Value chains actors are willing to work together through the platforms (A)
Outcome 3:	19. Number of laws, regulations and strategies proposed to policy	0	3	6	Programme	Yearly from	SPIU	Strong political support from

<sup>12</sup> 50 per cent women and 30 per cent youth.

<sup>13</sup> None of the targeted farmers are currently engaged in productive alliances.

<sup>16</sup> Based on statistics, we assume that around 15 per cent of targeted beneficiaries are already benefitting from financial services.

<sup>17</sup> Including 40 per cent of vulnerable households, 100 per cent of youth and 100 per cent of smallholder farmers engaged in productive alliance.

<sup>18</sup> To be initiated when actors are actively mobilized.

<sup>19</sup> One multi-stakeholder forum per region.

<sup>20</sup> These include 5 regional multi-stakeholder fora and 1 national small livestock multi-stakeholder forum.



Results	Indicators				Means of Verification			Assumptions (A) /Risks (R)
Institutional and policy environment improved	makers for approval, ratification or amendment (CI policy 3)				records and progress reports	Y3		MINAGRI will continue (A)
Output 3.1: Small Livestock sector policies and regulations updated and enforced	20. Number of small livestock policy-relevant knowledge products completed (CI policy 1) <sup>21</sup>	0	2	5	Programme records and progress reports	Yearly	SPIU	

<sup>21</sup> 2 sector strategies and 3 regulatory frameworks.