Project Information Document (PID)

Appraisal Stage | Date Prepared/Updated: 05-Nov-2021 | Report No: PIDA31330

Public Disclosure Authorized

BASIC INFORMATION

A. Basic Project Data

Country	Project ID	Project Name	Parent Project ID (if any)
Rwanda	P171462	Commercialization and De-Risking for Agricultural Transformation Project	
Region	**Estimated Appraisal Date**	**Estimated Board Date**	**Practice Area (Lead)**
AFRICA EAST	28-Oct-2021	16-Dec-2021	Agriculture and Food
Financing Instrument	**Borrower(s)**	**Implementing Agency**	
Investment Project Financing	Ministry of Finance and Economic Planning	Development Bank of Rwanda, Rwanda Agriculture and Animal Resources Development Board	

Proposed Development Objective(s)

The Project Development Objective is to “increase the use of irrigation and commercialization in supported value chains, and access to finance among producers and agribusiness firms”.

Components

Value Chain and Infrastructure Development
Agricultural Finance and Insurance
Contingency Emergency Response Component
Project Management

PROJECT FINANCING DATA (US$, Millions)

SUMMARY

Total Project Cost	300.00
Total Financing	300.00
of which IBRD/IDA	300.00
Financing Gap	0.00

DETAILS

World Bank Group Financing

International Development Association (IDA)	300.00
IDA Credit	300.00

Environmental and Social Risk Classification

Substantial

Decision

The review did authorize the team to appraise and negotiate

Other Decision (as needed)

B. Introduction and Context

Country Context

Rwanda's economy, society and institutions have made remarkable strides since the 1994 genocide against the Tutsi. Rwanda's visionary leadership and the institutions that it put in place post 1994 played a pivotal role in nation-building and recovery. After achieving peace and national reconciliation, the Government focused on improving the country's infrastructure and providing social services to build up its human capital. A results-oriented approach to service delivery and zero-tolerance for corruption has helped create an environment conducive to mobilizing external development financing and investments. Since the early 2000s, Rwanda has sustained its economic growth by consistently increasing public investments. As noted in the World Bank's Country Partnership Framework for the Republic of Rwanda FY21-FY26 (Report no. 148876-RW), strong growth has improved social indicators and decreased poverty rates from 77 percent in 2001 to around 55.5 percent in 2017 (based on USD 1.9 per day international poverty line). Growth in agriculture has been a key driver of poverty reduction. According to some estimates, the agriculture sector has contributed 35 percent to the decline in poverty over the past decade, and 80 percent of households are still engaged in agriculture.

Rwanda has been one of the world's fastest growing economies with an average annual GDP growth of 10.8 percent during the last 25 years. Rwanda's vision[1] to become an upper-middle income country by 2035 and a high-income country by 2050 requires an annual growth rate of higher than 12 percent. The agriculture sector is one of the country's key drivers of growth[2]. The required transformation in agriculture needs to be built on competition and innovation and achieve higher productivity rates through private sector-led investment and development.

Rwanda like the rest of the world has been hit hard by the COVID-19 global pandemic. Its economy was pushed into its first contraction since 1994 and onto a slower long-term growth trajectory. The lockdown and social distancing

[1] As per Rwanda's Vision 2050 document adopted in 2019

[2] Alongside with (i) highly developed human capital, (ii) trade and regional integration, (iii) competitive domestic enterprises, (iv) well-managed urbanization, and (v) capable and accountable institutions (World Bank, *Future Drivers of Growth in Rwanda – Innovation, Integration Agglomeration and Competition*, 2019).

measures, which were critical to limiting infections, sharply curtailed economic activities. GDP in real terms fell by fell by 3.4 percent in 2020, compared to an expansion of 8 percent anticipated before the COVID-19 outbreak. GDP increased by 3.5 percent year-on year in the first quarter of 2021, as services output continued to decline but industrial and agricultural output rose. However, in the absence of major policy intervention, Rwanda's long-term growth is likely to be significantly lower than the pre-pandemic trajectory. A quick recovery in Rwanda's strategic growth sector is unlikely due to the continued prevalence of COVID-19 in the developed economies, as well as a fear factor that will probably continue after the crisis. Further, there is considerable potential for a lasting impact on capital accumulation and productivity, as observed in similar crises in the past.

