Project Information Document (PID)

Appraisal Stage | Date Prepared/Updated: 19-Jun-2024 | Report No: PIDA37614

BASIC INFORMATION

A. Basic Project Data

Country	Project ID	Project Name	Parent Project ID (if any)
Rwanda	P181660	COMMERCIALIZATION AND DE-RISKING FOR AGRICULTURAL TRANSFORMATION PROJECT-ADDITIONAL FINANCING	P171462
Parent Project Name	**Region**	**Estimated Appraisal Date**	**Estimated Board Date**
Commercialization and De-Risking for Agricultural Transformation Project	EASTERN AND SOUTHERN AFRICA	12-Jun-2024	28-Jun-2024
Practice Area (Lead)	**Financing Instrument**	**Borrower(s)**	**Implementing Agency**
Agriculture and Food	Investment Project Financing	Ministry of Finance and Economic Planning (MINECOFIN), Republic of Rwanda	Development Bank of Rwanda, Rwanda Agriculture and Animal Resources Development Board

Proposed Development Objective(s) Parent

The Project Development Objectives are to increase the use of irrigation and commercialization among producers and agribusiness firms in supported value chains, and to increase access to agricultural finance.

Components

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

PROJECT FINANCING DATA (US$, Millions)

SUMMARY

Total Project Cost	4.00
Total Financing	4.00
of which IBRD/IDA	0.00

Financing Gap	0.00

DETAILS

Non-World Bank Group Financing

Trust Funds	4.00
Partnership for Market Implementation Facility	4.00

Environmental and Social Risk Classification

Substantial

Other Decision (as needed)

B. Introduction and Context

Country Context

Rwanda is one of Africa's fastest growing economies and has set high goals for continued economic development. For the past 26 years, Rwanda has seen an average annual Gross Domestic Product (GDP) growth of 7.78 percent[1]. The largest sector is the service sector, contributing 47 percent of GDP, followed by agriculture (25 percent, 2022.)[2] and manufacturing (21 percent)[3]. Rwanda's vision is to become an upper-middle income Country by 2035 and a high-income Country by 2050, which requires an annual growth rate that exceeds 12 percent. The World Bank also estimates that for Rwanda to reach middle-income status, private sector investments need to almost triple, from 13 percent of GDP in 2023 to 32 percent of GDP in 2035. Demographically, Rwanda is a young country with about half the population being under 20 years[4] therefore job creation, especially for young people, is also key for continued growth.

Rwanda has achieved impressive growth and poverty reduction over the last decade, but challenges remain including meeting food demands, ensuring food security, reducing malnutrition, and combatting the impacts of climate change.

Sectoral and Institutional Context

The agriculture sector is one of the key drivers of the Rwandan economy and the country's growth strategy is in part based on the expected transformation of the agriculture sector; nevertheless, productivity needs to increase significantly for the sector to continue to be one of the main drivers of growth and real income opportunities. 82 percent of Rwanda's population lives in rural areas, 69 percent of all households are engaged in crop or livestock

[1] World Bank national accounts data
[2] Rwanda Vision 2050, page 9
[3] GDP National Accounts, NISR, 2022, page 5
[4] Gender and Youth Mainstreaming Strategy, 2019, page 26

production, and the sector engages 55 percent of the labor force and almost 80 percent of the female labor force[5]. The agriculture sector dominates Rwanda's exports, accounting for about 50 percent of total exports and is second in size in the economy, behind the service sector. Farming accounts for 33 percent of all new jobs created in the Rwandan economy and there are high expectations for agriculture to not just provide employment for a growing rural population but also to generate higher-quality jobs that will reduce poverty. In addition, the country relies heavily on domestic food production for consumption.

Climate change is one of the biggest risks to the Rwandan agri-food system with Rwanda ranked 153rd in its vulnerability to climate change (Notre Dame Global Adaptation Index)[6]. Furthermore, according to Rwanda's most recent Nationally Determined Contributions (NDC) 2020, agriculture is its largest source of greenhouse gas emissions, constituting ~45% of the nation's emissions profile. However, based on estimations of the country's emissions reduction potential by 2030, agriculture accounts for 49 percent of total mitigation potential. As such, reducing farmers' vulnerabilities to climate risks is a key cornerstone of the design of the ongoing Commercialization and De-Risking for Agricultural Transformation Project (CDAT), the parent project for the proposed Additional Financing (AF) which has been under implementation for 2 years. CDAT uses a multifaceted approach to reduce climate vulnerabilities in 6 targeted value chains (maize, rice, horticulture, Irish potatoes, cassava, and beans), which are considered particularly susceptible to drought, flooding, moisture, and heat stress. The approach combines: (i) the use of targeted resilience and locally appropriate Climate Smart Agriculture (CSA) adaptation approaches, including climate smart technologies in the agriculture investments; and (ii) provision of appropriate agriculture insurance products to vulnerable farmers and herders. This approach is intended to contribute to achievement of the triple CSA goals of: (i) increased agricultural productivity and incomes; (ii) enhanced resilience to climate change; and (iii) reduced greenhouse gas (GHG) emissions.

Continuing to effectively address the enormity of climate risks, especially within the confines of limited climate financing for the agriculture sector requires ongoing innovation, use of targeted mechanisms to strengthen and scale up successful, and efficient climate action. Additional climate change mitigation and adaptation co-benefits can be generated through improved practices, investments and technologies targeted to benefit small-scale farmers and small and medium-sized agri-enterprises (agri-SMEs) if an appropriate mechanism is in place.

