Program Information Documents (PID)

Appraisal Stage | Date Prepared/Updated: 09-Apr-2018 | Report No: PIDA146849

BASIC INFORMATION

A. Basic Program Data

Country	Project ID	Program Name	Parent Project ID (if any)
Rwanda	P161876	Transformation of Agriculture Sector Program 4 PforR	
Region	**Estimated Appraisal Date**	**Estimated Board Date**	**Practice Area (Lead)**
AFRICA	29-Mar-2018	15-May-2018	Agriculture
Financing Instrument	**Borrower(s)**	**Implementing Agency**	
Program-for-Results Financing	Republic of Rwanda	Ministry of Agriculture and Animal Resources (MINAGRI)	

Proposed Program Development Objective(s)

To improve the capacity of selected public agricultural institutions and to enable an increase in commercialization of agriculture value chains in Rwanda

COST & FINANCING

SUMMARY (USD Millions)

Government program Cost	3,700.00
Total Operation Cost	289.92
Total Program Cost	289.92
Total Financing	289.92
Financing Gap	0.00

FINANCING (USD Millions)

Total World Bank Group Financing	100.00
World Bank Lending	100.00
Total Government Contribution	189.92

B. Introduction and Context

Country Context

1. Rwanda is increasingly recognized as a global exemplar in the pursuit of the Sustainable Development Goals (SDG) and in meeting the global challenges of climate change. Rwanda's economy has been amongst the fastest growing among the sub-Saharan African (SSA) region. Despite remaining one of the poorest on the continent with per capita incomes of US$1,720 (2015, in purchasing power parity terms) the economy is nevertheless undergoing rapid structural transformation. Overall Gross Domestic Product (GDP) growth has averaged 7.6 percent per annum (p.a.) over 2000 – 15, with urbanization rates of 7 percent p.a. over the same period.

2. **After slowing to 5.1 percent in 2017, real GDP growth is expected to pick up in 2018-19, averaging 5.9 percent, and inflation has increased above the National Bank of Rwanda's (BNR) target ceiling of 5 percent.**[1] BNR has raised interest rates to prevent capital outflow and this will likely force a tightening of monetary policy in 2017 – 18. BNR has reduced the repo rate by 50 basis points to 5.5 percent to encourage commercial banks to lower lending rates to drive growth in private-sector credit and stimulate economic growth.[2] Rwanda's large current account deficit (16 percent of GDP in 2016) has been exerting downward pressure on the Rwandan franc (FRw). Higher oil and commodity prices (as well as large purchases including new planes for the national carrier) have seen the import bill increase although this is expected to be mitigated by recovering commodity prices in tea, coffee and minerals – Rwanda's three main exports. On the fiscal side, the fiscal deficit is expected to narrow from an estimated 4.7 percent of GDP in 2016/17 to 4.4 percent of GDP in 2018/19, financed by external project-based debt and some budgetary loans from development partners and multilateral institutions.[3] Notwithstanding these emerging domestic and international trends, the overall policy stance of the Government of Rwanda (GoR) is likely to remain in line with the existing Economic Development and Poverty Reduction Strategy (EDPRS) (approved in 2013) and its successor to be finalized and approved in 2018.

3. **Rwanda's Vision 2050 sets an ambitious agenda for further improvements in the standard of living, targeting middle-income country (MIC) status by 2020.** Parallel targets to reduce food insecurity and malnutrition and to further reduce poverty from 45 percent today (according to the national poverty line; the headcount rate is 63 percent according to the US$1.25 per day measure) are evidence of a deep political commitment to the twin goals of poverty reduction and shared prosperity. Except for a period between 2000/01 and 2005/06 when the Gini coefficient rose slightly, rapid growth has not been associated with an increase in equality. At the same time, the country has embarked on several flagship projects to promote a highly skilled service economy, notably around conferences and hospitality and information and communication technology (ICT).

4. **However, Government spending programs are currently under pressure**. The increase in total public spending in 2013-2015 has been exclusively for capital expenditures and net lending as recurrent expenditures have held steady. The adjustment program of recent years to address growing external imbalances restrained the overall fiscal envelope. Health expenditures, for example, have declined both

[1] EUI Country Report, January 2018.
[2] ibid
[3] EUI Country Report, November 2017

as a percent of GDP and in terms of their share in the budget in recent years. Going forward, resource availability will be further constrained because of a continuing decline in external grant financing. Although the headline fiscal deficit will be more expansionary in FY18/19, the decline in grant financing will continue to depress the overall fiscal envelope. Going forward, Rwanda's fiscal spending will remain constrained due to the elevated debt and subdued tax revenues.

5. **The Government is also concerned by the emerging demographic trends and the rapidly expanding ambitions and expectations of new entrants to the labor market.** Demographic projections suggest that by 2032 rural areas will be home to an additional 2.5 – 3.5 million Rwandans; land is already so scarce (50 percent of rural farm households farm less than 0.35ha) that few can be meaningfully accommodated in farming. With a working age population projected to increase from 5.2 million (in 2014) to 6.6 million – of which 4 million will be youth (14 – 35 years old), realizing labor productivity potential and meeting individual aspirations will require off-farm employment opportunities. This need not imply urban-based employment. Agriculture and the food system broadly (i.e. non-agriculture sector jobs nevertheless part of the food system such as retail, agro-processing, food logistics etc.) can provide substantial rural-based non-farm employment (RNFE). Current economic modeling indicates around two-fifths of the 200,000 new labor market entrants annually could be gainfully employed in this sector.