Sectoral and Institutional Context

In agriculture, future growth hinges primarily on productivity-enhancing innovations, technological improvement, and allocative efficiency in resource use. It will only be possible if critical constraints such as weak market and value chain linkages, weak institutional capacities, low input quality and availability, limited access to finance, and insufficient skills and knowledge are strengthened first. In Rwanda, where area-based growth has limited potential due to land constraints, the extension of the irrigation network is the only way to expand the effective land area. Risks, especially climate-related production risks, will have to be managed, so that future agricultural growth is not jeopardized. All these elements will need to be addressed so that Rwandan agriculture can transform from a subsistence sector to a knowledge-based value creating sector. The private sector would need to play a key role, while public sector investments, including in irrigation, infrastructure, and services, will need to be linked more effectively to agricultural development and value-added products.

In the past, area growth was a major driver of Rwanda's agriculture growth, but its residual potential is limited due to land constraints. Rwanda is one of the most densely populated African countries, and access to farmland has deteriorated markedly in the face of demographic pressure and slow transition from farm to non-farm livelihoods. The share of households with less than 0.3 hectares of land has increased by about 10 percentage points from 2011 to 2017. (Systematic Country Diagnosis, World Bank, 2019). Global experience shows that irrigation accounts for most of the effective land area growth. In Rwanda, about 62,000 ha of land are irrigated against a potential 500,000 ha (Irrigation Master Plan, 2019). Only 10 percent of households used any irrigation in 2017, and two thirds of them relied on traditional methods. While Rwanda made some good progress on improving the regulatory environment for irrigation (with a score of 5 out of 10), irrigation development, water use efficiency and reforms need to continue with a greater focus on leveraging investments and institutional changes to facilitate increased uptake at the farm level.

Yield growth through input intensification and total factor productivity (TFP) growth in Rwanda has much more room to expand. After sharp increases in the early 2000s, agricultural yields plateaued or even dropped in the last 10 years. Both crop and livestock productivity levels are low, in international comparison, due to a slow shift to commercial production, low adoption of knowledge and technology, weak market linkages, limited access to inputs and mechanization, lack of finance, and a high exposure to production risks. The rising market demand and strengthening of market-oriented seed systems will encourage farmers to invest in good productive inputs which will result in yield growth. As such there is significant potential to improve farmer skills, boost the use of fertilizers and machinery, and increase farmers' access to quality seeds, especially given Rwanda's generally low uptake[3] of agriculture technology and innovation. The government, through subsidies and centralized procurement, remains heavily involved in key inputs markets, especially seeds and fertilizers, even though there is a private fertilizer distribution network contracted by the

[3] In 2020 (season A), only 35 percent of agricultural households used improved seeds, and only 21 percent used pesticides.

Rwanda Agriculture and Animal Resources Development Board (RAB). Quality controls and new product registration are some of the main regulatory challenges facing seeds and agro-chemicals.

Rwanda stands to make significant gains from strengthening its resource allocation efficiency and its agri-food value chains, enhancing access to markets, and improving the institutional structures in agriculture. Focus is needed on enhancing horizontal coordination of production across farms (using the cooperative model[4]) and improving vertical coordination in the agri-food value chains. Supporting agribusiness offers short-term opportunities for market creation and potential for development impact, if Rwanda maximizes it comparative advantages in traditional crops such as maize, cassava (and rice, at the margin), as well as non-traditional crops such as Irish potatoes and beans. In addition, tea, coffee, and horticulture are highly competitive internationally and would have positive impacts on employment and growth. Increased private sector investment in agribusiness would help unleash these effects and contribute to youth employment

There has been impressive development in some supply chains over the last two decades, however agricultural value chains continue to face significant technological and logistical challenges[5]. Insufficient access to quality seeds and poor value chain organization are affecting Irish potatoes. Low access to quality inputs (seeds, agro-chemicals, soil information) and equipment and poor post-harvest practices are contributing to quality issues such as aflatoxin contamination in maize, and, consequently, to low marketability. Low irrigation uptake limits the growth of the commercial rice sector, targeting mainly the domestic market, as well as the expansion of high value-added commodities, such as horticulture, with good export potential.