C. Proposed Development Objective(s)

Original PDO

The Project Development Objectives are "*to increase the use of irrigation and commercialization among producers and agribusiness firms in supported value chains, and to increase access to agricultural finance*".

The target beneficiaries are farmers, farmers' cooperatives, commercial farmers, and agri-SMEs, operating primarily in the selected value chains. Beneficiary targeting criteria 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.

Current PDO

[5] WFP Rwanda Country Brief, April 2023
[6] World Bank Country Partnership Framework for Rwanda FY21-FY26.

The original PDOs and target beneficiaries remain the same for the Additional Financing.

Key Results

The final project outcomes will be assessed through the PDO, and intermediate-level indicators as detailed in the Results Framework (RF). The original key PDO-level indicators remain unchanged and 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.

Adjustment of the Results Framework (RF). Three changes will be made to the RF: (I) two (2) new indicators and targets along with one (1) break-down indicator will be added to measure the AF outcomes; (II) the targets for seven (7) indicators will be adjusted to reflect the cancellation of US$80 million; and (III) Five (5) new sector Corporate Results Indicators (CRIs) from the new corporate scorecard will be added to the original RF in line with the ongoing retrofitting requirements. The team proposes to add: (i) *Millions of people benefitting from greater gender equality of which (%) from actions that expand and enable economic opportunities; (ii) Millions of people and businesses using financial services of which (%) are women and youth; (iii) Millions of people with enhanced resilience to climate risks; (iv) Millions of hectares of terrestrial and aquatic areas under enhanced conservation and management; and (v) Millions of people using digitally enabled services.*

D. Project Description

The Government of Rwanda (GoR) has requested the World Bank to mobilize grant funding from the Compact with Africa-Green Business Fund to pilot an innovative approach to enhance CDAT's climate impact and demonstrate new approaches for replication and scale up. The CwA-GBF's objective is to "empower African SMEs to attract climate/green finance to identify/adopt/scale up climate-smart practices and technologies, in both adaptation and mitigation".

The proposed AF will support the design and piloting of a Results-based Climate Finance (RBCF) mechanism to expand the adoption of climate smart agricultural practices by CDAT project beneficiaries in selected subsectors. The mechanism provides a financial reward in the form of grant payments for the achievement of agreed-upon and verifiable climate-related outcomes, particularly emissions reductions and/or removals (ERRs) alongside adaptation and resilience co-benefits. It has the potential to accelerate climate action by providing an additional source of funding that recognizes and rewards projects and/or investments for the climate benefits they generate. The proposed AF is also aiming to establish a proof of concept for how RBCF can be leveraged in combination with traditional financial products to enhance the financial viability of CSA investments and promote adoption of CSA activities with both mitigation and adaptation benefits.

The AF will be implemented through the existing parent project structure which is composed of: Component 1. Value Chain and Infrastructure Development; Component 2. Agricultural Finance and Insurance; Component 3. Project Management; and Component 4. Contingency Emergency Response Component (CERC). Approximately US$3.4 of the

US$4.00 million will be allocated to Sub-component 2.1. Scaling up agricultural finance. The balance will be divided between components 1 and 3.

Specifically, the AF will finance:

(i) **Grants** to the project's eligible Participating Financial Institutions (PFI) borrowers (farmers, cooperatives, and agri-SMEs) to help expand the adoption of CSA practices in selected subsectors. Potential target sub-sectors and eligible investments/practices for accessing the RBCF grants include: conservation agriculture (e.g. incentivizing cover cropping, reduced tillage, crop rotation, etc.); agroforestry (e.g. incentivizing planting of fruit trees); livestock (such as incentivizing use of biogas digesters for manure management, application of forage seeds, tree planting of fodder trees etc.); and rice (such as application of sustainable rice intensification practices on marshland irrigation schemes. The grants will be disbursed through the RBCF mechanism leveraging the existing credit line under subcomponent 2.1.

(ii) **Technical Assistance (TA)** to RAB and BRD for capacity building, training, and administering the RBCF mechanism; and

(iii) **Incremental project management costs**. A portion of the funds will be allocated to component 3 to cover the incremental costs of the day-to-day implementation, coordination, monitoring of and reporting on the AF.

Legal Operational Policies

	Triggered?
Projects on International Waterways OP 7.50	Yes
Projects in Disputed Areas OP 7.60	No

Summary of Assessment of Environmental and Social Risks and Impacts

E. Implementation

Institutional and Implementation Arrangements

The existing institutional and implementation arrangements for the parent project will continue to be used. CDAT is currently implemented by two Single Project Implementation Units (SPIUs). The Rwanda Agriculture and Animal Resources Board (RAB's) SPIU is responsible for overall project coordination, monitoring and reporting, and implementation of Component 1 and subcomponent 2.2. The Rwanda Development Bank's (BRD's) SPIU is responsible for the implementation of subcomponent 2.1. The existing Steering Committee[7] (SC) chaired by the Ministry of Agriculture and Animal Resources (MINAGRI) and co-chaired by the Ministry of Finance and Economic Planning (MINECOFIN), will continue to provide strategic guidance during project implementation.

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[7] includes representatives of relevant government agencies (such as Ministry of Trade and Industry, RAB, National Agricultural Export Development Board – NAEB, BRD,), private sector, and other stakeholders

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APPROVAL

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