6. **Continued urbanization will present many challenges as well as opportunities including for the agricultural sector.** By 2050 Rwanda's population is projected to reach 22 million of which 70 percent would reside in urban areas. Assuming similar patterns are observed elsewhere in the region, food preferences will change with increasing incomes, with increasing demand for more standardized and packaged or processed food and food safety will become increasingly important. This will threaten existing supply chains from domestic producers, with likely upward pressure on the food import bill and foreign currency reserves. At the same time, tapping into this emerging market can be an important opportunity for expanding domestic value chains, diversifying out of food staples and further value addition across the agriculture and food system. Meeting these challenges for the domestic market can also serve as a launching pad for successfully penetrating regional and international markets.

Sectoral and Institutional Context

7. **Notwithstanding, Rwanda's impressive progress and likely future growth, the country remains largely agrarian with agriculture the mainstay of jobs, income and livelihoods for much of the population.** The sector continues to account for around one-third of GDP. Because of its forward and backward linkages, it remains a key driver of overall economic performance and poverty reduction (accounting directly for over one-third of the overall reduction in poverty from 59 percent in 2001 to 45 percent in 2011).

8. **Historically, aggregate agricultural performance has been driven by productivity improvements and land expansion.** Aggregate production of key food staples such as maize, beans, Irish potato, sweet potato etc. has increased steadily since the end of the Genocide. According to recent analysis by the International Food Policy Research Institute (IFPRI), agriculture's aggregate growth rate of 5 percent p.a. in recent years has been made up of land expansion (2 percentage points) and productivity growth (1.7 percentage points) with the remainder from increased labor productivity. Rwanda is already among the most densely populated countries in SSA and land expansion has been achieved through developing inland swamps and valleys with rapidly declining potential for further gains.

9. **Despite productivity gains, yields remain below their potential.** Crop yields have greatly increased since 2000 but yield growth started to plateau as of 2011. (For instance, cereal and cassava yields have trebled, sweet potato yields have doubled yet they have made marginal progress in the last five years and remain at around 40 – 50 percent of their potential.) Similarly, livestock productivity has remained consistently low over time due to lack of good quality animal feed and poor husbandry management practices. Diversification into higher value crops has been limited to date, partly because of limited farmer knowledge and traditional risk aversion, and also because the public-sector support services has been excessively focused on a narrow range of food staples under the Government's flagship Crop Intensification Program (CIP).

10. **Farm size is a major challenge.** The average is only 0.6 ha, with perhaps 0.12 ha per worker. Production on numerous small plots of land can impose technical inefficiencies related to water control and distribution, crop choice and interactions, and planting materials used, while limiting the potential for mechanized plowing. The government has made significant progress on land consolidation. Land under consolidated use rose from 28,788 ha in 2007 to 502,916 ha in 2012, primarily through consolidation of production rather than of ownership (World Bank, 2014). The consolidation process has not involved mandatory consolidation of ownership, and planting, cultivation and harvesting are still carried out by the individual land owners, albeit on a communal schedule (Pritchard, 2013).

11. **The agriculture value chains face key constraints at every stage.** Research and extension is dominated by public institutions which are understaffed. There are insufficient extension services to support both quantity and quality, and there are weak linkages between research and extension. Input supply systems are driven by the public sector, there is low awareness of the advantages of quality inputs, domestic seed production is low and there is limited access to finance. Production potential is restricted by land size, subsistence and rain-fed farming, mono-cropping, limited access to irrigation and mechanization. Post production is impacted by poor storage techniques and insufficient storage and drying infrastructure and safety and quality of produce affected by poor storage and drying. Processing is characterized by low capacity utilization. - Less than 10 percent of total production is processed. The supply of raw material is irregular and limited. The agricultural workforce has a low level of technical skills. Finally, markets are informal and unorganized, Rwanda country branding is weak, and the price-sensitive domestic market poses a challenge for start ups to enter the market**.**

12. **The government has focused on extending the rural roads network with a main objective of connecting to regional markets and opportunities exists for scaling up regional connectivity.** A significant proportion of Rwanda's rural population, whose livelihoods depend on agriculture, lacks access to rural transport facilities, including feeder roads. In 2015, only 13,350 km of roads were in good or passable condition, but Rwanda targets to have 30,000 km of passable roads by 2028. Poor connectivity hampers agricultural development and prevents farmers from increasing access to markets, enhancing their competitiveness and improving their incomes and livelihoods. A national feeder roads strategy has been developed which establishes the Feeder Roads implementation framework with clear-cutting institutional responsibilities for different stakeholders in the Feeder roads sub-sector, promoting labour-based technology in feeder roads development and outlining mechanisms for funding feeder roads development and maintenance.

13. **Rwanda's proximity to many of the continent's key food markets and increased global/regional consumption for key export crops including bio-fortified staples, presents significant opportunities** (especially through EAC and COMESA) for enlarged export markets, transport corridors and cross-border trade cooperation. Global and regional markets for higher-value agricultural items are also becoming more demanding in terms of quality, food safety, and branding, but also more remunerative. Rwanda is well-placed to benefit from expanding regional food markets, providing the facilitating investments in infrastructure and institutions are in place and the private sector responds.