Additional investment is needed to overcome these constraints, commercialize agricultural production, and move up the agribusiness value chain. However, the amount of credit, especially long-term finance to the agriculture sector is limited and insufficient for significant capital investments. For most lenders, based on historical performance, agricultural production is considered high risk and has high transactional costs. The Rwandan agriculture sector requires more finance and investment to increase the adoption of appropriate practices, equipment, technology, and infrastructure for value chain development. A substantial increase in financial products and services such as savings and credit would provide capital investments to allow producer organizations and agribusiness SMEs to grow, innovate and become more competitive.

Public institutions are actively promoting agriculture finance by providing loans directly and indirectly and offering de-risking mechanisms. The Development Bank of Rwanda (BRD) is the largest retail lender in the agriculture sector especially agribusiness and manages wholesale credit lines for banks and MFIs. The Business Development Fund (BDF) credit guarantee scheme prioritizes the agriculture sector. The government piloted a crop insurance scheme that prompted a significant increase in agriculture lending, but the penetration of insurance is still limited. While overall insurance uptake is rapidly increasing in Rwanda, only 1 percent is for agriculture insurance. Affordability and lack of awareness[6] are the main barriers to uptake. International experience shows that bundling agriculture credit with carefully designed agriculture insurance products, reduces production risk from the rural lending equation and can unlock access to seasonal agriculture credit for farmers who were previously considered not creditworthy. Furthermore,

[4] Despite some progress, only 12.5 percent of agricultural households report membership in a cooperative or association.
[5] International Fund for Agricultural Development (IFAD), 2016. *Rwanda Dairy Development Project. Detailed Design Report.* https://webapps.ifad.org/members/eb/118/docs/EB-2016-118-R-19-Project-design-report.pdf;
World Bank Group - *Creating Markets in Rwanda: Country Private Sector Diagnostic, 2019.*
World Bank Group. Future Drivers of Growth in Rwanda: Innovation, Integration, Agglomeration, and Competition, 2019.
[6] FinScope Rwanda Survey conducted in 2019/20.

by reducing risk, agriculture insurance provides incentives to farmers to invest their own savings in advanced farming methods and thereby increase their productivity and incomes.

The uptake of information and communications technology (ICT) holds potential for leapfrogging innovation milestones in agriculture and bypassing some market or institutional failures. Rwanda has embarked on a forward-looking digital transformation as outlined in the National ICT Strategy and Plan, NICI - 2015. Currently, 67 percent of all households (and 62 percent of all rural households) have at least one mobile phone. Seventeen percent of the households (versus 12 percent in rural areas) have internet access, primarily through mobile devices. In agriculture, ICT can facilitate timely delivery of information (e.g., markets, weather), advice and extension (e.g., soil analysis, animal health), and importantly for low-income farmers, drive down transaction costs (e.g., through mobile banking or other e-services). Rwanda is using a digital platform, the Smart Nkunganire System, to deliver agricultural subsidies to farmers. Rwanda's ICT infrastructure provides a good foundation for diffusion of technology and information, but the country needs to continue improving its regulatory environment; ICT is rated relatively low in the Enabling the Business of Agriculture (2019), with -1 behind both its regional and income group average.

Rwanda's gender gap must be closed to reach the growth potential for agriculture. Rwanda is widely recognized for its commitment to gender equality. Rwanda has a strong legal and policy framework to support and advance gender equality, including a legal mandate for gender-responsive planning and reporting through Gender Budget Statements. Gender mainstreaming is a prominent cross-cutting theme in Rwanda's national policy strategies and its range of sector-specific and stand-alone gender strategies. For the agriculture sector, efforts to address gender disparities include implementation of the 2019 Rwanda Agriculture Gender and Youth Mainstreaming Strategy; gender-sensitive land reform, with joint titling of female and male partners' land; and gender equality in inheritance reforms. Nevertheless, gender disparities persist in the agriculture sector. Female-managed farms are 12 percent less productive than male farms and 50 percent of the gender gap in productivity is due to lower access to productive inputs, such as seeds, fertilizers, and irrigation. There are large discrepancies between men and women in their access to finance. In addition, female-managed farmers have on average 10.5 percent smaller land plots than male-managed farms and receive lower prices for their produce at markets, while being less represented in off - farm employment. Improving women's access to productive inputs, financial and insurance services, appropriate climate-smart agriculture (CSA) technologies, irrigation, and supply chain development are crucial and necessary to help reduce the gender gap in agriculture.

Risks, especially climate-related production risks, will have to be managed, so that future agricultural growth is not jeopardized. Promoting measures to mitigate and adapt to climate change, while harnessing the benefits of novel technologies (e.g., solar irrigation, adapted plant varieties) and providing vulnerable farmers and herders with appropriate agriculture insurance products, would have the double benefit of reducing climatic risk and crowding in credit in the agricultural sector. Concurrently, the private sector will need to play a key role, and public sector investments, including in irrigation infrastructure, and services, will need to be linked more effectively to agricultural development and value-added products.

Rwanda is working to address these sector challenges through the implementation of its fourth Strategic Plan for Agriculture Transformation (PSTA 4), an articulation of a bold vision for the country's agricultural development. The PSTA 4 has shifted Rwanda's agricultural policy focus to farm profitability and commercialization. It includes a major strategic shift in the Government's role from implementer to enabler. It also emphasizes increasing productivity, value chain development and market linkages, and diversification to higher value agricultural products. The proposed Project would directly contribute to these strategic goals by focusing on strengthening productivity, resilience, inclusive markets and value addition for targeted value chains. Through irrigation infrastructure development, agricultural mechanization,

increasing private sector participation, boosting value addition and processing, and increasing access to finance, the project would also contribute to Rwanda's seven-year (2017 – 2024) *National Strategy for Transformation* (NST 1), which includes among its strategic intervention areas, agricultural modernization and increased productivity.

As the preparation of this operation is progressing, the world is being confronted with the COVID-19 global pandemic and its wide spanning ripple effects. After initial contraction, the agricultural sector has proven a source of economic resilience during the pandemic (World Bank, Rwanda Economic Update, June 2021). Growth in agriculture has partially offset declines in industry and services. Boosted by robust food production of Seasons B and C, the agricultural sector reported a growth in the second half of 2020 after bad performance in the first half as heavy rains and floods destroyed part of the production of some important food crops in Season A. Harvests then improved, and food production increased by 2.6 percent in both third and fourth quarters, which led to improvements in food prices over the second half of 2020. Output of export crops experienced declines in the first three quarters of 2020 and saw some recovery in the fourth quarter as the production of both tea and coffee recorded good performance. Good performance of export crops continued in the first quarter of 2021, and together with robust food production led the overall growth in agriculture to 6.7 percent. Agriculture is projected to grow at an average of 5 percent in 2021, supported by favorable weather conditions, robust growth in livestock, and an eventual recovery in export crops.

C. Proposed Development Objective(s)

Development Objective(s) (From PAD)

The Project Development Objective (PDO) is to "*iincrease the use of irrigation and commercialization in supported value chains, and access to finance among producers and agribusiness firms*".

The target beneficiaries will be farmers, farmers' cooperatives, commercial farmers, and small and medium-sized agri-enterprises (agri-SMEs), operating primarily in the following selected value chains: maize, rice, horticulture, Irish potatoes, cassava, and beans. Beneficiary targeting criteria will include among others higher vulnerability of farmers to climate change and extreme weather events and volatility in agricultural production, as well as gender - or age-based needs and vulnerabilities. Most project sites will be in the Southern and Eastern provinces. It is expected that there will be fewer sites in the Northern and Western Provinces where the altitude is higher, the terrain is hillier than in the rest of the country, rainfall is higher and irrigation needs are lower.