14. **Moreover, existing farming practices are ill-suited to the challenges of climate change, with the agriculture sector accounting for 45.6 percent of national greenhouse gas (GHG) emissions and poorly equipped to adapt to changing weather patterns**. Climate change projections are highly uncertain, and so precise changes to agro-climatic conditions in what is an agro-ecologically diverse country are hard to predict. What is certain, however, is that the system is not yet equipped to model, forecast and adapt as changes occur and greater evidence becomes available to hone down climate change forecasts. According to a recent assessment by the International Center for Tropical Agriculture (CIAT), few climate smart agricultural practices are currently deployed. Current on-farm practices are leading to rapid declines in soil fertility and land degradation.

15. **In addition, Rwanda remains challenged by malnutrition especially among rural households with extremely small land holdings, and pervasive food insecurity**. The national rate of stunting remains high at 38 percent while the latest Comprehensive Food Security and Nutrition Survey (2016) reports that around one-fifth of households remain food insecure. The pattern of stunting and food insecurity is complex and not only related to food availability – food insecurity is greatest in the western and northern areas and stunting is observed even in relatively non-poor areas due to inadequate child care and poor sanitation practices, in particular. A narrow focus on a few traditional food staples under the CIP resulted in limited dietary diversity, yet there are emerging opportunities with bio-fortification. The Government's existing kitchen garden program is reportedly contributing to broader nutritional intake, although further improvements are required.

16. In Rwanda the labor force is growing at a rapid pace annually with census projections showing that the working-age population will grow by about 240,000 per year between 2016 and 2025. This growth is substantially larger than the increase in jobs during the last 15 years. Acknowledging the demographic trends, the ongoing Second Five-Year Economic Development and Poverty Reduction Strategy (EDPRS-2) of the Government of Rwanda (GoR) has an ambitious target of creating 200,000 off-farm jobs annually. For off-farm jobs, both the formal and informal sector will be important. The informal non-farm sector absorbed 70 percent of the new workers between 2006 and 2011 and will continue to absorb workers who seek a better living outside agriculture. Employment in the formal sector, while growing quickly, will remain low for the foreseeable future given it is starting from a low base. Even so, the sector remains important since most of the perceived 'good' jobs are created by the formal private sector. Increases in agriculture productivity and job creation in industries related to agriculture (agro-processing, agribusiness) will also support employment outcomes for the most vulnerable, unskilled workers.

17. **Women perform the bulk of the labor in the agriculture sector**, putting in approximately 51 hours per week on farm and domestic duties compared to men who work 40 hours. Most women farmers lack

the means to purchase high-quality seeds and proper storage facilities to protect their crops. Many also never received education on effective farming methods to increase yields and to ensure that the soil on their land remains healthy. This creates a cycle of subsistence farming leaving very little or no profit from outputs for farmers to use as a source of income or capital.

18. **Despite the observed growth, the non-farm enterprise sector maintains a limited presence.** Rwanda's non-farm enterprise sector has been growing from a small base. The number of business establishments has increased to 149,404 in 2014 – an increase of 18 percent since 2011 – providing employment to 361,901 workers in 2014. However, employment in business establishments represents only a small portion of overall employment in Rwanda, with agriculture still being the dominant activity. The enterprise sector provided employment to 6.2 percent of working-age Rwandans in 2014 (361,901 jobs of a labor force of 5,785,000). In addition, there is a limited presence of medium- and large-sized private firms and vibrancy in the sector has yet to fully emerge.

19. **Considering these trends and projections, Rwanda is committed to identifying and addressing the policies, regulations, and investment areas that will stimulate inclusive productivity growth for broadening nutritious food production and increasing private sector investment.** Furthermore, there is commitment across the GoR to pursue new opportunities for farm income diversification to secure further reductions in rural poverty, strengthen resilience against the impacts of climate change and to transform the dominant subsistence farming sector into a competitive and market-led agriculture sector. Their objectives for the food and agriculture system mirror the scale of their broader national goals in terms of ambition and conviction to achieve them.

20. **To codify these ambitions and articulate a road map to achieve them, the Ministry of Agriculture and Animal Resources (MINAGRI) revised and updated their National Agricultural Policy (NAP) in 2017.** The National Agricultural Policy 2017-2030 responds to the changes facing agriculture and the food system nationally, regionally and globally. Under this policy, the role of government in agriculture is envisaged to fundamentally shift from making direct interventions in the sector – especially with a focus on production only – to a market enabler, thereby promoting enhanced farmer cooperation and private-sector-led development of the agri-food economy. The policy seeks to build upon Rwanda's growing reputation as supplier of high-quality, sustainably produced agri-food products, especially for the increasingly demanding consumers in Africa's growing urban centers. It places added emphasis on principles of resilience to changes in climate and markets and seeks to seize opportunities offered by advances in digitalization and information and communication technology (ICT), and to leverage these also for vocational-skill development and for more effective sector administration. The policy also aims to promote inclusion through mainstreaming preferential treatment for better participation of women and youth in agriculture programs and development.