Key Results

The key Project Development Objective-level indicators are the following:

(a) Increase in share of agricultural produce sold by participating producers;
(b) Increase in value of agricultural production quantities procured by participating aggregators;
(c) Increase in agricultural lending portfolio of financial institutions supported by the project;
(d) Increase in the number of cooperatives, commercial farmers, small and medium agri-enterprises obtaining agricultural insurance (of which, female); and
(e) Agricultural finance and investment facilitated by the project.

D. Project Description

The proposed project will aim to consolidate and expand the results obtained through previous and ongoing World Bank-funded operations[7], while complementing more traditional productivity enhancing and food security project intervention. These operations that have laid the groundwork for: (i) increasing agricultural production and productivity in key value chains (such as rice, maize, beans, horticulture) through investments in irrigation, terracing, post-harvest equipment and infrastructures; and (ii) strengthening value chain linkages through interventions that helped improve organization (especially through cooperatives) and greater private sector participation (by adopting a Private Sector Leveraging Strategy aimed at incentivizing agri-food public-private partnerships and operationalizing value chain dialogue platforms). The project also aims to address the need identified in the World Bank's 2018 Rwanda Agricultural Finance Diagnostic, to increase access to agricultural finance, particularly long-term investment loans in the agriculture sector and enhance the capacity of financial institutions. In addition, as identified in the World Bank's 2019 review of agricultural insurance in Rwanda, the project intends to contribute to de-risking the agricultural sector by strengthening agricultural insurance provision thereby incentivizing financing institutions to increase their lending to the agricultural sector.

The project will apply a gender, youth, and disability inclusion lens in implementation to ensure that access to productive assets, financial services and information is adequately prioritized for these groups. As such, the scope of project activities and eligibility criteria will be reflective of the relevant gender and age specificities or disability needs.

Legal Operational Policies

	Triggered?
Projects on International Waterways OP 7.50	Yes
Projects in Disputed Areas OP 7.60	TBD

Summary of Assessment of Environmental and Social Risks and Impacts

Building on these results, the project will focus on generating marketable volumes and facilitating their access to markets, while also de-risking and leveraging private sector investment in value-generating agri-food activities. Key project partners will be cooperatives and agri-SMEs, who aggregate production, services and risks, and can effectively establish links upstream and downstream their respective value chains.

The project will focus on six selected value chains (Rice, Maize, Cassava, Horticulture, Irish Potatoes and Beans). To be able to respond to changing market opportunities, the project will be flexible in investing in other value chains during project implementation.

The project will have four components. Component 1 focuses on strengthening market and value chain linkages and improving land use efficiency for commercial production using a climate adaptation and mitigation lens. It is also building up demand for financial services that can unlock investments to modernize and grow the agri-food sector. Component 2 will leverage and deploy private sector capital and strengthen provision of financial and risk transfer

[7] Land Husbandry, Water Harvesting and Hillsides Irrigation (LWH) Project, Rural Sector Support Projects (RSSP), Sustainable Agricultural Intensification and Food Security Project (SAIP), Program for Results PfoR-2

instruments to de-risk the agriculture sector. Component 3 allows for the rapid reallocation of credit uncommitted funds in the event of an eligible emergency. Component 4 covers project management.