21. **MINAGRI has prepared its fourth Strategic Plan for Agriculture Transformation (PSTA 4) which is an articulation of how the Government proposes to implement the updated NAP.** PSTA 4 is structured around four Priority Areas which are well aligned to the NAP. Priority Area 1: Innovation and Extension focuses on improving agronomic knowledge and technology in terms of basic research and innovation, development of efficient proximity extension services, as well as promoting knowledge and skills of value chain actors; Priority Area 2: Productivity and Resilience focuses on promoting sustainable and resilient production systems for crops and animal resources; Priority Area 3: Inclusive markets and

value addition seeks to improve markets and linkages between production and processing; and Priority Area 4: Enabling Environment and Responsive Institutions that provides the regulatory framework and defines and coordinates public sector involvement. In addition, although women and youth are mainstreamed across all priority areas, Priority Area 4 features specific measures and incentives to increase gender equity and to introduce skilled youth to commercial farming and jobs along the agricultural value chains. PSTA 4 builds on the experience of implementing the previous strategic plan (PSTA 3) and provides a basis for 'future-proofing agriculture to prepare for risks such as those inherent in climate change, considering the constraints and opportunities of Rwanda's demographic, geographical and strategic conditions.

22. **In addition to MINAGRI, key actors in the sector include the National Agricultural Export Development Board (NAEB) and the Rwanda Agriculture Board (RAB).** NAEB is responsible for the implementation of policies and strategies for promoting and developing agricultural and livestock products for export. RAB is an autonomous body largely responsible for research and extension, strengthening the linkage with policy, and establish efficiency in service delivery through institutional integration in the agricultural sector.

23. **PSTA 4 will also be aligned to National Policies and Strategies including Vision 2050, the Third Economic Development and Poverty Reduction Strategy (EDPRS III), and relevant sub-sector strategies**. The EDPRS III was designed to address the Rwanda's commitment to the SDGs, Intended Nationally Determined Contributions (INDC's) on agriculture, and the Paris Climate Agreement. The African Union has confirmed that PSTA 4 is aligned with goals of Comprehensive Africa Agriculture Development Program (CAADP) and key regional programs.

24. **The proposed Program for Results (PforR) operation will be nested within PSTA 4.** PSTA 4 is in the final stages of approval – led by a core team within MINAGRI and benefiting from a broad group of development partners, including the World Bank and CAADP institutions. PSTA 4 has been endorsed by the GoR and will be formally approved at the CAADP Business Meeting on May 15, 2018. Reflecting emerging best-practice with PforR operations, the specifics of the PforR Program are drawn from the broader PSTA 4 and nested within the Government's strategy.

PforR Program Scope

25. The responsibility of agriculture public sector institutions, and of MINAGRI in particular, to lead the national transformation process outlined in PSTA 4 is clear. The achievement of this transformative agenda will require intense policy work with a particular focus on how to promote and support agribusiness at all stages of key value chains while balancing commercialization with the consideration of poverty reduction and environmental sustainability in a complex, dynamic and risk prone national and regional context. The nature of this leadership will be less through the direct delivery of service but will be through "thought leadership", problem solving, policy definition, capacity building, joint enterprise or strategic partnership, resource mobilization, regulation, coordination, information management and communication.

26. There have been several organizational reviews of agriculture sector institutions as well as review and reform exercises intended to inform the transformation of the public sector as a whole. In addition,

various reports and evaluations, including the 2016 Agriculture Public Expenditure Review and the 2017 Mid Term Review of the PSTA 3 Strategy have raised significant issues of an institutional nature. Furthermore, recent sub sectoral reports or strategies including the Agriculture Finance Diagnostic and the National Agribusiness Investment Promotion Strategy (NAIPS) make clear the need for institutional reform.

27. The PforR Program has incorporated the recommendations from these reviews and studies into its design. In addition, the design draws on the lessons learned from previous attempts to build capacity within MINAGRI, including the first PforR Program. Specifically, the attempts to undertake reforms without significant attention to a well design reform process, sustainably addressing Human Resource constraints, ensuring communication/coordination are prioritized and ensuring new ways of working are well designed and appropriately incentivized. As a result, the PforR Program makes a sequenced, focused and results based approach to the institutional change process central to its design.

28. The scale and complexity of PSTA 4's institutional reform agenda is significant. However, it will take time for MINAGRI to fully establish and strategically apply its "thought leadership" capacity. Many of the expected outcomes will only be fully delivered, at the required scale, during the latter years of PSTA 4 implementation. In that context, the PforR Program, which supports the first three years of PSTA 4, is focused on a series of mutually reinforcing interventions - some of which are activities, that will deliver intermediate outcomes but, more importantly, incentivize organizational reform, create new policy instruments, build increased capacity, and establish new systems that will build a sound institutional platform to enable MINAGRI to deliver PSTA 4.

29. The proposed PforR operation will support the first three years (2018 – 2021) of the six-year strategy of the PSTA 4 (2018-2024). This period of PSTA 4 is focused on establishing a platform for change and new ways of working, including the way MINAGRI is structured and reflecting the way it is more private sector facing.

30. There is a possibility of supporting the final three years through additional financing, subject and without prejudice to normal Bank approval procedures. The activities to be supported under the PforR Program correspond to the MINAGRI PSTA 4 agenda. In this context, the focus of the proposed PforR operation will be on strengthening the capacity of MINAGRI to increase private sector investment and to enable the commercialization of key agriculture value chains in Rwanda's agriculture sector. Based on value chain diagnostics (further elaborated in the technical assessment ANNEX 4) and taking into consideration the Bank's comparative advantage regarding the PSTA 4 Priority areas, the PforR Program is constructed around an organizing framework of the following four results areas:

31. **Results Area 1: Policy and Organizational Reform** – aligned with PSTA 4 Priority Area 4: The PforR Program will seek to improve the structure and capability of MINAGRI in order to strengthen sector analysis, associated policy reforms and design/introduce relevant financing mechanisms/business models for attracting private sector investment. MINAGRI will demonstrate this new capacity by producing a Private Sector Leveraging Strategy to guide processes that will leverage private sector financing, while ensuring environmental and social standards are maintained. In addition, the foundations for digital data systems will be launched to improve management information and enable greater innovation. Furthermore, a new mechanism will be established to enable greater interagency coordination (including

key stakeholders such as Ministry of Trade, Financial sector actors, etc.) and communication.

32. **Results Area 2: Enabling Agric Commercialization** - aligned with PSTA 4 Priority Area 4: The second PforR Results Area focuses on specific interventions to improve the quality of public investments in essential value chain services to leverage commercial agriculture. This includes key areas such as infrastructure and research, by introducing new business models that will link public investments to commercial markets and leverage increased levels private sector investments. PSTA 4 advocates for maximizing the effectiveness and efficiency of public investment by leveraging increased private sector investment in service provision and delivery/management of agricultural infrastructure.

33. **Results Area 3: Delivery of Improved Agric Value Chain Services** - aligned with PSTA 4 Priority Areas 3 & 4. The PforR Program will support fostering competitive agricultural value chains, which requires the public sector to provide critical services to support production, processing, logistics, marketing and the like. This approach is consistent with MFD principles. The public function supported by the PforR Program is to introduce and accelerate the expansion of services that de-risk agricultural investments by improving dialogue between private and public actions, increasing the use of private sector service delivery (e.g. out-grower schemes and productive partnerships), and expanding access to information and financial services. These measures will help achieve a key anticipated outcome from PSTA 4 and will improve productivity and inclusiveness of agricultural market systems and increase value addition and competitiveness of diversified agricultural commodities, for domestic, regional, and international markets.

34. **Results Area 4: Efficiency in Public Expenditures** - aligned with PSTA 4 Priority Area 4. The PforR Program seeks to incentivize the dual approach of supporting: (i) a very specific action that demonstrates improved efficiency in public expenditure of the core delivery agency RAB; and (ii) a more general effort to improve the overall expenditure among the three main agencies that account for the largest share of sector expenditure. Since RAB is the agency responsible for key services, improvements in the budget execution system will be undertaken with the goal of improving their delivery function. Standards for budget execution help to maximize the impact of government spending and the ability to meet such standards signals weaknesses that undermines value for money. It also undermines the argument for additional public resources since there are associated concerns over malfeasance in execution that render MINECOFIN reluctant to allocate additional resources. Previous audits of RAB have not been approved because of non-compliance in several important areas. Prior qualified audits have highlighted in detail where weaknesses lie and both agencies are aware of where improvements are needed.

35. The implementation of the program will be sequenced. Specifically, under Result Area 1 MINAGRI will develop and seek approval for a Private Sector Leveraging Strategy (with sections on selection criteria for private investments, contract governance, and environmental/social management). Approval of the Private Sector Leveraging Strategy will enable MINAGRI to focus on the delivery of Result Areas 2 and 3.

36. The Boundaries of the PforR Program are summarized below in Table 2

Table 1: Government program and PforR Program Boundary Comparison

Item	Government program	PforR Program
Title	PSTA 4	PforR Program
Objective	Transformation of Rwandan agriculture from a subsistence sector to a knowledge-based value creating sector, that contributes to the national economy and ensures food and nutrition security in a sustainable and resilient manner	To improve the capacity of selected national public agricultural institutions, to increase the enabling of commercialization of agriculture value chains in Rwanda
Timeframe	2018-2024	2018-2021
Program Cost	US$ 1.5 billion	US$ 292.2 million
Activities	**Priority Area 1: Innovation and Extension** • Research and innovation • Improved soil health and fertility • Conservation of biodiversity • Extension and advisory services • Skills Development	**PforR Program Results Area 3** • Innovation (partnership agreements with universities and private sector) **PforR Program Result Area 2** • Private sector extension and advisory services
	Priority Area 2: Productivity and Resilience • Land husbandry and crop production diversification • Irrigation • Animal resources and production systems • Nutrition sensitive agriculture • Mechanisms for resilience	**PforR Program Results Area 2** • Land husbandry (focused on links to commercialization) • Irrigation (focused on links to commercialization)
	Priority Area 3: Inclusive markets and value addition • Market linkages • Market risk and financial services • Quality assurance and regulations	**PforR Program Result Area 2** • Market Links (infrastructure for value chain development storage, cold trucks, etc.)
	Priority Area 4: Enabling Environment & Responsive Institutions • Agriculture institutional	**PforR Program Result Area 4** • Agriculture Institutional Development

	development • Evidence policy and development and regulatory framework • Commercialization of value chains • Planning, coordination and budgeting • Knowledge management	• Evidence policy development • Commercialization of value chains • Planning, coordination and budgeting
Geographic Scope	National	National

37. The Program boundary for PforR financing provides a clear strategic focus to the PforR Program. There are areas of PSTA 4 that will not be covered by the PforR Program. These areas include the following:

a. improved soil health and fertility
b. conservation of biodiversity
c. skills development
d. animal resources and production systems
e. nutrition sensitive agriculture
f. mechanisms for resilience
g. quality assurance
h. knowledge management

38. The rationale for not incorporating these areas in the PforR Program includes the following: a) MINAGRI is in the process of securing both public and external resources for these areas (including regional IPF and GASFP), b) these areas are unlikely to provide an equivalent transformation impact and c) a number of these areas (e.g. mechanisms for resilience and quality assurance) could not be effectively supported by a PforR Program.