Component 1: Value Chain and Infrastructure Development (US$210 million). This component will aim to increase land under irrigation and marketable volumes in the selected value chains and provide targeted climate sensitive infrastructure support through three subcomponents:

Subcomponent 1.1: Irrigation rehabilitation and development (US$142 million). Irrigation is critical to increase productivity and commercialization. The objective of the subcomponent is to expand the irrigated area and increase marketable output from irrigated agriculture in a subset of value chains. Using climate resilient considerations such as use of renewable energy (solar and wind) as a source of power to drive irrigation systems where applicable and viable, the project will rehabilitate and improve existing gravity-fed and pressurized irrigation sites and develop new ones. Sixteen sites have been identified with a combined command area of 12,890 ha (another 1,652.4 ha are a waiting list). The schemes are either hillside, marshland, or Small-Scale Irrigation Technologies (SSIT). The hillside areas are already cultivated mainly with maize, bean, cassava, and horticulture crops but are also appropriate for horticultural export crops such as French beans. The sub-component will finance the: (i) construction of dams as appropriate using a climate lens to help store water and control erosion; (ii) rehabilitation of marshlands to increase productivity and generate greater revenues from the sale of rice grains to domestic markets and neighboring countries; (iii) construction of climate resilient compliant complementary infrastructure as needed (e.g., development of access roads within the schemes; on-farm infrastructure (greenhouses, warehousing, cold chain and packhouses); (iv) mechanization and post-harvest support equipment to improve productivity; (v) climate smart/climate-resilient technology and best practice to increase availability and efficient use of water for irrigation such as lining of irrigation canals.

Subcomponent 1.2: Land husbandry (US$15 million. The objective of the subcomponent is to protect the watershed areas that drain to the sites to be developed for irrigation, while also increasing the productivity of these areas and preventing soil erosion. The subcomponent will finance complementary land husbandry and agronomic measures for soil management (erosion prevention and control; improving fertility, structure, cover, organic matter) to enhance climate resilience and protect and ensure sustainability of the irrigation infrastructure developed through Subcomponent 1.1. Activities will include soil conservation measures and infrastructure appropriate to differing slope categories (e.g., bunding, green manuring, progressive and radical terracing, and liming). The land husbandry work will cover 13 sites with a total area of 7,580 ha. The subcomponent will also finance complementary capacity building activities on land husbandry technologies, use of land husbandry techniques and complementary technology such as use of improved seeds and composting to improve soil fertility and increase farmers' capacity and knowledge.

Subcomponent 1.3: Innovation and services for agri-business development (US$53 million). The objective of the subcomponent is to increase value addition and marketability by addressing critical constraints that directly affect the commercialization of the targeted value chains. The sub-component will finance: (i) *for rice*: mechanization of rice production and improvement of commercialization of long grain rice, mainly on the domestic market; (ii) *for maize*: reduction in aflatoxins through improved processing and drying infrastructure, to expand access to domestic and regional markets; (iii) *for cassava*:

increasing processing infrastructure to create diversified products such as cassava starch and refined flour, with a focus on domestic and regional markets; (iv) *for horticulture*: reducing post-harvest losses, promoting value addition as well as facilitating local seed production for greater reach in domestic, regional and international markets; (v) for *Irish potatoes*: setting processing infrastructure to expand into sectors like potato crisps and frozen chips, with a focus on the domestic and regional markets; and (vi) *for beans*: new marketing models to target specific market niches for different types of beans and development of the processed canned beans sector, for the domestic, regional and international markets. The interventions will be delivered through a mix of instruments, including a Matching Grant Scheme[8], service provision, and technical assistance (TA). The sub-component will support: (a) TA to private operators to meet sanitary and phytosanitary (SPS) and other quality requirements of the market, with a focus on addressing new food safety and SPS risks that may emerge from and be exacerbated by climate change; (b) promotion of women and youth engagement in agriculture to enhance CSA appropriate innovative technology in production and commercialization of different value chains; (c) preparation of quality and bankable business plans – those incorporating climate resilient technologies, green technology and renewable energy (e.g., solar power) will be prioritized; (d) capacity building in post harvesting handling, processing, and marketing; and (e) TA to value chains actors in marketing and for improved produce aggregation models for cooperatives. The sub-component will also finance an Innovation Challenge Fund to increase access to finance. Beneficiaries will receive a grant of up to 70 percent of the costs to test or scale-up innovative ideas developed by value chain actors and other service providers that will benefit actors in the agri-food chains. The Fund will finance technologies in agri-food value chains, including disruptive agriculture technologies (DATs) such as e-extension, traceability, fintech, digital market access services, etc. Eligible activities will also include solutions to address challenges in one or more value chains, including for example provision of on-demand agricultural mechanization services, pack-house and cold chain services, irrigation equipment rental services, etc. The sub-component will also finance TA and facilitate backstopping of private actors to strengthen Rwanda's seed systems to improve access to affordable, high yielding and certified new seed varieties for value chain actors.