39. The PforR Program and its sub-components aim to tackle identified climate risks and vulnerabilities as follows:

- Policy and Organizational Reform. Currently MINAGRI has limited capacity to fulfil its mandate in policy development, inter-sector and intra- sector coordination, resource mobilization and M&E. The PforR Program will support improving the capability of MINAGRI to properly address policy challenges and direct public investments across all GoR. This new capacity will result in strengthen regulatory institutions and policies (including rules and regulations) which reduce the emissions of GHGs in the agriculture, fishing, livestock, and/or forestry sectors (a PAP action), improvements in data management of weather monitoring systems.

- Improved coordination with relevant agencies and actors. The primary focus for the PforR Program is to support MINAGRI in becoming a stronger market enabler. Improving interagency working and coordination is a requirement in this process. This improved capacity for sectoral collaboration will also be applied toward tackling climate risks and vulnerabilities.

- Commercialization of the delivery of key public goods and services. Most agriculture in Rwanda is practiced on steep slopes prone to erosion during the rainy season. While considerable progress has been made in constructing robust “bench” (wide) terraces, much more needs to be done to secure the land asset. The PforR Program will support, via the efficient use of public funds and leveraged private investments, the restoration and conservation of productive landscapes.

Table 2: Disbursement Linked Indicators and Climate Change Intent

Disbursement-Linked **Indicator**	**Definition**	**Climate Change intent**
DLI 1: Organizational Development Roadmap successfully prepared and implementation on track	• Organizational review, including capacity needs assessment of MINAGRI completed and new functional structures in place (year 1) • OD Plan for MINAGRI prepared and approved (year 2) • Upgrade of HR management function completed (year 3)	The process of organizational change will enable MINAGRI to build increased capacity tointroduce institutional reforms and strengthening to include climate aspects in policies and regulations in flexible manner
DLI 2: Improved analytical and policy reform competencies demonstrated	• Strategy for leveraging Private Investment with Implementation Plan published (year 1) • Annual Report by MINAGRI on Public-Private Investment in Agriculture published (year 2) • Agricultural input subsidy schemes reviewed, alternative models for increasing efficiency assessed, reforms agreed and implemented (year 3)	The development of new policies and strategies will demonstrate MINAGRI capacity to respond to new/emerging challenges including the identification of sites at greatest risk and enhancement of resilience of those sites and/or services
DLI 3: Digital information platforms designed and operational	• A common data warehouse platform is designed and ready for use, whereby existing data in Weather, MIS and ALIS I will be fully interfaced (at least down to the level of all districts) – (year 1) • The Farmer registration application and ALIS II will be fully interfaced with MIS and ALIS I in the common data warehouse platform. Both,	Improved local climate information services and medium/short-term forecasting to support adaptation planning and strengthening ability to cope with climate change and climate variability impacts

	Farmer registration and ALIS II, will hold data covering all districts - (year 2) • (i) The Livestock registration application (holding cow data with national coverage) will be interfaced with MIS, ALIS I and II, Farmer registration application in the common data warehouse platform; (ii) Sector Performance Dash Board is in place and publicly accessible online, whereby it provides reports on national agricultural macro indicators, national Indicator of Food Security and PSTA 4 results indicators (year 3)	Improvements to the collection and management of data related to land use and livestock will improve MINAGRI's capacity for monitoring and early response to potential impacts of climate-related risks and hazards such as crop and livestock pests and diseases
DLI 4: Mechanism to strengthen public private dialogue (PPD) and specific commodity value chain platforms designed and implemented	• Two mechanisms designed and budgeted: (1) National Public-Private Dialogues (PPD) on themes with strategic relevance (2) Commodity value chain platforms (year 1) • Two national PPDs held and at least 3 VC platforms established with operating plans (year 2) • Additional 2 PPDs held (year 3) • VC platforms are fully functional and yielded evidence of satisfactory results (as per M&E of operating plan) (year 3)	A stronger dialogue between the Public and Private Sector (including farmer associations and other stakeholders) will allow for knowledge exchange and greater awareness of climate risks, and will encourage greater consensus and innovation on how (exposure to) risks and shocks can be reduced and managed.
DLI 5: New irrigation and terracing area identified, developed and/or managed where commercial viability has been a determining appraisal criterion	Area (Ha) identified, developed and put under recognized PPP (target 23,296 Ha)- disaggregated by • Irrigation area (target 1260) • Area using radical/progressive terraces (target 745) (year 2) Area (Ha) identified, developed and put under recognized PPP (target 31,504 Ha) - disaggregated by • Irrigation area (target 1680) • Area using radical/progressive terraces (target 2310) (year 3)	Most agriculture in Rwanda is practiced on steep slopes prone to erosion during the rainy season. This intervention will, with support from private sector, promote innovative management practices to restore or increase resilience of degraded areas for crop production. Promote sustainable water management practices that promote water use efficiency

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DLI 6: Volume of private sector investment (in US$) matching public financing in PPP infrastructure projects	The DLI will help to promote new financing mechanisms. Only investments fully committed are included in the measure. • 4,000,0000 US$ or more (year 2) • 7,150,000 US$ or more (year 3)	Investments will be targeted towards infrastructure (e.g. greenhouses, drying areas, etc.) that is designed to reduced the vulnerability of crop storage facilities to climate change and climate variability. This investment will also support the creation of infrastructure that will support improved business continuity during and after extreme weather events.
DLI 7: Private sector service models designed, launched and achieving positive response	• 6,000 farm households reached by private advisory services (non-outgrower scheme) (year 2) • 8,0000 additional farm households reached by private advisory services (non-outgrower-schemes (year 3) • 10,0000 new farm household participating in outgrower schemes (Year 3)	Reduction in the reliance on public sector as the key service provide will enable MINAGRI to refocus resources towards supporting farmers who have fewer resources to manage climate-related risks
DLI 8: Reform of RAB	• Implementation Plan for RAB Restructuring Order prepared and approved by its Board (year 1) • Deviation between budget and outturn expenditure 2018/19 (year 2) • Unqualified audit of RAB (year 3)	Enables the mainstreaming of climate change and relevant adaptation and mitigation measures across agriculture-related stakeholders

40. **Role of the Development Partners.** MINECOFIN and MINAGRI will be mobilizing resources to finance PSTA 4. There are indications that DFID, EU, IFAD, and USAID will be providing finance via project based financing or programmatic financing.

41. DFID is considering providing support for the PforR Program. Once this is confirmed, the most appropriate mechanism for their co-financing will be established (i.e., parallel financing, co-financing, establishment of a multi-donor trust fund, etc.). To the extent that other development partners (DPs) participate in co-financing the PforR Program, it is understood that their funding would need to fit in the overall program envelope under PforR financing and would be allocated to the same DLIs, according to a similar pattern of distribution (in agreement with the Common Framework of Engagement (CFE)) of the

MDTF, following all existing procedures of the PforR instrument (i.e., DLIs, verification protocols, PAP, Program Implementation).

42. DFID, EU, IFAD, USAID, FAO and the Netherlands will continue to provide Technical Assistance (TA) to address the recognized capacity gaps within MINAGRI. These DPs are planning to continue TA support over the implementation of PSTA 4. These same DPs are also part of the Agriculture Sector Working Group (ASWG), which provides an important forum to coordinate the complementarity of TA interventions, also as part of the annual planning and budgetary processes. Discussions are underway to explore the most appropriate modalities to be followed by these DPs, including co-financing the PforR operation. Having multiple DPs finance the PforR operation would streamline and reduce transaction costs for the Ministry by having one mechanism with agreed upon results and a common set of DLIs. It would also simplify the financing to support strategic results, whether policies, impacts, outcomes, and/or outputs. DPs who wish to provide co-financing under the proposed PforR operation will follow the same procedures as the PforR Program.

C. Proposed Program Development Objective(s)

Program Development Objective(s)

To improve the capacity of selected public agricultural institutions and to enable an increase in commercialization of agriculture value chains in Rwanda

D. Environmental and Social Effects

43. The physical activities planned under this PforR Program follow the scope and nature of activities implemented under the previous PforR operation, and moderate adverse environmental and social impacts are anticipated to be site-specific and reversible. Identified impacts can be effectively mitigated, based on existing environmental and social systems and the solid recent track record of the implementing agencies compliance with both national legislation and World Bank safeguards. No anticipated Program activities are judged likely to have significant adverse impacts on the environment and/ or affected people that are sensitive, diverse, or unprecedented. However, it is recognized that the key sector intuitions, such as, MINAGRI and RAB will require significant capacity building to enhance E&S systems and staffing to ensure effective implementation and monitoring of not only public sector, but also PPP initiatives. The capacity enhancement efforts for MINAGRI are included in the PforR operation, supported by other Donors. Based on the introduction of the new instruments and new types of collaboration with the private sector, the overall environmental and social risks of the PforR Program are proposed to be rated as Substantial.

44. The previous PforR operation had several notable achievements, such as the development of a consolidated Environmental and Social Implementation Manual based on existing government guidelines; and national and district level capacity building on the application of the Manual and the establishment of a grievance redress call center.

45. The update of the ESSA is still ongoing to incorporate a sample of the private sector entities and

assess the environmental and social systems as they are applied for potential PPP projects, especially focusing on Results Area 2: Enabling Agricultural Commercialization and Results Area 3: Delivery of Improved Agric Value Chain Services.

46. Environmental Effects. The PforR Program may include small scale irrigation schemes, similar in scale to sub-projects under the IDA-financed Rural Sector Support Project (RSSP; phases 1 – 3), located in existing sites of agricultural land use, do not involve large-scale resettlement, and consist of land husbandry works (e.g., terracing); drainage canals and/ or dams that are not higher than 10m; post-harvest infrastructure, markets, and community storage facilities. Based on the experience with implementation of support to PSTA III, the potential environmental impacts of Program activities are generally well known and understood by implementing authorities at the national and local levels. Under the previous PforR operation, MINAGRI has adopted an Environmental and Social Management System based on the internationally accepted best practices and more specifically, based on implementation of other donor-funded projects, including Bank-financed RSSP and the Land Husbandry, Water Harvesting and Hillside Irrigation (LWH) project. This system includes national small dam safety guidelines, integrated pest management plans, environmental assessments and grievance redress mechanisms database. It is expected that the identified environmental impacts can be: (i) avoided through a careful site selection process, which entails conducting feasibility studies, an environmental impact assessment (EIA), and social screening; and (ii) reduced with diligent monitoring of implementation of known and demonstrated mitigation measures. At the same time, the Program will have a number of environmental benefits, including (i) a soil conservation and land husbandry program that will contribute to more sustainable land and water management and decreased erosion; and (ii) soil fertility management, and advance research and seed production, which will improve agricultural practices and increase food security in the country.