Component 2: Agricultural Finance and Insurance (US$75 million). The component aims to expand the supply of financial products and services to farmers and cooperatives for the commercialization of the sector through two subcomponents:

Subcomponent 2.1: Scaling up agricultural finance (US$55 million) has two parts. The first is institutional capacity development for participating financial institutions. The capacity building support will upgrade agriculture finance skills and operations of Financial Institutions (FIs) already active in the agriculture sector as well as others that intend to increase agriculture lending. The training will include cross-cutting topics such as gender and climate-smart agriculture. It will also promote linkages with value chain development activities in subcomponent 1.3 and the use of risk management instruments such as crop insurance in subcomponent 2.2. The second is provision of a credit line for long-term agriculture finance. The credit line will be mainly for FIs for on-lending. The target end-projects for FIs are primarily capital investments by farmers and farmer cooperatives that require long-term financing. FIs will be strongly encouraged to mainstream gender and climate considerations in their product design, marketing, and

[8] which will finance up to 50 percent of the asset costs and be complementary to the credit line activities under Component 2.

loan appraisals for the agriculture. The credit line can be used for any commodities and businesses related to the agriculture sector in addition to the target value chains.

Subcomponent 2.2: Strengthening agricultural insurance (US$20 million). Agriculture insurance and fintech are expected to play a key role in de-risking the agriculture sector and in enhancing credit uptake. This subcomponent aims to strengthen the quality and effectiveness of agriculture insurance offered through the National Agricultural Insurance Scheme (NAIS), which seeks to de-risk the agricultural sector using market-based insurance mechanisms and fintech solutions, and to unlock credit provision to the agriculture sector. The sub-component will strengthen the linkages between credit and agriculture insurance to encourage FIs to increase credit to the agriculture sector, and help farmers adopt climate smart technologies. The subcomponent will also seek to reduce the cost of financial service provision through fintech solutions. Specifically, the subcomponent will: (i) finance investments to develop high-quality insurance products and support agricultural insurance capacity building for private insurance companies, MINAGRI and other government line ministries, and value chain actors involved in promoting and distributing NAIS products and services; (ii) provide limited premium co-financing for agriculture insurance to incentivize investments in good farming practices, especially adoption of climate smart agriculture through de-risking agriculture, and changing farmer behavior to boost yields; (iii) support awareness creation and outreach to both public and private agriculture insurance actors to increase financial knowledge and literacy with emphasis on female farmers; and (iv) support fintech solutions to enhance financial access including insurance. The design of fintech solutions will take into account the fact that women tend to have less access to/ownership of digital technology (mobile phones, computers, and internet access etc.) and will aim to ensure their inclusion.

Component 3: Contingency Emergency Response Component (CERC) US$0.00 million). This component will allow for rapid reallocation of the project's uncommitted funds for immediate response in the event of an eligible crisis or emergency, defined as an event that has caused or is likely to imminently cause a major adverse economic and/or social impact associated with natural or man-made crises or disasters

Component 4: Project Management (US$15 million). This component will support all aspects of project management, such as: (i) project staffing and their training; (ii) procurement and financial management; (iii) environmental and social safeguards implementation and compliance; (iv) monitoring and evaluation (M&E); (v) equipment and operating costs; (vi) communication and knowledge management. The project will also finance TA and analytics to address specific policy and regulatory framework aspects in areas that fall under the scope of the project, e.g., competitiveness, commercialization, job creation, or attracting greater involvement of the private sector, development of an appropriate policy framework for crop and livestock insurance in Rwanda, etc.

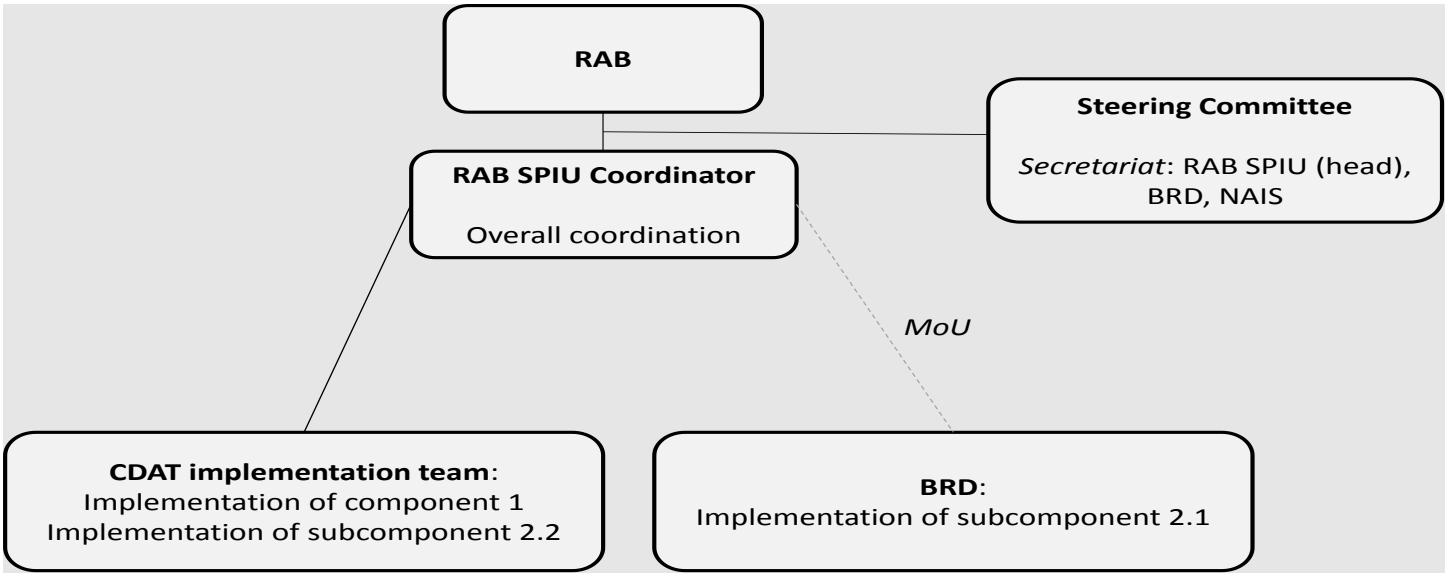
E. Implementation

Institutional and Implementation Arrangements

The project will be implemented by the Rwanda Agriculture and Animal Resources Development Board and Development Bank of Rwanda. RAB, through its current Single Project Implementation Unit (SPIU) will ensure the overall coordination of the project. The SPIU will also be responsible for the implementing component 1 and subcomponent 2.2. BRD will be responsible for the implementation of subcomponent 2.1. BRD will sign a memorandum of understanding or an implementation agreement with RAB to undertake this work.

A Steering Committee (SC) will be established to provide strategic guidance during project implementation. The Committee, chaired by MINAGRI and co-chaired by MINECOFIN, will meet regularly, and will include representatives of relevant government agencies (such as Ministry of Trade and Industry, RAB, National Agricultural Export Development Board – NAEB, BRD, etc.), private sector, and other stakeholders. A Secretariat composed of RAB SPIU and BRD staff will support the work of the SC. The SC will be responsible for reviewing and approving action plans; financial plans; and project implementation reports; and advocacy and providing guidance on policy adjustments required from the agriculture sector and financial sector stakeholders.

Figure 1: Project implementation arrangements



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