47. Social Effects. No significant changes in land use or large-scale land acquisition are expected from the proposed PforR. The Program continues to pay specific attention to its potential social impacts, based on the practices established under previous PforR operation. These include: a chance of moderate physical resettlement and/ or land acquisition related to Program interventions and temporary displacement due to land husbandry works; challenges of identifying relocation sites due to the limited land availability; loss of income from land due to demarcation of buffer zones; potential for limitations on access to natural resource use in or around protected areas; consolidation of land use; acquisition of land for agro-processing and off-farm activities; benefit sharing of commercial farming if land is rented; male capture of community institutions; obstacles for women and youth participation; difficulty of purchasing agriculture inputs for the very poor due to their limited access to micro finance; conflict over land ownership and use; and weak participatory decision making and lack of transparency. The Program is also expected to have significant social benefits for the rural communities in the target areas, such as increased productivity and commercialization of agriculture and improved quality and accessibility of agricultural services, thus improving citizens' incomes and overall welfare and quality of life, especially for the rural poor and vulnerable. Based on the approach established during implementation of other Bank-supported operations, the Program targets farmer groups with specific attention to gender issues, including in group and cooperative leadership, inclusion of vulnerable groups, and training in conflict resolution and family welfare.

48. Sustainability. Ensuring environmental and social sustainability of Program investments requires

mainstreaming sustainability planning at all levels of the government, including the continuous participation of target communities. Currently, the challenge for the sector institutions under the Program is to ensure that decentralized decision making, transparency, and accountability are institutionalized to enhance sustainability of investments. This need has been recognized by MINAGRI, RAB and participating private sector entities and will receive support from the DPs.

49. Capacity. Institutional arrangements for environmental management, including ESIAs, are mandated and established at all levels of government. The legal/regulatory procedures and policies for expropriation of land in the country adequately respond to the relocation and compensation for loss of assets, services, homes, and land. However, a common challenge is the ineffective implementation of these requirements and responsibilities due to lack of institutional capacity and financial resources at the local level. The assessment of specific capacity of the private sector is ongoing, however, more coordination efforts will need to be made by MINAGRI to ensure effective compliance monitoring of the PPP interventions. The capacity-building program will continue from the previous phase and focus on improving the environmental and social management practices among the government agencies and private sector organizations, including in the areas of: (i) implementation and oversight of the environmental and social assessment system within the Program; (ii) sustainability aspects of site selection and technical designs of the land husbandry and irrigation activities; (iii) documentation of involuntary resettlement and project-affected people and vulnerability assessments, including, where necessary, preparation of resettlement action plans (RAPs); (iv) screening of potential environmental and social impacts and public consultation; (v) enhancing gender-sensitive capacity building of local and national staff and service providers and gender responsiveness in agricultural service delivery; and (vi) good monitoring practices, including proactive use of grievance redress mechanisms; sampling of soil and water quality, and others.

50. OP 7.50 on International Waterways is triggered as the Program activities will involve water extraction for irrigation activities from the streams flowing into international basins of the Nile and Lake Tanganyika. Following the practice of the RSSP (phases 1-3), the Bank has notified riparian states as part of Program preparation. The Bank has assessed, however, that the proposed activities under the Program will not result in any adverse impacts to the riparian countries. Irrigation development and land husbandry are not expected to have adverse impacts on water quality levels. Even though agricultural intensification and increased use of agricultural inputs are objectives of the Program, pre-Program input use levels are very low, and modest increases and sustainability measures built into the Program design are not expected to have an adverse impact on water quality. In addition, environmental and pest management plans are routinely implemented in the Program to mitigate such impacts to minimal levels. The PforR Program will not have any adverse effects on the quantity or quality of water flows to any other riparian states.

51. Communities and individuals who believe that they are adversely affected as a result of a Bank supported PforR operation, as defined by the applicable policy and procedures, may submit complaints to the existing program grievance redress mechanism or the WB's Grievance Redress Service (GRS). The GRS ensures that complaints received are promptly reviewed in order to address pertinent concerns. Affected communities and individuals may submit their complaint to the WB's independent Inspection Panel which determines whether harm occurred, or could occur, as a result of WB non-compliance with its policies and procedures. Complaints may be submitted at any time after concerns have been brought

directly to the World Bank's attention, and Bank Management has been given an opportunity to respond. For information on how to submit complaints to the World Bank's corporate Grievance Redress Service (GRS), please visit http://www.worldbank.org/GRS. For information on how to submit complaints to the World Bank Inspection Panel, please visit www.inspectionpanel.org

E. Financing

Program Financing (Template)

Sources	Amount (USD Million)	% of Total
Counterpart Funding	**189.92**	**65.50**
Borrower	192.20	65.7850
International Development Association (IDA)	**100.00**	34.50
IDA Credit	100.00	34.22
Total Program Financing	**282.92**	

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